

# Quarterly Report

## for the period ended 31 December 2010



### Highlights

#### ***Jubilee Reef Joint Venture Project (Northern Tanzania)***

- Agreement with TSX-V listed Currie Rose Resources Inc. to joint venture into the Jubilee Reef Project in northern Tanzania.
- Project located in the Lake Victoria Goldfield, a geological terrain containing several world-class gold deposits including Bulyanhulu and Geita.
- Multiple zones of high order gold anomalism to follow up including ore grade drill intersections which remain open at depth and along strike.

#### ***Panhandle Project (North Queensland)***

- Major silver-in-soil anomaly (up to 2.94g/t) defined coincident with the 7.5 kilometre long Powerline zone, an anomalous trend where there has been no previous drilling.
- Silver anomaly is located on margin of large alteration system defined by regional aeromagnetic data.
- Additional soil sampling designed to close off silver anomalism scheduled to commence immediately following the wet season.

### 1.0 Overview

In addition to maintaining an active exploration effort for gold in North Queensland in 2010, Liontown Resources has sought more advanced opportunities in Australia and overseas. Immediately subsequent to the end of the Quarter, the Company entered into an agreement with Canadian based Currie Rose Resources Inc. to joint venture into the Jubilee Reef Project located in the highly prospective Lake Victoria Goldfield of northern Tanzania (*see Figure 1*). The Project contains a number of drill ready gold targets which will be the focus of Liontown's exploration in 2011.

In North Queensland (*see Figure 3*), joint venture partner Ramelius Resources undertook additional drilling on the Mt Windsor Project. No significant assays have been recorded from the drilling; however, extensive zones of alteration were intersected indicating potential for mineralised systems.

On Liontown's 100% owned Panhandle Project, soil sampling at the Powerline prospect has defined significant silver anomalism with associated elevated gold and pathfinder geochemistry. Infill and extensional soil sampling designed to upgrade targets to drill-ready status is planned as soon as ground conditions are dry enough.

---

#### **Liontown Resources Limited**

Level 2 1291 Hay Street, West Perth, Western Australia 6005

t: 08 9322 7431 f: 08 9322 5800

w: [www.ltresources.com.au](http://www.ltresources.com.au)

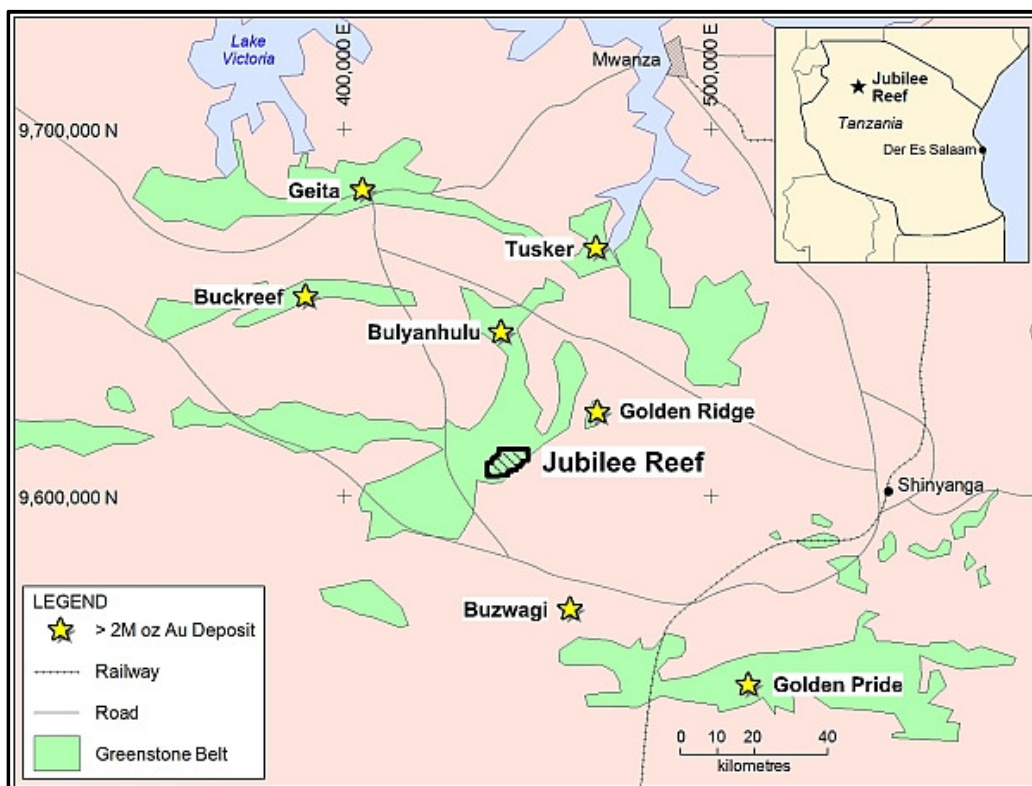


Figure 1: Jubilee Reef Project - Regional Setting

## 2.0 Jubilee Reef Joint Venture Project (Liontown earning 75%)

The Jubilee Reef Joint Venture Project comprises a 60km<sup>2</sup> tenement package located in the Lake Victoria Goldfield of northern Tanzania (see Figure 1) which includes several multi-million ounce gold deposits including Bulyanhulu and Geita. Liontown has entered into an agreement with Currie Rose Resources Inc to earn up to 75% equity in the Project in two stages and by advancing it through to completion of a Definitive Feasibility Study.

Liontown has agreed to a joint venture with Currie Rose Resources Inc (“Currie Rose”; TSX-V: CUI) covering the Jubilee Reef Project which is located in the Lake Victoria Goldfield of northern Tanzania approximately 850km west-northwest of the capital, Dar es Salaam. The Lake Victoria Goldfield is an Archaean greenstone-granite terrain, similar to the Eastern Goldfields of WA, that hosts a number of world-class gold deposits, including African Barricks’s Bulyanhulu Mine and AngloGold Ashanti’s Geita Mine (see Figure 1).

Previous exploration including soil sampling and shallow drilling has defined several high order gold anomalies (see Figure 3) that are open along strike and effectively untested at depth. The more advanced of these anomalies include the:

- **Shangaza-Panapeneza Prospect:** a 1km long gold anomaly defined by twelve RAB drill traverses (average depth 46m). The RAB drilling has intersected up to 19m @ 3.6g/t Au from 26m depth while limited deeper RC drilling has intersected up to 20m @ 1.5g/t Au from 123m depth. Both of these intersections remain open at depth.

### Liontown Resources Limited

Level 2 1291 Hay Street, West Perth, Western Australia 6005

t: 08 9322 7431 f: 08 9322 5800

w: [www.ltresources.com.au](http://www.ltresources.com.au)

(A total of 81 drill holes comprising 10 RC holes and 71 RAB/Aircore holes for a total of 4,269 metres have been drilled at Shangaza-Panapendesa. 18 (22%) of the holes intersected significant gold values ( $>0.5\text{g/t}$ ) with 4 holes bottoming in mineralisation.)

- **Chela Prospect:** a  $>1\text{km}$  long gold anomaly defined by five wide spaced RAB/Aircore drill traverses (average depth 32m). Better intersections include **4m @ 3.6g/t Au** from 24m and **8m @ 1.3g/t Au** from 14m with multiple holes bottoming in anomalous gold ( $>0.1\text{g/t}$ ) including 3m @ 1.05g/t (from 39m-EOH) and 2m @ 1.35g/t (from 44m - EOH). The mineralised trend is open along strike and is untested at depth.

(A total of 71 drill holes comprising 1 RC hole and 70 RAB/Aircore holes for a total of 2,453 metres have been drilled at Chela. 11 (15%) of the holes intersected significant gold values ( $>0.5\text{g/t}$ ) with 3 holes bottoming in mineralisation.)

- **Masibi Hill Prospect:** a  $>500\text{m}$  long gold anomaly defined by four wide spaced RAB/Aircore drill traverses (average depth 26m). Numerous holes bottomed in anomalous gold ( $>0.1\text{g/t}$ ) and limited deeper RC drilling intersected **14m @ 1.04g/t Au** from 62m depth. Other drill intersections include **8m @ 2.6g/t Au** from surface, **12m @ 1.4g/t Au** from 16m and **4m @ 5.4g/t Au** from 16m depth. The mineralised trend is open along strike and is largely untested at depth.

(A total of 66 drill holes comprising 13 RC holes and 53 RAB/Aircore holes for a total of 2,159 metres have been drilled at Masabi Hill. 32 (48%) of the holes intersected significant gold values ( $>0.5\text{g/t}$ ) with 11 holes bottoming in mineralisation.)

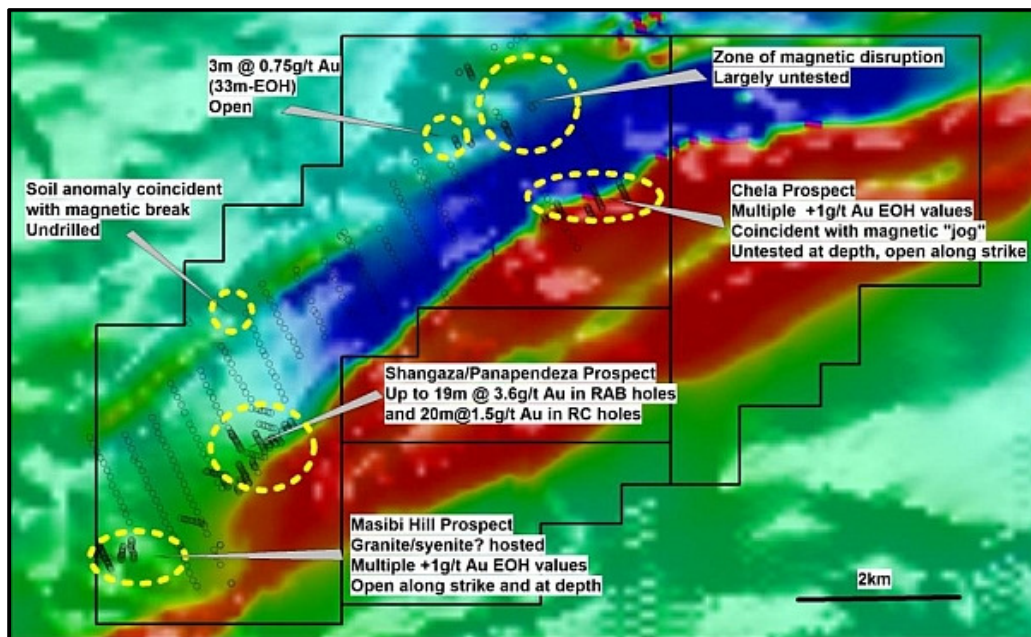


Figure 2: Jubilee Reef Project - Magnetic image showing gold targets and existing drill holes

Liontown plans to undertake an immediate review of the available datasets for the Project, which include airborne aeromagnetic and VTEM surveys, to identify possible zones of alteration that may be related to significant gold mineralisation. Follow up drill testing is

scheduled to commence in the second Quarter of calendar 2011 following the Tanzanian wet season.

The principal terms of the Agreement between Liontown and Currie Rose are:

- Stage 1 - 4 month data review and target definition period to commence immediately;
- Stage 2 - Liontown can earn 51% equity in the Jubilee Reef Project by drilling a minimum 5,000 metres in 2011 and drilling a further 10,000 metres by December 31 2013;
- Stage 3 - Liontown can, at its election, increase its equity to 75% by completing a Definitive Feasibility Study; and
- Liontown must spend US\$50,000 during Stage 1 before having right to withdraw from the Agreement with Currie Rose.

### 3.0 Mount Windsor Joint Venture Project (Liontown 100%, Ramelius earning 60%)

The Mount Windsor Joint Venture Project (MWJV) comprises an extensive tenement package located in the prolific Charters Towers gold field of North Queensland (see Figure 3) which has yielded over 15 million ounces of gold from world-class mines such as Charters Towers (+6Moz), Kidston (+4Moz), Pajingo (+3Moz), Ravenswood (+2Moz) and Mt Leyshon (2.7Moz). In April 2010, Liontown entered into a Joint Venture agreement with ASX-listed gold company Ramelius Resources Limited (Ramelius; ASX: RMS) under which 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.

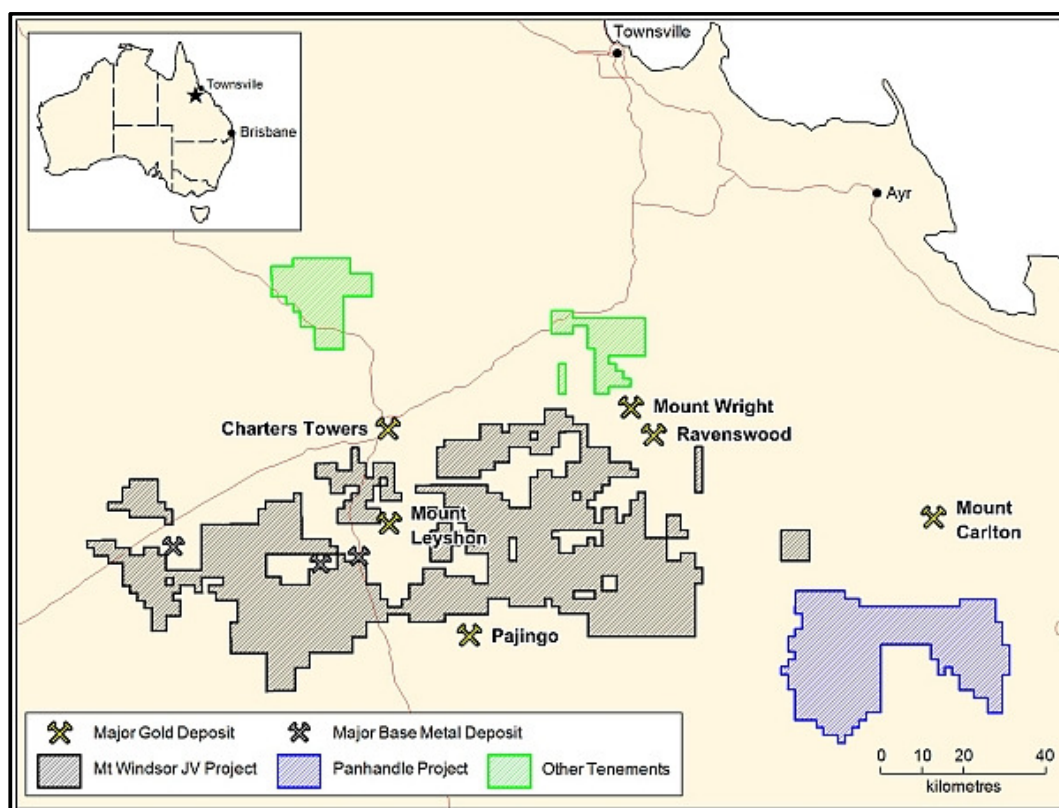


Figure 3: Liontown Resources - North Queensland tenure

#### Liontown Resources Limited

Level 2 1291 Hay Street, West Perth, Western Australia 6005

t: 08 9322 7431 f: 08 9322 5800

w: [www.ltresources.com.au](http://www.ltresources.com.au)



Exploration on the MWJV (Figure 4) during the Quarter largely comprised continued drill testing of the Mt Redan (G22) prospect, processing of assays from drilling completed last Quarter at Mosquito Hill (G20) and mineral spectral measurements of drill core. Drill testing planned for the Cardigan Dam prospect (G14) has been postponed to 2011 due to the early onset of the North Queensland wet season.

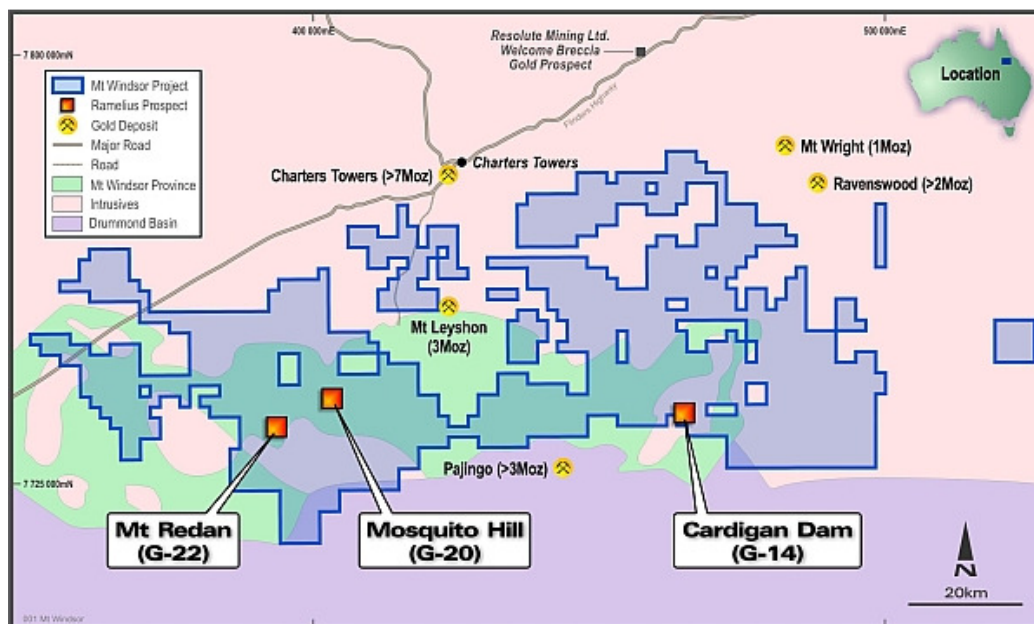


Figure 4: Mt Windsor Gold Project - Regional Geology and Priority Prospects

### Mt Redan (G22)

An additional two diamond core holes were drilled at Mt Redan during the quarter bringing the total drilling at the prospect in 2010 to three holes for 1,250.6 metres. The drill holes tested strong resistive and chargeable zones located below large pathfinder (arsenic-antimony-mercury) geochemical anomalies defined by previous Liontown soil sampling.

The drilling intersected highly elevated arsenic-antimony-mercury values consistent with the soil sample results and extensive zones of silica-sericite and chlorite-carbonate alteration hosted predominantly by clastic and volcanoclastic sediments with minor brecciation and quartz veining. Approximately 70% of assay results have been received with no significant gold or silver values reported to date.

### Mosquito Hill (G20)

Assays were received for MHDH0001 which was drilled to 384.7m depth. No significant gold or silver values were recorded.

### 2011 Work Program

Planning of the 2011 work program will be finalised during the coming Quarter once all data collected during 2010 is processed and integrated. Field work including geochemical surveys on new targets and further drill testing is scheduled to commence in the second Quarter of 2011 once ground conditions improve after the North Queensland wet season. The multi-element geochemistry and mineral spectral data from the drilling completed at Mt Redan and Mosquito Hill will be assessed to determine its position relative to possible breccia or epithermal vein hosted gold systems.

#### 4.0 Panhandle Project (Liontown 100%)

The Panhandle Project is located in North Queensland and is considered prospective for a number of different styles of gold deposits similar to those found elsewhere in the region at Pajingo, Mt Leyshon, Mt Wright and Mt Carlton.

The 100%-owned Project is located approximately 150 kilometres south-southeast of Townsville and 40 kilometres east of the MWJVP (Figure 3). The Project consists of 6 EPMS (Figure 5) including four applications (EPMS 18269-18271, 18690) and two granted tenements (EPMS 14762 and 16213).

Field activities at Panhandle were severely impacted by ongoing wet weather and work during the Quarter was largely restricted to processing assays from soil sampling completed across the Powerline trend.

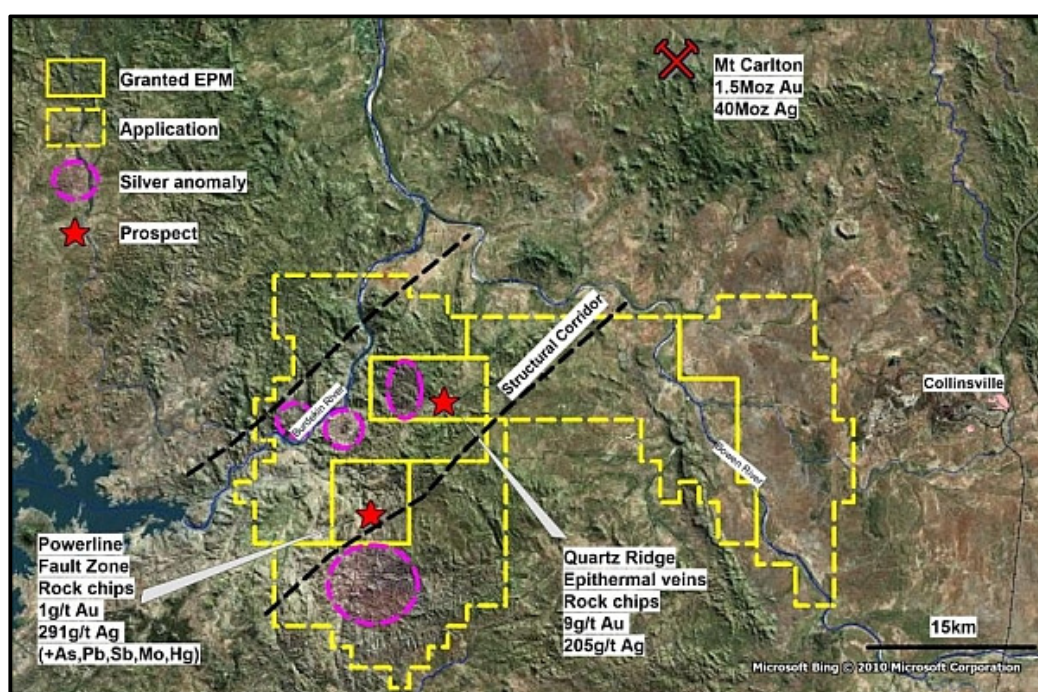


Figure 5: Aerial photograph of Panhandle Project showing main prospects.

Liontown's soil sampling program across the Powerline trend tested an approximate strike length of 7.5 kilometres. Results indicate that:

- a major silver-in-soil anomaly (up to 2,940ppb) is spatially associated with the contact between two rhyolite units which are visually distinct in aerial photography (Figure 6). Strong anomalism (>250ppb) was recorded over the entire 7.5km length of the survey which was constrained to the north and south by tenement boundaries. The areas along strike of the current survey should be granted in early 2011 prior to the start of field season;
- anomalous levels of arsenic, mercury, lead, zinc, bismuth and indium are associated with the silver anomalism;



- only weakly anomalous gold values (up to 6ppb) were recorded despite much stronger results (up to 1g/t Au) from rock chip sampling. This suggests that initial drill testing will need to be targeted deeper (100-200m) similar to that planned for Quartz Ridge;
- the silver anomaly is immediately east of a large area of remnant magnetism which may be indicating extensive alteration. The soil anomaly is strongest and widest on the northern lines where the contact between the two rhyolites is coincident with eastern edge of the remnant magnetism (Figure 7); and
- the soil anomalism appears to be coincident with the south western extension of the structural corridor that includes the Quartz Ridge prospect.

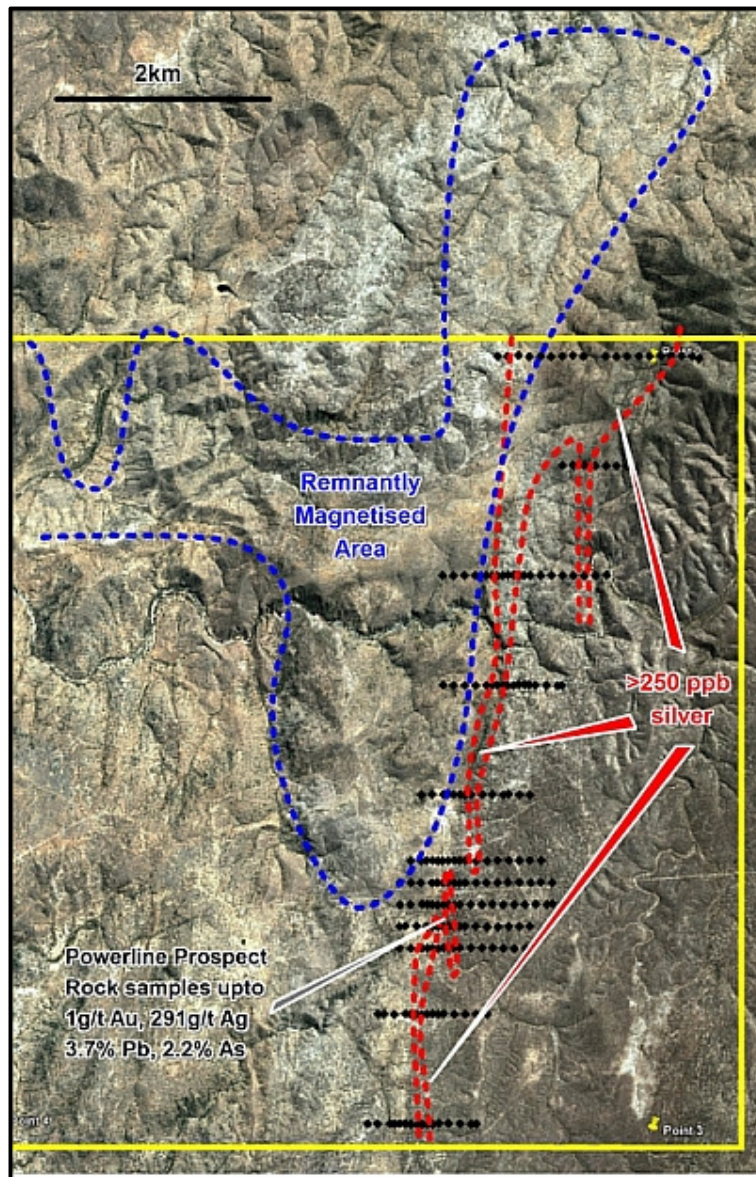


Figure 6: Google image of the Powerline trend showing silver-in-soil anomalism coincident with contact between darker, eastern rhyolite and lighter, western rhyolite.

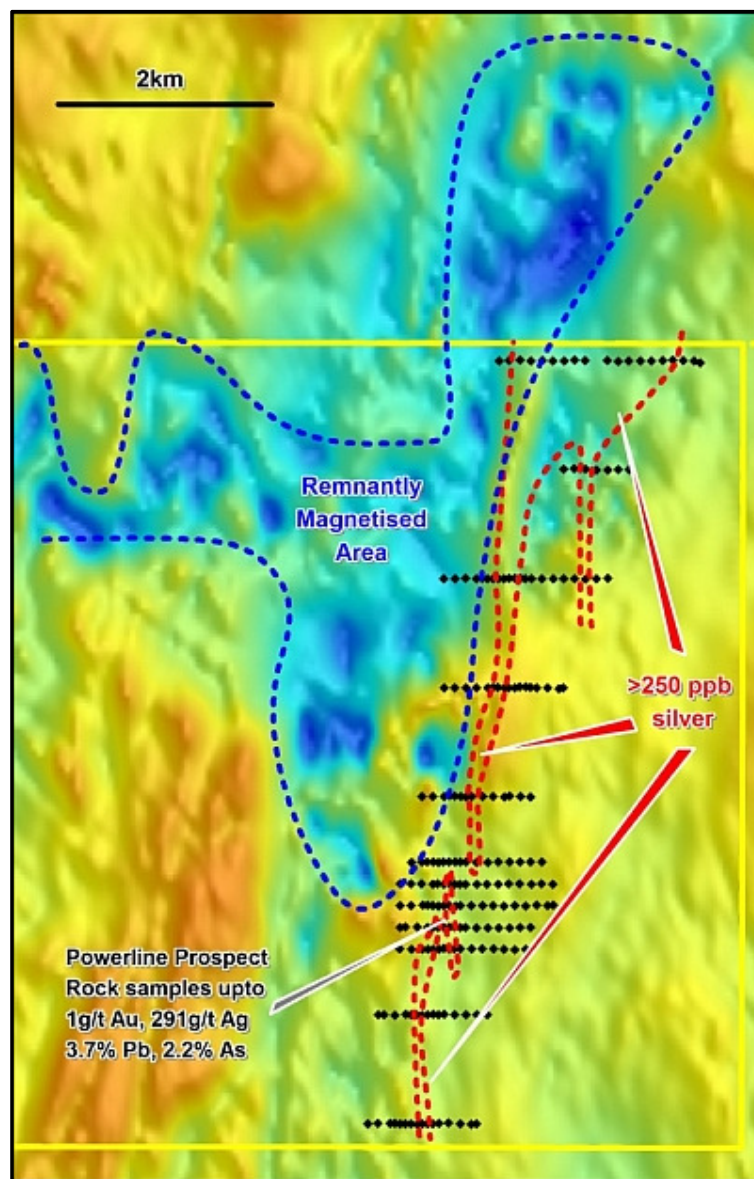


Figure 7: Magnetic image of the Powerline area showing silver-in-soil anomalism adjacent to eastern margin of remnantly magnetised area.

The results of Liontown's initial phase of work at Powerline are considered highly significant as they indicate:

- potential for a very large mineralising system that has never been tested by drilling and;
- potential for a silver dominant precious metal system analogous to the multi-million ounce Mt Carlton deposit located to the northeast (see Figures 3 and 5).



Liontown will recommence fieldwork in early 2011 as soon as ground conditions are dry enough. Planned work includes infilling the current geochemical survey and extending soil sampling along and across strike to include areas of magnetic alteration. Results of this work will be used to site drill testing.

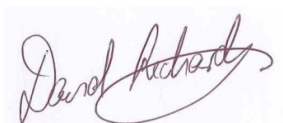
## 5.0 Fort Constantine South (Liontown 100%)

*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.*

No activity was reported during the Quarter.

## 6.0 Corporate

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



DAVID RICHARDS  
Managing Director

27 January 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.*

# 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 December 2010

### Consolidated statement of cash flows

	Current quarter \$A	Year to date (6 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	(113,620)	(490,802)
(b) development	-	-
(c) production	-	-
(d) administration	(286,890)	(463,043)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	11,596	42,335
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other – Goods and Services Tax (net)	(16,652)	(24,912)
<b>Net Operating Cash Flows</b>	<b>(405,566)</b>	<b>(936,422)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a)prospects	-	-
(b)equity investments	-	-
(c)other fixed assets	(2,857)	(2,857)
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>(2,857)</b>	<b>(2,857)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(408,423)</b>	<b>(939,279)</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)	-	-
1.15	Proceeds from sale of shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other	-	-
<b>Net financing cash flows</b>		-	-
<b>Net increase (decrease) in cash held</b>		<b>(408,423)</b>	<b>(939,279)</b>
1.20	Cash at beginning of quarter/year to date	2,587,904	3,118,760
1.21	Exchange rate adjustments to item 1.20	(280)	(280)
1.22	<b>Cash at end of quarter</b>	<b>2,179,201</b>	<b>2,179,201</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	209,214
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 (\$20,400), the salary and superannuation paid to the Managing Director (\$61,313) and service charges paid to a director related entity (Chalice Gold Mines Limited) for the provision for corporate services, office rent and technical personnel (\$70,001). 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

N/A

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

+ See chapter 19 for defined terms.



### Estimated cash outflows for next quarter

	\$A
4.1 Exploration and evaluation	305,000
4.2 Development	Nil
4.3 Production	Nil
4.4 Administration	215,000
<b>Total</b>	<b>520,000</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	667,997	2,576,900
5.2 Deposits at call	1,511,004	11,004
5.3 Bank overdraft	-	-
5.4 Other (Bank Guarantee)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>2,179,001</b>	<b>2,587,904</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
	Nil			

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
	EPM 18774	Acquired	0%	100%

+ See chapter 19 for defined terms.

**(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> <i>(description)</i>	Nil	Nil	N/A	N/A
7.2 Changes during quarter	N/A	N/A	N/A	N/A
(a) Increases through issues				
(b) Decreases through returns of capital, buy-backs.				
7.3 <b>+Ordinary securities</b>	211,073,581	211,073,581	N/A	N/A
7.4 Changes during quarter				
(a) Increases through issues	Nil	Nil	N/A	N/A
(b) Decreases through returns of capital.	Nil	Nil	N/A	N/A
7.5 <b>+Convertible debt securities</b> <i>(description)</i>	Nil	Nil	N/A	N/A
7.6 Changes during quarter	Nil	Nil	N/A	N/A
(a) Increases through issues				
(b) Decreases through securities matured.				
7.7 <b>Options</b>			Exercise price	Expiry date
Share Options	4,000,000	Nil	\$0.35	1 December 2012
	500,000	Nil	\$0.20	31 July 2013
	3,000,000	Nil	\$0.20	2 February 2013
	3,000,000	Nil	\$0.10	1 May 2013
	1,150,000	Nil	\$0.20	1 November 2013
7.8 Issued during quarter				
Share Options	1,150,000	1,150,000	\$0.20	Nil
	3,000,000	3,000,000	\$0.10	Nil
7.9 Exercised during quarter	Nil	Nil	N/A	N/A
7.10 Expired/Forfeited during quarter	310,000	Nil	\$0.35	1 November 2010
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:  Date: 27 January 2011

Company Secretary

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.

== == == == ==