LIONTOWN RESOURCES LIMITED

ABN: 39 118 153 825

FINANCIAL REPORT

HALF YEAR ENDED 31 DECEMBER 2022

CORPORATE DIRECTORY

Directors

Timothy Goyder .... Chairman
Antonino Ottaviano .... Managing Director and Chief Executive Officer
Anthony Cipriano .... Non-Executive Director
Craig Williams .... Non-Executive Director
Jennifer Morris .... Non-Executive Director
Shane McLeay .... Non-Executive Director
Adrienne Parker .... Non-Executive Director

Company Secretary

Clint McGhie

Principal Place of Business and Registered Office

Level 2, 1292 Hay Street, West Perth, Western Australia 6005

Tel: (+61 8) 6186 4600

Web: www.ltresources.com.au

Email: info@ltresources.com.au

Auditors

Deloitte Touche Tohmatsu

Brookfield Place, Tower 2

123 St Georges Terrace, Perth, Western Australia 6000

Share Registry

Computershare Investor Services Pty Limited

Level 11, 172 St Georges Terrace, Perth, Western Australia 6000

Tel: 1300 557 010

Home Exchange

Australian Securities Exchange Limited

Level 40, Central Park, 152- 158 St Georges Terrace, Perth, Western Australia 6000

ASX Codes

Share Code: LTR

CONTENTS

DIRECTORS’ REPORT

The Directors present the condensed consolidated financial report of the Group consisting of Liontown Resources Limited (Liontown Resources or the Company) and its controlled entities for the half year ended 31 December 2022 and the independent auditor’s review report thereon.

DIRECTORS

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

Timothy Goyder	Chairman
Antonino Ottaviano	Managing Director
Craig Williams	Non-Executive Director
Anthony Cipriano	Non-Executive Director
Steven Chadwick	Non-Executive Director (resigned 4 July 2022)
Jennifer Morris	Non-Executive Director
Shane McLeay	Non-Executive Director
Adrienne Parker	Non-Executive Director (appointed 1 October 2022)

REVIEW OF OPERATIONS

Kathleen Valley Lithium Project

During the half year ended 31 December 2022, site activity increased substantially with significant progress achieved across all areas of development works for the Kathleen Valley Lithium Project (**Project**). Approvals, procurement, engineering, mining, and construction work streams achieved key milestones and the Project remains on track for first production in mid-2024.

Major permits and works approvals, including the Native Vegetation Clearing Permit, Mining Proposal, Mine Closure Plan, Water Licence and Works Approvals were received early in the half year paving the way for major site work to proceed.

The Company appointed leading engineering firm, Lycopodium Minerals Pty Ltd, to complete the engineering, procurement, construction management (**EPCM**) and commissioning services for the Project. Key contracts were awarded for early site works including the bulk earthworks, platework fabrication, structural steel, concrete installation and supply. The early works allowed for site-based construction and management to ramp up and concrete infrastructure works to commence. Further tender submissions for the site facilities and structural mechanical piping were received as assessment commenced.

In December 2022, concrete for the SAG mill and fine ore bin foundations was poured by Jagcor Civil Constructions, which marked the commencement of foundation works for the process plant. By the end of the half year, over 80% of long-lead equipment had been ordered on a fixed cost basis and all equipment was on schedule for delivery to site.

In December 2022 the Company executed the previously awarded 15 year Power Purchase Agreement (**PPA**) with Zenith Energy for the long term supply of electricity for the Project. The 95MW Hybrid Power Station at Kathleen Valley includes 45MW of emission free power generation capacity and is expected to be one of the largest off-grid wind-solar-battery-storage renewable energy facilities in the mining industry in Australia. The hybrid power station will include wind generation, from five wind turbines, a fixed axis solar PV array coupled to a battery energy storage system, a thermal power component of gas and standby diesel fuel. Zenith Energy will build, own and operate the power station for an initial term of 15 years from commercial operation with completion planned to coincide with commissioning of the process plant in the first half of 2024.

The Company secured approval for a $25 million guarantee facility from Export Finance Australia (**EFA**) to provide security under the PPA, which was utilised in early February 2023. The EFA is the Commonwealth of Australia’s export credit agency, and the Kathleen Valley Lithium Project has been identified as a critical minerals project under Austrade’s Critical Minerals Prospectus.

At 31 December 2022, the Company had completed 157 rooms in the accommodation village along with temporary kitchen and dining facilities enabling site accommodation for employees and contractors who are progressing the development and mining works.

Project Expansion

During the half year, the Company progressed the project optimisation and scope review to de-risk the construction schedule and identify opportunities to add value. Subsequent to the end of the half year, the Company released a Kathleen Valley Project Update[1] announcing that the plant capacity design has been optimised to deliver a 20 percent increase in the initial plant throughput rate from 2.5Mtpa to 3Mtpa driving an increase in spodumene concentrate production to take advantage of the strong short-medium term spodumene concentrate pricing. The water exploration and piping requirements will be expanded to meet the additional plant throughput water requirements. The capacity of the on-site accommodation increased by approximately 60 percent from 407 to 660 rooms to support the increased labour requirements and minimise risk on the project delivery schedule due to tightening of regional room availability.

Mining

In preparation for open pit mining, grade control drilling commenced early in the half year within the Kathleen's Corner pit and Mount Mann pit areas. The reverse circulation **(RC)** and diamond drilling data will allow for an update of the Kathleen Valley grade control model during the second half year of FY2023.

Work progressed on mining operational readiness with a technical review of mine plans, the updating of pit designs and the appointment of three key mining roles being the Commercial (Operations) Manager, Manager – Open Pit Mining and Superintendent – Mine Geology.

In December 2022, the Company executed a preliminary works agreement with Iron Mine Contracting along with a notice of award for the tailing storage facility **(TSF)** which will allow for the movement of open pit mining waste to the TSF. Early in January 2023 Iron Mine Contracting commenced the mobilisation of site equipment and mining site works commenced with the first blast at the Mt Mann Pit achieved in the same month.

Underground mine planning progressed during the half year with work on underground design, development of the underground mine service area and supporting infrastructure, along with tender package development for the underground mining tender planned for release in the March 2023 quarter.

Capital Cost and Project Funding

In January 2023, the Company announced the Kathleen Valley Lithium Project expansion, revised capital estimate and potential direct shipping ore (**DSO**) opportunity[1]. Since the completion of the Definitive Feasibility Study (**DFS**) in November 2021 and the Final Investment Decision (**FID**) in June 2022, the Company has sought to debottleneck, optimise the engineering design, expand plant capacity and prioritise the Project delivery timetable to benefit from the attractive spodumene concentrate pricing in the short to medium term.

As is being seen across the industry, the Company has experienced substantial escalation in all labour rates across site-based contracts. In addition, pressure on the already constrained labour market has affected productivity and the number of contractors willing to bid, which has impacted tendered package prices. The combination of optimisation, additional scope and cost escalation has resulted in Kathleen Valley's estimated capital cost to first production from the process plant increasing to $895 million inclusive of $40 million in contingency.

The estimated revised capital cost is subject to further refinement and optimisation and the Company anticipates that additional funding would not be required until the December 2023 quarter. The Company is progressing a range of funding providers and funding options alongside opportunity for generating early revenue from pre-production DSO sales.

Sustainability

Health and Safety

During the half year, the Company implemented a business-wide Safety, Risk, Learning and Sustainability system to enable real-time reporting and monitoring. This is part of the strong focus on site safety and commitment to building a safety culture as the construction activity at the Kathleen Valley site ramps up. Other key developments include the implementation of the Employee Assistance Provider service to assist employees and their families, establishing an interim site medical clinic and the mobilisation of ambulance and paramedic services to the Kathleen Valley site. There were no Lost-time Injuries (LTI's) recorded in the half year.

1. ASX 20 January 2023, Kathleen Valley Project Update

Environmental, Social and Governance (ESG)

In November 2022, the Company published its second ESG report following the establishment of a Sustainability and Risk Committee to oversee the Company's risk management framework and sustainability practices. Engagement with Tjiwarl, the Native Title Holders, was ongoing in the form of committee meetings, submission of native title reports, on-site heritage surveys and work continued to progress on site based environmental monitoring programs. Review work has commenced on the draft Decarbonisation Pathway Strategy that was completed during the half year and the Company progressed work on the evaluation of climate risks associated with the Project to support the assessment under the Task Force on Climate Related Financial Disclosures (**TCFD**).

Exploration

Kathleen Valley

Early in the half year, the drilling programme at Kathleen Valley progressed with the drilling of four wide-spaced reconnaissance style holes to test the down dip extremity of the Mt Mann feeder dyke system. One of the single shallower diamond holes returned moderate lithium mineralisation indicating potential future resource expansion in the periphery of the current resource model. The Company was successfully granted government co-funding for two holes in the program of works under the Exploration Inventive Scheme which were completed.

Buldania

Exploration work during the half year focussed on the resource expansion of the spodumene-bearing Anna pegmatite. Following a Department of Mines, Industry Regulation and Safety **(DMIRS)** approved programme of work, thirty-eight RC drill holes were completed for a total of 6,019 metres targeting the shallow position of the north-eastern side of the current Anna resource. The geological interpretation work is ongoing with the observed spodumene zones appearing to be poddy and discontinuous in nature compared with the main Anna Resource. Further drilling will focus on the south-east where the current mineral resource may extend at depth and then it is anticipated the drill rigs will move to the north-west and test the regional targets.

Within the Anna resource area, metallurgical drilling of five diamond HQ sized holes was completed for a total of 817 metres. The holes were drilled next to existing RC drill holes targeting known mineralisation for further metallurgical test work.

Corporate

Results of Operations

At 31 December 2022, the Company's cash balance was A$384 million and the $300 million debt facility remains undrawn. The ordinary conditions precedent on the debt facility are expected to be completed in the second half year of FY2023 and at such time the Company will commence drawdowns on the facility.

The Company secured a $25 million guarantee facility from the EFA, as part of the security package under the PPA with Zenith Energy which was utilised in early February 2023. The EFA has identified the Kathleen Valley Lithium Project as a critical minerals project under Austrade's Critical Minerals Prospectus.

The Group had net assets of $463.3 million (30 June 2022: $466.8 million) and an excess of current assets over current liabilities of $345.9 million (30 June 2022: $434.6 million).

The Group reported a net loss before tax for the half year of $6.9 million (31 December 2021 net profit before tax: $48.1 million) which included interest revenue of $5.3 million corporate costs of $6.4 million, share based payments $3.0 million and exploration and evaluation expenditure of $3.1 million.

Board Update

On 1 October 2022 Ms Adrienne Parker, a highly respected lawyer specialising in infrastructure and resources projects, joined Liontown Resource's board as an independent Non-executive Director.

Mr Steven Chadwick retired as a Non-executive Director effective 4 July 2022.

Completion of the Toolebuc Vanadium Project sale

The Company's sale of the Toolebuc Vanadium Project completed during the half year. The Project, located in north-west Queensland, was sold to Currie Rose Resources Inc (TSXV: CUI) in consideration for 12.5 million ordinary shares in CUI, 4 million warrants of CUI (with a 2 year term) and a 2% net gross revenue royalty payable on minerals extracted from the Project.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes to the state of affairs other than those noted elsewhere in this half year financial report.

EVENTS SUBSEQUENT TO THE REPORTING DATE

On 20 January 2023, the Company announced the Kathleen Valley Project expansion, revised capital estimate and potential DSO opportunity. The optimisation of the plant capacity design will deliver a 20 percent increase on the initial plant throughput rate from 2.5mtpa to 3Mtpa. The combination of optimisation, additional scope and cost escalations has resulted in the Project's estimate capital cost to first production increasing to $895 million inclusive of $40 million in contingency. The estimated revised capital cost is subject to further refinement and optimisation by the Company and any additional funding would not be required until the December 2023 quarter.

In early February 2023, the Company completed the EFA utilisation and provided the $25 million guarantee required under the PPA with Zenith Energy.

There has not been any other matter or circumstance that has arisen since the end of the half year which has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial periods.

ROUNDING OF AMOUNTS

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and in accordance with the legislative instrument, amounts in the Directors' Report and Financial Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

AUDITOR'S INDEPENDENCE DECLARATION

Section 307C of the *Corporations Act 2001* requires our auditors, Deloitte Touche Tohmatsu, to provide the directors of the Company with an Independence Declaration in relation to the review of the half year financial report. This Independence Declaration is set out on page 9 and forms part of this directors' report for the half year ended 31 December 2022.

FORWARD LOOKING STATEMENTS AND IMPORANT NOTICE

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. Such forward-looking statements are not a guarantee of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, the Directors and the management. The Directors cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this announcement will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements. Should one or more of the risks or uncertainties materialise, or should underlying assumptions prove incorrect, actual results may vary from the expectations, intentions and strategies described in this report. No obligation is assumed to update forward looking statements if these beliefs, opinions and estimates should change or to reflect other future developments.

COMPETENT PERSON STATEMENT

The information in this report that relates to Exploration Results is extracted from the ASX announcement "Quarterly Activities Report" released on 31 October 2022 which is available on www.ltresources.com.au. The Company confirms that it is not aware of any other new information or data that materially affects the information included in the original market announcement and that all material assumptions and technical parameters underpinning the estimates or production targets or forecast financial information derived from a production target (as applicable) in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcements.

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

Antonino Ottaviano
Managing Director

Dated at Perth this 13th day of March 2023

Deloitte Touche Tohmatsu
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Board of Directors
Liontown Resources Limited
Level 2, 1292 Hay St
WEST PERTH WA 6005

13 March 2023

Dear Board Members,

Auditor's Independence Declaration to Liontown Resources Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Liontown Resources Limited.

As lead audit partner for the review of the financial report of Liontown Resources Limited for the half year ended 31 December 2022, I declare that to the best of my knowledge and belief, there have been no contraventions of:

i) The auditor independence requirements of the Corporations Act 2001 in relation to the review; and

ii) Any applicable code of professional conduct in relation to the review.

Yours faithfully

DELOITTE TOUCHE TOHMATSU

David Newman
Partner
Chartered Accountants

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 31 DECEMBER 2022

	Note	31 Dec 22 $'000	31 Dec 21 $'000
Other income		379	1,126
Gain on demerger	2(a)	-	90,960
Exploration and evaluation expenditure expensed	2(b)	(3,081)	(37,592)
Corporate administrative expenses	2(c)	(6,380)	(3,842)
Share based payments	2(d)	(3,028)	(2,242)
(Loss)/profit before financing and tax		**(12,110)**	**48,410**
Net financing income		5,198	47
(Loss)/profit before income tax		**(6,912)**	**48,457**
Income tax expense		-	(336)
Net (loss)/profit after tax		**(6,912)**	**48,121**
Other comprehensive income/(loss) Items that will not be reclassified to profit or loss			
Net gain/(loss) on fair value of financial assets, net of tax		40	(784)
Total comprehensive (loss)/income for the year attributable to owners of the Company		**(6,872)**	**47,337**
Basic (loss)/earnings per share (dollars per share)		(0.003)	0.025
Diluted (loss)/earnings per share (dollars per share)		(0.003)	0.025

The condensed consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Note	31 Dec 22 $'000	30 Jun 22 $'000
Current assets			
Cash and cash equivalents		383,974	453,076
Trade and other receivables		4,281	1,438
Total current assets		**388,255**	**454,514**
Non-current assets			
Financial assets	3	1,003	558
Property, plant and equipment	4	116,015	26,985
Other assets	5	5,227	5,001
Total non-current assets		**122,245**	**32,544**
Total assets		**510,500**	**487,058**
Current liabilities			
Trade and other payables		41,594	19,464
Provisions	6	590	297
Lease liabilities		159	178
Total current liabilities		**42,343**	**19,939**
Non-current liabilities			
Provisions	6	4,761	204
Lease liabilities		114	53
Other liabilities		-	15
		4,875	**272**
Total liabilities		**47,218**	**20,211**
Net assets		**463,282**	**466,847**
Equity			
Share capital		576,681	576,219
Accumulated losses		(119,273)	(112,683)
Reserves		5,874	3,311
Total equity		**463,282**	**466,847**

The condensed consolidated statement of financial position is to be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 31 DECEMBER 2022

	Issued capital $'000	Accumulated losses $'000	Share based payments reserve $'000	Investment revaluation reserve $'000	Foreign currency translation reserve $'000	Total equity $'000
As at 1 July 2021	**77,922**	**(68,469)**	**2,747**	**1,148**	**139**	**13,487**
Profit for the period	-	48,121	-	-	-	48,121
Other comprehensive loss	-	-	-	(784)	-	(784)
Total comprehensive profit for the year	**-**	**48,121**	**-**	**(784)**	**-**	**47,337**
Transactions with owners in their capacity as owners:						
Issue of shares (net of costs)	488,428	-	-	-	-	488,428
Share-based payments	820	-	1,422	-	-	2,242
Transfer on conversion/forfeiture of awards	-	1,791	(1,791)	-	-	-
Demerger of Minerals 260 Ltd	(4,100)	(86,860)	-	-	-	(90,960)
As at 31 December 2021	**563,070**	**(105,417)**	**2,378**	**364**	**139**	**460,534**

	Issued capital $'000	Accumulated losses $'000	Share based payments reserve $'000	Investment revaluation reserve $'000	Foreign currency translation reserve $'000	Total equity $'000
As at 1 July 2022	**576,219**	**(112,683)**	**3,292**	**(120)**	**139**	**466,847**
Loss for the period	-	(6,912)	-	-	-	(6,912)
Other Comprehensive Income	-	-	-	40	-	40
Total comprehensive loss for the year	**-**	**(6,912)**	**-**	**40**	**-**	**(6,872)**
Transactions with owners in their capacity as owners:						
Issue of shares (net of costs)	279	-	-	-	-	279
Share-based payments	183	-	2,845	-	-	3,028
Transfer on conversion/forfeiture of awards	-	322	(322)	-	-	-
As at 31 December 2022	**576,681**	**(119,273)**	**5,815**	**(80)**	**139**	**463,282**

The condensed consolidated statement of changes in equity is to be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 31 DECEMBER 2022

	Note	31 Dec 22 $'000	31 Dec 21 $'000
Cash flows from operating activities			
Receipts from customers		78	858
Cash paid to suppliers and employees		(6,684)	(3,561)
Payments for exploration and evaluation		(3,401)	(6,562)
Interest received		4,752	42
Acquisition of royalty rights		-	(30,250)
Net cash used in operating activities		**(5,255)**	**(39,473)**
Cash flows from investing activities			
Proceeds from the sale of plant and equipment		12	-
Payments for plant and equipment		(58,815)	(264)
Minerals 260 demerger and initial public offer costs		-	(680)
Term deposits		-	(290,000)
Net cash used in investing activities		**(58,803)**	**(290,944)**
Cash flows from financing activities			
Proceeds from issue of shares		298	503,992
Payment for share issue costs		(19)	(15,096)
Transaction costs related to loans and borrowings		(5,227)	-
Repayment of lease liabilities		(88)	(27)
Interest paid		(8)	(8)
Net cash (used in)/from financing activities		**(5,044)**	**488,861**
Net (decrease)/increase in cash and cash equivalents		(69,102)	158,444
Effect of exchange rate fluctuations on cash held		-	-
Cash and cash equivalents at the beginning of the period		453,076	12,545
Cash and cash equivalents at the end of the period		**383,974**	**170,989**

The condensed consolidated statement of cash flows to be read in conjunction with the accompanying notes.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2022

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The half year financial report was authorised for issue on 13th March 2023.

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

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

(b) Basis of preparation

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

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

It is recommended that these interim financial statements be read in conjunction with the annual financial report for the year ended 30 June 2022 and any public announcements made by Liontown Resources Limited during the half year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001* and the ASX Listing Rules.

The Group has one reportable operating segment which is exploration and development of minerals in Western Australia. The financial results of this segment are equivalent to the financial statements of the Group as a whole.

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

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

(c) Significant accounting judgments and key estimates

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

In preparing this interim financial report, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial report for the year ended 30 June 2022, except for the impact of the new Standards and Interpretations effective 1 July 2022 as disclosed in note 1(d).

(d) Adoption of new and revised Accounting Standards

Standards and Interpretations applicable for the half year ended 31 December 2022

In the period ended 31 December 2022, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for the current reporting period. Their adoption has not had a material impact on the disclosures and/or amounts reported in these financial statements.

Standards and Interpretations in issue not yet adopted

The Directors have also reviewed all Standards and Interpretations in issue not yet adopted for the period ended 31 December 2022. As a result of this review the Directors have determined that there is no material impact of the Standards and Interpretations in issue not yet adopted on the Company and, therefore, no change is necessary to Group accounting policies.

(e) Going Concern

The Group incurred a net loss after tax for the period ended 31 December 2022 of $6.9 million (31 December 2021: $48.1 million net profit after tax), and experienced net cash outflows from operating and investing activities of $64.1 million (31 December 2021: outflow of $330.4 million).

As at 31 December 2022 the Group held cash and cash equivalents of $384.0 million (30 June 2022: $453.1 million), had an excess of current assets over current liabilities of $345.9 million (30 June 2022: $434.6 million), and had outstanding contractual capital commitments for the acquisition of property, plant and equipment for the Kathleen Valley Lithium Project (**Project**) of $156.7 million (30 June 2022: $62 million).

In addition to the Group's $384.0 million in cash and cash equivalents as at 31 December 2022, it also has an undrawn facility with Ford Motor Company (**Ford**) for $300 million. As at 31 December 2022, there were two conditions precedent remaining to be met before the Group could drawdown under the facility. One of these conditions precedent has been satisfied subsequent to the period end, and the remaining condition precedent is currently expected to be satisfied during the first quarter of calendar year 2023.

On 20 January 2023, the Group announced a revised capital estimate for the Project of $895 million (an increase of $350 million including a $40 million contingency). This revised capital cost estimate was a result of optimisation and scope adjustments coupled with continued macro-level, and industry-wide cost escalation, along with additional expenditure associated with delivering a 20% increase in Project throughput capacity to 3Mtpa. As well as the revised capital cost estimate the Group also announced that it was evaluating potential direct shipping ore (**DSO**) opportunities for the Project as it progresses through development, towards commercial production.

The Group also advised on 20 January 2023, that it would need to source additional funding to cover the increase in the capital costs noted above, and to fund its working capital requirements through to such a time that the Project enters commercial production, and that this funding would not be required until the end of calendar year 2023 to support current development plans.

The Group has multiple options for securing additional funding including both debt and equity, and is actively engaged in discussing, evaluating and progressing a number of these options as well as potential DSO sales opportunities. Based on discussions held to date, the Group expects to have in place arrangements securing a substantial component of the required funding by the end of FY23 (30 June 2023). Should adequate funding not be secured by this time, whilst it is not the Group's current intention, it does have the ability to defer significant capital expenditure associated with Project development, to ensure that expenditure aligns with available funding.

Given the range of available funding options, the discussions held to date, and the time period until any additional funding is required, the Directors of Liontown are confident that the additional funding will be secured, and the Project will be fully funded, allowing development activities to progress as planned. On this basis the Directors believe that the going concern basis of preparation is appropriate.

2. OTHER INCOME AND EXPENSES

(a) Gain on demerger

	31 Dec 22 $'000	31 Dec 21 $'000
Gain on demerger [1]	-	90,960
	-	90,960

1. *Fair value gain on demerger of Minerals 260 Limited. Refer to note 2(b) for further details.*

(b) Exploration and evaluation expenditure

	31 Dec 22 $'000	31 Dec 21 $'000
Exploration and Feasibility Expenditure		
Kathleen Valley, WA	1,805	5,540
Buldania, WA	1,258	1,479
Other [1]	18	323
	3,081	7,342
Royalty Acquisition [2]	-	30,250
	3,081	37,592

1. *During the first half of FY2022, the Company demerged the subsidiary Minerals 260 Limited which held the Moora Gold-Nickel-Copper-PGE Project, a right to earn an interest in the Koojan JV Project, Dingo Rocks Project and the Yalwest Project. Other includes amounts related to these projects prior to demerging.*

2. *In August 2021 the Company completed an agreement to terminate the lithium royalty (that covered the majority of the Kathleen Valley Lithium Project) owned by Ramelius Resources Ltd for $30.25 million consideration in cash.*

(c) Corporate and administration expenses

	31 Dec 22 $'000	31 Dec 21 $'000
Administration and general costs	2,608	1,485
Business development costs	233	-
Depreciation and amortisation	133	87
Personnel expenses	3,406	1,590
Minerals 260 demerger and IPO costs	-	680
	6,380	3,842

(d) Share based payments

Share based payment expense includes:

	31 Dec 22 $'000	31 Dec 21 $'000
Share based payments	2,845	2,242
Bonus shares issued to employees	183	-
	3,028	2,242

Performance rights issued under Employee Incentive Scheme

The following 4,633,845 performance rights were issued during the half year ended 31 December 2022.

Holder	No. of Performance Rights	Expiry Date	Fair Value ($/right)	Expected Life of Rights (Years)	Total Value ($)
Managing Director	455,633	30-Jun-25	2.080	1	943,160
Managing Director	355,964	30-Jun-27	1.689	3	601,223
Managing Director	355,964	30-Jun-27	1.956	3	696,266
Managing Director	711,926	30-Jun-27	2.080	3	1,480,806
Other KMP and Staff	895,811	30-Jun-25	2.070	1	1,854,329
Other KMP and Staff	464,637	30-Jun-27	1.675	3	778,267
Other KMP and Staff	464,637	30-Jun-27	1.944	3	903,254
Other KMP and Staff	929,273	30-Jun-27	2.070	3	1,923,595

The performance rights comprise of 1,351,444 short term incentive rights (**STI Rights**) and 3,282,401 long term incentive rights (**LTI Rights**). The STI Rights have a 12 month vesting period and are subject to threshold, target and stretch performance metrics and vesting is also subject to zero fatalities during the performance period. The LTI Rights have a 3 year vesting period and are subject to a mix of relative and absolute TSR targets and strategic objectives.

The fair value of performance rights is based upon the stretch targets and was determined using a Black Scholes pricing model, for non-market based vesting conditions, and a hybrid multiple barrier option pricing model (that incorporated a Monte Carlo simulation) for market based vesting conditions.

The models included the following inputs:

	Managing Director	Other KMP and Staff
Exercise Price ($)	-	-
Grant date	22-Nov-22	23-Nov-22
Share price at grant date	$2.08	$2.07
Expected volatility	80%	80%
Dividend yield	Nil	Nil
Risk-free interest rate	3.13% and 3.225%	3.17% and 3.27%

3. NON-CURRENT FINANCIAL ASSETS

	31 Dec 22 $'000	30 Jun 22 $'000
Investments in equity securities (a)	863	480
Other financial assets	140	78
	1,003	558

(a) Investments in equity securities

The Company holds 40,000,000 shares in Lachlan Star Limited (ASX: LSA) and 12,500,000 shares in Currie Rose Inc (CVE: CUI) as long-term investments and these shares have been revalued at period end to market value, based on the share price on stock exchange at 31 December 2022. Any movements (net of tax) are recorded through the Investment Revaluation reserve and Other Comprehensive Income.

4. PROPERTY, PLANT AND EQUIPMENT

31 Dec 22	Mine Properties $'000	Plant and equipment $'000	Right-of-use assets $'000	Assets under construction $'000	Total $'000
Cost	4,727	698	365	110,625	116,415
Accumulated depreciation	-	(250)	(150)	-	(400)
Net book value	**4,727**	**448**	**215**	**110,625**	**116,015**
Opening net book value	186	473	148	26,178	26,985
Additions	4,541	37	142	84,447	89,167
Disposals	-	-	-	-	-
Depreciation charge	-	(62)	(75)	-	(137)
Net book value	**4,727**	**448**	**215**	**110,625**	**116,015**
30 Jun 22					
Cost	186	661	369	26,178	27,394
Accumulated depreciation	-	(188)	(221)	-	(409)
Net book value	**186**	**473**	**148**	**26,178**	**26,985**
Opening net book value	-	181	61	-	242
Additions	186	394	223	26,178	26,981
Disposals	-	(12)	-	-	(12)
Depreciation charge	-	(90)	(136)	-	(226)
Net book value	**186**	**473**	**148**	**26,178**	**26,985**

At 31 December 2022 the Group had outstanding contractual capital commitments for the acquisition of property, plant and equipment of $156.7 million (30 June 2022: $62 million) which are expected to be settled prior to 31 December 2023. These contractual commitments relate to contracts the Company has entered into for the Kathleen Valley Lithium Project that were not required to be recognised as liabilities at 31 December 2022.

In December 2022, the Company executed a 15 year Power Purchase Agreement with Zenith Energy for the long term supply of electricity for the Kathleen Valley Lithium Project. Zenith Energy will build, own and operate the power station, exclusively for the Company, with completion planned to coincide with commissioning of the process plant in the first half of 2024. At 31 December 2022, construction of the power station had not commenced, and the Group had no contractual commitment liabilities to be recognised.

5. OTHER ASSETS

	31 Dec 22 $'000	30 Jun 22 $'000
Borrowing costs	5,227	5,001

Borrowing transaction costs relate to the $300 million debt facility the Company executed in late June 2022 with the Ford Motor Company. The facility, with a five year term, is secured over the Kathleen Valley Lithium Project assets and has an interest rate of BBSW plus 1.5%. The facility is subject to conditions precedent which are expected to be satisfied during the first quarter of calendar year 2023, and then the facility drawdown will commence. The facility was not available for use as at 31 December 2022.

When the facility funding is drawn down the borrowing costs will be transferred to offset borrowings liabilities on the consolidated statement of financial position and amortised over the life of the debt facility.

6. PROVISIONS

	31 Dec 22 $'000	30 Jun 22 $'000
Current		
Employee leave benefits	590	297
	590	297
Non-Current		
Provision for long service leave	34	18
Provision for mine rehabilitation	4,727	186
	4,761	204

Accounting policy

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. Any increase/decrease relating to a provision is presented in the statement of profit or loss, net of any reimbursement.

Employee Benefits
Liabilities for employee benefits for annual leave and other current entitlements 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.

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.

Mine Rehabilitation
The Group recognises a provision of the estimated cost of all obligations in respect of returning the land to its original state when land has been disturbed. Rehabilitation activities include dismantling and removing structures, rehabilitating mine sites, dismantling operating facilities, closure of tailings and waste sites and restoration, reclamation and revegetation of affected areas. The provision is based on the estimated future costs using current information available and is discounted using a current market-based pre-tax discount rate that reflects the time value of money and risk specific to the liability. The unwinding of the discount is included in the interest expense in the statement of profit or loss. At the time of establishing the provision, a corresponding asset is capitalised, where it gives rise to a future benefit, and is depreciated over future production from the operations to which it relates.

At each reporting date, the site rehabilitation provision is remeasured to reflect any changes in discount rates and timing or amounts of the estimated costs to be incurred. Such changes in the estimated liability are accounted for prospectively from the date of the change and added to, or deducted from, the related asset, subject to recoverability.

Significant judgments and estimates are required to determine the mine rehabilitation provision as there are many future factors that will affect final liability payable. In determining the present value of the provision, assumptions and estimates are made in relation to discount rates, the expected cost to dismantle and remove the plant from the site and the expected timing of those costs. When these assumptions and estimates change or become known in the future, they will impact the mine rehabilitation provision in the period when the change occurred.

7. RELATED PARTIES

The aggregate amounts recognised during the half year relating to key management personnel (KMP) and their related parties are as follows:

	31 Dec 22 $	31 Dec 21 $
Corporate services recharge [1]	-	193,143
Minerals 260 Demerger and IPO related costs[2]	-	943,419
Corporate advisory services of KMP[3]	-	147,500
Technical consultancy services of KMP[4]	-	30,000
Mining consulting services [5]	30,420	-
Database management and field services[6]	-	43,750
	30,420	1,357,812

1. The Company supplied office facilities and corporate services to Minerals 260 Limited under a share service agreement. Amounts were billed on a proportionate share of the costs to the Company of providing the services and are due and payable under normal commercial terms. Mr Richards (a former director) was concurrently a director of the demerged Minerals 260 Limited and the Company between October and November 2021.

2. The Company incurred costs related to the Demerger, Initial Public Offer (IPO) and project costs of Minerals 260 Limited which were recharged subsequent to and conditional on the successful listing on the Australian Securities Exchange (ASX) in October 2021.

3. The Company received corporate, financial advisory and general support services through a consultancy agreement (as disclosed to ASX on 12 May 2021) from Mr Cipriano at a rate of $2,500 per day which was payable under normal payment terms. The consultancy agreement was terminated on 31 December 2021.

4. The Company's former non-executive director Mr Chadwick provided general metallurgical and technical advisory services to the Company through a consultancy agreement that is now terminated. There was no fixed remuneration component under the consultancy agreement for these services and those services were provided on an "as required basis" at a rate of $2,000 per day and which was payable on normal payment terms.

5. The Company's non-executive director Mr Shane McLeay is Managing Director of Entech Pty Ltd who provide mining consulting services to the Company. The services are provided on "as required basis" and on normal commercial terms.

6. The Group received database management and field services from related parties of former Director, Mr Richards. Amounts paid were on normal commercial terms.

Amounts payable to KMP and related parties at reporting date arising from related party transactions was $Nil (31 December 2021: $48,000).

8. EVENTS SUBSEQUENT TO REPORTING DATE

On 20 January 2023, the Company announced the Kathleen Valley Project expansion, revised capital estimate and potential DSO opportunity. The optimisation of the plant capacity design will deliver a 20 percent increase on the initial plant throughput rate from 2.5mtpa to 3Mtpa. The combination of optimisation, additional scope and cost escalations has resulted in the Project's estimate capital cost to first production increasing to $895 million inclusive of $40 million in contingency. The estimated revised capital cost is subject to further refinement and optimisation by the Company and any additional funding would not be required until the December 2023 quarter.

In early February 2023, the Company completed the EFA utilisation and provided the $25 million guarantee required under the PPA with Zenith Energy.

There has not been any other matter or circumstance that has arisen since the end of the half year which has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial periods.

DIRECTORS' DECLARATION

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

   (a) The accompanying interim financial statements and notes are in accordance with the *Corporations Act 2001* including:

      i. giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the half year then ended; and

      ii. complying with Accounting Standards, the *Corporations Regulations 2001*, professional reporting requirements and other mandatory requirements.

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

   (c) The interim 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 section 303(5) of the *Corporations Act 2001* for the half year ended 31 December 2022.

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

A. Ottaviano

Antonino Ottaviano
Managing Director

Dated this 13th day of March 2023.

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Independent Auditor's Review Report to the Members of Liontown Resources Limited

Conclusion

We have reviewed the half-year financial report of Liontown Resources Limited (the Company) and its subsidiaries (the Group), which comprises the condensed consolidated statement of financial position as at 31 December 2022, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- Giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the half-year ended on that date; and
- Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 Review of a *Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Half-year Financial Report* section of our report. We are independent of the Group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

Directors' Responsibilities for the Half-year Financial Report

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

Auditor's Responsibilities for the Review of the Half-year Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte.

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

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

David Newman
Partner
Chartered Accountants
Perth, 13 March 2023