



LIONTOWN RESOURCES LIMITED

ABN: 39 118 153 825

FINANCIAL REPORT

HALF YEAR ENDED 31 DECEMBER 2023

CORPORATE DIRECTORY

Directors

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

Company Secretary

Clint McGhie

Principal Place of Business and Registered Office

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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	4
Auditor's Independence Declaration.....	9
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	10
Condensed Consolidated Statement of Financial Position	11
Condensed Consolidated Statement of Changes in Equity	12
Condensed Consolidated Statement of Cash Flows	13
Notes to the Condensed Consolidated Financial Statements	14
Directors' Declaration.....	22
Independent Auditor's Review Report.....	23

DIRECTORS' REPORT

The Directors present the condensed consolidated financial report of the Group consisting of Lontown Resources Limited (Lontown Resources or the Company) and its controlled entities for the half year ended 31 December 2023 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 (resigned 31 December 2023)
Jennifer Morris	Non-Executive Director
Shane McLeay	Non-Executive Director
Adrienne Parker	Non-Executive Director
Ian Wells	Non-Executive Director (appointed 1 January 2024)

REVIEW OF OPERATIONS

Overview

During the half year ended 31 December 2023 the Group continued to progress development of the Kathleen Valley Lithium Project (the **Project**) which reached 72 percent completion as at the end of the period. All major contracts have been awarded and the Project remains on schedule for first production mid-2024 calendar year and in line with the updated \$951 million capital cost estimate.

Construction of the 95MW Hybrid Power Station continued at pace. Significant progress was made on the wind turbines installation, with all five foundation concrete pours successfully completed, with each wind turbine foundation incorporating around 800 cubic metres of concrete and 80 tonnes of steel.

Mining operations continued to progress well along with the construction of the Run of Mine (**ROM**) pad and associated infrastructure. Open pit mining concluded at the Mt Mann pit and underground mining commenced during November 2023. Six access portals were completed and 352 total development metres were reached by the end of the reporting period.

The Company successfully completed a \$389.9 million equity raise (excluding fees) including a \$365 million institutional placement completed during October 2023. The remaining funds were secured by way of a placement to the Company's Chair, Mr Timothy Goyder, and a Share Purchase Plan (**SPP**) for eligible shareholders.

Finalisation of the Group's funding through to positive cashflows from operations remains a focus. On 19 October 2023 the Company announced that it had received a commitment letter from a syndicate of banks and government lenders for a \$760 million debt facility. Post period end, the Company announced that due to significant reductions in forecast spodumene prices, the previously announced debt funding commitment had been cancelled. The Group continued discussions with the syndicate of banks and government lenders in relation to an alternative debt facility and subsequently entered into an agreement on 12 March 2024 with respect to a \$550 million debt facility (excluding allowances for capitalised interest and fees). Please refer to Note 12 of the Condensed Consolidated Financial Statements for further information.

As at 31 December 2023 the Group held \$516.9 million of cash and cash equivalents.

Kathleen Valley Lithium Project

All major mining and construction contracts have been awarded, including underground mining services to Byrnegut Australia Pty Ltd, structural, mechanical piping and electrical and instrumentation contract to Monadelphous Group Limited, concentrate

haulage services awarded to Qube Holdings Limited and long-term Port Access and Services Agreement with Mid West Ports Authority. Approximately 90 percent of the Project capital costs are now committed, de-risking the pathway to first production.

Process Plant and Infrastructure priority works progressed substantially, including installation of structural steel and plateworks in both the Dry and Wet Plant areas, and ramp up of piping and electrical works. All process plant concrete was completed, with 10,900 cubic metres of structural concrete poured to date.

Construction of the 95MW Hybrid Power Station continued and remains on track to achieve at least 60 percent renewable power from start-up. 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 photovoltaic (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 calendar year.

The Project entered peak construction during the half year, with more than 900 people working on site and accommodation fully utilised. At 31 December 2023, the Company had completed 676 permanent rooms in the accommodation village along with construction of a temporary 100 room satellite camp. The permanent wet mess and convenience shop were commissioned in December 2023, adding permanent amenity for the workforce.

Further on-tenement water exploration progressed with several new targets identified, drilled and providing water to the Project. Access agreement negotiations with neighbouring landholders also progressed to facilitate water exploration, extraction and pipeline corridors. A commercial arrangement was finalised to acquire a pre-existing borefield, approximately 30 kilometres from Kathleen Valley and construction of a pipeline to transport water to the Project is planned to commence in Q1 2024 calendar year.

Mining

Total material movement (TMM) for the half year was approximately 2.8 million bulk cubic metres (BCM), supporting stockpiling of ore for production, waste material for the ROM pad and Tailings Storage Facility (TSF) construction. TMM of 5.2 million BCM was achieved for 2023 calendar year, a significant milestone following commencement of open pit mining in January 2023.

Clean ore (low impurity) mill stockpiles on the ROM reached 69 kilotonnes (kt) on 31 December 2023, in addition to 207kt of material identified for ore sorting product (OSP) (which is material containing higher percentages of host rock gabbro). This OSP material will be processed through the ore sorting equipment being installed on site during Q1 2024 to supplement clean ore ROM material for commissioning and plant ramp-up activities.

A major milestone was achieved with the commencement of underground mining in November 2023. Six access portals were completed and 352 total development metres were reached by 31 December 2023. Equipment and personnel required for this phase of development mobilised to site as planned and further resources are on track to arrive on site per the mine plan. Metres advanced and ground conditions experienced are in line with expectations.

Open pit mining concluded at Mt Mann allowing early set-up works for the underground decline to commence. Mining operations at Kathleen's Corner proceeded steadily, achieving anticipated significant milestones on schedule.

The underground grade control program at Mt Mann continued throughout the half year, totalling 832 metres of reverse circulation drilling and 4,921 metres of diamond core drilled and grouted.

Capital Cost Estimate

Following the award of all major contracts, the Company estimated Project capital cost to first production (including capitalised mining costs) of \$951 million, an approximate six percent increase from the \$895 million estimate announced in January 2023.

The updated capital cost estimate included a multi-contractor strategy to further de-risk plant execution and maintain schedule, scope adjustments to the Structural Mechanical Piping package, higher specification materials, lining and equipment that will reduce future maintenance requirements, which reflect the Company's commitment to deliver a world-class project and a \$25 million contingency. The capital cost estimate excluded costs related to the 4 Mtpa expansion and related to the build-up of ROM stockpiles.

Sustainability

Health and Safety

The Company maintained its focus on developing a robust health and safety structure, and systems. There were no Lost-time Injuries during the half year, and more than two million work hours recorded since construction commenced at Kathleen Valley.

Environmental, Social and Governance (ESG)

The 2023 ESG report was published in September 2023. Engagement with Tjiwarl, the Native Title Holders at Kathleen Valley, continued to grow momentum and cultural awareness sessions were held on site at Kathleen Valley and in the Perth office. Several business development opportunities with Tjiwarl also progressed through the half year, along with approval of several permits and licences including an updated Native Vegetation Clearing Permit and Port operating licence.

Exploration

Kathleen Valley

No exploration work was undertaken at Kathleen Valley during the half year.

Buldanía

A scoping-level metallurgical test work program on core samples recovered from the Anna deposit at Buldanía was completed during the half year, with the program forming part of the broader scoping study into the Buldanía Project. Some additional metallurgical test work is planned for Q1 2024 calendar year to supplement results received so far.

An engineering study to develop the metallurgical flowsheet, process design and estimation of capital and operating costs is also underway in parallel.

Corporate

Financial Performance

The Group reported a net loss before tax for the half year of \$31.0 million (31 December 2022 net loss before tax: \$6.9 million) which included interest revenue of \$8.5 million, corporate and administrative costs of \$20.7 million, share based payments of \$3.9 million and exploration and evaluation expenditure of \$6.6 million. The \$14.3 million increase in corporate and administrative expenses compared to 31 December 2022 is predominantly due to a \$4.2 million increase in personnel expenses in line with increased headcount, \$4.1 million related to the proposed Scheme of Arrangement with Albemarle Corporation that was terminated on 16 October 2023, and \$3.8 million in system development and implementation costs necessary for the commencement of operations.

The Group continued the capitalisation of costs related to the development of the Project with \$331.0 million of costs capitalised during the period.

Financial Position

At 31 December 2023, the Group had net assets of \$801.2 million (30 June 2023: \$449.7 million) and an excess of current assets over current liabilities of \$461.7 million (30 June 2023: \$248.4 million).

The Group had cash and cash equivalents of \$516.9 million as at 31 December 2023 (30 June 2023: \$305.4 million).

Trade and other receivables increased by \$20.6 million to \$28.0 million mainly driven by a \$13.0 million increase in prepayments predominantly relating to construction contracts.

The carrying value of property plant and equipment increased by \$334.4 million to \$663.9 million at 31 December 2023 driven mainly by a \$331.0 million increase in capitalised Kathleen Valley development costs.

Total current liabilities increased by \$30.1 million to \$106.0 million at 31 December 2023. Accrued expenses accounted for \$98.3 million of the balance and primarily related to Kathleen Valley development and mining costs.

Interest bearing loans and liabilities increased by \$192.4 million to \$307.6 million at 31 December 2023. The balance primarily relates to the fully drawn \$300 million Ford facility, \$9.1 million of capitalised interest on the Ford facility offset by \$1.5 million of capitalised transaction costs.

Statement of Cashflows

Net cash used in operating activities increased by \$13.4 million to \$18.7 million for the period ending 31 December 2023 predominantly driven by an increase in cash paid to supplier and employees. The drivers for this increase are the same as those outlined for the increase in corporate and administrative costs above.

Net cash used in investing activities was \$325.6 million for the period ending 31 December 2023 and related to Kathleen Valley development expenditure and \$10 million of payments in relation to cash backing of the bank guarantee facility with Export Finance Australia.

Net cash from financing activities was \$555.8 million for the period ending 31 December 2023. The cash inflows primarily related to drawdowns of the Ford facility (\$181.3 million) and proceeds from the issue of shares (\$389.9 million) offset by share issue costs (\$11.2 million).

Board Update

In November 2023, the Company announced the appointment of Mr Ian Wells to its Board as an Independent Non-Executive Director, effective 1 January 2024. Mr Wells' appointment followed the planned retirement of Mr Anthony Cipriano, who stepped down from the Board on 31 December 2023 after nearly 10 years as a Non-Executive Director.

Albemarle Non-Binding Proposal

On 4 September 2023, Lontown received a revised conditional and non-binding indicative proposal from Albemarle Corporation to acquire all ordinary shares outstanding in Lontown for \$3.00 in cash per share via a scheme of arrangement. Albemarle advised that the revised indicative proposal was its best and final in the absence of a superior proposal.

On 16 October 2023, Albemarle advised that it was withdrawing its indicative proposal and that it would not be proceeding with its proposed acquisition of Lontown. Albemarle advised that its decision to withdraw its proposal was due to the growing complexities associated with executing the transaction. Albemarle confirmed to Lontown its favourable view of the flagship Kathleen Valley project and Lontown's management.

Equity Capital Raisings

During the period ended 31 December 2023, a successful equity raising for \$389.9 million was announced, comprising a fully underwritten \$365.0 institutional placement which settled on 25 October 2023, a non-underwritten conditional placement to Mr Tim Goyder for \$10.8 million and \$13.8 million from eligible shareholders through an Share Purchase Plan.

The Company received a further \$300,000 through the exercise of share options.

Funding

On 22 January 2024, the Company announced that as a result of the recent material decline in spodumene prices, which triggered significant reductions in short- and medium-term lithium price forecasts, the Company had commenced a review of the planned expansion from 3Mtpa to 4Mtpa and associated ramp-up of the Kathleen Valley Project to preserve capital and reduce the near-term funding requirements of the Project.

On 13 March 2024 the Group announced that it had entered into a \$550 million debt facility agreement (**Debt Facility**) with a syndicate comprising leading domestic and international commercial lenders, and government credit agencies.

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 22 January 2024 the Company announced that as a result of the recent material decline in spodumene prices, which triggered significant reductions in short- and medium-term lithium price forecasts, the Company had commenced a review of the planned expansion from 3Mtpa to 4Mtpa and associated ramp-up of the Kathleen Valley Project to preserve capital and reduce the near-term funding requirements of the Project.

On 13 March 2024 the Group announced that it had entered into a \$550 million Debt Facility (excluding \$40 million allowance for capitalised interest and fees) with a syndicate comprising leading domestic and international commercial lenders, and government credit agencies. The Debt Facility will mature on 31 October 2025 and, if not refinanced or repaid

sooner, is repayable via a bullet payment on the maturity date. Drawdown under the Debt Facility is subject to remaining conditions precedent including the following:

- demonstrating compliance with customary tests;
- providing a Base Case Financial Model based off, amongst other things, independent price forecasts and management forecasts of production, capital and operating costs, and which demonstrates compliance with financial ratios; and
- entry into of key project tripartite agreements.

The Debt Facility proceeds will be used to refinance the Ford facility, fund Kathleen Valley project costs, finance associated interest and fees and general working capital requirements. The Group continues to explore options for a longer-term funding solution to provide future flexibility and optionality beyond the Debt Facility.

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 2023.

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.

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 15th day of March 2024



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15 March 2024

Board of Directors
Liontown Resources Limited
Level 2, 32 Ord Street
WEST PERTH WA 6005

Dear Directors


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 year half year ended 31 December 2023, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- The auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- Any applicable code of professional conduct in relation to the review.

Yours faithfully


DELOITTE TOUCHE TOHMATSU


David Newman
Partner
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.
Member of Deloitte Asia Pacific Limited and the Deloitte organisation.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 31 DECEMBER 2023

	Note	31 Dec 23 \$'000	31 Dec 22 \$'000
Other income		25	379
Exploration and evaluation expenditure expensed	2(a)	(6,590)	(3,081)
Corporate and administration expenses	2(b)	(20,695)	(6,363)
Share based payments	2(c)	(3,927)	(3,028)
Loss before financing and tax		(31,187)	(12,093)
Finance income	3	8,486	5,281
Finance costs	3	(8,272)	(100)
Loss before income tax		(30,973)	(6,912)
Income tax expense		(46)	-
Net loss after tax		(31,019)	(6,912)
Other comprehensive (loss)/income Items that will not be reclassified to profit or loss			
Net (loss)/gain on fair value of financial assets, net of tax		(239)	40
Total comprehensive loss for the year attributable to owners of the Company		(31,258)	(6,872)
Basic loss per share (dollars per share)		\$(0.014)	\$(0.003)
Diluted loss per share (dollars per share)		\$(0.014)	\$(0.003)

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 2023

	Note	31 Dec 23 \$'000	30 Jun 23 \$'000
Current assets			
Cash and cash equivalents		516,931	305,438
Trade and other receivables	4	27,992	7,413
Inventories	5	1,393	-
Financial assets	6	21,357	11,409
Total current assets		567,673	324,260
Non-current assets			
Financial assets	6	1,253	1,437
Property, plant and equipment	7	663,877	329,459
Other assets	8	1,076	-
Total non-current assets		666,206	330,896
Total assets		1,233,879	655,156
Current liabilities			
Trade and other payables		102,627	73,489
Lease liabilities		1,677	1,210
Provisions	9	1,659	1,094
Interest bearing loans and borrowings		-	42
Total current liabilities		105,963	75,835
Non-current liabilities			
Interest bearing loans and borrowings		307,647	115,192
Lease liabilities		7,021	4,829
Provisions	9	12,081	9,564
		326,749	129,585
Total liabilities		432,712	205,420
Net assets		801,167	449,736
Equity			
Share capital	10	955,592	576,734
Accumulated losses		(163,208)	(133,226)
Reserves		8,783	6,228
Total equity		801,167	449,736

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 2023

	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 2023	576,734	(133,226)	5,877	212	139	449,736
Loss for the period	-	(31,019)	-	-	-	(31,019)
Other comprehensive gain/(loss)	-	-	-	(239)	-	(239)
Total comprehensive gain/(loss) for the period	-	(31,019)	-	(239)	-	(31,258)
Transactions with owners in their capacity as owners:						
Issue of shares (net of costs)	378,762	-	-	-	-	378,762
Share-based payments	96	-	3,831	-	-	3,927
Transfer between equity items	-	1,037	(1,037)	-	-	-
As at 31 December 2023	955,592	(163,208)	8,671	(27)	139	801,167

	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
Profit for the period	-	(6,912)	-	-	-	(6,912)
Other comprehensive gain/(loss)	-	-	-	40	-	40
Total comprehensive gain/(loss) for the period	-	(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 between equity items	-	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 2023

	Note	31 Dec 23 \$'000	31 Dec 22 \$'000
Cash flows from operating activities			
Receipts from customers		-	78
Cash paid to suppliers and employees		(19,764)	(6,684)
Payments for exploration and evaluation		(6,439)	(3,401)
Interest received		7,531	4,752
Net cash used in operating activities		(18,672)	(5,255)
Cash flows from investing activities			
Proceeds from sale of plant and equipment		-	12
Payments for plant and equipment		(315,498)	(58,815)
Payment for financial assets		(10,100)	-
Net cash used in investing activities		(325,598)	(58,803)
Cash flows from financing activities			
Proceeds from borrowings		181,251	-
Repayment of borrowings		(1,087)	-
Proceeds from issue of shares	10	389,943	298
Payment for share issue costs	10	(11,181)	(19)
Transaction costs relating to loans and borrowings		(1,076)	(5,227)
Repayment of lease liabilities		-	(88)
Interest and other cost of finance		(2,087)	(8)
Net cash from/(used in) financing activities		555,763	(5,044)
Net increase/(decrease) in cash and cash equivalents		211,493	(69,102)
Effect of exchange rate fluctuations on cash held		-	-
Cash and cash equivalents at the beginning of the financial period		305,438	453,076
Cash and cash equivalents at the end of the financial period		516,931	383,974

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 2023

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The half year financial report was authorised for issue on 15th March 2024.

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 2023 and any public announcements made by Lontown 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 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.

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

Inventory

As at 31 December 2023 the Group remains in the pre-production phase at its open pit mines, with clean ore on hand being incidental to development activities that have been completed to date. The Group has valued ore stockpiles using the direct cost of mining allocated between clean ore and other material mined pro-rata based on tonnes, in line with its pre-production inventory policy.

(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 2023, except for the impact of the new Standards and Interpretations effective 1 July 2023 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 2023

In the period ended 31 December 2023, 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 2023. 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 interim financial report has been prepared on the going concern basis, which assumes continuity of normal business activity and the realisation of assets and settlement of liabilities in the ordinary course of business.

For the half year ended 31 December 2023 the Group incurred a net loss of \$31.0 million (31 December 2022: \$6.9 million net loss), and experienced net cash outflows from operating and investing activities of \$344.3 million (31 December 2022: \$64.1 million).

As at 31 December 2023 the Group held cash and cash equivalents of \$516.9 million (31 December 2022: \$384.0 million), had an excess of current assets over current liabilities of \$461.7 million (31 December 2022 \$345.9 million) and had outstanding contractual capital commitments for the acquisition of property, plant and equipment for the Kathleen Valley Lithium Project (Project) of \$238.5 million (30 June 2023: \$211.6 million).

As at 29 February 2024, being the most recent month end prior to the approval of the interim financial report, the Group's cash and cash equivalents was \$416.1 million.

On 22 January 2024 the Group announced that as a result of recent material declines in spodumene prices, it was conducting a review of the planned 4Mtpa expansion and associated ramp-up of the Project to preserve capital and reduce near-term funding requirements.

On 13 March 2024 the Group announced that it had entered into a \$550 million debt facility agreement (**Debt Facility**) with a syndicate comprising leading domestic and international commercial lenders, and government credit agencies. The Debt Facility matures on 31 October 2025 and, if not refinanced or repaid sooner, is repayable via a bullet payment on the maturity date. The proceeds drawn under the Debt Facility will be used to refinance the existing Ford Facility, as well as to fund Project related costs and meet the Group's working capital requirements. Drawdown of the Debt Facility is subject to conditions precedent to both first utilisation and subsequent drawdown, which have not been met at the date of this report. The Directors believe that all conditions precedent to first utilisation and subsequent drawdown will be satisfied prior to utilisation and subsequent drawdown having consideration to the nature of the remaining conditions precedent.

The Group has prepared a cash flow forecast which reflects the utilisation of the Debt Facility, the commencement of first concentrate production from mid-calendar year 2024, and subsequent ramp-up towards commercial production at the Project. The cash flow forecast demonstrates that the Group has sufficient funding to support the Group's working capital requirements through to the point in time that the Group commences generating sustained positive net cash flows, which is currently forecast to occur in early Q2 calendar year 2025.

Whilst not the Group's current expectation given the advanced nature of development activities at the date of this report, and consequent expected date of first concentrate production, should there be a delay in achieving first concentrate production, or the Group starting to generate sustained positive net cash flows as the Project ramps up towards commercial production, the Group's funding requirement may be in excess of the Debt Facility.

The Group continues to explore options for a longer-term funding solution to provide future flexibility and optionality beyond the Debt Facility. It is possible that a longer-term funding solution could be implemented prior to any drawdown of the Debt Facility. Additionally, should the Debt Facility be drawn, and the Group successfully secures a longer-term funding solution, the Group expects to seek to refinance the Debt Facility in advance of its maturity.

Given the access to funding under the Debt Facility and the Directors reasonable expectations with respect to the commencement of first concentrate production and ramp up to sustained positive net cashflows from operations at the Project, the Directors believe that the going concern basis of preparation is appropriate.

Should the Group be unable to satisfy the remaining conditions precedent to both first utilisation and subsequent drawdown under the Debt Facility, or to achieve its forecast commencement of concentrate production and subsequent ramp up in production at the Project, there is a material uncertainty that may cast significant doubt as to whether the Group will be able to continue as a going concern and, therefore, whether it will realise its assets and discharge its liabilities in the normal course of business.

The interim financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

2. OTHER INCOME AND EXPENSES

(a) Exploration and evaluation expenditure

	31 Dec 23 \$'000	31 Dec 22 \$'000
Exploration and Feasibility Expenditure		
Kathleen Valley, WA	5,833	1,805
Buldanian, WA	657	1,258
Other	100	18
	6,590	3,081

(b) Corporate and administration expenses

	31 Dec 23 \$'000	31 Dec 22 \$'000
Administration and general costs	8,348	2,591
Business development costs ⁽¹⁾	4,132	233
Depreciation and amortisation	565	133
Personnel expenses	7,650	3,406
	20,695	6,363

(1) Current period expense relates largely to expenses associated with the proposed Scheme of Arrangement with Albemarle Corporation that was terminated on 16 October 2023.

(c) Share based payments

Share based payment expense includes:

	31 Dec 23 \$'000	31 Dec 22 \$'000
Share based payments	3,927	2,845
Bonus shares issued to employees	-	183
	3,927	3,028

Performance rights issued under Employee Incentive Scheme

The following 3,263,113 performance rights were issued during the half year ended 31 December 2023.

Holder	No. of Performance Rights	Expiry Date	Fair Value (\$/right)	Expected Life of Rights (Years)	Total Value (\$)
Managing Director	184,203	30-Jun-26	1.38	1	253,279
Managing Director	697,529	30-Jun-28	0.80	3	559,884
Managing Director	139,506	30-Jun-28	1.38	3	191,821
Managing Director	93,004	30-Jun-28	1.38	3	127,880
Other KMP and Staff	441,536	30-Jun-26	2.95	1	1,302,531
Other KMP and Staff	976,304	30-Jun-28	2.22	3	2,171,299
Other KMP and Staff	195,261	30-Jun-28	2.95	3	576,019
Other KMP and Staff	130,174	30-Jun-28	2.95	3	384,013
Other KMP and Staff	304,197	30-Jun-28	0.80	3	244,169
Other KMP and Staff	60,839	30-Jun-28	1.38	3	83,654
Other KMP and Staff	40,560	30-Jun-28	1.38	3	55,769

The performance rights comprise of 625,739 short term incentive rights (**STI Rights**) and 2,637,374 long term incentive rights (**LTI Rights**). Specific performance hurdles are required to be achieved (including market, non-market based and employment status) and are subject to Board approval before the performance rights can vest. Performance rights granted have an expiry date and nil exercise price. The fair value of the performance rights is calculated as at grant date based on the Monte Carlo simulation pricing model where there are market based vesting conditions present, or the share price on grant date where the vesting conditions are non-market based.

3. FINANCE INCOME AND EXPENSES

	31 Dec 23	30 Jun 23
Finance Income	\$'000	\$'000
Interest on bank deposits	8,486	5,281
	8,486	5,281
Finance Expense	\$'000	\$'000
Interest on lease liabilities	308	8
Interest expense	3,091	-
Net foreign exchange loss	172	89
Facility fees and charges ⁽¹⁾	4,701	3
	8,272	100

(1) On 19 October 2023 the Company announced that it had received a commitment letter from a syndicate of banks and government lenders for a \$760 million debt facility. Post period end, the Company announced that due to significant reductions in forecast spodumene prices, the previously announced debt funding commitment had been cancelled. All costs directly associated with this debt funding package have been expensed during the period.

4. TRADE AND OTHER RECEIVABLES

	31 Dec 23	30 Jun 23
Current – Trade and other receivables	\$'000	\$'000
Trade and other receivables ⁽¹⁾	14,131	7,048
Prepayments	13,861	365
	27,992	7,413

(1) Trade and other receivables includes GST receivable, interest receivable and recharges to suppliers. There was no expected credit loss at balance date.

5. INVENTORIES

	31 Dec 23	30 Jun 23
Current – Inventories	\$'000	\$'000
Ore stockpiles – at cost	1,393	-
	1,393	-

The Company remains in pre-production phase with its open pit mines. The company produced 69 kilotonnes of clean ore as at 31 December 2023 which is incidental to its development activities. Refer to note 1(b) for details of the Company's accounting policy with respect to pre-production inventory.

6. FINANCIAL ASSETS

	31 Dec 23	30 Jun 23
	\$'000	\$'000
Current – Financial assets		
Bank and other guarantees	21,357	11,409
	21,357	11,409
Non-current – Financial assets		
Investment in equity securities	1,067	1,352
Other financial assets	186	85
	1,253	1,437

(a) Investments in equity securities

The Company holds 4,000,000 shares in Lachlan Star Limited (ASX: LSA) and 12,500,000 shares in Velox Energy Materials Inc (TSXV: VLX – previously known as Currie Rose Resources Inc.) as long-term investments and these shares have been revalued at period end to market value, based on the share price on the relevant stock exchange at 31 December 2023. Any movements (net of tax) are recorded through the Investment Revaluation reserve and Other Comprehensive Income.

(b) Bank & other guarantees

The Company secured a \$25 million demand guarantee facility from Export Finance Australia (EFA) as part of the security package underpinning the construction of the Hybrid Power Station at Kathleen Valley. The terms of the guarantee require the Company to make incremental cash payments to EFA to cover the \$25 million guarantee facility. At reporting date, the Company had deposited \$20 million in an interest bearing account with EFA.

7. PROPERTY, PLANT AND EQUIPMENT

31 Dec 23	Mine Properties \$'000	Plant and equipment \$'000	Right-of-use assets \$'000	Assets under construction \$'000	Total \$'000
Cost	9,520	65,603	7,784	582,880	665,787
Accumulated depreciation	-	(656)	(1,254)	-	(1,910)
Net book value	9,520	64,947	6,530	582,880	663,877
Opening net book value	9,520	4,556	4,578	310,805	329,459
Additions	-	2,100	2,716	331,027	335,843
Disposals	-	(278)	-	-	(278)
Transfers	-	58,952	-	(58,952)	-
Depreciation charge	-	(383)	(764)	-	(1,147)
Net book value	9,520	64,947	6,530	582,880	663,877
30 Jun 23					
Cost	9,520	4,887	5,291	310,805	330,503
Accumulated depreciation	-	(331)	(713)	-	(1,044)
Net book value	9,520	4,556	4,578	310,805	329,459
Opening net book value	186	473	148	26,178	26,985
Additions	9,334	4,234	5,068	284,627	303,263
Disposals	-	(9)	-	-	(9)
Depreciation charge	-	(142)	(638)	-	(780)
Net book value	9,520	4,556	4,578	310,805	329,459

At 31 December 2023 the Group had outstanding contractual capital commitments for the acquisition of property, plant and equipment of \$238.5 million (30 June 2023: \$211.6 million) which are expected to be settled prior to 31 December 2024. 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 2023.

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 mid 2024 calendar year. Construction of the power station commenced during the 2023 financial year. Prior to the commencement of electricity supply, Lontown's contractual exposure relates to termination costs of \$147.9 million as at 31 December 2023.

Kathleen Valley impairment assessment

A review of potential impairment indicators for the Kathleen Valley Cash Generating Unit (**CGU**) was undertaken as at 31 December 2023, with the significant decline in spodumene prices, which triggered significant reductions in short- and medium-term lithium price forecasts being identified as an impairment trigger.

As a result, an impairment test was performed to determine the recoverable amount for the Kathleen Valley CGU.

Recoverable amount:

The recoverable amount of the CGU is the greater of its fair value less costs of disposal (**FVLCD**) (based on level 3 fair value hierarchy) and its value-in-use (**VIU**), using an asset's estimated future cash flows (as described below) discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Recoverable amount has been determined based on FVLCD. Given the nature of the Company's activities, information on the fair value of an asset is usually difficult to obtain unless negotiations with potential purchasers or similar transactions are taking place. Consequently, the FVLCD for the CGU is estimated based on discounted future estimated cash flows (expressed in real terms) expected to be generated from the continued use of the CGU using market-based pricing assumptions for spodumene concentrate and lithium hydroxide, forecast production volumes underpinned by the level of probable ore reserves and measured, indicated and inferred mineral resources, operating costs and capital requirements, all of which are based on the CGU's latest mine plans. These cash flows are discounted using a real post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the CGU.

The impairment test showed no impairment loss, and therefore no impairment charge was recognised in the financial statements.

8. OTHER ASSETS

	2023 \$'000	30 Jun 23 \$'000
Borrowing costs	1,076	-

Borrowing transaction costs relate to the revised debt funding package currently in negotiation with a syndicate of lenders. The facility was not available for use as at 31 December 2023.

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

9. PROVISIONS

	31 Dec 23 \$'000	30 Jun 23 \$'000
Current		
Annual leave	1,659	1,089
Other accrued employee entitlements	-	5
	1,659	1,094
Non-Current		
Restoration and rehabilitation	12,004	9,520
Provision for long service leave	59	27
Other provisions	18	17
	12,081	9,564

10. SHARE CAPITAL

During the half year ended 31 December 2023, the Company issued ordinary shares for \$389.9 million comprising of:

- \$365.0 million (202.8 million shares) from a fully underwritten institutional placement which settled on 25 October 2023;
- \$13.8 million (9.4 million shares) from eligible shareholders through a Share Purchase Plan;
- \$300,000 (1 million shares) through the exercise of share options in November 2023; and
- \$10.8 million (6 million shares) through a non-underwritten conditional placement to Mr Timothy Goyder in December 2023.

Share issue costs of \$11.1 million have been incurred in relation to the above share issues which has been charged against issued capital.

11. 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 23 \$	31 Dec 22 \$
Mining consulting services ⁽¹⁾	26,950	30,420
	26,950	30,420

(1) 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.

Amounts payable to KMP and related parties at reporting date arising from related party transactions was \$Nil (31 December 2022: \$Nil).

12. EVENTS SUBSEQUENT TO REPORTING DATE

On 22 January 2024 the Company announced that as a result of the recent material decline in spodumene prices, which triggered significant reductions in short- and medium-term lithium price forecasts, the Company had commenced a review of the planned expansion from 3Mtpa to 4Mtpa and associated ramp-up of the Kathleen Valley Project to preserve capital and reduce the near-term funding requirements of the Project.

On 13 March 2024 the Group announced that it had entered into a \$550 million Debt Facility (excluding \$40 million allowance for capitalised interest and fees) with a syndicate comprising leading domestic and international commercial lenders, and government credit agencies. The Debt Facility will mature on 31 October 2025 and, if not refinanced or repaid sooner, is repayable via a bullet payment on the maturity date. Drawdown under the Debt Facility is subject to remaining conditions precedent including the following:

- demonstrating compliance with customary tests;
- providing a Base Case Financial Model based off, amongst other things, independent price forecasts and management forecasts of production, capital and operating costs, and which demonstrates compliance with financial ratios; and
- entry into of key project tripartite agreements.

The Debt Facility proceeds will be used to refinance the Ford facility, fund Kathleen Valley project cost, finance associated interest and fees and general working capital requirements. The Group continues to explore options for a longer-term funding solution to provide future flexibility and optionality beyond the Debt Facility.

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 2023 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 their 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 2023.

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



Antonino Ottaviano
Managing Director

Dated this 15th day of March 2024.

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 2023, and 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 to the financial statements, including material accounting policy information and other explanatory information, and the directors' declaration as set out on pages 10 to 22.

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

- Giving a true and fair view of the Group's financial position as at 31 December 2023 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 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 (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.

Material Uncertainty Related to Going Concern

We draw attention to Note 1(e) in the half-year financial report, which indicates that the Group has incurred a net loss after tax for the half-year ended 31 December 2023 of \$31.0 million, and experienced net cash outflows from operating and investing activities of \$344.3 million. As at 31 December 2023 the Group held cash and cash equivalents of \$516.9 million and had an excess of current assets over current liabilities of \$461.7 million. Additionally, as at 31 December 2023 the Group had contractual capital commitments associated with the development of the Kathleen Valley Lithium Project of \$238.5 million. These conditions, along with other matters set forth in Note 1(e), indicate that a material uncertainty exists that may cast significant doubt over the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

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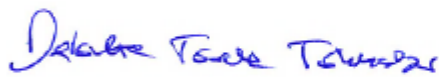
Directors' Responsibilities for the Half-year Financial Report

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 2023 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*.

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



David Newman
Partner
Chartered Accountants
Perth, 15 March 2024