

LIONTOWN RESOURCES LIMITED

ABN 39 118 153 825

Half Year Report  
31 December 2010



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# Liontown Resources Limited

## Directors' Report

### For the half year ended 31 December 2010

#### DIRECTORS' REPORT

Your directors submit the financial report of the Company for the half year ended 31 December 2010. 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 |
| Anthony W Kiernan  | Non-executive Director |
| Craig R Williams   | Non-executive Director |

#### REVIEW OF OPERATIONS

##### Mount Windsor Volcanics Project and Panhandle Project, North Queensland

Liontown Resources continued to focus on the North Queensland region with the exploration programs undertaken on the Mt Windsor Joint Venture Project (MWJVP) and wholly owned Panhandle Project. At MWJVP, IP geophysical surveys completed by JV Manager Ramelius Resources identified a number of targets which were tested by deep diamond drilling. Whilst no significant assays for precious metals have yet been recorded from the drilling, extensive zones of alteration were intersected indicating potential for mineralised systems. Further drilling is planned after the end of the wet season.

Reconnaissance work on the Panhandle Project has confirmed results of previous explorers and follow up mapping, soil sampling and geophysical interpretations indicate extensive alteration systems that may be related to gold mineralisation.

##### Jubilee Reef Project, Northern Tanzania

Liontown has entered into an agreement with Canadian listed Currie Rose Resources Inc to earn up to 75% equity in the Jubilee Reef Project in two stages by first drilling 15,000 metres by December 2013 to earn 51% and then advancing it through to completion of a Definitive Feasibility Study to earn an additional 24% interest.

The Jubilee Reef Joint Venture Project comprises a 60km<sup>2</sup> tenement package located in the Lake Victoria Goldfield of northern Tanzania which includes several multi-million ounce gold deposits including Bulyanhulu and Geita.

The Jubilee Reef Project has a number of drill ready targets including multiple zones of high order gold anomalism and ore grade drill intersections which remain open at depth and along strike. These targets will form the basis of a 5,000 metre drilling program in mid 2011.

#### EVENTS SUBSEQUENT TO REPORTING DATE

There were no events subsequent to reporting date.

Liontown Resources Limited  
**Directors' Report**  
For the half year ended 31 December 2010

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 2010.

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.

A handwritten signature in black ink, appearing to read "David Richards", is written over a light blue rectangular background.

David Richards

Managing Director

Dated at Perth this 16<sup>th</sup> day of March 2011.

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 2010, 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  
16 March 2011

**L DI GIALONARDO**  
Partner, HLB Mann Judd

Liontown Resources Limited  
**Condensed Statement of Comprehensive Income**  
For the half year ended 31 December 2010

|  | Note | 31 December<br>2010<br>\$ | 31 December<br>2009<br>\$ |
|--|------|---------------------------|---------------------------|
| <b>Continuing Operations</b>   |      |                           |                           |
| Net gain on sale of exploration and evaluation assets                    | 3a   | -                         | 1,141,713                 |
| Other income   | 3b   | 64,818                    | 21,133                    |
| Exploration costs not capitalised  |      | (211,334)                 | (14,618)                  |
| Corporate administrative expenses  | 3c   | (540,951)                 | (373,344)                 |
| <b>Profit/(loss) before tax</b>  |      | <b>(687,467)</b>          | <b>774,884</b>            |
| Income tax expense   |      | -                         | -                         |
| <b>Profit/(loss) for the period attributable to owners of the parent</b> |      | <b>(687,467)</b>          | <b>774,884</b>            |
| Other comprehensive income   |      | -                         | -                         |
| <b>Total comprehensive income/(loss) after tax</b>                       |      | <b>(687,467)</b>          | <b>774,884</b>            |
| Basic earnings/(loss) per share attributable to ordinary equity holders  |      | (0.003)                   | 0.004                     |

Liontown Resources Limited  
**Condensed Statement of Financial Position**  
As at 31 December 2010

|  | Note | 31 December<br>2010<br>\$ | 30 June<br>2010<br>\$ |
|--|------|---------------------------|-----------------------|
| <b>Current assets</b>                  |      |                           |                       |
| Cash and cash equivalents              |      | 2,179,201                 | 3,118,759             |
| Trade and other receivables            |      | 135,517                   | 44,700                |
| <b>Total current assets</b>            |      | <b>2,314,718</b>          | <b>3,163,459</b>      |
| <b>Non-current assets</b>              |      |                           |                       |
| Financial assets                       |      | 51,721                    | 50,450                |
| Property, plant and equipment          |      | 119,385                   | 132,756               |
| Exploration and evaluation expenditure | 4    | 1,265,560                 | 925,950               |
| <b>Total non-current assets</b>        |      | <b>1,436,666</b>          | <b>1,109,156</b>      |
| <b>Total assets</b>                    |      | <b>3,751,384</b>          | <b>4,272,615</b>      |
| <b>Current liabilities</b>             |      |                           |                       |
| Trade and other payables               |      | 122,543                   | 120,639               |
| Employee benefits                      |      | 2,984                     | 3,144                 |
| <b>Total current liabilities</b>       |      | <b>125,527</b>            | <b>123,783</b>        |
| <b>Total liabilities</b>               |      | <b>125,527</b>            | <b>123,783</b>        |
| <b>Net assets</b>                      |      | <b>3,625,857</b>          | <b>4,148,832</b>      |
| <b>Equity</b>                          |      |                           |                       |
| Issued capital                         | 5    | 20,343,846                | 20,280,242            |
| Reserves                               |      | 1,476,873                 | 1,375,985             |
| Accumulated losses                     |      | (18,194,862)              | (17,507,395)          |
| <b>Total equity</b>                    |      | <b>3,625,857</b>          | <b>4,148,832</b>      |

Liontown Resources Limited  
**Condensed Statement of Changes in Equity**  
For the half year ended 31 December 2010

|  | Issued capital<br>\$ | Accumulated<br>losses<br>\$ | Share based<br>payments<br>reserve<br>\$ | Total equity<br>\$ |
|--|----------------------|-----------------------------|--|--------------------|
| 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)          |
| <b>Total comprehensive loss for the period</b>             | <b>-</b>             | <b>(687,467)</b>            | <b>-</b>                                 | <b>(687,467)</b>   |
| Issue of shares on acquisition of<br>exploration tenements | 63,604               | -                           | -  | 63,604             |
| Share based payments                                       | -                    | -                           | 100,888                                  | 100,888            |
| <b>Balance at 31 December 2010</b>                         | <b>20,343,846</b>    | <b>(18,194,862)</b>         | <b>1,476,873</b>                         | <b>3,625,857</b>   |

|  | Issued capital<br>\$ | Accumulated<br>losses<br>\$ | Share based<br>payments<br>reserve<br>\$ | Total equity<br>\$ |
|--|----------------------|-----------------------------|--|--------------------|
| 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            |
| <b>Total comprehensive income for the<br/>period</b>                                   | <b>-</b>             | <b>774,884</b>              | <b>-</b>                                 | <b>774,884</b>     |
| Share issue- in lieu of non-executive<br>directors accrued wages and<br>superannuation | 130,000              | -                           | -  | 130,000            |
| Share placement (net after costs)  | 950,000              | -                           | -  | 950,000            |
| Share based payments   | -                    | -                           | 67,477                                   | 67,477             |
| <b>Balance at 31 December 2009</b>   | <b>20,280,242</b>    | <b>(17,043,476)</b>         | <b>1,369,095</b>                         | <b>4,605,861</b>   |



Liontown Resources Limited  
**Condensed Statement of Cash Flows**  
For the half year ended 31 December 2010

|  | 31 December<br>2010<br>\$ | 31 December<br>2009<br>\$ |
|--|---------------------------|---------------------------|
| <b>Cash flows from operating activities</b>              |                           |                           |
| Cash paid to suppliers and employees                     | (463,042)                 | (197,552)                 |
| Interest received  | 42,335                    | 10,083                    |
| Other  | (24,912)                  | (19,114)                  |
| <b>Net cash used in operating activities</b>             | <b>(445,619)</b>          | <b>(206,583)</b>          |
| <b>Cash flows from investing activities</b>              |                           |                           |
| Payments for mining exploration and evaluation           | (490,802)                 | (614,066)                 |
| Acquisition of property, plant and equipment             | (2,857)                   | (505)                     |
| <b>Net cash used in investing activities</b>             | <b>(493,659)</b>          | <b>(614,571)</b>          |
| <b>Cash flows from financing activities</b>              |                           |                           |
| Net proceeds from issue of shares                        | -                         | 950,000                   |
| <b>Net cash from financing activities</b>                | <b>-</b>                  | <b>950,000</b>            |
| Net increase/(decrease) in cash and cash equivalents     | (939,278)                 | 128,846                   |
| Cash and cash equivalents at the beginning of the period | 3,118,759                 | 1,019,772                 |
| Effects of exchange rate fluctuations on cash held       | (280)                     | -                         |
| <b>Cash and cash equivalents at 31 December 2010</b>     | <b>2,179,201</b>          | <b>1,148,618</b>          |

Liontown Resources Limited  
**Condensed notes to the Financial Statements**  
For the half year ended 31 December 2010

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 Company 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 2010 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 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.

In preparing this interim report, the significant judgments made by management in applying the Company'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 2010.

**(d) Adoption of new and revised Accounting Standards**

In the half-year ended 31 December 2010, the Company 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 2010. It has been determined by the Company 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.

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 2010. 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.

# Liontown Resources Limited

## Condensed notes to the Financial Statements

For the half year ended 31 December 2010

### 2. Segment reporting Geographical segments

The Company 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 2010           | 31 December 2009 | 31 December 2010 | 31 December 2009 | 31 December 2010 | 31 December 2009 |
|  | \$                         | \$               | \$               | \$               | \$               | \$               |
| Net gain on sale of exploration assets | -                          | 1,141,713        | -                | -                | -                | 1,141,713        |
| Exploration costs not capitalised      | (211,334)                  | (14,618)         | -                | -                | (211,334)        | (14,618)         |
| Other Income                           | -                          | -                | -                | 10,256           | -                | 10,256           |
| Corporate and administrative expenses  | -                          | -                | (540,951)        | (373,344)        | (540,951)        | (373,344)        |
| Segment net gain/ loss after tax       | (211,334)                  | 1,127,095        | (540,951)        | (363,088)        | (752,285)        | 764,007          |
| <b>Unallocated income/(expenses)</b>   |                            |                  |                  |                  |                  |                  |
| Net financing income                   |                            |                  |                  |                  | 64,818           | 10,877           |
| Loss before income tax                 |                            |                  |                  |                  | (687,467)        | 774,884          |

|                                   | Exploration and Evaluation |              | Corporate        |              | Total            |              |
|-----------------------------------|----------------------------|--------------|------------------|--------------|------------------|--------------|
|                                   | 31 December 2010           | 30 June 2010 | 31 December 2010 | 30 June 2010 | 31 December 2010 | 30 June 2010 |
|                                   | \$                         | \$           | \$               | \$           | \$               | \$           |
| <b>Segment assets:</b>            |                            |              |                  |              |                  |              |
| Exploration and evaluation assets | 1,265,560                  | 925,950      | -                | -            | 1,265,560        | 925,950      |
| Other                             | 72,188                     | 81,738       | 160,835          | 95,452       | 233,023          | 177,190      |
|                                   | 1,337,748                  | 1,007,688    | 160,835          | 95,452       | 1,498,583        | 1,103,140    |
| <b>Unallocated assets</b>         |                            |              |                  |              | 2,252,801        | 3,169,475    |
| <b>Total assets</b>               |                            |              |                  |              | 3,751,384        | 4,272,615    |
| <b>Segment Liabilities</b>        | 42,233                     | 34,503       | 83,294           | 89,280       | 125,527          | 123,783      |

Liontown Resources Limited  
**Condensed notes to the Financial Statements**  
For the half year ended 31 December 2010

3. Profit/(Loss) before income tax expense

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

|   | 2010<br>\$     | 2009<br>\$     |
|---|----------------|----------------|
| (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     | -              | 1,141,713      |
| (b) Other Income  |                |                |
| Net finance income  | 64,818         | 10,877         |
| Other income  | -              | 10,256         |
|   | <b>64,818</b>  | <b>21,133</b>  |
| (c) Corporate administrative expenses                     |                |                |
| Depreciation and amortisation                             | 16,227         | 23,162         |
| Insurance   | 6,449          | 6,076          |
| Legal fees  | 17,774         | 12,850         |
| Head office costs   | 80,270         | 77,525         |
| Personnel expenses  | 337,099        | 177,303        |
| Regulatory and compliance                                 | 47,335         | 55,311         |
| Other   | 35,797         | 21,117         |
| <b>Total</b>  | <b>540,951</b> | <b>373,344</b> |

4. Exploration and evaluation expenditure

|  | 6 months to<br>31 December<br>2010<br>\$ | Year to<br>30 June<br>2010<br>\$ |
|--|--|----------------------------------|
| Cost brought forward                                     | 925,950                                  | 1,598,577                        |
| Expenditure incurred during the period                   | 550,944                                  | 1,079,010                        |
| Impairment loss  | -  | (628,732)                        |
| Exploration expenditure not capitalised                  | (211,334)                                | (14,618)                         |
| Carrying value of exploration and evaluation assets sold | -  | (1,108,287)                      |
| <b>Total</b>   | <b>1,265,560</b>                         | <b>925,950</b>                   |

Liontown Resources Limited  
**Condensed notes to the Financial Statements**  
For the half year ended 31 December 2010

5. Issued capital

|   | 31 December<br>2010<br>No. | 30 June<br>2010<br>No. |
|---|----------------------------|------------------------|
| Issued and fully paid ordinary shares                   | 211,073,581                | 210,073,581            |
|   | No.                        | \$                     |
| Balance at 30 June 2010                                 | 210,073,581                | 20,280,242             |
| Issue of shares on acquisition of exploration tenements | 1,000,000                  | 63,604                 |
| Balance at 31 December 2010                             | 211,073,581                | 20,343,846             |

6. Share Options

|  | 31 December<br>2010<br>No. | 31 December<br>2009<br>No. |
|--|----------------------------|----------------------------|
| Movements in options over ordinary shares on issue:                                |                            |                            |
| At 1 July  | 10,310,000                 | 15,635,000                 |
| 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)                | (6,325,000)                |
| At 31 December   | 11,650,000                 | 9,310,000                  |

\*At the Company's annual general meeting held in November 2010, shareholders approved the issue of options to Mr David Richards. 3,000,000 unlisted options over ordinary shares were issued with an exercise price of 10 cents and expiring on the 1 May 2013. Of these options, 1,000,000 vested immediately, and 2,000,000 vest 1 May 2011.

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 2010, executive personnel received total compensation of \$196,744 (six months ended 31 December 2009: \$104,381) and non-executive directors received total compensation of \$132,928 (six months ended 31 December 2009: \$127,109).

**Other related parties transactions**

The Company used the consulting and legal services of Mr Anthony Kiernan during the six months ended 31 December 2010. 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 \$12,600 (six months ended 31 December 2009: \$12,600). No amounts were outstanding or payable at the end of the period.

8. Events Subsequent to Reporting Date

There were no events subsequent to reporting date.

# 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 company's financial position as at 31 December 2010 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 16<sup>th</sup> day of March 2011

A handwritten signature in black ink, appearing to read "David Richards", is written over a light blue rectangular background.

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 2010, 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 notes and the directors' declaration.

### 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 company's financial position as at 31 December 2010 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 Liontown 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 Liontown 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 2010 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



**L DI GIALLONARDO**  
Partner

Perth, Western Australia  
16 March 2011