

LIONTOWN RESOURCES LIMITED

ABN 39 118 153 825

**Half Year Report
31 December 2009**



Liontown Resources Limited
Directors' Report
For the half year ended 31 December 2009

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Liontown Resources Limited

Directors' Report

For the half year ended 31 December 2009

DIRECTORS' REPORT

Your directors submit the financial report of the Company for the half year ended 31 December 2009. 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
Douglas A Jones	Managing Director
Vince P Gauci	Non-executive Director
Anthony W Kiernan	Non-executive Director
Craig R Williams	Non-executive Director

REVIEW OF OPERATIONS

Sale of Liontown Base Metal Deposit

In December 2009, the Company agreed to sell its 100% owned Liontown base metals deposit in North Queensland to Kagara Ltd ("Kagara") for \$4.5 million comprising 2,244,837 Kagara shares and \$2.25 million in cash payable upon either a decision to mine or the sale of the purchased assets by Kagara. The sale included Mining Lease 10277 and 16 sub-blocks (51.5 square kilometres) of the surrounding Exploration Permit (EPM 14161) which contains the 1.8 million tonne Liontown zinc-lead deposit. The sale was subject to certain conditions subsequent, all of which were satisfied subsequent to period end. Completion occurred on 6 January 2010 and all the shares in Kagara were subsequently sold for proceeds of approximately \$2.7 million.

The sale provides a solid foundation for the Company to move forward and progress the exploration and development of its North Queensland gold assets as well as pursue other opportunities.

Mount Windsor Volcanics Project, Queensland

Exploration on the Mount Windsor Volcanics Project ("MWV Project") during the period focussed on the gold potential of the area yielding further encouraging results. Further geological interpretation and exploration targeting was undertaken using regional aeromagnetic and radiometric data to identify potential gold-bearing Carbo-Permian breccia, intrusive or epithermal systems.

Numerous targets have now been defined within the Company's granted tenements and uncontested applications. Field checking and grid-based geological mapping and sampling have been conducted on the most promising outcropping targets within the granted tenements confirming the prospectivity for vertically zoned breccia pipe and epithermal gold systems. This has been further enhanced by new rock chip sample results and newly recovered historical drilling results. Discrete drilling targets have also now been identified following the results of a recently completed geophysical survey.

Sheep Mountain Project, Arizona

The Company continues to examine various options to advance its Sheep Mountain Project, including bringing in a partner to fund a major drilling programme. The Sheep Mountain deposit contains an Inferred Resource of 40,300,000 tonnes at an average copper grade of 1.4% and an average molybdenum grade of 0.035% above a cut-off grade of 0.8% copper equivalent (equating to approximately 1.2 billion lb of copper and 31 million lb of molybdenum).

Liontown Resources Limited

Directors' Report

For the half year ended 31 December 2009

The resource estimation quoted herein for the Sheep Mountain Project has been carried out by Denver, Colorado based Geological Consultant, William F Tanaka. Mr Tanaka is a Member of the Australasian Institute of Mining and Metallurgy and has extensive experience in the area of porphyry copper deposits from both a consulting and operational perspective. As such he is qualified to be considered a Competent Person as defined in the December 2004 edition of the JORC Code. Mr Tanaka consents to the release of the information in the form and context in which it appears here.

Corporate

During the period, the Company successfully raised \$1 million before issue costs through a placement of 20 million shares at 5 cents. The capital raising and the subsequent sale of all the Kagara shares received as proceeds from the sale of the Liontown base metal assets has significantly strengthened the Company's financial position with a cash balance of approximately \$3.8 million subsequent to period end.

EVENTS SUBSEQUENT TO REPORTING DATE

After balance date, all conditions subsequent to the sale agreement with Kagara were satisfied. The Company sold 2,244,837 Kagara shares received as proceeds for the sale of the Liontown base metal deposit to Kagara. Proceeds from the sale of the shares were \$2,681,482 resulting in a profit on sale of \$431,482.

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 2009.

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.



Tim Goyder

Chairman

Dated at Perth this 12th day of March 2010.

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 2009, 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.

This declaration is in respect of Liontown Resources Limited.



**Perth, Western Australia
12 March 2010**

**L Di GIALLONARDO
Partner, HLB Mann Judd**

Liontown Resources Limited
Condensed Statement of Comprehensive Income
For the half year ended 31 December 2009

	Note	31 December 2009 \$	31 December 2008 \$
Continuing Operations			
Net gain on sale of exploration and evaluation assets	3a	1,141,713	-
Other income	3b	21,133	29,972
Loss on sale of assets		-	(6,659)
Loss on sale of interest in tenements		-	(3,012)
Exploration costs not capitalised		(14,618)	(200,051)
Impairment of exploration assets		-	(5,197,967)
Corporate administrative expenses	3c	(373,344)	(837,658)
Profit/(loss) before tax		774,884	(6,215,375)
Income tax expense/benefit		-	-
Profit/ (loss) for the period attributable to owners of the parent		774,884	(6,215,375)
Total comprehensive income/(loss) after tax attributable to owners of the parent		774,884	(6,215,375)
Basic earnings/ (loss) per share attributable to ordinary equity holders		0.004	(0.07)

The accompanying notes form part of these financial statements.

Liontown Resources Limited
Condensed Statement of Financial Position
As at 31 December 2009

	Note	31 December 2009	30 June 2009
		\$	\$
Current Assets			
Cash and cash equivalents		1,148,618	1,019,772
Trade and other receivables		2,325,766	47,485
Total current assets		3,474,384	1,067,257
Non-current assets			
Financial assets		68,260	67,238
Property, plant and equipment		152,498	175,156
Exploration and evaluation expenditure	4	1,119,453	1,598,577
Total non-current assets		1,340,211	1,840,971
Total assets		4,814,595	2,908,228
Current Liabilities			
Trade and other payables		208,734	215,754
Employee benefits		-	8,974
Total current liabilities		208,734	224,728
Total liabilities		208,734	224,728
Net assets		4,605,861	2,683,500
Equity			
Issued capital	5	20,280,242	19,200,242
Reserves		1,369,095	1,301,618
Accumulated losses		(17,043,476)	(17,818,360)
Total Equity		4,605,861	2,683,500

The accompanying notes form part of these financial statements.

Liontown Resources Limited
Condensed Statement of Changes in Equity
For the half year ended 31 December 2009

	Issued capital \$	Accumulated losses \$	Share based payments reserve \$	Total equity \$
Balance at 30 June 2009	19,200,242	(17,818,360)	1,301,618	2,683,500
Profit for the period	-	774,884	-	774,884
Total comprehensive income for the period	-	774,884	-	774,884
Share issue- in lieu of non-executive directors accrued wages and superannuation	130,000	-	-	130,000
Share placement (net after costs)	950,000	-	-	950,000
Share based payments	-	-	67,477	67,477
Balance at 31 December 2009	20,280,242	(17,043,476)	1,369,095	4,605,861

	Issued capital \$	Accumulated losses \$	Share based payments reserve \$	Total equity \$
Balance at 30 June 2008	18,016,886	(11,203,606)	998,851	7,812,131
Loss for the period	-	(6,215,375)	-	(6,215,375)
Total comprehensive loss for the period	-	(6,215,375)	-	(6,215,375)
Issue of fully paid ordinary shares - other	316,250	-	-	316,250
Share based payments	-	-	226,366	226,366
Balance at 31 December 2008	18,333,136	(17,418,981)	1,225,217	2,139,372

The accompanying notes form part of these financial statements.

Liontown Resources Limited
Condensed Statement of Cash Flows
For the half year ended 31 December 2009

	2009 \$	2008 \$
Cash flows from operating activities		
Cash paid to suppliers and employees	(197,552)	(579,928)
Interest received	10,083	36,771
Other	(19,114)	27,896
Net cash used in operating activities	(206,583)	(515,261)
Cash flows from investing activities		
Payments for mining exploration and evaluation	(614,066)	(1,476,974)
Proceeds from sale of investments	-	1,582,500
Proceeds from sale of property, plant and equipment	-	110,000
Acquisition of property, plant and equipment	(505)	(12,498)
Net cash from/(used in) investing activities	(614,571)	203,028
Cash flows from financing activities		
Net proceeds from issue of shares	950,000	316,250
Repayment of borrowings	-	(131,803)
Lodgement of bank guarantee and security deposits	-	(6,093)
Net cash from financing activities	950,000	178,354
Net increase/(decrease) in cash and cash equivalents	128,846	(133,879)
Cash and cash equivalents at the beginning of the period	1,019,772	735,376
Cash and cash equivalents at 31 December 2009	1,148,618	601,497

The accompanying notes form part of these financial statements.

Liontown Resources Limited

Notes to the Financial Statements

For the half year ended 31 December 2009

1. Significant accounting policies

(a) Statement of compliance

The interim 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 Entity 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 2009 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, except for the revaluation of certain financial instruments. Cost is based on the fair value of the consideration given in exchange for assets. The company 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.

Except as described below, in preparing this interim report, the significant judgments made by management in applying the Entity's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2009.

(d) Adoption of new and revised Accounting Standards

In the half-year ended 31 December 2009, the Entity has reviewed all of the 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 2009.

During the current period, certain accounting policies have changed as a result of new or revised accounting standards which became operative for the annual reporting period commencing on 1 July 2009.

The affected policies and standards are:

- Segment reporting - new AASB 8 *Operating Segments*

The Company has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half year ended 31 December 2009. 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 Company's accounting policies.

Segment Reporting

The Entity has applied AASB 8 'Operating Segments' from 1 July 2009. AASB 8 requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes.

Operating segments are now reported in a manner that is consistent with the internal reporting provided to the chief decision maker. The chief decision-maker has been identified as the Board of Liontown Resources Limited.

Liontown Resources Limited
Notes to the Financial Statements
For the half year ended 31 December 2009

2. Segment reporting

Geographical segments

The company operated in two distinct geographical segments, Australia and United States of America. These segments were determined based on the location of the Company's assets

The Company's geographical segment in United States of America is Arizona.

The following table presents expenditure and asset information regarding geographical segments for the periods ended 31 December 2009 and 31 December 2008.

2009	Continuing operations	Continuing operations	Total
	Australia	Arizona	
	\$	\$	\$
Segment revenue	1,162,846	-	1,162,846
Segment expenses	(387,962)	-	(387,962)
Segment result	774,884	-	774,884
Segment assets	4,308,033	506,562	4,814,595
Segment liabilities	(208,734)	-	(208,734)
Segment net assets	4,099,299	506,562	4,605,861
2008	Continuing operations	Continuing operations	Total
	Australia	Arizona	
	\$	\$	\$
Segment revenue	29,972	-	29,972
Segment expenses	(6,245,347)	-	(6,245,347)
Segment result	(6,215,375)	-	(6,215,375)
Segment assets	2,092,053	211,992	2,304,045
Segment liabilities	(164,673)	-	(164,673)
Segment net assets	1,927,380	211,992	2,139,372

Liontown Resources Limited
Notes to the Financial Statements
For the half year ended 31 December 2009

3. Profit before income tax expense

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

	2009	2008 \$
(a) Net gain on sale of exploration and evaluation assets		
Consideration	2,250,000	-
Costs of tenements sold	(1,108,287)	-
Net gain on sale of exploration and evaluation assets	<u>1,141,713</u>	<u>-</u>

On 30 December 2009 the Company sold the Liontown base metal deposit to Kagara Limited (“Kagara”) for \$4,500,000, comprising \$2,250,000 of Kagara shares based on a 5 day volume weighted average price (on this basis, 2,244,837 Kagara shares were received as consideration for the sale), and an additional \$2,250,000 which is due upon either a decision to mine or the sale of the purchased asset by Kagara. This deferred consideration has not been recognised at balance date as it cannot be considered probable at that date.

The first tranche of the consideration of \$2,250,000 is included in trade and other receivables.

(b) Other Income		
Net finance income	10,877	25,514
Other income	10,256	4,458
	<u>21,133</u>	<u>29,972</u>
(c) Corporate administrative expenses		
Depreciation and amortisation	23,163	43,507
Insurance	6,076	13,721
Legal fees	12,850	23,660
Head office costs	77,525	150,314
Personnel expenses	177,303	522,202
Regulatory and compliance	55,311	60,840
Other	21,117	23,414
Total	<u>373,344</u>	<u>837,658</u>

4. Exploration and evaluation expenditure

Cost brought forward
Expenditure incurred during the period
Exploration costs not capitalised
Sale of interest in tenements
Total

**31 December
2009
\$**

1,598,577
643,782
(14,618)
(1,108,287)
1,119,453

Liontown Resources Limited
Notes to the Financial Statements
For the half year ended 31 December 2009

5. Issued capital

	Share capital \$
Balance at 30 June 2009	19,200,242
Issue of shares to Directors in lieu of fees	130,000
Issue of shares -placement (net of costs)	950,000
Balance at 31 December 2009	<u>20,280,242</u>

	Number of ordinary shares
On issue at 30 June 2009	187,200,018
Issue of shares to Directors in lieu of fees	2,873,563
Issue of shares -placement	20,000,000
On issue at 31 December 2009	<u>210,073,581</u>

6. Share Options

	No. (thousands)
Movements in options over ordinary shares on issue:	
At 1 July 2009	15,635,000
Options forfeited under Employee and Consultant Option Plan	(6,325,000)
At 31 December 2009	<u>9,310,000</u>

7. Events Subsequent to Reporting Date

After balance date, all conditions subsequent to the sale agreement with Kagara were satisfied. The Company sold 2,244,837 Kagara shares received as proceeds for the sale of the Liontown base metal deposit to Kagara. Proceeds from the sale of the shares were \$2,681,482 resulting in a profit on sale of \$431,482.

Liontown Resources Limited

Directors' Declaration

The directors of the Company declare that:

1. The financial statements and notes thereto, as set out on 6 to 13:
 - a. comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations; and
 - b. give a true and fair view of the Company's financial position as at 31 December 2009 and of its performance for the half-year then ended.
2. In the directors' opinion 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 12th day of March 2010

A handwritten signature in blue ink, appearing to read 'Tim Goyder', with a stylized flourish at the end.

Tim Goyder
Chairman

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Liantown Resources Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report, which comprises the condensed statement of financial position as at 31 December 2009, the condensed statement of comprehensive income, condensed statement of changes in equity, condensed statement of cash flows and notes to the financial statements for the half-year ended on that date, and the directors' declaration of Liantown Resources Limited ("company").

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 Interim and Other Financial Reports 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 company's financial position as at 31 December 2009 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 Liantown Resources Limited, 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*.

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 Lontown Resources Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the company's financial position as at 31 December 2009 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

HLB MANN JUDD
Chartered Accountants

L Di Giallonardo

L Di GIALLONARDO
Partner

Perth, Western Australia
12 March 2010