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28 August 2012

Dear Shareholder

Non-Renounceable Rights Issue - Notice to Shareholders

This letter is to notify you on 20 August 2012, Liontown Resources Limited (**Company** or **Liontown**) announced a 1 for 3 non-renounceable pro rata entitlements issue of up to approximately 97.9 million new shares (**New Shares**) at an offer price of 3.5 cents per share, together with 32.6 million free attaching New Options issued on the basis of 1 New Option for every 3 New Shares subscribed for under the Entitlement Offer to raise approximately \$3.428 million (**Entitlement Offer**). Each free attaching New Option will be listed (subject to ASX granting quotation), have an exercise price of 5 cents each and will expire at 5.00pm (WST) on the third anniversary from the date of issue.

Each eligible shareholder will be entitled to subscribe for 1 New Share for every 3 shares held at 5:00pm (WST) on Tuesday, 4 September 2012 (**Record Date**). On the basis that no option holders of the Company exercise their options before the Record Date, a maximum of 97,947,394 New Shares will be offered under the Entitlement Offer.

Underwriting of the Entitlement Offer

The Entitlement Offer will be fully underwritten by Bell Potter Securities Limited (**Bell Potter**). Bell Potter will receive an underwriting fee equal to 4% of the amount raised under the Entitlement Offer less the funds raised from the firm commitments from certain Shareholders.

Eligibility to the Entitlement Offer

The Entitlement Offer is only open to shareholders of the Company who are registered as shareholders at 5.00pm (WST) on the Record Date with registered addresses in Australia or New Zealand (**Eligible Shareholders**).

Shareholders with registered addresses outside Australia and New Zealand are considered ineligible shareholders (**Ineligible Foreign Shareholders**) and cannot participate in the Entitlement Offer.

The Company has determined that it is not practicable for Ineligible Foreign Shareholders to participate in the Entitlement Offer having regard to the number of Ineligible Foreign Shareholders, the number and value of New Shares they would be offered and the costs of complying with the regulatory requirements of those jurisdictions.

Purpose of the Entitlement Offer

The net proceeds from the Entitlement Offer, together with existing cash reserves, will primarily be used to advance the Company's Jubilee Reef Gold Project in Northern Tanzania and for working capital.

The Jubilee Reef Project is located in the Lake Victoria Goldfield where Liontown is currently earning up to 75% equity in the project via a joint venture with TSX-V listed Currie Rose Resources Limited. Drilling during 2011 and 2012 from the Masabi Hill and Shangaza/Panapendesa prospects has confirmed the potential for economic mineralisation.

More recent drilling has returned outstanding results, highlighting the potential for a large-scale gold system at Masabi Hill.

5,400 metres of RC drilling is planned and is aimed at further defining strike and dip extensions of significant intersections at the Masabi Hill prospect as well as following up on other known targets. Approximately 9,000 metres of aircore drilling is also proposed which will further define the extent of gold mineralisation across the broader Jubilee Reef Project and identify further RC drilling targets.

Prospectus and Entitlement Offer Details

Details of the Entitlement Offer including the rights attaching to the New Shares, together with all other relevant information are set out in the prospectus which was lodged with the Australian Securities Exchange (ASX) on 20 August 2012 (Prospectus). The Prospectus is currently available from the Company's website, www.ltresources.com.au, or the ASX website, www.asx.com.au, by searching under the Company's ASX code "LTR".

A copy of the Prospectus together with the Entitlement and Acceptance Form will be sent to shareholders on or about 6 September 2012. The Prospectus will be sent to Ineligible Foreign Shareholders for information purposes only.

The Entitlement Offer is non-renounceable which means that the entitlements to participate in the Entitlement Offer are not transferable and cannot be traded on the ASX or any other exchange or privately transferred. So, Eligible Shareholders will not receive any value if they do not take up their Entitlements.

The New Shares issued pursuant to the Entitlement Offer will rank equally in all respects with existing fully paid ordinary shares on issue in the Company. Fractional entitlements will be rounded down to the nearest whole Share.

Key Dates

The proposed timetable for the Entitlement Offer is as follows:

| Event | Date |
|--|----------------------------|
| Prospectus lodged with ASIC and ASX | Monday, 20 August 2012 |
| Notice sent to Shareholders containing information required for Appendix 3B in relation to the Entitlement Offer | Tuesday, 28 August 2012 |
| "Ex" date | Wednesday, 29 August 2012 |
| Record Date to determine Entitlements under the Entitlement Offer | Tuesday, 4 September 2012 |
| Opening Date of Entitlement Offer | Thursday, 6 September 2012 |
| Despatch Prospectuses and Entitlement and Acceptance Forms and the Company announces the despatch has been completed | Thursday, 6 September 2012 |

| Event | Date |
|---|-----------------------------|
| Closing Date for acceptances under the Entitlement Offer | Thursday, 20 September 2012 |
| Company notifies ASX of under subscription | Monday, 24 September 2012 |
| Expected despatch date with the allotment of New Securities | Thursday, 27 September 2012 |
| Trading of New Securities expected to commence | Friday, 28 September 2012 |

The above dates are indicative only and subject to change. The Company reserves the right, subject to the Corporations Act and the Listing Rules, to extend these dates without prior notice including extending the last date for receipt of the Entitlement and Acceptance Form, or to delay or withdraw the Entitlement Offer at any time without prior notice. If withdrawn, all Application Monies for New Securities which have not been issued will be refunded (without interest) as soon as practicable.

Effect on Capital Structure

The table below sets out the impact of the Entitlement Offer on the capital structure of the Company:

| Detail | Number of Shares |
|---|------------------|
| Total issued capital at the date of announcement of the Entitlement Offer | 293,841,976 |
| Maximum Number of New Shares offered under the Entitlement Offer* | 97,947,394 |
| Total issued capital at completion of the Entitlement Offer | 391,789,575 |

*Assuming no options are exercised prior to the Record Date.

In addition, the table below sets out the impact of the New Options issued under the Entitlement Offer.

| Options | Expiry Date | Exercise Price | Number |
|---|-----------------|----------------|------------|
| Unlisted Options at the date of the Prospectus | 1 December 2012 | \$0.35 | 2,000,000 |
| | 1 May 2013 | \$0.10 | 3,000,000 |
| | 31 July 2013 | \$0.20 | 500,000 |
| | 1 November 2013 | \$0.20 | 1,150,000 |
| | 2 December 2013 | \$0.20 | 3,000,000 |
| Total number of Options as at the date of the Prospectus | | | 9,650,000 |
| New Options offer pursuant to the Entitlement Offer | | | 32,649,131 |
| Total issued Options post completion of the Entitlement Offer | | | 42,299,131 |

You should consider the Prospectus carefully in deciding on whether to participate in the Entitlement Offer, and if in any doubt, consult with your professional adviser.

If you have any queries concerning the Entitlement Offer please contact me on +61 (0)8 9322 7431.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Richard Hacker', written in a cursive style.

Richard Hacker
Company Secretary
Liontown Resources Limited