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Liontown



Annual Financial Report

30 June 2018

Corporate Directory

Directors

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

Company Secretary

Kym Verheyen

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ASX Codes

Share Code: LTR

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Chairman's Letter



Dear Fellow Shareholders,

THE PAST YEAR HAS SEEN LIONTOWN ACHIEVE NUMEROUS MILESTONES ACROSS OUR AUSTRALIAN BATTERY METALS PORTFOLIO, INCLUDING THE DEFINITION OF MAIDEN LITHIUM AND VANADIUM MINERAL RESOURCES AT TWO OF OUR PROJECTS (IN WA AND QUEENSLAND) AND CONFIRMATION OF A SECOND SIGNIFICANT LITHIUM DISCOVERY IN WA.

I am confident that the strong foundations established during the year have positioned the Company to create significant value for shareholders.

Most notably, exploration at the Kathleen Valley Lithium Project in WA resulted in the definition of a maiden lithium-tantalum Mineral Resource of ~21 million tonnes grading 1.4% Li_2O and 170ppm Ta_2O_5.

The delivery of this high-grade, high-value Resource has confirmed the significance of Kathleen Valley as an emerging development asset in a premier mining location, capable of delivering a high-quality product into the expanding raw material supply chain to the fast-growing lithium-ion battery industry.

The Kathleen Valley Project has a number of very positive attributes. Firstly, the lithium and tantalum grades, of 1.4% Li_2O and 170ppm Ta_2O_5 respectively, exceed those of a number of lithium projects in the region which are already in production. Secondly, it is surrounded by high-quality infrastructure including transport and energy. Finally, the project is located on granted Mining Leases, which should reduce the development timeframe significantly.

Given these favourable characteristics, we intend to advance the project as quickly as possible, with metallurgical test work already underway and a Scoping Study planned for completion in the fourth quarter of 2018.

2018 HIGHLIGHTS



Portfolio of three outstanding battery metals projects located close to established infrastructure in tier-1 mining regions within Australia



Lithium-tantalum Mineral Resource of 21Mt grading 1.4% Li2O and 170ppm Ta2O5 at Kathleen Valley, WA



Second significant lithium discovery at Buldania near Norseman, WA



~84Mt Vanadium Mineral Resource at Toolebuc, NW Queensland

The group's battery metals focus during 2018 has enabled us to maintain strong momentum across all three of our key Australian projects, with recent drilling confirming a second outstanding lithium discovery in WA at the Buldania Project.

Drilling at the Anna prospect, Buldania, has confirmed the potential for significant widths and grades (up to 58m at 1.2% Li_2O) over a strike of 650m with the mineralisation remaining open in all directions. At the time of writing this report, a major follow-up drilling program was in full swing, aimed at establishing a maiden Resource in Q1 2019.

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Chairman's Letter

Importantly, the infrastructure in the area is excellent being located just 30km east of Norseman, WA and a heavy-haulage railway line that services the mineral exporting port of Esperance 200km to the south. There are also other operating lithium mines in the region.

Further afield, we have made significant progress during the year at the Toolebuc Project in Queensland, with the announcement of a maiden vanadium Mineral Resource of ~84 million tonnes grading 0.3% V2O5 at the Cambridge Deposit.

The Cambridge Mineral Resource, which was prepared using historical drilling data, has exceptional growth potential which we intend to pursue with drilling programs over the year ahead.

Having a significant vanadium deposit on our books represents an excellent strategic fit with our Australian battery metals focus. Vanadium has been one of the strongest performing commodities of the past two years, with prices up more than 300% since 2017 to over US$20 a pound at the time of finalising this report.

Vanadium is in high demand for its traditional use as a strengthening agent in high-quality steels, as well as in vanadium redox batteries, which are used in grid-scale energy storage applications.

The Toolebuc Project has excellent infrastructure links and has the potential to host very large vanadium deposits. We will be working hard to advance this project as quickly as possible, alongside our WA lithium assets.

In summary, I am excited about the year ahead as the Company moves quickly towards a Scoping Study at Kathleen Valley, a maiden JORC Resource estimate at Buldania and initial drilling programs aimed at growing the existing resource at Toolebuc.

Independently, each of these three projects has progressed from early-stage exploration to confirmed discoveries with defined Mineral Resources – or the potential for a Mineral Resource – in the space of less than 12 months. Collectively, these advances provide a strong foundation to transform Liontown into a high-quality raw materials supplier to the booming global battery metals industry. Our small, but growing team is energised and intent on progressing all of our assets to the next stage with the objective of unlocking the value of our emerging strategic metals portfolio for the benefit of our shareholders.

We share the view of most of the mainstream lithium producers (and many respected analysts) that the market fundamentals for lithium remain strong and that there will continue to be room for new, quality hard rock lithium projects located in Tier-1 mining jurisdictions for many years to come.

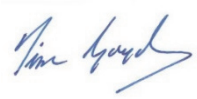
We will continue to focus on our quality projects and advancing them towards commercial development as quickly as possible.

The significant achievements of 2018 are testament to the hard work and leadership of our Managing Director, David Richards, and I would like to acknowledge his contribution and efforts during the year. He has been well-supported by a dedicated team of skilled employees.

In conclusion, I would also like to take this opportunity to also thank all of our shareholders, my fellow directors and executives for their continued and valued support over the past year.

I look forward to another busy year ahead for Liontown, and I believe we have much more to achieve.

Yours faithfully



Tim Goyder
Chairman

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Operating and Financial Review

Highlights

Kathleen Valley Lithium Project, WA, Australia

- Maiden Measured, Indicated and Inferred Mineral Resource announced following successful drilling programs:
  - ~21.2Mt @ 1.4% Li_2O and 170ppm Ta_2O_5.
  - Scoping Study underway, estimate completion late 2018.

Buldania Lithium Project, WA, Australia

- Significant spodumene-related lithium occurrence discovered with intercepts of up to 58m @ 1.2% Li_2O.
- Drilling has defined mineralisation over a minimum strike length of 650m and remains open.
- New acquisitions significantly expand footprint in the region.

Norcott Lithium Project, WA, Australia

- New project acquired 4km south of Buldania which includes strike extensions of same lithium-prospective geology.
- Reconnaissance rock chip sampling during the year recorded lithium values of up to 1.8% Li_2O.

Killaloe Lithium Project, WA, Australia

- New project acquired subsequent to year-end.
- Located adjacent to and immediately north-west of Buldania and includes strike extensions of the lithium-prospective stratigraphy.

Toolebuc Vanadium Project, Qld, Australia

- Maiden Inferred Mineral Resource announced:

  ~84Mt @ 0.30% V_2O_5
- Additional Exploration Target estimated adjacent to the Mineral Resource.

Bynoe Lithium Project, NT, Australia

- Sale to Core Exploration Limited finalised.

Corporate

- Strong financial position at year-end means the Company can continue to progress all of its projects through to key milestones.

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Business Strategy and Outlook

During the reporting period, Liontown continued to advance its highly prospective portfolio of battery-related metal projects, which includes the Kathleen Valley Lithium Project and the Buldania Lithium Project in Western Australia and the Toolebuc Vanadium Project in Queensland. The decision to target these metals followed a recognition of their increasing importance in the global economy, with strong demand growth being driven in particular by the fast-growing electric vehicle industry, the continued emergence of the renewable energy sector, and the need for cost-effective power storage.

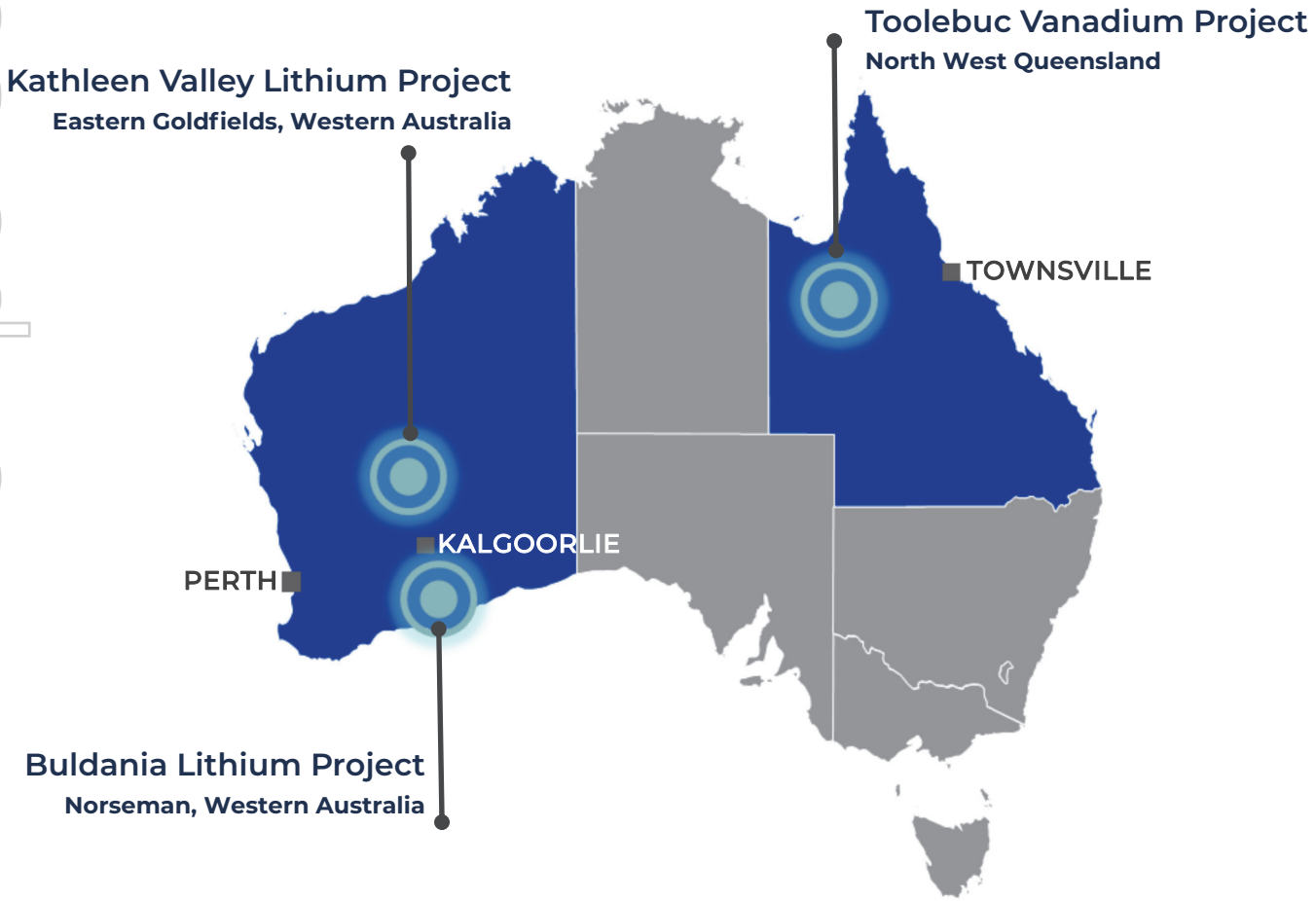
The Company's strategy is to maintain a focused, consistent approach to explore for battery metals at projects where drill targets can be quickly converted to Mineral Resources which can then be developed. Results to date from these three key projects have been highly encouraging, highlighting their prospectivity to host potentially economic lithium and vanadium mineralisation.

Following the release of a maiden Mineral Resource estimate at Kathleen Valley, metallurgical test work is continuing with the results to be incorporated into a Scoping Study scheduled for completion by the end of 2018.

At the Buldania Lithium Project, drilling results to date have been impressive, highlighting the potential for extensive shallow lithium mineralisation. Both exploratory and in-fill drilling is continuing at Buldania, where the Company believes there is good potential to outline a maiden Mineral Resource.

In a very active period subsequent to the end of the financial year, Liontown also released a maiden Mineral Resource estimate for the Toolebuc Vanadium Project. Work will now focus on metallurgical studies for the Toolebuc deposit, which will be important in determining the economic viability of this potentially significant asset.

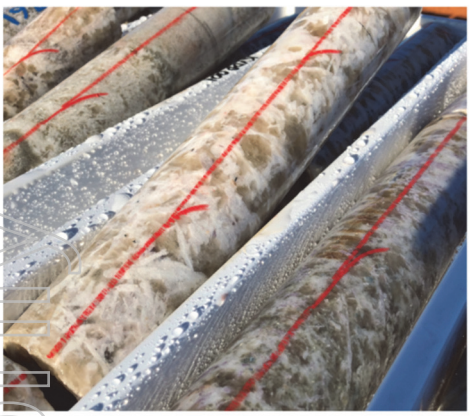
The Company cautions that key risks associated with external factors (movements in commodity prices, foreign exchange rates, interest rates and debt and equity markets) may adversely impact the achievement of these objectives.



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Kathleen Valley Lithium Project

Western Australia (100% Liontown)







THE KATHLEEN VALLEY PROJECT IS A SIGNIFICANT, NEW HIGH-GRADE LITHIUM DISCOVERY LOCATED ON GRANTED MINING LEASES IN A TIER-1 MINING JURISDICTION, IN CLOSE PROXIMITY TO EXISTING TO EXISTING TRANSPORT, ENERGY AND CAMP INFRASTRUCTURE, APPROXIMATELY 670KM NORTH-EAST OF PERTH, WESTERN AUSTRALIA (FIGURE 1). SPODUMENE-BEARING PEGMATITES WERE PREVIOUSLY DISCOVERED BY HISTORICAL PROSPECTING AT KATHLEEN VALLEY AND RESOURCE DEFINITION DRILLING BY LIONTOWN HAS RECENTLY DELINEATED A LARGE, HIGH-GRADE, LITHIUM-TANTALUM MINERAL RESOURCE.

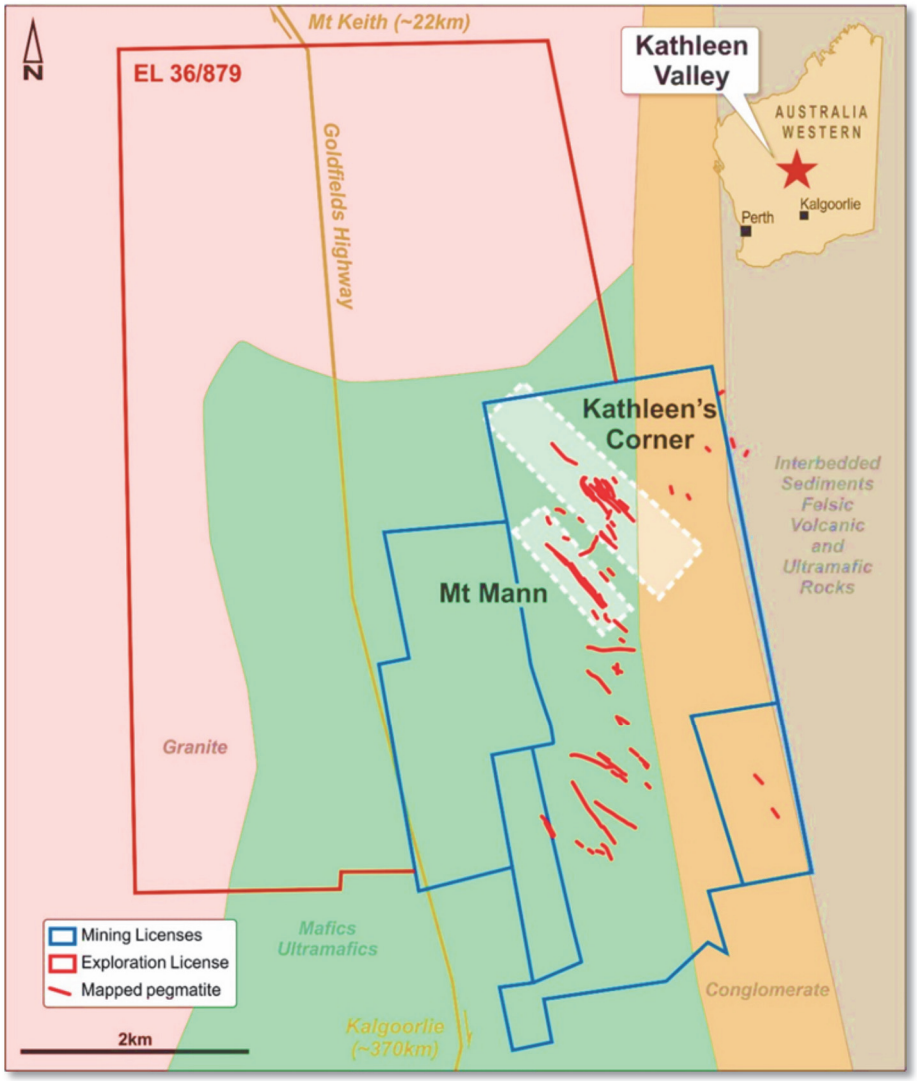


Figure 1: Kathleen Valley Project – Location plan, tenure and regional geology

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Kathleen Valley Lithium Project

Western Australia (100% Liontown)

Exploration

Liontown re-commenced drilling at Kathleen Valley in January 2018 following the receipt of statutory approvals to access the main pegmatite targets. The drilling targeted strike extensions of intersections (up to 58m @ 1.2% Li_2O) reported last year and down-dip of high-grade (>1.5% Li_2O) outcropping mineralisation. Since acquiring the Kathleen Valley Project, Liontown has drilled a total of 155 holes for 20,281m, comprising 146 RC holes for 18,671m and nine diamond core holes for 1,610m.

Subsequent to the end of the year, data from these holes were used by independent consultants Optiro Pty Ltd to prepare a maiden **Mineral Resource estimate of 21.2Mt @ 1.4% Li_2O and 170ppm Ta_2O_5** (Table 1). Of further significance, 75% of the Mineral Resource is classified as Measured or Indicated, setting a strong foundation for future evaluation studies. Further details of the maiden Mineral Resource estimate are provided in Tables 1 and 2 below.

Table 1: Kathleen's Corner and Mt Mann Mineral Resource as at September 2018

Resource category	Million tonnes	Li_2O %	Ta_2O_5 ppm
Measured	3.02	1.3	190
Indicated	12.7	1.4	160
Inferred	5.3	1.3	150
Total	**21.2**	**1.4**	**170**

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

Table 2: Kathleen Valley Mineral Resource reported by Li_2O% cut off grades

Cut-off Li_2O %	Million tonnes	Li_2O %	Ta_2O_5 ppm
0.3	21.2	1.37	166
0.4	21.2	1.37	166
0.5	21.2	1.37	166
0.6	21.2	1.37	166
0.7	21.0	1.37	166
0.8	20.7	1.38	166
0.9	20.1	1.40	167
1.0	18.9	1.43	167
1.1	17.3	1.46	167
1.2	15.1	1.51	168
1.3	12.3	1.56	170
1.4	9.3	1.63	174
1.5	6.6	1.71	177

The Mineral Resource estimate 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).

The Kathleen Valley Lithium Project is located on the western edge of the Norseman-Wiluna Belt within the Archaean Yilgarn Craton. The lithium mineralisation is hosted within spodumene-bearing pegmatites, which are part of a series of LCT-type rare metal pegmatites that intrude mafic and sedimentary rocks in the region.

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Kathleen Valley Lithium Project

Western Australia (100% Liontown)

Eighteen mineralised pegmatites have been identified at the Kathleen Valley Project hosted by two pegmatite swarms – Kathleen's Corner and Mt Mann (**Figure 2**). The Resource remains open along strike and at depth – providing outstanding potential for further growth. The mineralisation at Kathleen's Corner and Mt Mann is such that open pit mining methods can be appropriately considered.

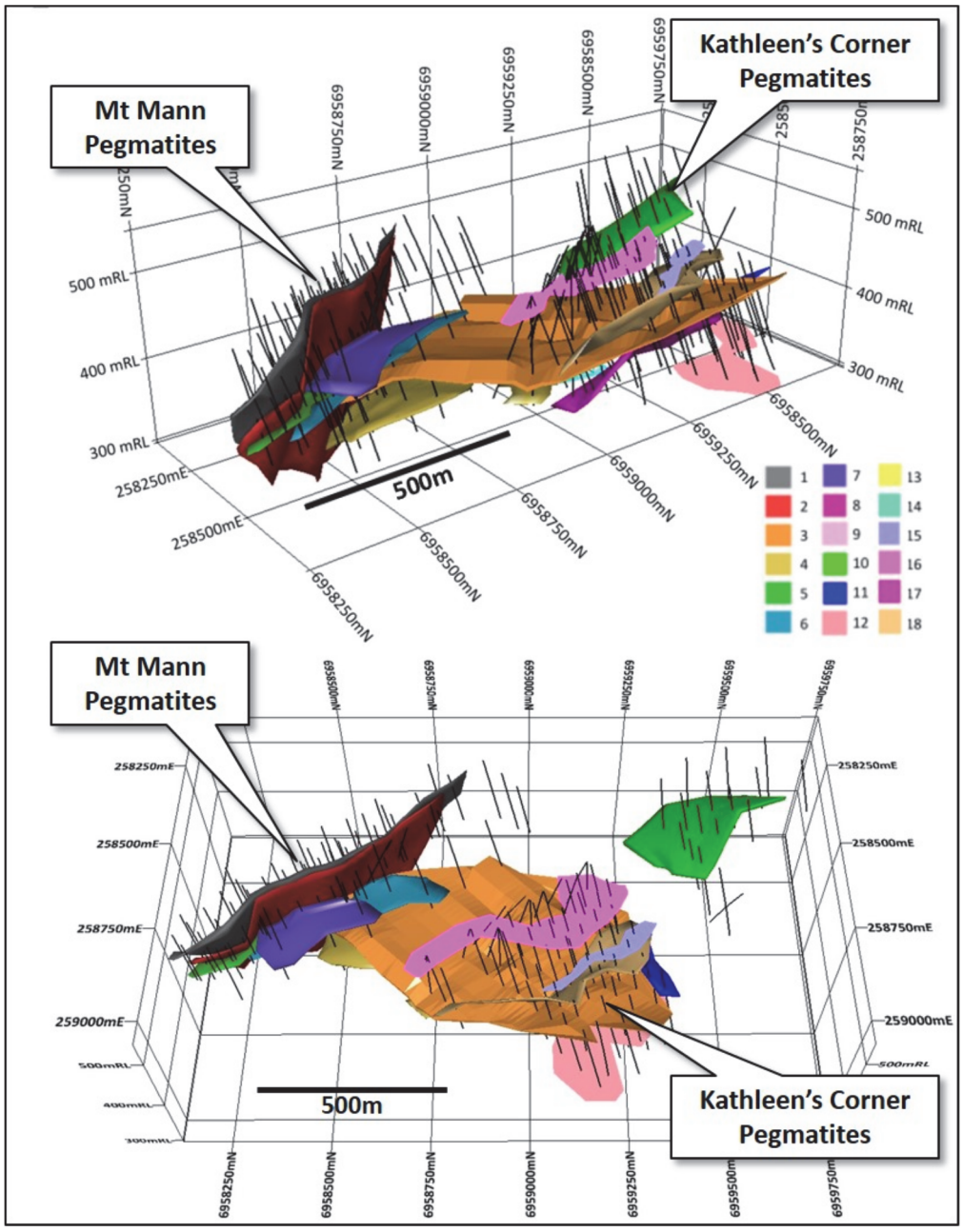


Figure 2: Kathleen Valley– 3D views of the drill holes and mineralised pegmatites coloured by domain code (top - side view, looking north-west, bottom - looking west) 2x vertical exaggeration

Future Exploration

Metallurgical test work is ongoing with results due in Q4 2018.

Liontown will use the data from the Mineral Resource estimation and metallurgical test work to complete a financial scoping study for the Kathleen Valley Project.

Opportunities to expand the Mineral Resource by undertaking further drilling is also planned.

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Buldania Lithium Project

Western Australia (100% Liontown)







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 IS WELL-KNOWN FOR HOSTING SIGNIFICANT LITHIUM DEPOSITS INCLUDING THE OPERATING MT MARION AND BALD HILL LITHIUM MINES. THE BULDANIA PROJECT IS PART OF A LARGE, STRATEGIC LAND POSITION HIGHLY PROSPECTIVE FOR LITHIUM INCLUDING THE NEIGBOURING NORCOTT PROJECT AND KILLALOE PROJECT, ACQUIRED BY LIONTOWN THIS YEAR.

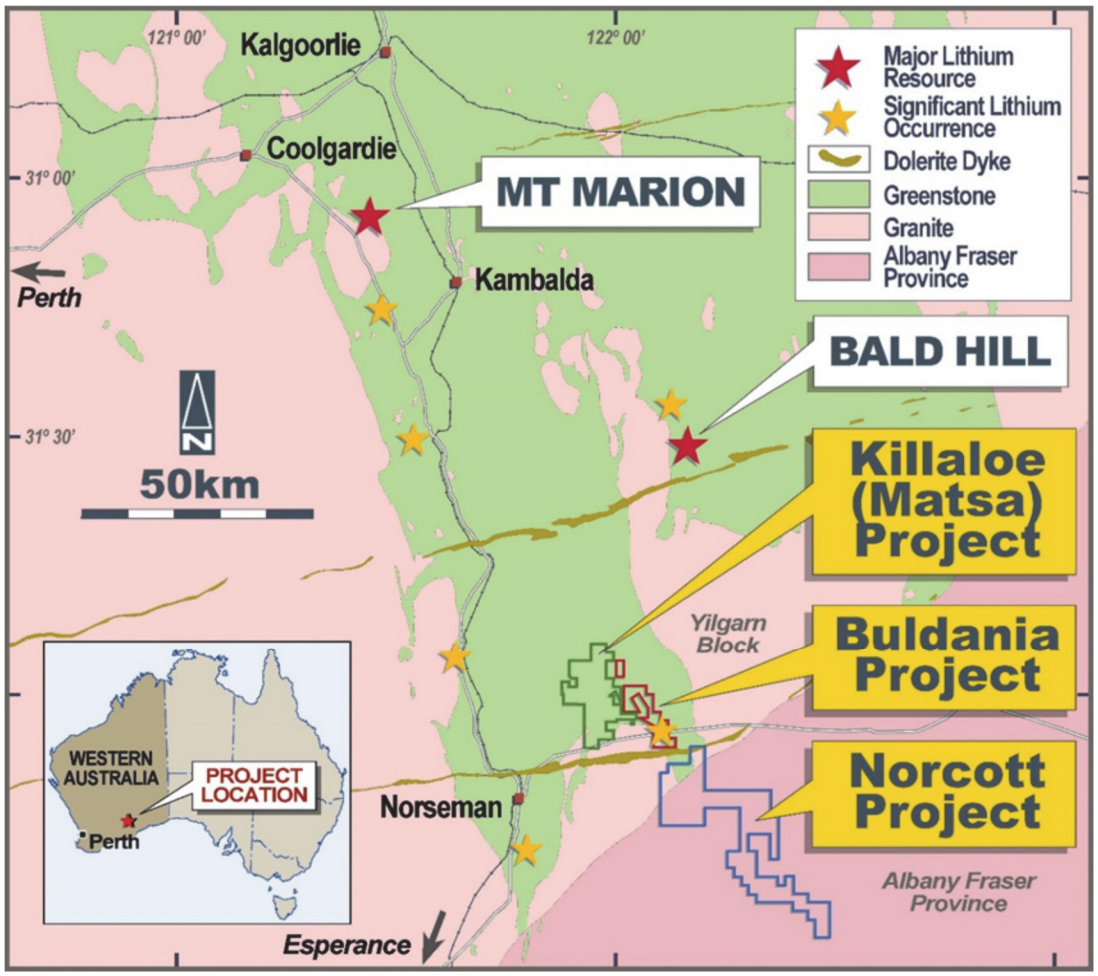


Figure 3: Regional geology plan of SE Goldfields, WA showing Liontown project areas

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Buldania Lithium Project

Western Australia (100% Liontown)

Exploration

Since acquiring the Buldania Project, Liontown has drilled a total of 68 holes for 7,371m confirming the discovery of significant new spodumene-related lithium bearing pegmatite at the Anna prospect.

The mineralisation is open in all directions, with the Anna pegmatite body covering a minimum strike length of 650m with surface widths varying between 50m in the north-west to 250m in the south-east and 200m down-dip (~150m vertical) (**Figures 4 and 5**)

Better intersections are shown in **Figures 4 and 5**.

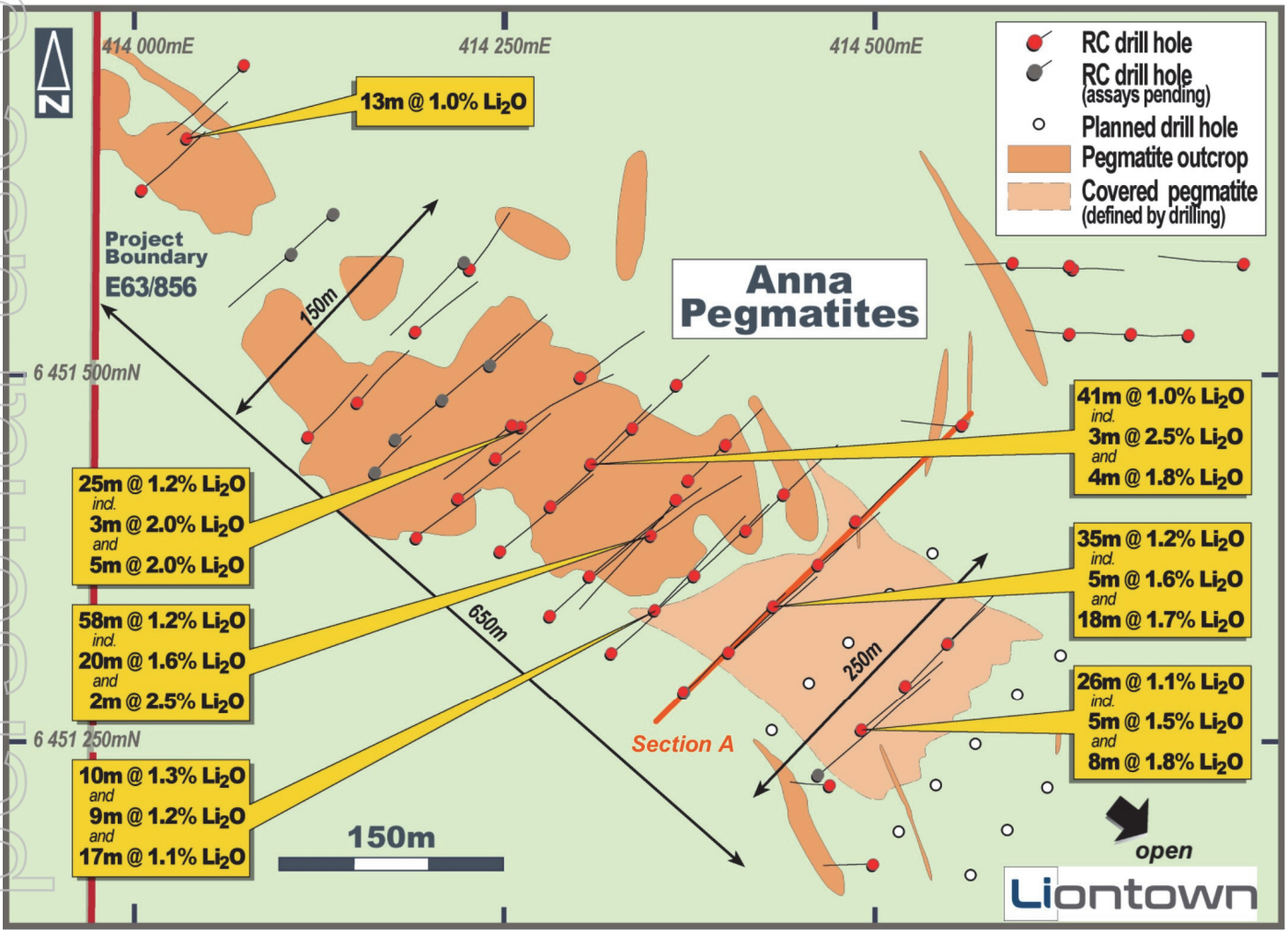


Figure 4: Buldania Project/Anna Prospect – Drill hole plan showing better drill results

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Buldania Lithium Project

Western Australia (100% Liontown)

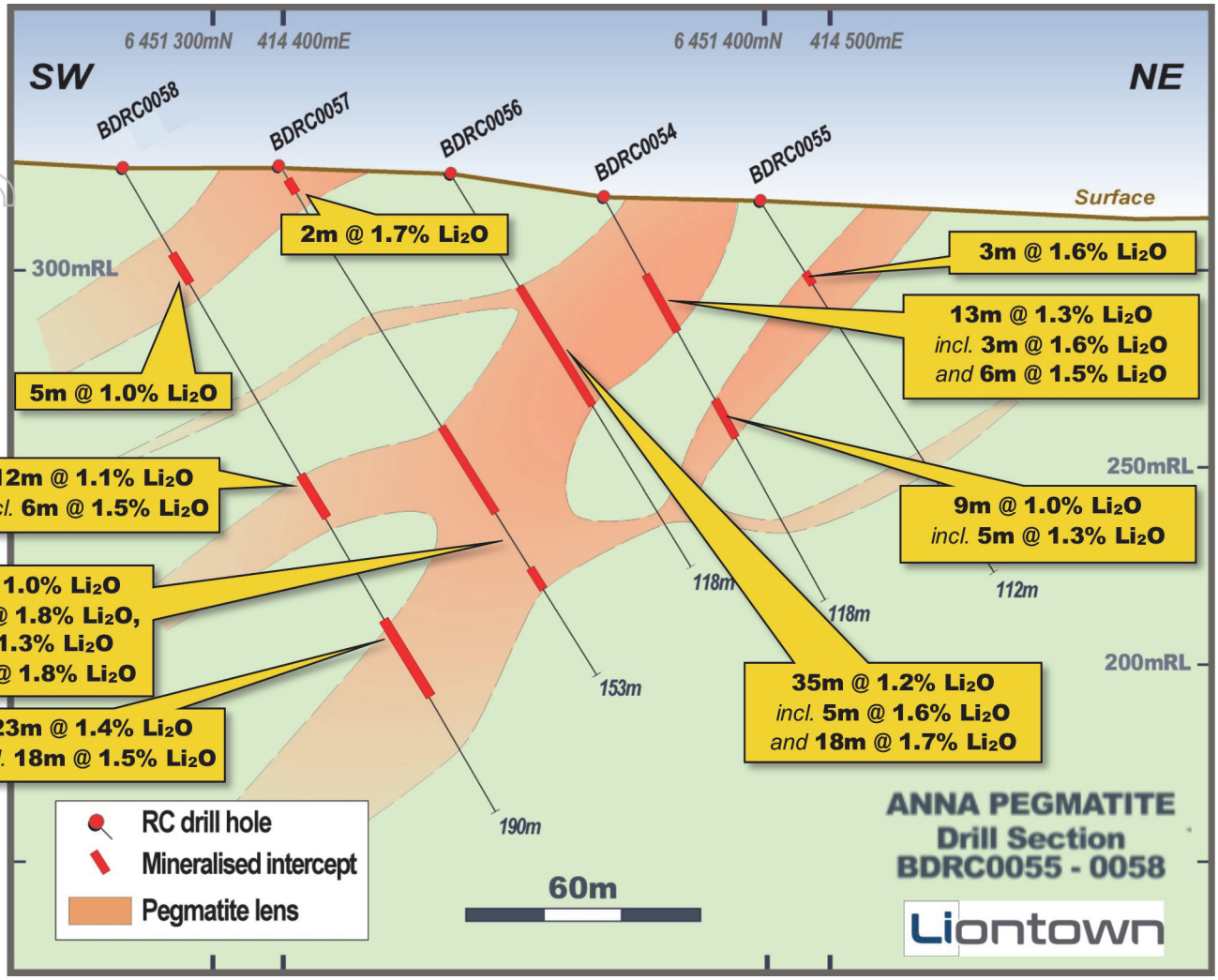


Figure 5: Buldania Project – Drill section A (Anna Prospect) – see Figure 4 for position.

Future Exploration

The current drilling program has been expanded and was ongoing at the time of reporting. Final results from the current program will be combined with those from previous drilling to fast-track a maiden Mineral Resource estimate. A diamond drilling program designed to provide geological data and samples for metallurgical test work is due shortly.

Land Status and Acquisition Terms - Buldania

The Buldania Project area totals ~55km^2 and comprises one granted Exploration Licence (EL 63/856) and one granted Prospecting Licence (PL63/1977).

The licences are held by Westgold Resources Ltd (ASX: WGX). Liontown, has acquired the lithium and related metals rights for the Buldania Project by meeting certain minimum expenditure commitments and paying Avoca $2 per tonne of ore mined and 1.5% of the gross sales revenues in respect to any lithium or related metals extracted from the tenements.

Westgold retains the rights to all other metals (excluding lithium and related metals) and has priority access for exploration.

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Buldania Lithium Project

Western Australia (100% Liontown)

Norcott Lithium Project

Western Australia (100% Liontown)

The Norcott Project is located immediately south-east of the Buldania Project and covers the strike extension of the same lithium-prospective stratigraphy (**Figure 3**). Liontown has acquired two Exploration Licences, including the rights to all metals, covering a total area of 370km2.

There has been no previous lithium exploration on the Norcott Project; however, reconnaissance geological mapping and limited rock chip sampling has identified lithium- and tantalum-bearing pegmatites (with grades of up to 1.8% Li2O and 92ppm Ta2O5), confirming the potential of the project to host significant mineralisation.

Bedrock exposure is obscured by shallow cover and a soil sampling program designed to define possible drill targets is planned for Q4 2018.

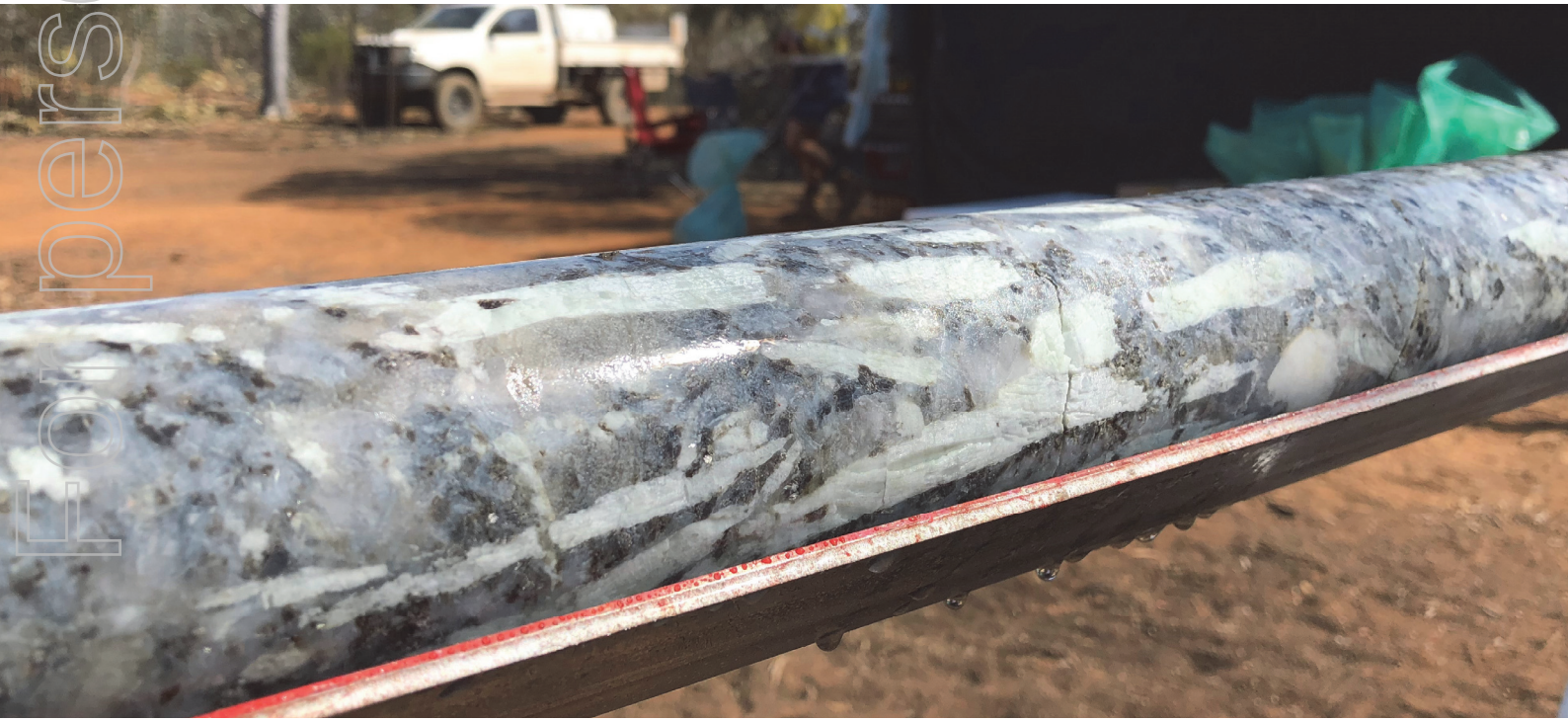
Killaloe Lithium Project

Western Australia (Up to 100% Liontown)

The ~163km2 Killaloe Project is located immediately north-west of the Buldania Project and covers the strike extension of the same lithium-prospective stratigraphy (**Figure 3**).

Subsequent to year end, Liontown entered into a sale agreement to acquire the Killaloe Project from Matsa Resources Limited (ASX: MAT) in consideration for 20 million Liontown shares and a 1% NSR Royalty. The acquisition significantly expands Liontown's lithium-prospective footprint in the region. Completion of the Sale Agreement has been achieved with all conditions satisfied.

Liontown will undertake a review of historic data, geological mapping and geochemical sampling to define targets for drill testing in the coming year.



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Toolebuc Vanadium Project

Queensland (100% Liontown)







THE 100%-OWNED TOOLEBUC VANADIUM PROJECT HAS AN INFERRED MINERAL RESOURCE (TABLE 3) LOCATED IN NW QUEENSLAND, APPROXIMATELY 440KM WEST OF TOWNSVILLE (FIGURE 5). 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 AND THE PROJECT REPRESENTS A LOW-COST ENTRY INTO VANADIUM, A COMMODITY THAT IS CRITICAL TO THE FUTURE OF ENERGY STORAGE.

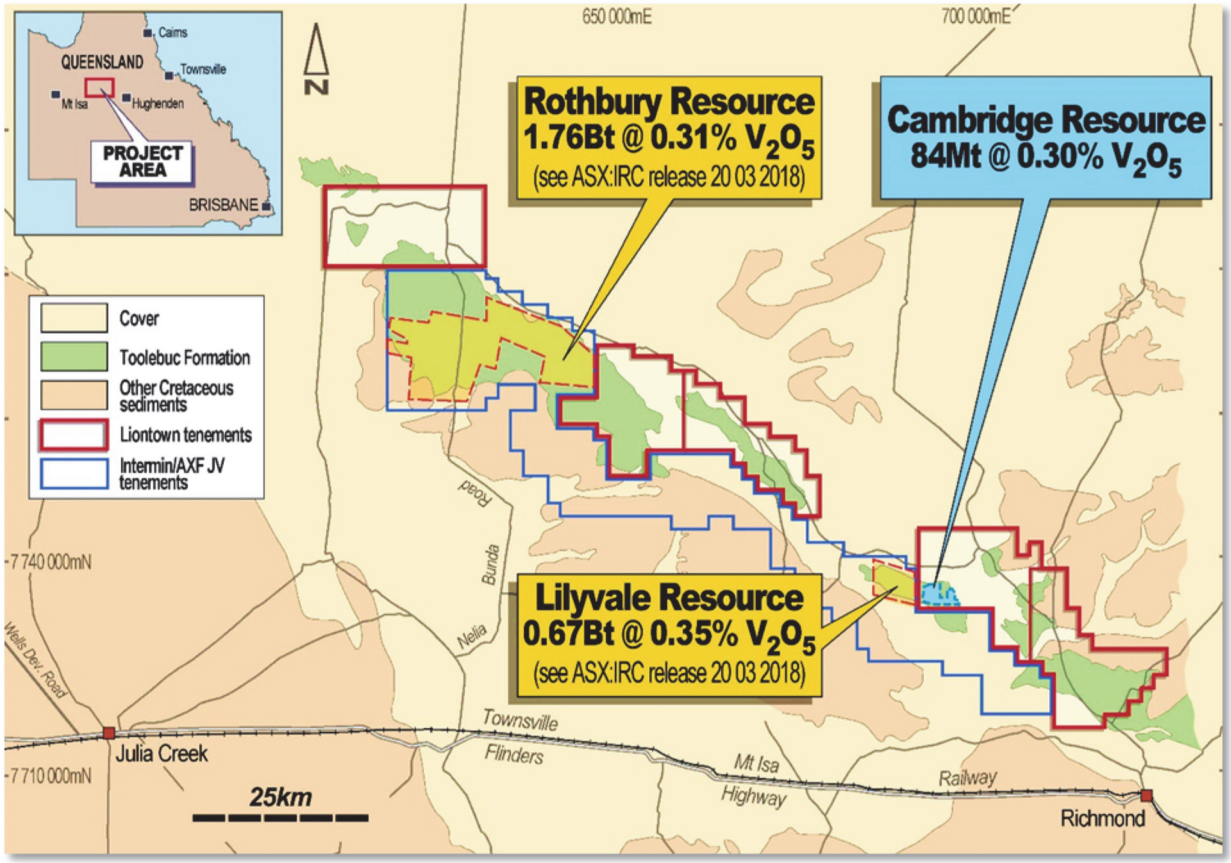


Figure 6: Toolebuc Vanadium Project – Location, regional geology and tenure

Exploration

Subsequent to the end of the Year, Liontown announced a maiden Inferred Mineral Resource estimate of approximately **83.7Mt @ 0.30% V_2O_5** for the Cambridge deposit, located within the Toolebuc Project (**Figure 6**).

The Mineral Resource was prepared by independent specialist resource and mining consulting group Optiro Pty Ltd and is summarised below:

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Toolebuc Vanadium Project

Queensland (100% Liontown)

Table 3: Cambridge Deposit Mineral Resource as at July 2018 reported above a cut-off of 0.25% V_2O_5

Resource category	Million tonnes	V_2O_5 %	MoO_3 ppm
Inferred	83.7	0.30	188
Total	**83.7**	**0.30**	**188**

Notes:
- *Reported above a V_2O_5 cut-off grade of 0.25*
- *Tonnages and grades have been rounded to reflect the relative uncertainty of the estimate*

Table 4: Cambridge Deposit Mineral Resource reported by V_2O_5 grades

Cut-off V_2O_5 %	Million tonnes	V_2O_5 %	MoO_3 ppm
0.15	185.4	0.25	161
0.20	148.1	0.27	172
0.25	**83.7**	**0.30**	**188**
0.30	34.5	0.34	202
0.35	7.9	0.38	217
0.40	1.7	0.42	226

The Mineral Resource estimate 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).

Vanadium mineralisation at the Cambridge deposit is located within marine sediments of the Early Cretaceous Toolebuc Formation, a stratigraphic unit that occurs throughout the Eromanga Basin in Central Northern Queensland. The Toolebuc Formation is a flat-lying, early Cretaceous age sediment that consists predominantly of black carbonaceous and bituminous shale and minor siltstone with limestone lenses and coquinites. The mineralisation at Cambridge extends from 1m to 22m below surface (average 10m) and ranges in thickness from 2m to 17m, with an average thickness of 9.7m

The Cambridge deposit is 5km long, up to 3km wide, and lies adjacent to and immediately east of the Lilyvale vanadium deposit, owned by Intermin Resources Ltd.

Preliminary metallurgy also indicated that the mineralised material is oxidized, shallow, soft, friable and probably free-digging. The vanadium is largely contained within the finer fraction (<38um) meaning it may be suitable for pre-concentration and the mineralisation is also amenable to acid leaching. The Company is currently reviewing advancements in processing technologies.

Cambridge Exploration Target

The Inferred Mineral Resource at Cambridge is open in all directions and Liontown has defined an Exploration Target area (**Figure 7**) based on the continuity of the mineralisation indicated by resource drilling by Intermin on the adjacent Lilyvale deposit and the extent of outcropping Toolebuc Formation shown on Queensland government geological maps.

Within this area it is estimated that there is an Exploration Target of 100Mt to 110Mt at an average grade of 0.28% to 0.32% V_2O_5. The Exploration Target is additional to and adjacent to the Cambridge Inferred Mineral Resource. Liontown intends to drill this area to extend the Mineral Resource.

The potential quantity and grade of the Exploration Target is conceptual in nature as there has been insufficient exploration within these areas to estimate a Mineral Resource and it is uncertain if further exploration will result in the definition of Mineral Resources within these areas.

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Toolebuc Vanadium Project

Queensland (100% Liontown)

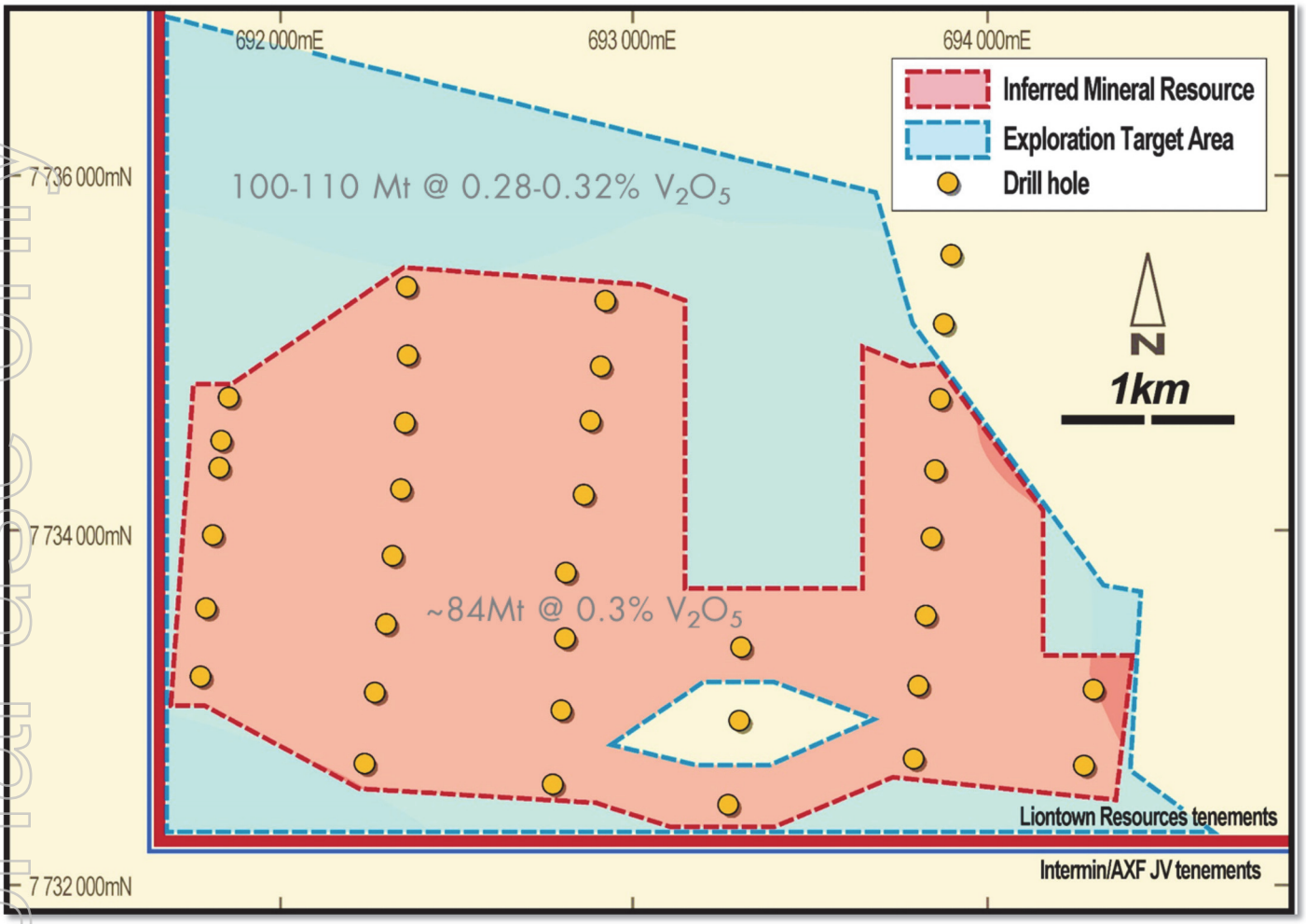


Figure 7: Cambridge area – Drill hole plan showing Inferred Mineral Resource and Exploration Target Areas

Future Exploration

Further drilling is planned to extend the current resource area, collect samples for further metallurgical test work and test other targets within project area. This work is conditional on finalising access negotiations with local land owners.

Sale of Bynoe Lithium Project

The sale of the Bynoe Lithium Project in the Northern Territory to Core Exploration Limited was completed during the year.

Liontown received $1.5 million in cash and 39,232,025 shares in Core. In addition, a further $1.5 million is payable in cash or Core shares (at Core's election) upon the definition of a JORC compliant Mineral Resource exceeding 5 million tonnes within Liontown's Bynoe tenure. Liontown has since disposed of all Core Shares received.

Tanzania

Due to the ongoing success of exploration and resource development activities at its key Australian lithium and vanadium projects, Liontown is currently in the process of relinquishing its interests in the Jubilee Reef Gold Project in Tanzania. Upon completion of this process Liontown will cease to have any further interests in Tanzania, and the Company's focus will remain on its growing Australian battery-metal projects.

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Operating and Financial Review

Financial Review

Financial Performance

The group reported a net loss from continuing operations of $0.853 million for the year compared to a net loss of $3.283 million in 2017. Exploration expenditure increased by $0.647 million and corporate administrative expenditure by $0.564 million. This was offset by the sale of the Group's Bynoe lithium project for $3.579 million and Kathleen Valley tenements for $0.235 million.

Statement of Cash Flows

Cash and cash equivalents at 30 June 2018 were $2.857 million (2017: $1.416 million). The increase in cash of $1.441 million is due primarily to the Company selling its Bynoe lithium project and also completing a placement in June 2018 raising $3 million by the issuance of 111,111,111 shares at $0.027 per share offset by increases in exploration expenditure and corporate administrative expenditure.

Financial Position

At balance date the group had net assets of $3.887 million (2017: $1.502 million), and an excess of current assets over current liabilities of $3.788 million (2017: $1.350 million). Current assets increased 189% from $1.491 million in 2017 to $4.314 million in 2018 due to an increase in cash at bank and the Group's investment in Core Exploration Limited. The Group received in addition to $1.500 million cash, 39,232,025 in Core Exploration Limited shares for the sale of its Bynoe lithium project.

At balance date the Group had 26,154,683 shares in Core Exploration Limited remaining, which were subsequently sold in July 2018.

Current liabilities increased by 273% from $0.141 million in 2017 to $0.526 million in the 2018 financial year. The significant increase in current liabilities is mainly a result of the level of exploration activity still in progress at 30 June 2018.

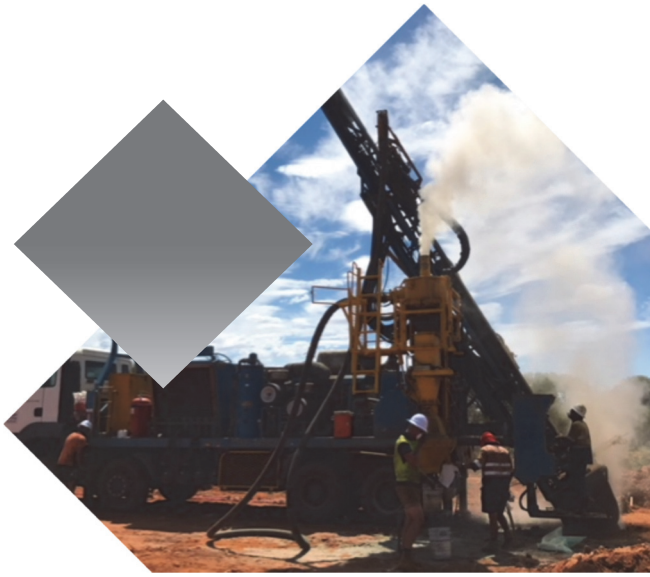
Corporate

Capital Raisings

In June 2018, the Company completed a placement for 111,111,111 fully paid ordinary shares at $0.027 per share raising $3 million.

In May 2018, the Company acquired the Norcott Lithium Project from Galahad Resources Pty Ltd in consideration for issuing 1,785,714 fully paid ordinary shares at an issue price of $0.028 per share.

In September 2018, the Company issued 10,000,000 shares (tranche 1) to Matsa Resources Ltd in part consideration for the Killaloe Lithium Project. A further 10,000,000 shares (tranche 2) will be issued shortly, pending the finalisation of relevant documentation.



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Mineral Resource Statement

As at 30 June 2018

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 its material mineral resources over the course of the year, the Company is required to report these changes.

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. There has been no movement during the year.

Reconciliation of Jubilee Reef Gold Project Mineral Resource

		Mineral Resources					
		June 2017			June 2018		
Deposit	Classification	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	7.4	1.4	320
Panapendesa	Inferred	1.1	2.0	70	1.1	2.0	70
Total	Inferred	8.5	1.4	390	8.5	1.4	390

Governance Arrangements and Internal Controls

The Company has ensured that the mineral resources quoted are subject to good governance arrangements and internal controls. The mineral resources reported have been generated by Mrs Christine Standing of Optiro Pty Ltd, an independent external consultant who is experienced in this style of gold deposit and who undertakes best practices in modelling and estimation methods. The consultant has also undertaken reviews of the quality and suitability of the underlying information used to generate the resource estimation. In addition, Liontown's management carries out regular reviews and audits of internal processes and external consultants that have been engaged by the Company.

Subsequent to year end, the Company announced with the ASX, maiden Mineral Resources located at the Kathleen Valley Lithium Project and Toolebuc Vanadium Project on 4th September 2018 and 30th July 2018 respectively. Refer to pages 6 and 13 for full details.

The Company also announced on 13 September 2018 that it is in the process of relinquishing its interests in the Jubilee Reef Gold Project in Tanzania and will focus on its Australian battery-metal projects.

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Competent Persons Statement

Kathleen Valley Lithium Project

The Information in this report that relates to the Exploration Results for the Kathleen Valley Project is extracted from ASX announcement entitled "Final assays expand Kathleen Valley lithium deposit ahead of maiden Resource" released on the 6th August 2018 which is available on www.ltresources.com.au. The company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements. The Company confirms that the form and context in which the Competent 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 Corner's and Mt Mann deposits is based upon information compiled by Mrs Christine Standing who is a Member of the Australasian Institute of Mining and a Member of the Australian Institute of Geoscientists. 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 announcements entitled "Liontown confirms second significant lithium discovery in WA with new thick, high-grade hits at Buldania" release on the 19th September 2018 and "More strong assays confirm significant lithium discovery at Buldania Project in WA" released on the 26th March 2018 which are available on www.ltresources.com.au.

Toolebuc Vanadium Project

The Information in this report that relates to Exploration Results for the Toolebuc Vanadium Project is extracted from the ASX announcements entitled "Initial fieldwork confirms outstanding potential of Toolebuc Vanadium Project in Queensland" and "Extensive Vanadium Mineralisation Defined – Toolebuc Project" released on the 4th and 23rd April 2018 which are 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 Cambridge Deposit is based upon information compiled by Mrs Christine Standing who is a Member of the Australasian Institute of Mining and a Member of the Australian Institute of Geoscientists. 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 announcement.

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

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Tenement Schedule

Project	Tenement No.	Registered Holder	Nature of interests
Buldania	E63 / 856	Avoca Resources Pty Ltd	100% of rights to lithium and related metals secured by Lithium Rights Agreement
	P63 / 1977		
Killaloe	M63 / 177	100% Killaloe Minerals Pty Ltd * 20% held by Cullen Exploration Pty Ltd	100% of Killaloe Minerals interests - subject to transfer
	E63 / 1018*		
	E63 / 1199*		
	E63 / 1655		
	E63 / 1646		
	E63 / 1660		
	E63 / 1661		
	E63 / 1662		
	E63 / 1713		
Kathleen Valley	M36 / 264	LRL (Aust) Pty Ltd (wholly owned subsidiary of Liontown Resources Limited)	100% - gold and nickel rights retained by other parties
	M36 / 265		
	M36 / 459		
	M36 / 460		
	E36 / 879	Liontown Resources Limited	100% - all metal rights
Toolebuc Vanadium	EPM / 26490	Liontown Resources Limited	100%
	EPM / 26491		
	EPM / 26492		
	EPM / 26494		
	EPM / 26495		
Moora	E70 / 5217	ERL (Aust) Pty Ltd	0% - application
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%
Norseman Regional	P63 / 2127	LRL (Aust) Pty Ltd (wholly owned subsidiary of Liontown Resources Limited)	0% - applications
	P63 / 2128		
	P63 / 2129		

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Director's 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 2018 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	Mr Goyder was a Non-Executive Director for the whole of the financial year. Mr Goyder was appointed as Non-Executive Chairman on 2 February 2006.
Experience:	Mr Goyder has considerable years' experience in the resource industry. He has been involved in the formation and management of a number of publicly-listed companies.
Interests in Shares and Options at the date of this report:	226,184,982 ordinary shares 6,000,000 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 Non-Executive Director of Strike Energy Limited.
Mr D R Richards	
Managing Director	Mr Richards was Managing Director for the whole of the financial year. Mr Richards was appointed as Managing Director on 1 May 2010.
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.
Interests in Shares and Options at the date of this report:	3,431,500 ordinary shares 10,000,000 unlisted options
Special Responsibilities:	None
Directorships held in other listed entities in the last three years:	None

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Director's Report

Mr C R Williams	
Non-Executive Director	Mr Williams was a Non-Executive Director for the whole of the financial year. Mr Williams was appointed as a Non-Executive Director on 14 November 2006.
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.
Interests in Shares and Options at the date of this report:	14,663,122 ordinary shares 3,000,000 unlisted options
Special Responsibilities:	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 A J Cipriano	
Non-Executive Director	Mr Cipriano was a Non-Executive Director for the whole of the financial year. Mr Cipriano was appointed as a Non-Executive Director on 1 July 2014.
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 in 2013 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.
Interests in Shares and Options at the date of this report:	6,370,479 ordinary shares 3,000,000 unlisted options
Special Responsibilities:	Chairman of the Audit Committee.
Directorships held in other listed entities in the last three years:	None

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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	
Company Secretary	Ms Verheyen was appointed as Company Secretary on 15 September 2017.
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. Ms Verheyen is also the Company Secretary of DevEx Resources Limited.
Ms L Stevens	
Company Secretary	Ms Stevens was Company Secretary until her resignation on 15 September 2017.
Qualifications:	B.Com, CA
Experience:	Leanne is a Chartered Accountant who has over 15 years of accounting and governance experience within the mining and energy industries. Leanne resigned from the position of Company Secretary effective 15 September 2017.

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	
	Held	Attended	Held	Attended	Held	Attended
T R B Goyder	7	7	-	-	1	1
D R Richards	7	7	-	-	1	1
C R Williams	7	6	4	4	1	1
A J Cipriano	7	7	4	4	1	1

Given the current size and composition of the Board, the Company has not established a separate remuneration or nomination committee. The full Board did not officially convene as a nomination committee during the reporting period, however, nomination discussions occurred at Board meetings as required.

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 3 to 15 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 July 2018, the Company sold its remaining 26,154,683 shares in Core Exploration Limited at a weighted average sales price of $0.042, for total proceeds of $1.098 million before costs. Subsequent to year end, Liontown entered into a sale agreement to acquire the Killaloe Project from Matsa Resources Limited (ASX: MAT) in consideration for 20 million Liontown shares and a 1% NSR Royalty. The acquisition significantly expands Liontown's lithium-prospective footprint in the region. Completion of the Sale Agreement has been achieved with all conditions satisfied.

In September 2018, the Company issued 10,000,000 shares (tranche 1) to Matsa Resources Ltd in part consideration at $0.027 per share. The remaining 10,000,000 shares (tranche 2) will be issued shortly, pending the finalisation of relevant documentation.

9. Likely developments

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

10. 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.

11. 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.

12. 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.

13. Non-audit services

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

14. Options granted over unissued shares

At the date of this report 34,750,000 fully paid ordinary shares of the Company are under option on the following terms and conditions:

Options	Number
Exercisable at $0.035 each on or before 31 March 2021	9,300,000
Exercisable at $0.02 each on or before 31 October 2022	18,700,000
Exercisable at $0.026 each on or before 22 October 2020	5,000,000
Exercisable at $0.05 each on or before 30 April 2021	750,000
Exercisable at $0.038 each on or before 29 August 2021	1,000,000
Total Options	**34,750,000**

15. Remuneration report – audited

15.1 Introduction

This remuneration report for the year ended 30 June 2018 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.

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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)
C R Williams (Non-executive Director)
A J Cipriano (Non-executive Director)
D R Richards (Managing Director)

(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.

15.1.1 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 calibre employees and to link a significant component of executive rewards to shareholder value creation. The size, nature and financial strength of the Company are also taken into account when setting remuneration levels so as to ensure that the operations of the Company remain sustainable.

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.

15.1.2 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 calibre, 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. Shareholders have approved an aggregate amount of up to $300,000 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 2018 AGM.

The remuneration of non-executive directors consists of directors' fees. Each director receives a fee for being a director of the Company. During the year, the Board approved an additional $5,000 per annum to be paid to members of 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 Share Option Plan, 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. No fees were paid this year under any such consultancy services agreement in the year ended 30 June 2018 and 30 June 2017.

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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 annually by the Board by a process which consists of a review of relevant comparative remuneration in the market and, where appropriate, external advice on policies and practices.

Variable remuneration - Long term incentive scheme

Options may be issued under the Employee Share Option Plan to directors, employees and consultants of the Company and must be exercised within 3 months of termination. Other than the vesting period, there is no performance hurdle required to be achieved by the Company to enable the options to be exercised. The Employee Share Option Plan was approved by shareholders on 24 November 2015.

The Company believes that the issue of share options in the Company aligns the interests of directors, employees and shareholders alike. As no formal performance hurdles are set on options issued to executives, 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 2018 and 30 June 2017.

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15.2 Remuneration of key management personnel

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

2018	Short-term benefits		Post-employment benefits	Share-based payments		Proportion of remuneration performance based
	Salary & fees	Other fees[1]	Superannuation	Options[2]	Total	
	$	$	$	$	$	%
Directors						
T R Goyder [3,4]	32,110	3,201	3,050	88,381	126,742	-
D R Richards	204,338	9,291	19,412	176,762	409,803	-
C R Williams	34,610	3,201	3,288	44,190	85,289	-
A J Cipriano	34,610	3,201	3,288	44,190	85,289	-
Executive						
R K Hacker [4]	-	-	-	11,569	11,569	-
Total	**305,668**	**18,894**	**29,038**	**365,092**	**718,692**	**-**

2017	Short-term benefits		Post-employment benefits	Share-based payments		Proportion of remuneration performance based
	Salary & fees	Other fees[1]	Superannuation	Options[2]	Total	
	$	$	$	$	$	%
Directors						
T R Goyder [3,4]	-	2,599	-	-	2,599	-
D R Richards	200,913	7,608	19,087	-	227,608	-
C R Williams	32,110	2,599	3,050	-	37,759	-
A J Cipriano	32,110	2,599	3,050	-	37,759	-
Executive						
R K Hacker [4]	-	-	-	-	-	-
Total	**265,133**	**15,405**	**25,187**	**-**	**305,725**	**-**

[1] 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.

[2] 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.

[3] Mr Goyder suspended his directors' fees from 1 January 2015 to 30 June 2017 to assist in conserving the Company's cash reserves. 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 over the next 12 months.

[4] Mr Goyder and Mr Hacker did not receive any salary and wages for the 2018 and 2017 financial year as Mr Goyder and Mr Hacker are remunerated by Chalice Gold Mines Limited and their services are recovered through a corporate services agreement between the Company and Chalice Gold Mines Limited.

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15.3 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 2018 was:

Directors	Balance 1 July 2017	Granted as remuneration	Received on exercise of options	Other changes [1]	Balance 30 June 2018
T R 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

Directors	Balance 1 July 2016	Granted as remuneration	Received on exercise of options	Other changes [1]	Balance 30 June 2017
T R Goyder	180,487,483	-	-	45,697,499	226,184,982
D R Richards	2,859,583	-	-	571,917	3,431,500
C R Williams	12,219,268	-	-	2,443,854	14,663,122
A J Cipriano	5,308,732	-	-	1,061,747	6,370,479
R K Hacker	4,333,333	-	-	1,153,857	5,487,190

[1] Other changes refer to shares purchased and sold on the open market.

15.3.1 Share-based payments

As outlined in 15.1.13, Directors, key employees and consultants may be eligible to participate in equity-based compensation schemes.

Employee Share Option Plan

Under the terms and conditions of the options issued to employees, each option gives 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.

Options granted to KMP during the reporting period have been valued using the Black-Scholes option valuation method. The following table lists the inputs to the model for options granted during the period:

	Executive	Directors
Dividend yield	Nil	Nil
Expected volatility	100%	100%
Risk-free interest rate	2.3%	2.3%
Expected life of options	5 years	5 years
Exercise price	$0.02	$0.02
Grant date share price	$0.009	$0.028
Expiry date	31 October 2022	31 October 2022
Number	2,000,000	16,000,000
Fair value at grant date	$0.0058	$0.0221

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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:

2018	Grant date	Opening balance vested and exercisable	Granted as compen-sation	Vested	Vested %	Expired / forfeited	Closing balance vested and exercisable
T R 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

2017	Grant date	Opening balance vested and exercisable	Granted as compen-sation	Vested	Vested %	Expired / forfeited	Closing balance vested and exercisable
T R Goyder	24 May 16	2,000,000	-	-	-	-	2,000,000
D R Richards	24 May 16	6,000,000	-	-	-	(4,000,000)	2,000,000
C R Williams	24 May 16	1,000,000	-	-	-	-	1,000,000
A J Cipriano	24 May 16	1,000,000	-	-	-	-	1,000,000
R K Hacker	8 Apr 16	1,750,000	-	-	-	(750,000)	1,000,000

15.4 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 [1]	Unlimited	3 months by the Company and employee	Nil
R K Hacker [2]	n/a	n/a	n/a

[1] Mr Richards yearly salary review resulted in an increase of $50,000 to $300,000 per year including superannuation effective from 1 September 2018.

[2] 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.

15.5 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.

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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. Mr Hacker was also the CFO of Chalice Gold Mines Limited during the year. 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 $99,825 (2017: $66,000) and the amount unpaid as at 30 June 2018 was $22,825 (2017: $5,500).

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 $44,096 (2017: nil) and the amount unpaid as at 30 June 2018 was $8,760 (2017: nil).

This is the end of the audited information.

16. 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 2018.

17. 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 19th September 2018 released to ASX and posted on the Company website at 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 19th day of September 2018

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HLB Mann Judd

Accountants | Business and Financial Advisers

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 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

a) the auditor independence requirements as set out in 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
19 September 2018

L Di Giallonardo
Partner

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

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HLB Mann Judd (WA Partnership) is a member of HLB International, a world-wide organisation of accounting firms and business advisers

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2018

	Note	2018 $	2017 $
Continuing operations			
Revenue	5	742	7,077
Proceeds on sale of exploration and evaluation tenements	5	3,814,297	-
Profit on sale of shares	5	85,768	-
Profit on sale of assets		812	-
Exploration and evaluation expenditure expensed	5	(3,283,313)	(2,636,602)
Business development expenses		(53,359)	(46,072)
Fixed assets written off		(230)	-
Corporate administrative expenses	5	(1,181,033)	(616,788)
Impairment loss on available-for-sale financial assets		(156,928)	-
Impairment loss on loan		(48,358)	-
Loss from continuing operations		**(821,602)**	**(3,292,385)**
Net financing income	5	28,424	9,792
Loss before income tax		**(793,178)**	**(3,282,593)**
Income tax expense	6	(59,375)	-
Loss after tax from continuing operations		**(852,553)**	**(3,282,593)**
Discontinued operations			
Loss from discontinued operations	5	(6,514)	(977)
Net loss after tax		**(859,067)**	**(3,283,570)**
Other comprehensive loss:			
Items reclassified to profit or loss			
Exchange differences on translation of foreign operations			
- Members of the parent		9,408	(3,168)
- Transferred to profit and loss – disposed subsidiaries		(4,469)	-
Total comprehensive loss after tax attributable to owners of the parent		**(854,128)**	**(3,286,738)**
Earnings per share from continuing operations			
Basic and diluted loss per share (cents per share)	7	(0.086)	(0.379)
Earnings per share from total operations			
Basic and diluted loss per share (cents per share)	7	(0.087)	(0.379)

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

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Consolidated Statement of Financial Statement

As at 30 June 2018

	Note	2018 $	2017 $
Current assets			
Cash and cash equivalents	10	2,856,744	1,415,601
Trade and other receivables	11	227,653	75,272
Available-for-sale financial assets	12	1,229,270	-
Total current assets		**4,313,667**	**1,490,873**
Non-current assets			
Trade and other receivables	11	50,000	107,081
Property, plant and equipment	13	49,718	45,030
Total non-current assets		**99,718**	**152,111**
Total assets		**4,413,385**	**1,642,984**
Current liabilities			
Trade and other payables	14	482,685	98,614
Employee benefits	8	43,259	42,104
Total current liabilities		**525,944**	**140,718**
Total liabilities		**525,944**	**140,718**
Net assets		**3,887,441**	**1,502,266**
Equity			
Issued capital	15	37,199,397	34,347,020
Accumulated losses		(33,982,669)	(33,144,913)
Reserves	16	670,713	300,159
Total equity		**3,887,441**	**1,502,266**

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

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Consolidated Statement of Changes in Equity

For the year ended 30 June 2018

	Note	Issued capital	Accumulated losses	Share based payments reserve	Foreign currency translation reserve	Total equity
		$	$	$	$	$
Balance at 1 July 2016		30,194,966	(29,920,254)	176,806	142,813	594,331
Loss for the year		-	(3,283,570)	-	-	(3,283,570)
Other comprehensive loss		-	-	-	(3,168)	(3,168)
Total comprehensive loss for the year		-	(3,283,570)	-	(3,168)	(3,286,738)
Transactions with Owners in their capacity as Owners:						
Issue of shares (net of costs)		4,152,054	-	-	-	4,152,054
Share-based payments		-	-	42,619	-	42,619
Transfer between equity items		-	58,911	(58,911)	-	-
Balance as at 30 June 2017		**34,347,020**	**(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)	-	-
Balance 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.

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Consolidated Statement of Cash Flows

For the year ended 30 June 2018

	Note	2018 $	2017 $
Cash flows from operating activities			
Cash paid to suppliers and employees		(842,744)	(548,648)
Payments for exploration and evaluation and business development costs		(3,046,038)	(2,496,126)
Proceeds from sale of exploration assets		1,525,000	-
Interest received		28,382	9,542
Income tax paid		(59,375)	-
Other		744	7,077
Net cash used in operating activities	10	**(2,394,031)**	**(3,028,155)**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		2,879	-
Proceeds from sale of financial assets		988,866	-
Loan to other entity		(7,717)	-
Net cash disposed from disposal of subsidiary		(1,930)	-
Acquisition of property, plant and equipment		(20,451)	(9,948)
Net cash from/(used in) investing activities		**961,647**	**(9,948)**
Cash flows from financing activities			
Proceeds from issue of shares		3,076,250	3,918,902
Transaction costs of issue of shares		(202,044)	(239,849)
Security deposits		-	(25,000)
Net cash from financing activities		**2,874,206**	**3,654,053**
Net increase in cash and cash equivalents		1,441,822	615,950
Effect of exchange rate fluctuations on cash held		(679)	(1,297)
Cash and cash equivalents at the beginning of the year		1,415,601	800,948
Cash and cash equivalents at 30 June	10	**2,856,744**	**1,415,601**

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

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Notes to the Consolidated Financial Statements

For the year ended 30 June 2018

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 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.

Note 1: Corporate information

The consolidated financial report of Liontown Resources Limited for the year ended 30 June 2018 was authorised for issue on 19 September 2018.

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 its subsidiaries were incorporated and domiciled in Australia. 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.

Note 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 18.

Note 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 are United States dollars (US$). The presentation currency of the Group is Australian dollars.

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Note 3: Basis of preparation (Continued)

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.

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Notes to the Consolidated Financial Statements

For the year ended 30 June 2018

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.

Note 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	
	2018 $	2017* $	2018 $	2017 $	2018 $	2017* $
Other income	-	7,077	742	-	742	7,077
Profit on sale of exploration tenement	3,814,297	-	-	-	3,814,297	-
Profit on sale of shares	-	-	85,768	-	85,768	-
Profit on sale of assets	812	-	-	-	812	-
Exploration and evaluation expenses	(3,283,313)	(2,636,602)	-	-	(3,283,313)	(2,636,602)
Business development expenses	(53,359)	(46,072)	-	-	(53,359)	(46,072)
Corporate and administration expenses	-	-	(1,181,033)	(616,788)	(1,181,033)	(616,788)
Fixed assets written off	-	-	(230)	-	(230)	-
Impairment of available-for-sale financial assets	-	-	(156,928)	-	(156,928)	-
Impairment on Loan	-	-	(48,358)	-	(48,358)	-
Net financing income	-	-	28,424	9,792	28,424	9,792
Loss from continuing operations before income tax	**478,437**	**(2,675,597)**	**(1,271,615)**	**(606,996)**	**(793,178)**	**(3,282,593)**
Segment asset	39,788	101,132	1,290,147	75,758	1,329,935	176,890
Unallocated assets					3,083,450	1,466,094
Total assets					**4,413,385**	**1,642,984**
Segment liabilities	378,931	46,918	147,013	93,800	525,944	140,718
Unallocated liabilities					-	-
Total liabilities					**525,944**	**140,718**

* Comparative figures have been restated to exclude the effect of the discontinued operation.

Note 5: Revenue and expenses

	2018 $	2017 $
Revenue		
Refund of relinquished tenement rents and rates	-	6,092
Other	742	985
	742	**7,077**

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:

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Note 5: Revenue and expenses (Continued)

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.

	2018 $	2017 $
Profit on sale of exploration and evaluation tenements		
Bynoe lithium project [1]	3,579,297	-
Kathleen Valley tenements [2]	235,000	-
	3,814,297	**-**

[1] In November 2017, the Company completed the sale of its Bynoe Lithium Project in the Northern Territory to Core Exploration Limited ("Core"). Consideration for the sale was as follows:

- $1,500,000 in cash;
- 39,232,025 Core Shares (subject to certain escrow restrictions); and
- A contingent payment of $1,500,000 in cash or Core shares (at Core's election) upon Core defining a JORC compliant Mineral resource totalling 5 million tonnes within Liontown's Bynoe tenure.

At the date of sale, the fair value of the Core shares received as part consideration was $2,079,297.

[2] During the period the Company divested seven non-core mining leases at its Kathleen Valley Project to Bellevue Gold Limited (formerly Draig Resources Limited) ("Bellevue Gold") in consideration for 1,000,000 Bellevue Gold shares and $25,000 cash.

At the date of sale, the fair value of the Bellevue Gold shares received as part consideration was $210,000.

	2018 $	2017 $
Profit on sale of shares		
Profit on sale of Core Exploration Limited shares	116,775	-
Loss on sale of Bellevue Gold Limited shares	(31,007)	-
	85,768	**-**

During the year, the Company sold 13,077,342 shares in Core for a weighted average sales price of $0.062, resulting in proceeds of $809,874.

During the year, the Company sold 1,000,000 shares in Bellevue Gold for a weighted average sales price of $0.179, resulting in proceeds of $178,992.

	2018 $	2017 $
Corporate and administration expenses		
Depreciation and amortisation	9,801	7,555
Insurance	28,642	27,160
Legal fees	12,302	14,560
Office costs – corporate service charge and reimbursements	91,691	68,698
Personnel expenses	687,746	283,735
Promotions and Investor relations	144,785	64,603
Regulatory and compliance	119,528	111,436
Other	86,538	39,041
	1,181,033	**616,788**

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Note 5: Revenue and expenses (Continued)

	2018 $	2017 $
Personnel expenses		
Directors' fees, wages and salaries	294,993	153,669
Other associated personnel expenses	4,671	32,567
Annual leave	1,156	54,880
Share-based payments	386,926	42,619
	687,746	**283,735**

	2018 $	2017 $
Exploration and evaluation expenditure		
Australia		
- Toolebuc Vanadium	104,199	50,614
- Kathleen Valley	2,163,585	980,649
- Buldania	487,427	-
- Norcott	163,157	-
- Bynoe	136,843	806,211
- Lake Percy	10,395	284,033
- Other	6,978	68,003
	3,072,584	**2,189,510**
Tanzania		
- Jubilee Reef	115,589	258,061
- Mohanga	98,552	150,692
- Other	(3,412)	38,339
	210,729	**447,092**
	3,283,313	**2,636,602**

Costs incurred in the exploration and evaluation stages of specific areas of interest are expensed 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. The costs of acquiring interests in new exploration licences is also expensed. Once the technical feasibility and commercial viability of extracting a mineral resource are demonstrable in respect to an area of interest, development expenditure is capitalised to the Statement of Financial Position.

	2018 $	2017 $
Net financing income		
Interest income	28,424	9,792
	28,424	**9,792**

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 in the statement of comprehensive income using the effective interest method.

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Note 5: Revenue and expenses (Continued)

	2018 $	2017 $
Loss from discontinued operations		
In the March 2018 quarter, the Company disposed of its beneficial interest in Chela Resources Limited (Tanzania) for nil value. Chela Resources Limited has been classified as a discontinued operation.		
Results from discontinued operation	(261)	(857)
Exploration and evaluation expenses	(819)	(120)
Results from operating activities, net of tax	(1,080)	(977)
Loss on disposal of subsidiary	(850)	-
Foreign currency translation reserve disposed of	(4,584)	-
Loss from discontinued operations, net of tax	**(6,514)**	-
Basic and diluted loss per share (cents per share)	(0.0001)	(0.0001)
Cash flows from/(used in) discontinued operations		
Net cash flows used in operating activities	(7,043)	(24,220)
Net cash flows from financing activities	6,753	25,600
Net cash flow for the period	**(290)**	**1,380**

Note 6: Income tax

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

	2018 $	2017 $
Loss before tax	(799,692)	(3,283,570)
Income tax benefit using the domestic corporation tax rate of 27.5%	(219,915)	(902,982)
Decrease in income tax benefit due to:		
Non-deductible expenses	246,231	155,201
Deferred tax assets and liabilities not recognised	(256,911)	550,288
Exploration development incentive – current year	235,522	102,121
Exploration development incentive – clawback adjustment on assets sold	59,375	-
Change in tax rate	-	105,287
Effect of different tax rates of subsidiaries operating other jurisdictions	(4,927)	(9,915)
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.

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Note 6: Income tax (Continued)

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

	2018 $	2017 $
Assets		
Revenue losses available to offset against future taxable income	3,301,294	3,502,178
Available-for-sale asset impairment	43,155	-
Share issue expenses	96,033	54,491
Accrued expenses and liabilities	109,099	26,193
	3,549,581	**3,582,862**
Liabilities		
Exploration expenditure amortised for tax purposes	(47,887)	(20,081)
Accrued interest	147	136
Foreign exchange differences	53,266	(19,072)
Prepayments	11,619	2,266
	17,145	**(36,751)**

The unrecognised benefit from temporary differences on capital items amounts to $61,565 (2017: $65,959).

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.

Note 7: Loss per share

The calculation of basic and diluted loss per share at 30 June 2018 was based on the loss attributable to ordinary shareholders of the parent entity of $859,067 (2017: (3,283,570)).
The weighted average number of ordinary shares outstanding during the financial years comprised the following:

	2018 No.	2017 No.
Weighted average number of ordinary shares on issue at the end of the year (Basic)	992,271,011	864,339,335
Weighted average number of ordinary shares on issue at the end of the year (Diluted)	996,513,113	864,339,335

At 30 June 2018 there were 19,450,000 unlisted options (2017: nil) 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.

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EMPLOYEE BENEFITS

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

Note 8: Employee benefits

	2018 $	2017 $
Annual leave	12,755	15,334
Long service leave	30,504	26,770
	43,259	**42,104**

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.

Note 9: Share-based payments

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 and Consultants Share Option Plan.

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.

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Note 9: Share-based payments (Continued)

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.

Employee and Consultant Share Option Plan

Under the terms of the Employees and Consultants Option Plan (ESOP), the Board may offer options at no consideration to full-time or part-time employees (including persons engaged under a consultancy agreement) and executive and non-executive directors.

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 ESOP is as follows:

	Weighted average exercise price 2018 $	Number of options 2018	Weighted average exercise price 2017 $	Number of options 2017
Outstanding at beginning of the year	0.040	10,800,000	0.030	14,650,000
Granted during the period	0.022	24,450,000	0.040	3,000,000
Exercised during the period	0.035	(750,000)	-	-
Lapsed/expired during the period	0.035	(750,000)	0.035	(6,850,000)
Outstanding at the end of the year	0.026	33,750,000	0.040	10,800,000
Exercisable at the end of the year	0.026	33,750,000	0.040	10,800,000

The weighted average contractual life remaining as at 30 June 2018 is 2.85 years (2017: 3.8 years).

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

The total expenditure recognised in the statement of comprehensive income is $386,926 (2017: $42,619).

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:

	2018	2017
Share price at grant date (weighted average)	$0.023	$0.022
Exercise price (weighted average)	$0.026	$0.035
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)	5 years	5 years
Expected dividends	Nil	Nil
Risk-free interest rate (weighted average)	2.19%	2.02%

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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.

Note 10: Cash and cash equivalents

	2018 $	2017 $
Cash at bank	2,850,712	1,409,592
Petty cash	6,032	6,009
	2,856,744	**1,415,601**

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:

	2018 $	2017 $
Loss for the period	(859,067)	(3,283,570)
Depreciation and amortisation	11,776	12,533
Foreign exchange (gain)/losses	(39,963)	1,294
Share-based payments	386,926	42,619
Loss from disposal of subsidiary	6,514	-
Profit on sale of available-for-sale financial assets	(85,768)	-
Profit on sale of assets	(812)	-
Proceeds from sale of exploration and evaluation tenements (non cash)	(2,289,297)	-
Fixed assets written off	230	-
Impairment loss on available-for-sale financial assets	156,928	-
Impairment of loan	48,358	-
Equity settled exploration asset acquisition	-	425,000
Equity settled consulting fees	-	48,000
Changes in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	(95,302)	20,170
Decrease/(increase) in trade and other payables	364,291	(265,081)
(Increase/(decrease) in other financial assets	-	(57,081)
Decrease in provisions	1,155	27,961
Net operating cash flows	**(2,394,031)**	**(3,028,155)**

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Note 11: Trade and other receivables

	2018 $	2017 $
Current		
Other trade receivables	182,103	63,221
Prepayments	45,550	12,051
	227,653	**75,272**
Non-current		
Bank guarantee deposits	50,000	50,000
Security deposits	-	57,081
	50,000	**107,081**

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

Note 12: Available-for-sale financial assets

	2018 $	2017 $
Current		
Shares held in publicly listed company [1]	1,229,270	-
	1,229,270	**-**

[1] The Company has a remaining investment of 26,154,683 listed equity shares in Core Exploration Limited.

The fair value movement in the asset during the period was a loss of $156,270 which has been recognised as Impairment of available-for-sale financial assets in the Profit or Loss Statement.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in another category of financial assets. Available-for-sale financial assets are recognised initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, these shares are measured at fair value being the published price quotation in an active market. Changes therein are recognised in Other Comprehensive Income (unless it represents impairment) and presented as an unrealised gain/(loss) in equity. When the investment is derecognised, the cumulative gain or loss in equity is reclassified to profit or loss.

Available-for-sale financial assets comprise equity securities. The fair value of investments in quoted equity securities is determined by reference to their quoted closing bid price at the reporting date (Level 1).

Note 13: Property, plant and equipment

	2018 $	2017 $
At cost	165,175	254,151
Less accumulated depreciation	(115,457)	(209,121)
	49,718	**45,030**
Plant and equipment		
Carrying amount at the beginning of the year	45,030	52,052
Exchange differences	25	(376)
Additions	20,452	5,887
Disposals/write offs	(4,013)	-
Depreciation	(11,776)	(12,533)
Carrying amount at the end of the year	**49,718**	**45,030**

Property, plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred.

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

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Note 13: Property, plant and equipment (Continued)

An item of plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised

Depreciation is charged to the statement of comprehensive income on a diminishing value basis over the estimated useful lives of each part of an item of property, plant and equipment. The depreciation rates used in the current and comparative periods are as follows:

- plant and equipment 5%-50%
- motor vehicles 18.75%-37.5%

The depreciation rates, useful lives and residual values, if not insignificant, are reassessed annually.

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. Value in use is the present value of the future cash flows expected to be derived from the asset or cash generating unit. In estimating value in use, a pre-tax discount rate is used which reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Impairment losses are recognised in the statement of comprehensive income unless the asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through the statement of comprehensive income. Receivables with a short duration are not discounted.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

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.

Note 14: Trade and other payables

	2018 $	2017 $
Trade and other payables	482,685	98,614
	482,685	**98,614**

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

Note 15: 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.

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Note 15: Capital and capital management (Continued)

Ordinary shares on issues:

	2018		2017	
	No.	$	No.	$
On issue at the beginning of the year	990,340,635	34,347,020	696,450,401	30,194,966
Rights issues and placements [1]	111,111,111	3,000,000	265,890,234	3,918,902
Issue of shares for unlisted options	750,000	26,250	-	-
Issue of shares for Norcott acquisition [2]	1,785,714	50,000	-	-
Issue of shares in lieu of consulting fees [3]	-	-	3,000,000	48,000
Issue of shares to acquire Kathleen Valley Lithium Project [4]	-	-	25,000,000	425,000
Share issue costs	-	(223,873)	-	(239,848)
On issue at the end of the year	1,103,987,460	37,199,397	990,340,635	34,347,020

[1] In June 2018, the Company completed a placement to raise $3,000,000 by issuing 111,111,111 fully paid ordinary shares at an issue price of $0.027 per share.

In October 2016, the Company completed a 1 for 5 non-renounceable rights issue raising $1,398,902 (before costs) by issuing 139,890,234 shares at an issue price of $0.01 per share.

In January 2017, the Company completed a placement to raise $2,520,000 by issuing 126,000,000 fully paid ordinary shares at an issue price of $0.02 per share.

[2] In May 2018, the Company acquired the Norcott Lithium Project from Galahad Resources Pty Ltd in consideration for issuing 1,785,714 fully paid ordinary shares at an issue price of $0.028 per share.

[3] In August 2016, the Company issued 3,000,000 fully paid ordinary shares to a consultant of the Company in consideration for the provision of corporate communications and investor relations support.

[4] In December 2016, 25,000,000 fully paid ordinary shares were issued to Ramelius Resources Limited in consideration for the acquisition of the Kathleen Valley Lithium Project.

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. 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.

Note 16: 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.

Foreign currency translation reserve

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

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FINANCIAL INSTRUMENTS

This section of the Notes discusses the Group's exposure to various risks and shows how these could affect the Group's financial position and performance.

Note 17: 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 as disclosed in notes 15 and 16.

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.

(i) 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.

(ii) 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 12). There is a risk that changes in prices effect the fair value of investments held by the consolidated entity. A plus or minus 10% change in equity prices from the year end valuation would impact equity by plus or minus $122,927.

(iii) 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:

	Fixed interest maturing in:					
2018	**>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	50,000	-	-	227,653	277,653	2.29%
Available-for-sale financial assets	-	-	-	1,229,270	1,229,270	-
Financial liabilities						
Trade and other payables	-	-	-	482,685	482,685	-

Note 17: Financial instruments – fair value and risk management (Continued)

2017	Fixed interest maturing in: >1 year	1-5 years	Floating interest	Non-interest bearing	Total	Weighted average interest rate
	$	$	$	$	$	%
Financial assets						
Bank balances	-	-	1,345,676	69,925	1,415,601	0.59%
Trade and other receivables	107,081	-	-	75,272	182,353	1.26%
Financial liabilities						
Trade and other payables	-	-	-	98,614	98,614	-

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 $17,969 (2017: $6,029)

c) 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

d) 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 $482,685 (2017: $98,614) all of which are due within 60 days.

e) 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.

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Note 18: List of subsidiaries

	Country of Incorporation	Ownership Interest	
		2018 %	2017 %
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%
Chela Resources Ltd [1]	Tanzania	0%	0%

[1] The Company held a beneficial interest in Chela Resources Ltd. On 23 January 2018, the Company disposed of its beneficial interest in Chela Resources Ltd.

Note 19: 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.

(i) 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.

(ii) Share-based payments

The grant by the Company of options over its equity instruments 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.

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Note 19: Parent entity information (Continued)

	2018 $	2017 $
Statement of comprehensive income		
Loss for the year	(1,513,066)	(2,251,090)
Total comprehensive loss	**(1,560,940)**	**(2,310,001)**
Statement of financial position		
Assets		
Current assets	4,302,383	1,471,954
Non-current assets	107,296	1,132,254
Total assets	4,409,679	2,604,208
Liabilities		
Current liabilities	223,830	123,285
Total liabilities	223,830	123,285
Net assets	**4,185,849**	**2,480,923**
Equity		
Share capital	37,199,397	34,347,021
Reserves	526,129	160,513
Accumulated losses	(33,539,677)	(32,026,611)
Total equity	**4,185,849**	**2,480,923**

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.

Note 20: Contingent liabilities

There are no contingent assets or liabilities.

Note 21: Remuneration of auditors

	2018 $	2017 $
Auditor's remuneration		
Audit services		
HLB Mann Judd	28,500	28,000
	28,500	**28,000**

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Note 22: 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:

	2018 $	2017 $
Within 1 year	508,062	765,224
1-5 years	891,580	1,877,846
>5 years	261,184	1,927,937
	1,660,826	**4,571,007**

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

Note 23: 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:

T R B Goyder
D R Richards
C R Williams
A J Cipriano
R K Hacker

The key management personnel compensation is as follows:

	2018 $	2017 $
Short-term employee benefits	324,562	280,538
Post-employment benefits	29,038	25,187
Share-based payments	365,092	-
	718,692	**305,725**

Loans made to key management personnel and related parties

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

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:

	2018 $	2017 $
Corporate service charge and provision of KMP services [1]	99,825	66,000
Database management and field services [2]	44,096	-
	143,921	**66,000**

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Note 23: Related party transactions (Continued)

[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 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 key management personnel at reporting date arising from these transactions was $19,760 (2017: $5,500).

Note 24: Events occurring after the reporting period

In July 2018, the Company sold its remaining 26,154,683 shares in Core Exploration Limited at a weighted average sales price of $0.042, for total proceeds of $1.098 million before costs.

Subsequent to year end, Liontown entered into a sale agreement to acquire the Killaloe Project from Matsa Resources Limited (ASX: MAT) in consideration for 20 million Liontown shares and a 1% NSR Royalty. The acquisition significantly expands Liontown's lithium-prospective footprint in the region. Completion of the Sale Agreement has been achieved with all conditions satisfied.

In September 2018, the Company issued 10,000,000 shares (tranche 1) to Matsa Resources Ltd in part consideration at $0.027 per share. A further 10,000,000 shares (tranche 2) will be issued shortly, pending the finalisation of relevant documentation.

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.

Note 25: Changes in accounting policies

In the year ended 30 June 2018, 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 Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Group and, therefore no material change is necessary to Group accounting policies.

Note 26: 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 2018 are outlined below.

a) AASB 9 Financial Instruments (effective from 1 July 2018)

AASB 9 Financial Instruments addresses the classification, measurement and de-recognition of financial assets and financial liabilities and introduces new rules for hedge accounting. All financial assets that are within the scope of AASB 9 are required to be measured at either amortised cost or fair value, while financial liabilities measured at fair value through profit and loss will require consideration as to the portion of change in fair value that is attributable to changes in the credit risk of that liability. Such changes in value with a connection to change in credit risk will be presented in other comprehensive income rather than profit and loss.

The requirements for hedge accounting under AASB 9 retain similar accounting treatments to those currently available under AASB139. The new standard introduces greater flexibility to the types of transactions eligible for hedge accounting while the previous requirement for hedge effectiveness testing has been replaced with the principle of an 'economic relationship' and the requirement for retrospective assessment of hedge effectiveness has been removed. The new standard has however introduced enhanced disclosure requirements regarding the entity's risk management activities.

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

b) AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-based payment Transactions (effective from 1 July 2018).

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Note 26: New accounting standards and interpretations (Continued)

This standard amends AASB 2 Share-based payments clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for:

- The effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- Share-based payment transactions with a net settlement feature for withholding tax obligations;
- A modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity settled.

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

c) AASB 15 Revenue from Contracts with Customers (effective 1 July 2018)

AASB 15 Revenue from Contracts with Customers is a new Standard introduced by AASB to replace existing revenue recognition guidance, AASB 11 Construction Contracts, AASB 118 Revenue and AASB 1004 Contributions. The new standard is aimed at improving financial reporting of revenue and comparability to provide better clarity on revenue recognition. AASB 15 establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met.

The core principle of AASB 15 is than an entity shall recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The Standard introduces a 5-step approach to revenue recognition. Revenue is recognised upon satisfaction of these performance obligations, which occur when control of goods or services is transferred, rather than on transfer of risks and rewards. Revenue received for a contract that includes a variable amount is subject to revised conditions for recognition, whereby it must be highly probable that no significant reversal of the variable component may occur when the uncertainties around its measurement are removed.

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

d) ASB 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

e) 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.

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Director's Declaration

For the year ended 30 June 2018

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 2018 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; and

(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 2018.

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



David R Richards
Managing Director

Dated this 19th day of September 2018

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Accountants | Business and Financial Advisers

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 2018, 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.

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 2018 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 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. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

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Key Audit Matter	How our audit addressed the key audit matter
Sale of exploration and evaluation assets (Note 5)	
During the year, the Group disposed of its Bynoe lithium project and its Kathleen Valley tenements for total proceeds of $3,579,297 and $235,000 respectively. The Group was required to calculate the gain on disposal, which was complex given that the consideration included shares in the purchasers and contingent consideration. The disclosures of these transactions in the financial report was also complex as the Group needed to consider whether the assets disposed of should be disclosed as discontinued operations. We focussed on this matter because of the importance to the readers of the financial report of the potential allocation between continuing operations and discontinued operations and the material impact of the gain on disposal on the financial report.	Our procedures included, but were not limited to: • We read the sale agreements for the respective assets and found that the sale transactions had been recorded in accordance with the terms of the respective sale agreements. • We reviewed the Group's assessment of the consideration received and agreed the calculation of the value ascribed to the portion of the consideration comprising shares in the purchasers. We also reviewed the Group's assessment of the contingent consideration component of the Bynoe lithium project agreement and agreed with the conclusion that no value should be ascribed to this portion of the consideration at the date of sale. • We reperformed the calculations of the gain on disposal by comparing the consideration received to the carrying value of the assets disposed of. As the Group's accounting policy is to expense all exploration and evaluation expenditure, the assets disposed of had no carrying values, therefore the gain on disposal equated to the proceeds received. • We reviewed the Group's assessment of whether the assets disposed of should be disclosed as discontinued operations and agreed with the conclusion that the disposals did not constitute discontinued operations. • We examined the disclosures included in the financial report and found them to be in accordance with Australian Accounting Standards.

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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 2018, 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.

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 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.

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- 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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 2018.

In our opinion, the Remuneration Report of Liontown Resources Limited for the year ended 30 June 2018 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
Chartered Accountants

L Di Giallonardo
Partner

Perth, Western Australia
19 September 2018

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ASX Additional Information

As at 17 October 2018

Additional information required by the Australian Securities Exchange Limited Listing Rules and not disclosed elsewhere in this report is set out below.

Shareholdings

Substantial shareholders

The number of shares held by substantial shareholders and their associated interests as at 17 October 2018 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	226,184,982	20.30	6,000,000	17.26
JP Morgan Nominees Australia Ltd	62,396,620	5.60	-	-

Class of Shares and Voting Rights

At 17 October 2018 there were 1,788 holders of the ordinary shares of the Company, 10 holders of unlisted options and 1 holder of performance rights. The Company has 34,750,000 unlisted options and 1,000,000 performance rights on issue at 17 October 2018, all of which were issued under the Employee Share Option Plan.

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 do not have voting rights.

Restricted Securities

1,785,714 ordinary shares are subject to voluntary escrow until 1st May 2019.

Distribution of equity security holders as at 17 October 2018:

	Number of equity security holders	
Category	Ordinary Shares	Unlisted Share Options
1 – 1,000	119	-
1,001 – 5,000	14	-
5,001 – 10,000	30	-
10,001 – 100,000	797	-
100,001 and over	828	10
Total	**1,788**	**10**

The number of shareholders holding less than a marketable parcel at 17 October 2018 was 271.

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ASX Additional Information

As at 17 October 2018

Twenty Largest Ordinary Fully Paid Shareholders

Name	Number of ordinary shares held	Percentage of capital held %
Mr Timothy Rupert Barr Goyder	226,184,982	20.30
J P Morgan Nominees Australia Limited	62,396,620	5.60
Graham Cluck Management & Investment Pty Ltd	43,463,332	3.90
Clement Pty Ltd	28,200,000	2.53
Delta Resource Management Pty Ltd	27,361,294	2.46
The Trust Company (Australia) Limited	25,500,000	2.29
Invia Custodian Pty Limited	14,663,122	1.32
Gremar Holdings Pty Ltd	14,050,000	1.26
Calm Holdings Pty Ltd	12,770,000	1.15
David Groom Ewan + Jennie Bar Goyder-Ewan	12,354,402	1.11
Botsis Holdings Pty Ltd	12,203,600	1.10
Capricorn Mining Pty Ltd	12,000,000	1.08
Mr Gregory Robert Hackshaw	10,700,000	0.96
Hazardous Investments Pty Ltd	10,091,622	0.91
Dog Trap Investments Pty Ltd	10,000,000	0.90
Matsa Resources Limited	10,000,000	0.90
Precision Opportunities Fund Ltd	10,000,000	0.90
Wapimala Pty Limited	8,500,000	0.76
Citicorp Nominees Pty Limited	7,914,306	0.71
Bellarine Gold Pty Ltd	7,300,000	0.66
Total	**565,653,280**	**50.80**

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