

# Quarterly Report

for the period ended 31 March 2010



## Highlights

### **GOLD - Mount Windsor Project (North Queensland)**

- Exploration set to increase following **\$7M JV Agreement** with ASX-listed **Ramelius Resources Limited (ASX: RMS)**
- Ramelius can earn up to a **60% interest** over four years, with a minimum commitment of **\$1.25 million in the first year**
- Funding now available to accelerate an **immediate exploration program including drilling** and additional Induced Polarisation (IP) surveys
- Joint Venture to target **large-scale, breccia-hosted gold systems** within the Charters Towers gold field, similar to that recently announced by Resolute Mining Limited at its adjacent Ravenswood Project
- IP survey confirms discrete drilling target beneath mineralised float at the G-5 target

### **CORPORATE**

- Cash on hand of **~\$3.4 million**.
- **Experienced mining executive David Richards** appointed as Liontown's Managing Director.

## 1.0 Overview

During the March 2010 Quarter, Liontown made further significant progress in enhancing and refining the gold potential of its **Mt Windsor Project** in North Queensland including validation of the Company's exploration concepts and confirmation of discrete drilling targets at the G-5 prospect.

The completion of a significant joint venture with Ramelius Resources at Mount Windsor subsequent to the end of the Quarter combined with the announcement of an exciting new discovery by Resolute Mining Limited at the Ravenswood Project, have substantially increased the profile and level of investor interest in the Mt Windsor Project.

The Company is looking forward to the commencement of drilling programs under the new Ramelius Joint Venture.

Corporately, the Company is well positioned both to progress its existing projects and undertake an active project generation program with cash of \$3.4 million available at the end of the Quarter.

## 2.0 Mount Windsor Volcanics Project (Liontown 100%)

The Mount Windsor Volcanics Project comprises an extensive tenement package located in the prolific Charters Towers gold field of North Queensland (see Figure 1) which has yielded over 15 million ounces of gold to date from world-class mines such as Charters Towers (+6Moz), Kidston (+4Moz), Pajingo (+3Moz), Ravenswood (+2Moz) and Mt Leyshon (2.7Moz).

### Target G-5

A dipole-dipole Induced Polarisation (IP) survey was completed at the G-5 Target during the Quarter. The survey comprised six 3km long lines spaced 200 metres apart using 150 metre spaced dipoles and a single in-fill line (~1.6km long) using a 50 metre dipole spacing. IP surveys are designed to identify resistive and chargeable zones caused by quartz veining and/or alteration associated with gold mineralisation.

The IP survey at G-5 defined a coincident resistive and chargeable zone over a 600 by 300 metre area 100 to 200 metres immediately below the mineralised vein float (i.e. up to **3.6g/t Au, 701g/t Ag, 0.4% As and 2.1% Pb**) reported previously. These zones are drill ready and are scheduled to be tested during the next Quarter (Figure 2).

### CDI Funding

Grants totalling \$132,000 have been received under the Queensland Government's Collaborative Drilling Initiative (CDI) to assist with drill testing of the G-20 (Mosquito Hill) and G-22 (Mt Redan) targets. The grants will go towards direct drilling costs.

### JV Agreement

Subsequent to the end of the Quarter, Liontown announced (16<sup>th</sup> April 2010) that it had signed a Joint Venture agreement with ASX-listed gold company Ramelius Resources Limited (Ramelius; ASX: RMS). Under the Joint Venture, Ramelius can earn up to a 60% interest in the Mt Windsor Project by spending \$7 million over 4 years with a minimum commitment of \$1.25 million in the first year.

Conditional on certain EPM applications being granted by June 30<sup>th</sup> 2011, Ramelius must spend an additional \$1 million (for a total minimum commitment of \$2.25 million) before the second anniversary of the Agreement and before having the right to withdraw.

The JV Agreement will enable exploration to be accelerated at the Mount Windsor Project, where multiple gold targets have been developed by Liontown (see Figure 1). Liontown has targeted gold windows in vertically zoned mineralised systems, similar to Resolute Resource's recent discovery at the Welcome Breccia which is located in the same geological province approximately 40 kilometres north of the G-5 target (Figure 1).

Resolute announced to the ASX on 15 April that drilling at the Welcome Breccia had intersected **113m @ 7.7g/t gold** from 316m depth including **19m @ 31.3g/t gold** in drill hole WED003 (refer Resolute Mining Limited ASX Announcement - 15 April 2010).

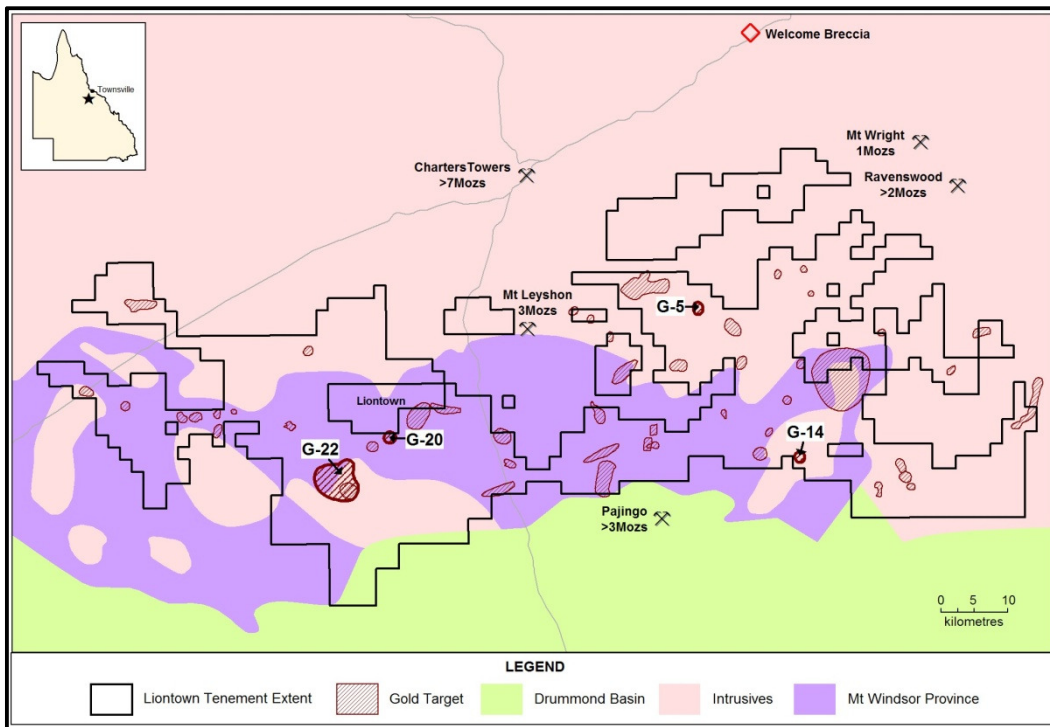


Figure 1: Mt Windsor Gold Project - Regional Geology and Gold Targets

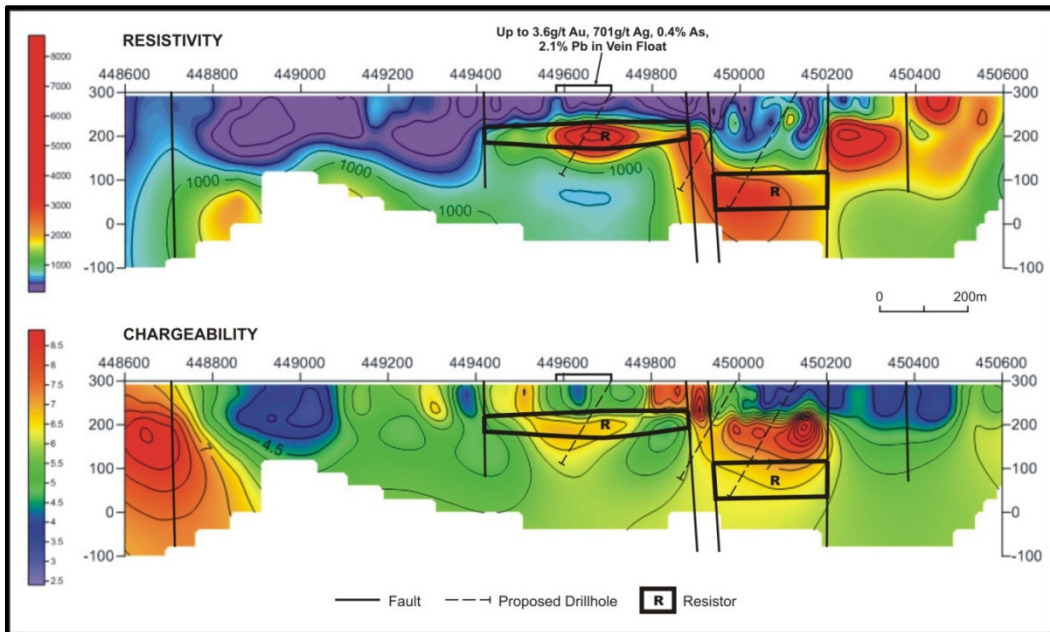


Figure 2: G-5 Target - IP image showing resistive and chargeable zones vertically beneath mineralised float.

### 3.0 Fort Constantine South (Liontown 100%)

*The Fort Constantine South Project is located in the Mt Isa region of western Queensland and is subject to a Farm-in Agreement with Exco Resources Limited, which is exploring for IOCG mineralisation similar to the nearby Ernest Henry deposit.*

During the latter part of 2009, Exco tested four magnetic targets by drilling four RC holes for a total of 461 metres. Three of the holes intersected weakly to moderately anomalous copper (up to 2m @ 0.33%) and the results are being reviewed prior to planning further work on the Project.

### 4.0 Sheep Mountain Copper-Molybdenum Project (Liontown option to acquire 100%)

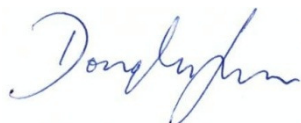
*Sheep Mountain is a large scale copper-molybdenum project located in a world-class copper province in Arizona, USA. The Project contains an Inferred Resource of 40.3Mt @ 1.4% copper and 0.04% molybdenum above a cut-off grade of 0.8% copper equivalent.*

Liontown actively sought a joint venture partner for Sheep Mountain Project during the Quarter with several parties planning to undertake a detailed review of the property subsequent to Quarter end.

### 5.0 Corporate

Subsequent to the end of the Quarter, Liontown announced the appointment of Mr David Richards as Managing Director of the Company effective from 1 May 2010. Dr Doug Jones will step down from the role of Liontown Resources' Managing Director to focus on his role as Managing Director of Chalice Gold Mines Limited, but will continue to serve on the Liontown Resources Board as a Non-executive Director.

Please refer to the attached Form 5B for details of cash flow for the Quarter ended 31 March 2010.



Dr Douglas A Jones  
Managing Director

*The information in this report that relates to Exploration Results is based on information compiled by Mr John McIntyre, a geological consultant to Liontown Resources Limited, who is a Member of the Australasian Institute of Geoscientists. Mr McIntyre 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.*

*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*

# Appendix 5B

## Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

LIONTOWN RESOURCES LIMITED

ABN

39 118 153 825

Quarter ended ("current quarter")

31 MARCH 2010

### Consolidated statement of cash flows

	Current quarter \$A	Year to date (9 months) \$A
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration and evaluation	(266,644)	(880,709)
(b) development	-	-
(c) production	-	-
(d) administration	(199,706)	(397,258)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	25,112	35,195
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other – Goods and Services Tax (net)	804	(18,311)
<b>Net Operating Cash Flows</b>	<b>(440,434)</b>	<b>(1,261,083)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a)prospects	-	-
(b)equity investments	-	-
(c)other fixed assets	-	(505)
1.9 Proceeds from sale of: (a)prospects	-	-
(b)equity investments	-	-
(c)other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
<b>Net investing cash flows</b>	<b>-</b>	<b>(505)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(440,434)</b>	<b>(1,261,588)</b>

+ See chapter 19 for defined terms.

<b>Cash flows related to financing activities</b>			
1.14	Proceeds from issues of shares, options, etc. (net)	-	950,000
1.15	Proceeds from sale of shares	2,681,481	2,681,481
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other	-	-
	<b>Net financing cash flows</b>	<b>2,681,481</b>	<b>3,631,481</b>
<b>Net increase (decrease) in cash held</b>		<b>2,241,047</b>	<b>2,369,893</b>
1.20	Cash at beginning of quarter/year to date	<b>1,148,619</b>	<b>1,019,773</b>
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter</b>	<b>3,389,666</b>	<b>3,389,666</b>

**Payments to directors of the entity and associates of the directors**

**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A
1.23	Aggregate amount of payments to the parties included in item 1.2	212,137
1.24	Aggregate amount of loans to the parties included in item 1.10	Nil

1.25 Explanation necessary for an understanding of the transactions

Item 1.23 consists of legal fees paid to a director for the provision of legal services (\$8,400), the net salary and superannuation paid to the Managing Director (\$3,673), non-executive directors fees owing from July 2009 to March 2010 (\$146,250) and service charges paid to a director related entity (Chalice Gold Mines Limited) for the provision of corporate services, office rent and technical personnel (\$53,814). All transactions are on commercial terms and conditions.

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

On 30 December 2009, the Company agreed to sell its Liontown base metal deposit to Kagara Ltd for \$2.25m in Kagara Ltd shares and a further \$2.25m on a decision to mine or sale by Kagara Ltd. All the shares in Kagara were sold for approximately \$2.7 million in the current quarter.

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

N/A

### Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A	Amount used \$A
3.1 Loan facilities	Nil	Nil
3.2 Credit standby arrangements	Nil	Nil

### Estimated cash outflows for next quarter

	\$A
4.1 Exploration and evaluation	200,000
4.2 Development	Nil
<b>Total</b>	<b>200,000</b>

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A	Previous quarter \$A
5.1 Cash on hand and at bank	3,379,032	1,138,208
5.2 Deposits at call	10,634	10,411
5.3 Bank overdraft	-	-
5.4 Other (Bank Guarantee)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>3,389,666</b>	<b>1,148,619</b>

### Changes in interests in mining tenements

6.1 Interests in mining tenements relinquished, reduced or lapsed	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

6.2 Interests in mining tenements acquired or increased	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
	EPM18545	Application	0%	0%

**(1) Issued and quoted securities at end of current quarter**

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Preference +securities</b> (description)	Nil	Nil	N/A	N/A
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs.	N/A	N/A	N/A	N/A
7.3 <b>+Ordinary securities</b>	210,073,581	210,073,581	N/A	N/A
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital.	Nil	Nil	N/A	N/A
	Nil	Nil	N/A	N/A
7.5 <b>+Convertible debt securities</b> (description)	Nil	Nil	N/A	N/A
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured.	Nil	Nil	N/A	N/A

+ See chapter 19 for defined terms.



**Appendix 5B**  
**Mining exploration entity quarterly report**

7.7	<b>Options</b>			Exercise price	Expiry date
	Share Options	250,000	Nil	\$0.35	6.8.2010
		310,000	Nil	\$0.35	1.11.2010
		4,000,000	Nil	\$0.35	1.12.2012
		1,250,000	Nil	\$0.225	14.07.2010
		500,000	Nil	\$0.20	31.07.2013
		3,000,000	Nil	\$0.20	02.12.2013
		1,000,000	Nil	\$0.10	31.01.2014
7.8	Issued during quarter				
	Share Options	Nil	Nil	N/A	N/A
7.9	Exercised during quarter	Nil	Nil	N/A	N/A
7.10	Expired/Forfeited during quarter	Nil	Nil	N/A	N/A
7.11	<b>Debentures</b> <i>(totals only)</i>	Nil	Nil		
7.12	<b>Unsecured notes</b> <i>(totals only)</i>	Nil	Nil		

+ See chapter 19 for defined terms.

## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act.
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:   
Company Secretary

Date: 22 April 2010

Print name: Richard Hacker

## Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

== == == == ==