



LIONTOWN RESOURCES LIMITED

ABN 39 118 153 825

Half Year Report
31 December 2011

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Liontown Resources Limited

Directors' Report

For the half year ended 31 December 2011

DIRECTORS' REPORT

Your directors submit the financial report for Liontown Resources Limited ("Liontown" or "the Group") for the half year ended 31 December 2011. In compliance with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

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

Timothy R B Goyder	Chairman
David R Richards	Managing Director
Douglas A Jones	Non-executive Director
Vince P Gauci	Non-executive Director (resigned 3 October 2011)
Anthony W Kiernan	Non-executive Director
Craig R Williams	Non-executive Director

REVIEW OF OPERATIONS

1. Jubilee Reef Joint Venture Project (Northern Tanzania) (Liontown earning up to 75%)

During the period, Liontown undertook an initial drill program to test beneath and along strike of historical shallow gold intersections at the Masabi Hill and Shangaza/Panapendesa prospects at the Jubilee Reef Project in Northern Tanzania. Broad intersections of strong gold mineralisation were recorded at both Masabi Hill and Shangaza/Panapendesa.

The gold mineralisation at Masabi Hill is associated with a strongly altered granitic intrusion that is largely obscured by shallow transported soil cover. The Reverse Circulation ("RC") and RAB/Aircore drilling has indicated at least two gold trends (central and contact) with potential to host wide zones of ore grade mineralisation.

As a result of mechanical problems and the early onset of the wet season, the drill program could not be completed prior to the end of the year. A multi-purpose drill rig has been secured for 2012 and the planned drilling will be completed as soon as weather conditions permit (expected early in Q2).

2. Mega Joint Venture Project (Liontown earning up to 75%)

During the period, Liontown has entered into a joint venture agreement with Tanzoz Minerals Ltd whereby Liontown can earn a 75% equity within three years of the date of the agreement by paying Tanzoz \$50,000 per annum and spending a minimum of \$50,000 per annum on in-ground exploration. The project consists of a 9.3km² prospecting licence located immediately southwest of the Jubilee Reef Project.

3. African Barrick Iron Ore Joint Venture Project (Liontown earning 70%)

Liontown has entered into a joint venture to explore for iron ore in the Lake Victoria Goldfield of northern Tanzania. Liontown has secured the opportunity to earn up to 70% equity in the iron rights from African Barrick which is the largest gold miner in Tanzania. Following an initial six month assessment stage, Liontown can earn up to 70% by spending \$20 million.

The iron joint venture covers ~530km² abutting Liontown's Jubilee Reef Project which has been assessed as

Liontown Resources Limited

Directors' Report

For the half year ended 31 December 2011

being prospective for iron ore. The Lake Victoria Goldfield is a similar geological terrain to the Mid-West region of Western Australia where a number of large iron ore resources have been discovered. The project area includes significant banded iron formation stratigraphy that has not been previously assessed for iron mineralisation.

4. Mount Windsor Joint Venture Project (Liontown 100%, Ramelius earning 60%)

During the period, joint venture partner Ramelius undertook RC and diamond core drilling at four prospects within the Mt Windsor JV targeting geochemical and/or geophysical anomalies. Although the drilling did not identify any ore grade intersections, several drill holes reported elevated gold values as well as highly anomalous silver and associated pathfinder elements.

Ramelius has confirmed that it will continue to fund and manage exploration at Mt Windsor in 2012. Exploration expenditure since commencement of the JV in April 2010 is approximately \$3,500,000.

CORPORATE

In November 2011, Liontown completed a one for four entitlements issue by issuing 52,768,600 shares at \$0.03 per share to raise approximately \$1.6 million before issue costs.

EVENTS SUBSEQUENT TO REPORTING DATE

Subsequent to reporting date, the Company has firm commitments to place 30,000,000 shares at \$0.038 per share to raise approximately \$1.14 million before issue costs.

AUDITOR'S INDEPENDENCE DECLARATION

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the company with an Independence Declaration in relation to the review of the half-year financial report. This Independence Declaration is set out on page 5 and forms part of this directors' report for the half-year ended 31 December 2011.

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



David Richards

Managing Director

Dated at Perth this 14th day of March 2012.

The information in this report that relates to Exploration Results is based on information compiled by Mr David Richards, a full time employee of Liontown Resources Limited, who is a Member of the Australian Institute of Geoscientists. Mr Richards has sufficient experience in the field of activity being reported to qualify as a Competent Person as defined in the 2004 edition of the Australasian Code for Reporting of Exploration Results, Minerals Resources and Ore Reserves, and consents to the release of information in the form and context in which it appears here.

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Liontown Resources Limited for the half-year ended 31 December 2011, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) any applicable code of professional conduct in relation to the review.



Perth, Western Australia
14 March 2012

W M CLARK
Partner, HLB Mann Judd

Liontown Resources Limited
Condensed Statement of Comprehensive Income
For the half year ended 31 December 2011

	Note	Consolidated 31 December 2011 \$	Company 31 December 2010 \$
Continuing Operations			
Other income	3a	25,238	64,818
Exploration costs not capitalised		(230,668)	(211,334)
Corporate administrative expenses	3b	(401,341)	(540,951)
Profit/(loss) before tax		(606,771)	(687,467)
Income tax expense		-	-
Loss for the period attributable to owners of the parent		(606,771)	(687,467)
Other comprehensive income			
Exchange differences on translation of foreign operations		614	-
Total comprehensive income/(loss) after tax		(606,157)	(687,467)
Basic earnings/(loss) per share attributable to ordinary equity holders		(0.003)	(0.003)

Liontown Resources Limited
Condensed Statement of Financial Position

As at 31 December 2011

	Note	Consolidated 31 December 2011 \$	Company 30 June 2011 \$
Current assets			
Cash and cash equivalents		1,268,239	1,503,416
Trade and other receivables		144,536	54,684
Total current assets		1,412,775	1,558,100
Non-current assets			
Financial assets		53,558	52,402
Property, plant and equipment		92,274	103,056
Exploration and evaluation expenditure	4	2,756,386	1,684,900
Total non-current assets		2,902,218	1,840,358
Total assets		4,314,993	3,398,458
Current liabilities			
Trade and other payables		153,448	124,182
Employee benefits		28,982	16,190
Total current liabilities		182,430	140,372
Total liabilities		182,430	140,372
Net assets		4,132,563	3,258,086
Equity			
Issued capital	5	21,813,034	20,343,846
Reserves		1,623,641	1,611,581
Accumulated losses		(19,304,112)	(18,697,341)
Total equity		4,132,563	3,258,086

Liontown Resources Limited
Condensed Statement of Changes in Equity
For the half year ended 31 December 2011

	Consolidated				
	Issued capital \$	Accumulated losses \$	Share based payments reserve \$	Foreign currency translation reserve \$	Total equity \$
Balance at 30 June 2011	20,343,846	(18,697,341)	1,611,581	-	3,258,086
Loss for the period	-	(606,771)	-	-	(606,771)
Exchange differences on translation of foreign operations	-	-	-	614	614
Total comprehensive loss for the period	-	(606,771)	-	614	(606,157)
Share issue - rights issue (net after costs)	1,469,188	-	-	-	1,469,188
Share based payments	-	-	11,446	-	11,446
Balance at 31 December 2011	21,813,034	(19,304,112)	1,623,027	614	4,132,563

	Company				
	Issued capital \$	Accumulated losses \$	Share based payments reserve \$	Foreign currency translation reserve \$	Total equity \$
Balance at 30 June 2010	20,280,242	(17,507,395)	1,375,985	-	4,148,832
Loss for the period	-	(687,467)	-	-	(687,467)
Total comprehensive loss for the period	-	(687,467)	-	-	(687,467)
Issue of shares on acquisition of exploration tenements	63,604	-	-	-	63,604
Share based payments	-	-	100,888	-	100,888
Balance at 31 December 2010	20,343,846	(18,194,862)	1,476,873	-	3,625,857

Liontown Resources Limited
Condensed Statement of Cash Flows
For the half year ended 31 December 2011

	Consolidated 31 December 2011 \$	Company 31 December 2010 \$
Cash flows from operating activities		
Cash paid to suppliers and employees	(458,104)	(463,042)
Interest received	26,175	42,335
Other	2,601	(24,912)
Net cash used in operating activities	(429,328)	(445,619)
Cash flows from investing activities		
Payments for mining exploration and evaluation	(1,274,935)	(490,802)
Acquisition of property, plant and equipment	-	(2,857)
Net cash used in investing activities	(1,274,935)	(493,659)
Cash flows from financing activities		
Proceeds from issue of shares	1,583,058	
Payments for share issue costs	(113,870)	-
Net cash from financing activities	1,469,188	-
Net increase/(decrease) in cash and cash equivalents	(235,075)	(939,278)
Cash and cash equivalents at the beginning of the period	1,503,416	3,118,759
Effects of exchange rate fluctuations on cash held	(102)	(280)
Cash and cash equivalents at 31 December	1,268,239	2,179,201

Liontown Resources Limited

Condensed Notes to the Financial Statements

For the half year ended 31 December 2011

1. Significant accounting policies

(a) Statement of compliance

The interim consolidated financial statements are a general purpose financial report 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'). Compliance with AASB 134 ensures compliance with IAS 34 'Interim Financial Reporting'.

This condensed half-year report does 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 this financial report be read in conjunction with the annual financial report for the year ended 30 June 2011 and any public announcements made by Liontown Resources Limited during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except as set out below.

(b) Basis of preparation

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

(c) Significant accounting judgments and key estimates

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

In preparing this interim report, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial report for the year ended 30 June 2011.

(d) Adoption of new and revised Accounting Standards

In the half-year ended 31 December 2011, the Group has reviewed all new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2011. It has been determined by the Group that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to the Group's accounting policies.

The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half year ended 31 December 2011. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to the Group's accounting policies.

(e) Basis of consolidation

The consolidated financial statements comprise the financial statements of Liontown Resources Limited ("Company" or "Parent") and its subsidiaries (the "Group").

Subsidiaries are all those entities over which the Company has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Liontown Resources Limited
Condensed Notes to the Financial Statements
For the half year ended 31 December 2011

Subsidiaries are fully consolidated from the date on which control is transferred to the Company and cease to be consolidated from the date on which control is transferred out of the Group. Control exists when where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing when the Company controls another entity.

Investments in subsidiaries held by Liontown Resources Limited are accounted for at cost in the accounts of the parent entity less any impairment charges.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values.

The difference between the above items and the fair value of consideration (including the fair value of any pre-existing investment in the acquiree) is goodwill or a discount on acquisition.

A change in ownership interest of a subsidiary that does not result in a loss of control is accounted for as an equity transaction.

Liontown Resources Limited
Condensed Notes to the Financial Statements
For the half year ended 31 December 2011

2. Segment reporting
Geographical segments

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

The operating segments are identified by management based on the allocation of costs; whether they are corporate related costs or exploration costs. Results of both segments are reported to the Board of Directors on at least a monthly basis.

	Exploration and Evaluation		Corporate		Total	
	31 December 2011	31 December 2010	31 December 2011	31 December 2010	31 December 2011	31 December 2010
	\$	\$	\$	\$	\$	\$
Exploration costs not capitalised	(230,668)	(211,334)	-	-	(230,668)	(211,334)
Other Income	-	-	1,591	-	1,591	-
Corporate and administrative expenses	-	-	(401,341)	(540,951)	(401,341)	(540,951)
Segment net gain/ loss after tax	(230,668)	(211,334)	(399,750)	(540,951)	(630,418)	(752,285)
Unallocated income/(expenses)						
Net financing income					23,647	64,818
Loss before income tax					(606,771)	(687,467)

	Exploration and Evaluation		Corporate		Total	
	31 December 2011	30 June 2011	31 December 2011	30 June 2011	31 December 2011	30 June 2011
	\$	\$	\$	\$	\$	\$
Segment assets:						
Exploration and evaluation assets	2,756,386	1,684,900	-	-	2,756,386	1,684,900
Other	67,889	67,196	168,535	86,706	236,424	153,902
	2,824,275	1,752,096	168,535	86,706	2,992,810	1,838,802
Unallocated assets					1,322,183	1,559,656
Total assets					4,314,993	3,398,458
Segment Liabilities	104,817	69,077	77,613	71,295	182,430	140,372

Liontown Resources Limited
Condensed Notes to the Financial Statements
For the half year ended 31 December 2011

3. Profit/(Loss) before income tax expense

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

	2011	2010
	\$	\$
(a) Other Income		
Net finance income	23,647	64,818
Other income	1,591	-
	25,238	64,818
(b) Corporate administrative expenses		
Depreciation and amortisation	10,782	16,227
Insurance	5,428	6,449
Legal fees	16,600	17,774
Head office costs	78,684	80,270
Personnel expenses	227,523	337,099
Regulatory and compliance	38,966	47,335
Other	23,358	35,797
Total	401,341	540,951

4. Exploration and evaluation expenditure

	6 months to 31 December 2011	Year to 30 June 2011
	\$	\$
Cost brought forward	1,684,900	925,950
Expenditure incurred during the period	1,290,949	972,594
Exploration expenditure not capitalised	(230,668)	(213,644)
Effects of movements in exchange rates	11,205	-
Total	2,756,386	1,684,900

5. Issued capital

	31 December 2011	30 June 2011
	No.	No.
Issued and fully paid ordinary shares	263,842,181	211,073,581

	No.	\$
Balance at 30 June 2011	211,073,581	20,343,846
Share issue - rights issue	52,768,600	1,583,058
Transaction costs	-	(113,870)
Balance at 31 December 2011	263,842,181	21,813,034

Liontown Resources Limited
Condensed Notes to the Financial Statements
For the half year ended 31 December 2011

6. Share Options

	31 December 2011 No.	31 December 2010 No.
Movements in options over ordinary shares on issue:		
At 1 July	11,650,000	10,310,000
Options issued during the half year under the Employee and Consultant Option plan	-	4,150,000
Options forfeited under the Employee and Consultant Option Plan	-	(2,810,000)
At 31 December	11,650,000	11,650,000

7. Related Parties

Key management personnel including non-executive directors receive compensation in the form of short-term employee benefits, post-employment benefits and share-based payment awards. For the six months ended 31 December 2011, executive personnel received total compensation of \$190,633 (six months ended 31 December 2010: \$196,744) and non-executive directors received total compensation of \$93,049 (six months ended 31 December 2010: \$132,928).

Other related parties transactions

The Company used the consulting services of Mr Anthony Kiernan during the six months ended 31 December 2011. Amounts were billed based on normal market rates for such services and were due and payable under normal payment terms. Total amount paid during the period was \$26,000 (six months ended 31 December 2010: \$12,600). No amounts were outstanding or payable at the end of the period.

8. Events Subsequent to Reporting Date

Subsequent to reporting date, the Company has firm commitments to place 30,000,000 shares at \$0.038 per share to raise approximately \$1.14 million before issue costs.

9. Subsidiary formation

On 27th June 2011 the Company formed the subsidiary Liontown Resources (Tanzania) Limited, a company registered in Tanzania. The subsidiary will manage the Group's Jubilee Reef Joint Venture exploration project in Tanzania. During the half-year the company transferred the carrying value of the Jubilee Reef Joint Venture exploration and evaluation assets to the subsidiary.

Liontown Resources Limited

Directors' Declaration

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

1. The attached financial statements and notes thereto are in accordance with the Corporations Act 2001 including:
 - a. comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - b. give a true and fair view of the Group's financial position as at 31 December 2011 and of its performance for the half-year then ended.
2. There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with a resolution of the Board of Directors made pursuant to s.303(5) of the Corporations Act 2001.

Dated this 14th day of March 2012

A handwritten signature in dark ink, appearing to read "David Richards", written in a cursive style.

David Richards
Managing Director

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Liontown Resources Limited

Report on the Condensed Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Liontown Resources Limited ("the company"), which comprises the condensed statement of financial position as at 31 December 2011, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' responsibility 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 control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Matters relating to the electronic presentation of the reviewed half-year financial report

This review report relates to the half-year financial report of the consolidated entity for the half-year ended 31 December 2011 included on the company's website. The company's directors are responsible for the integrity of the company's website. We have not been engaged to report on the integrity of this website. The review report refers only to the half-year financial report identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the half-year financial report. If users of the half-year financial report are concerned with the inherent risks arising from publication on a website they are advised to refer to the hard copy of the reviewed half-year financial report to confirm the information contained in this website version of the half-year financial report.

Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



HLB MANN JUDD
Chartered Accountants



W M CLARK
Partner

Perth, Western Australia
14 March 2012