ANNUAL REPORT 2011

CORPORATE DIRECTORY

DIRECTORS

Timothy Rupert Barr Goyder	Chairman
David Ross Richards	Managing Director
Douglas Alan Jones	Non-executive Director
Anthony William Kiernan	Non-executive Director
Craig Russell Williams	Non–executive Director

COMPANY SECRETARY

Richard Keith Hacker

PRINCIPAL PLACE OF BUSINESS & REGISTERED OFFICE

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AUDITORS

HLB Mann Judd
Level 4 130 Stirling Street
PERTH, WESTERN AUSTRALIA 6000

SHARE REGISTRY

Computershare Investor Services Pty Limited
Level 2 Reserve Bank Building
45 St Georges Terrace
PERTH, WESTERN AUSTRALIA 6000
Tel: 1300 557 010

HOME EXCHANGE

Australian Securities Exchange Limited
Exchange Plaza
2 The Esplanade
PERTH, WESTERN AUSTRALIA 6000

ASX CODE

Share Code: LTR

CONTENTS

CHAIRMAN'S LETTER

DEAR SHAREHOLDER

This year, the Company has successfully consolidated gains made last year and, in addition, expanded its activities with the acquisition of its first overseas project. Liontown is now poised to take advantage of its strategy implemented over the last 12 months with three drilling programs totalling 8,000 – 10,000 metres planned to test a number of exciting targets in the second half of 2011.

Importantly, a strategic focus has been maintained to ensure optimum use of our technical and financial resources. Liontown concentrated its own activities on two projects, Panhandle in northern Queensland and Jubilee Reef in northern Tanzania, while joint venture partner Ramelius Resources Limited (ASX: RMS) continued a well funded exploration program at Mt Windsor, also in northern Queensland. The predominant commodity focus is gold and silver although we remain alert for the potential discovery of other commodities.

Liontown has built on its expertise in North Queensland where the Company has a total land position of approximately 5,000 square kilometres. Geochemical, geophysical and geological surveys at the 100% owned Panhandle Project have defined three prospects with potential to host high grade gold and/or silver mineralisation. At Mt Windsor, Ramelius has spent almost $2 million since entering the Joint Venture in April 2010. Ramelius, which can earn 60% equity by spending $7 million over 4 years, has defined a number of large alteration systems possibly related to blind gold deposits and recently identified an exciting new zone of gold-silver-copper mineralisation. Reverse Circulation and Diamond core drilling programs are scheduled to commence on both projects in September 2011.

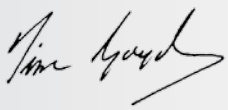
The Jubilee Reef Joint Venture Project located in the world class Lake Victoria Goldfield of northern Tanzania is Liontown's first overseas acquisition. In December 2010, agreement was reached with TSX-listed Currie Rose Resources whereby Liontown can earn up to 75% equity in the Project. The principal attraction of the project was the number of large, drill-ready gold targets defined by previous explorers. A 4,000 metre combined RC/RAB drilling program designed to test these targets was completed in early September with results due in October.

In addition to the Project work, we continue to review growth opportunities in Australia and overseas.

I am pleased to report that in a time of severe skill shortages, Liontown has been able to retain a well credentialed, experienced and motivated exploration team. On behalf of the Board, I would like to thank them for their continuing efforts.

I would also like to thank shareholders for their continued support of the Company in turbulent economic times, and look forward to rewarding that support through generating catalysts for future capital growth in our share price going forward.

Yours faithfully



TIM GOYDER
Executive Chairman

HIGHLIGHTS

Liontown agreed to a joint venture whereby Liontown can earn up to 75% equity in the Jubilee Reef Project...

Panhandle – Northern Queensland, Australia

- Exploration at the 100% owned Panhandle Gold-Silver Project successfully defined drill targets at three prospects including;
  - a possible mineralised alteration zone at Quartz Ridge beneath auriferous epithermal vein float (up to 9.5g/t gold);
  - multiple bedrock zones at the Powerline prospect where rock chip sampling and mapping indicate potential for high-grade silver mineralisation (up to 202g/t) and associated gold (up to 0.21g/t) and lead (up to 3.6%); and
  - a new silver prospect (Spade Dam) with individual soil results up to 8.3g/t silver, the highest ever recorded for the Project.
- A 2,100m RC/Diamond core drilling program is scheduled to commence in September 2011 testing targets at the 3 prospects.

Jubilee Reef JV – Northern Tanzania, East Africa

- In late 2010, Liontown agreed to a joint venture with TSX-V listed Currie Rose Resources whereby Liontown can earn up to 75% equity in the Jubilee Reef Project located in northern Tanzania.
- The Project contains a number of advanced, drill-ready targets where previous soil sampling and shallow drilling have defined significant gold anomalism including ore grade mineralisation (up to 19m @3.6g/t gold).
- The targets defined by previous exploration are up to 1km long and all remain open at depth and along strike.
- A 4,000m RC/RAB drilling program is in progress at time of writing.

Mount Windsor – Northern Queensland, Australia

- In April 2010, Liontown entered into a JV agreement with ASX-listed gold company Ramelius Resources Limited under which Ramelius can earn up to a 60% interest in the Mt Windsor Project by spending $7 million over 4 years.
- Ramelius maintained a high level of exploration activity and expenditure during the year with:
  - large alteration systems, possibly related to significant gold mineralisation, defined by geophysical surveys and follow up drilling at 3 prospects originally identified by Liontown Resources; and
  - the discovery of a new zone of gold-silver-copper mineralisation (Plateau North) featuring rock chip samples grading up to 3.5g/t gold, 38g/t silver and 11.4% copper.
- A 3,500m RC/Diamond core drilling program is scheduled to commence in September/October 2011 testing targets at a number of prospects.

REVIEW OF OPERATIONS

OVERVIEW

Liontown is exploring for standalone precious metal deposits in northern Queensland and northern Tanzania, East Africa.

In Australia, the Company's strategy is to acquire and explore 100%-owned, early-stage projects in under-explored but well endowed mineral provinces. Where deemed prudent, Liontown will join with partners with the financial and technical resources to accelerate work on projects.

Overseas, where exploration costs are higher, Liontown's preference is to enter into joint ventures on more advanced projects where drill targets have already been defined and where the Company can earn majority equity.

Liontown's projects are located in well endowed mineral provinces where there are a number of world class mining operations. The exploration portfolio includes:

THE 100% OWNED 1,260KM² PANHANDLE PROJECT
LOCATED 150 KILOMETRES SOUTH-SOUTHEAST OF TOWNSVILLE IN NORTH QUEENSLAND;

THE JUBILEE REEF JOINT VENTURE PROJECT
LOCATED IN NORTHERN TANZANIA
WHERE LIONTOWN HAS THE RIGHT TO EARN UP TO 75% EQUITY; AND

THE 3,500KM² MT WINDSOR JOINT VENTURE PROJECT
LOCATED SOUTH OF CHARTERS TOWERS IN NORTH QUEENSLAND
WHERE RAMELIUS RESOURCES HAS THE RIGHT TO EARN UP TO 60% EQUITY.

Fieldwork during the year focused on defining targets for drill testing. This work has successfully delineated a number of gold and silver-gold targets and drilling programs totalling 8,000 - 10,000 metres are scheduled for all three projects in the second half of 2011.

REVIEW OF OPERATIONS

1.0 PANHANDLE PROJECT (LIONTOWN 100%)

The Panhandle Project is located in North Queensland and is considered prospective for high grade gold and silver deposits similar to those found elsewhere in the region such as Mt Carlton, Pajingo and Mt Wright.

The 100%-owned Panhandle Project covers an area of approximately 1,260km^2 and is located 150 kilometres south-southeast of Townsville (Figure 1) in North Queensland. The Project was only established in mid 2010 following the acquisition of a number of tenements where prior exploration by other companies defined significant precious metal anomalism which had not been adequately assessed.

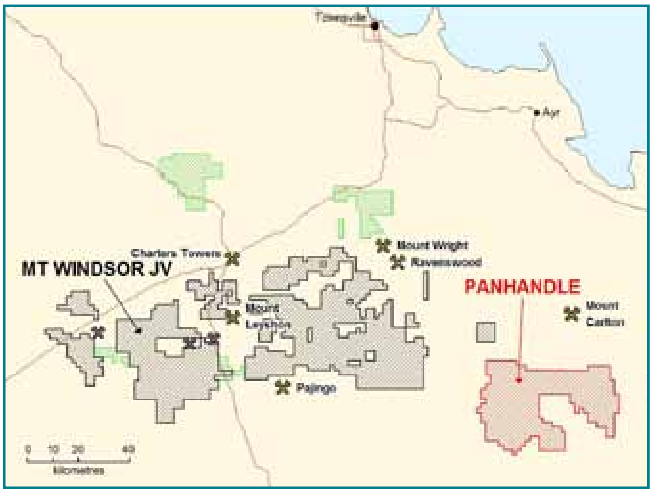


Figure 1: Liontown Resource's tenure in North Queensland

Exploration at Panhandle prior to Liontown acquiring the Project identified the Quartz Ridge and Powerline prospects as well as large areas of strong silver-in-stream anomalism (Figure 2).

Liontown's primary objectives during the year were to define drill targets at the known prospects and to locate bedrock sources for the silver-in-stream anomalism. Exploration work completed included an Induced Polarisation (IP) geophysical survey at Quartz Ridge and soil and rock chip sampling across other prospective areas. 959 soil and 678 rock chip samples have been collected by Liontown since commencing work on the Project in mid 2010.

Significant outcomes of exploration completed by Liontown include:

- confirmation of discrete targets at Quartz Ridge and Powerline that justify drill testing;
- identification of a new prospect (Spade Dam) where drilling is also warranted; and
- definition of a number of other anomalous silver-in-soil areas where infill sampling is required.

A 2,100m RC/diamond core drill program is planned to test targets at Quartz Ridge, Powerline, and Spade Dam.

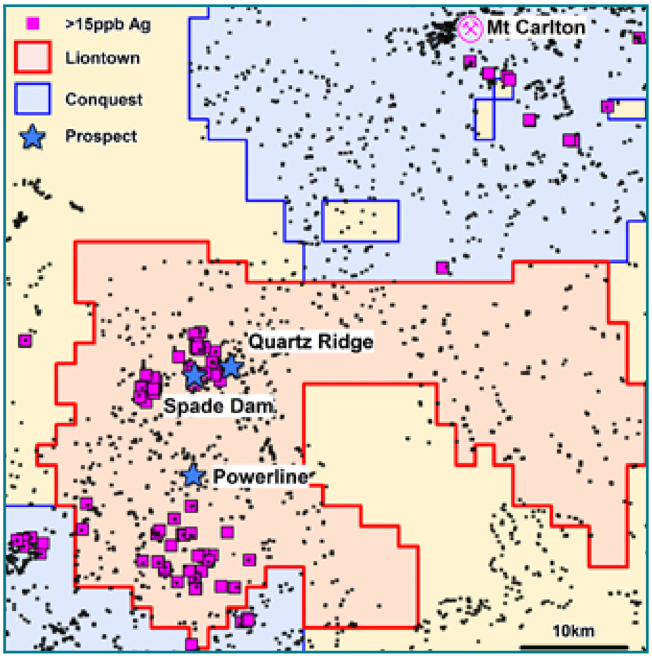


Figure 2: Panhandle Project – Historic stream sediment sampling showing areas of significant silver anomalism defined by top 5% (>15ppb) of silver values and prospects to be drilled.

Quartz Ridge

Exploration at Quartz Ridge has defined a 150m long, northeast trending zone of poorly exposed veining with multiple rock chip samples returning plus 1g/t gold values (up to 9.5g/t) and strongly anomalous silver (up to 201g/t). This zone now referred to as the Beta Zone has not been effectively tested by previous drilling.

The Beta Zone is interpreted as representing leakage from a deeper mineralised system and Liontown undertook an IP survey to identify the source of the mineralised float at depth. The IP survey defined a zone of low resistance 100-150m vertically below the float (Figure 3) which is possibly due to alteration associated with mineralisation. A single, 500m deep RC/diamond core hole is planned to test this target.

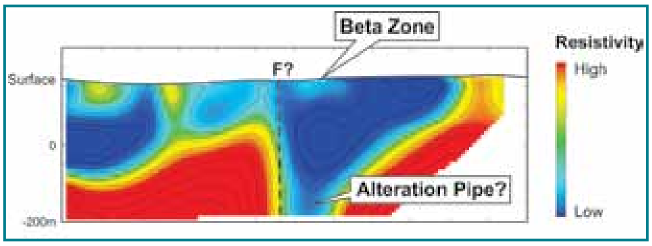


Figure 3: IP Section showing zone of low resistance (alteration?) vertically below mineralized Beta Zone.

Powerline

Exploration in the 1990s identified a plus 500m long, N/S trending fault zone at the Powerline prospect where rock samples recorded values up to 1.04g/t gold, 291g/t silver and 3.8% lead with associated anomalous pathfinder elements. Reconnaissance by Liontown validated these previous results and a detailed sampling and mapping program was completed during the year to determine whether drill testing was warranted.

Multiple zones of strong silver anomalism >1km long have been defined at Powerline (Figure 4). Soil sampling recorded up to 1,820ppb silver and rock sampling has identified at least three mineralised horizons containing high-grade silver (50-202g/t) with associated gold (up to 0.21g/t) and lead (up to 3.6%).

A drilling program comprising six 100-400metre deep holes is planned to test the Powerline prospect.

Spade Dam

The Spade Dam area is located approximately 10km north and 4km west respectively of the Powerline and Quartz Ridge prospects (Figure 2). Historic stream sediment sampling recorded results up to 55ppb silver in the area and soil sampling by Liontown has defined an anomaly which is 1.5km long and up to 200m wide, with anomalous values >500ppb silver (up to 8,300ppb) coincident with a NE/SW trending fault zone (Figure 5).

The prospect is largely covered by scree and residual soils and limited rock chip sampling has not yet located a source for the silver anomalism.

A drilling program comprising two 150-175m deep RC holes is planned to test the prospect.

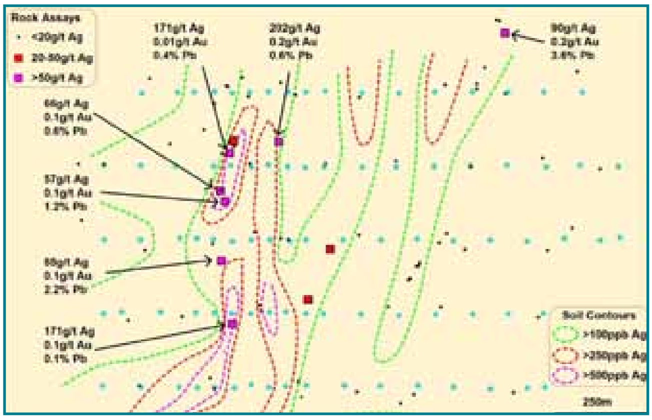


Figure 4: Powerline prospect – silver geochemistry showing soil (blue dots) and rock chip sample results.

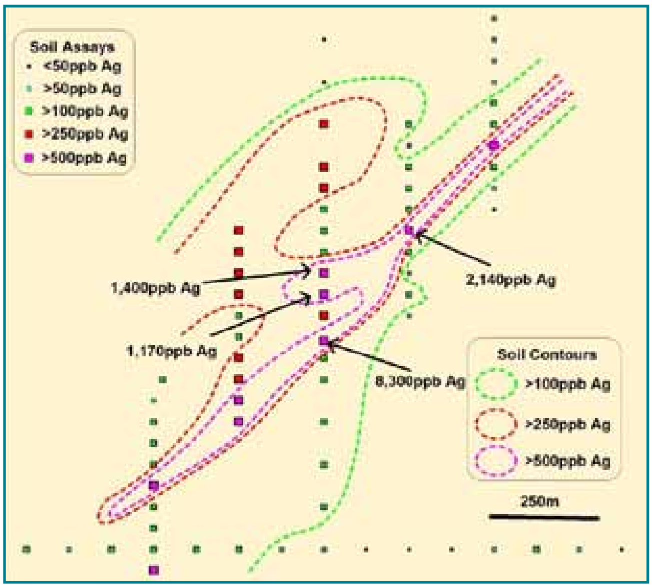


Figure 5: Spade Dam prospect – silver-in-soil geochemistry.

Other Targets

A number of other plus 500ppb silver anomalies have been defined by wide spaced (800x100m) soil sampling (Figure 6). Infill sampling and mapping is planned to determine whether any of these areas can be upgraded to drill targets.

A drilling program comprising six 100-400metre deep holes is planned to test the Powerline prospect.

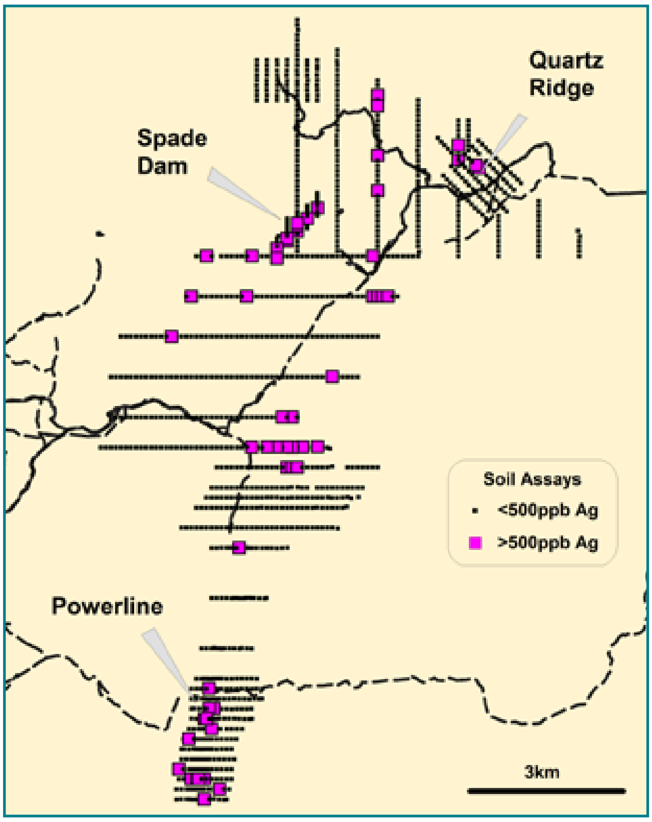


Figure 6: Panhandle Project – Liontown soil sampling showing high order silver-in-soil anomalies

2.0 JUBILEE REEF JOINT VENTURE (LIONTOWN RIGHT TO EARN 75%)

The Jubilee Reef Joint Venture Project is located in the Lake Victoria Goldfield of northern Tanzania (Figure 7) where there are several multimillion ounce gold deposits including Bulyanhulu and Geita. Liontown has entered into an agreement with Currie Rose Resources Inc (TSX-V: CUI) to earn up to 75% equity in the Project.

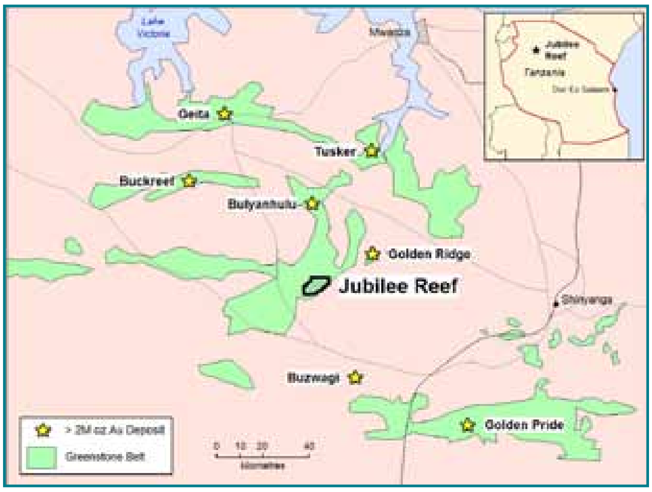


Figure 7: Jubilee Reef Project – Regional Setting

REVIEW OF OPERATIONS

The Jubilee Reef Project is located in the Lake Victoria Goldfield of northern Tanzania approximately 850km west-northwest of Dar es Salaam. The Lake Victoria Goldfield hosts a number of world class gold deposits in an Archaean greenstone-granite terrain, a geological setting very similar to the Eastern Goldfields of WA.

In late 2010, Liontown agreed to a joint venture with TSX-V listed Currie Rose Resources covering the Jubilee Reef Project. The principal terms of the Agreement between Liontown and Currie Rose are:

- Liontown can earn 51% equity in the Jubilee Reef Project by completing 15,000 metres of drilling by December 31 2013 conditional on all underlying tenement applications being granted; and
- at its election, Liontown can increase its equity to 75% by completing a Definitive Feasibility Study.

The current project area comprises a number of granted prospecting licences and pending prospecting licence applications (PLA). If all the PLAs are not granted in time for 15,000 metres drilling to be completed by December 31 2013, then the amount of drilling required for Liontown to earn 51% equity will be reduced proportional to the actual area accessible for drilling.

Previous exploration including soil sampling and shallow drilling has defined several high order gold anomalies (Figure 8) 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.

  (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 (>0.5g/t) with 4 holes bottoming in mineralisation.)

- **Masabi Hill Prospect:** a >500m long gold anomaly defined by four wide spaced RAB/Aircore drill traverses (average depth 26m). Numerous holes bottomed in anomalous gold (>0.1g/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 (>0.5g/t) with 11 holes bottoming in mineralisation.)

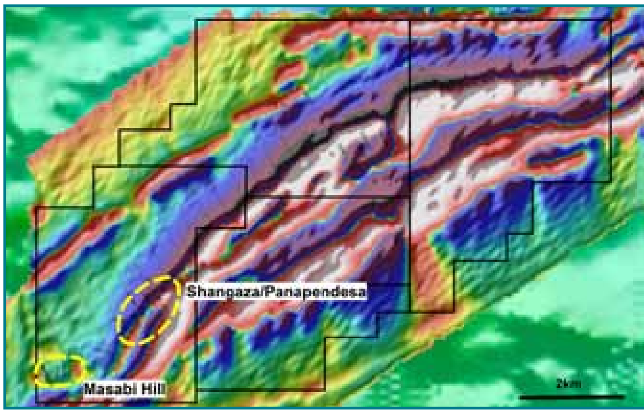


Figure 8: Jubilee Reef Project – Magnetic image showing existing drill holes and gold targets. Hot colours define magnetic highs caused by banded iron formations.

Since entering into the JV, Liontown has reviewed the previous exploration work and completed preparations for drill testing of a number of targets including follow up of significant intersections recorded by previous drilling. A 4,000 metre combined RC/RAB drilling program commenced subsequent to the end of the year and was in progress at the time of writing.

Iron Potential

The Jubilee Reef Project contains extensive strike lengths and thicknesses of banded iron formation (BIF) and previous drilling for gold has recorded intersections up to 121metres @ 32% iron. Only 16 of the 551 holes drilled previously at Jubilee Reef prior to Liontown's entry to the Project have been assayed for iron and there has been no previous exploration for the commodity.

Liontown has commenced a review to assess the Project's potential to host economic (DSO) iron mineralisation. Systematic rock chip sampling has been completed across the BIF horizons, which are clearly defined by aeromagnetic imagery (Figure 8), with a total of 125 rock chip samples collected from 10 traverses and submitted for assay. The maximum iron value recorded from the sampling was 60.7% with 108 samples recording >15% Fe and averaging 30% Fe.

Four RC holes will be drilled during the initial drilling program referred to above to provide additional data to be used as part of the assessment of the Project's iron ore potential.

A high level of exploration activity was maintained at Mt Windsor during the Year.

3.0 MOUNT WINDSOR JOINT VENTURE PROJECT (RAMELIUS RESOURCES RIGHT TO EARN 60%)

The Mount Windsor Joint Venture Project comprises an extensive tenement package located in the Charters Towers goldfield of North Queensland (Figure 1) which has yielded >15 million ounces of gold from world-class mines such as Charters Towers (+7Moz), Kidston (+4Moz), Pajingo (+3Moz), and Mt Leyshon (3Moz). In April 2010, Liontown entered into a JV 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.

A high level of exploration activity was maintained at Mt Windsor during the Year with JV managers Ramelius completing Induced Polarisation (IP) geophysical surveys over 3 priority prospects (Mt Redan, Mosquito Hill and Cardigan Dam), drill testing of the targets defined by the IP surveys and reconnaissance sampling across a number of new targets (Figure 9).

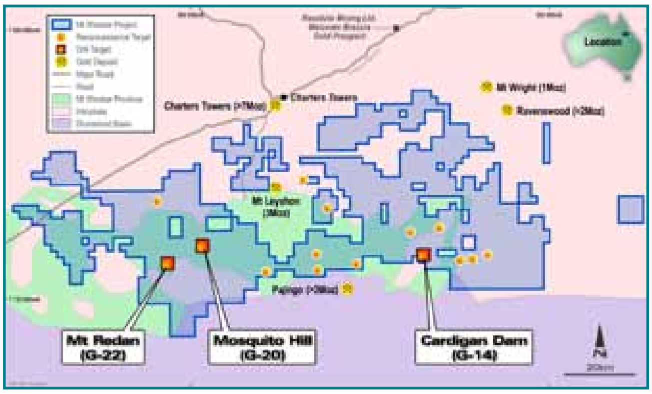


Figure 9: Mt Windsor Joint venture Project showing targets and major gold deposits.

The IP surveys were designed to define chargeable and/or resistive anomalies more than 100m below beneath the surface that may be associated with gold-mineralised alteration systems. Chargeable anomalies can be caused by disseminated sulphide minerals while resistive responses are caused by quartz veining or strong silica alteration. IP anomalies warranting drill testing were defined at all 3 prospects surveyed.

Diamond core drilling to test IP anomalies was undertaken at Mt Redan and Mosquito Hill but was postponed at Cardigan Dam due to the onset of an extended and record breaking North Australian wet season. A total of 4 holes were drilled for 1,635.3 metres. No significant gold results were recorded; however, the drilling intersected alteration mineralogy and anomalous pathfinder geochemistry at both prospects that are indicative of the margins of mineralised systems.

Ramelius plan to undertake further drilling at Mt Redan and Mosquito Hill in the second half of 2011 to test for the possible gold zones within the alteration systems. Initial drill testing of the Cardigan Dam prospect will also be completed.

Twelve additional targets defined by a review of regional datasets were selected for reconnaissance mapping and geochemical sampling (Figure 9). A total of 242 soil and 156 rock chip samples were collected with six of the targets warranting further mapping and infill geochemical sampling.

An early highlight of the reconnaissance work has been the discovery a new zone of gold-silver-copper mineralisation at the Plateau North prospect located approximately 10 kilometres north northwest of Cardigan Dam. Rock chip sampling and geological mapping has identified a mineralised structure up to 20 metres wide and 500 metres long adjacent to a discrete potassium anomaly defined by an airborne radiometric survey. Multiple anomalous gold (1-3.5g/t), silver (10-38g/t) and copper (1-11.4%) assays have been recorded by sampling of sub-crop and float within the structure which is largely obscured by soil cover. Better rock chip assays are listed below:

Sample	North	East	Au (g/t)	Ag (g/t)	Cu (%)
3007849	7742756	460702	0.1	38.1	11.4
3007858	7742819	460659	1.2	19.1	3.7
3007859	7742803	460659	2.8	8.2	0.4
3007860	7742836	460653	2.5	30.8	6.4
3007862	7742856	460670	2.7	22.2	9.9
3007863	7742867	460659	2.8	10.8	3.8
3007865	7742908	460670	3.5	16.4	2.4

Follow up drill testing will be undertaken as part of the drilling program scheduled for the Mt Redan, Mosquito Hill and Cardigan Dam prospects.

4.0 FORT CONSTANTINE SOUTH (LIONTOWN 100%)

The Fort Constantine South Project is located in the Mt Isa region of western Queensland and is prospective for IOCG mineralisation similar to the nearby Ernest Henry deposit.

The Fort Constantine South Project was subject to a JV Agreement with Exco Resources Limited; however, Exco did not undertake any exploration work during the year and the JV has been terminated. Liontown is seeking another partner to advance the strategically located property (Figure 10).

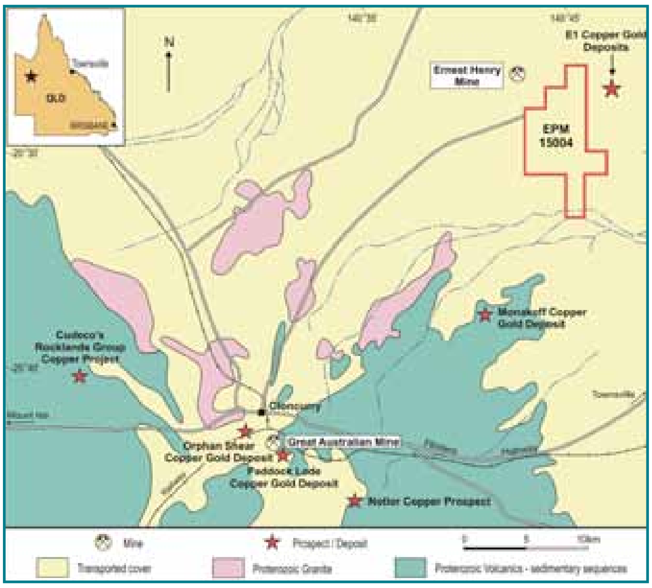


Figure 10: Fort Constantine South – location and geological setting

SCHEDULE OF TENEMENTS

AS AT 30 JUNE 2011

MT WINDSOR VOLCANICS

Tenement #	Nature of Interest	Current Equity
EPM14161	Owned	100%
EPM15102	Owned	100%
EPM15192	Owned	100%
EPM15197	Owned	100%
EPM16627	Owned	100%
EPM16712	Owned	100%
EPM16408	Owned	100%
EPM17804	Owned	100%
EPM17971	Owned	100%
EPM18231	Owned	100%
EPM18233	Owned	100%
EPM18235	Owned	100%
EPM18236	Owned	100%
EPM18352	Owned	100%
EPM18376	Owned	100%
EPM18545	Owned	100%
EPM16846	Application	0%
EPM16920	Application	0%
EPM17081	Application	0%
EPM17082	Application	0%
EPM18224	Application	0%
EPM18422	Application	0%
EPM18674	Application	0%

FORT CONSTANTINE SOUTH

Tenement #	Nature of Interest	Current Equity
EPM15004	Owned	100%
EPM18311	Application	0%

PANHANDLE

Tenement #	Nature of Interest	Current Equity
EPM14762	Owned	100%
EPM16213	Owned	100%
EPM18269	Application	0%
EPM18270	Application	0%
EPM18271	Application	0%
EPM18690	Application	0%
EPM19138	Application	0%

MINGELA

Tenement #	Nature of Interest	Current Equity
EPM18642	Application	0%
EPM18675	Application	0%
EPM18730	Application	0%

OTHER

Tenement #	Nature of Interest	Current Equity
EPM18774	Owned	100%

DIRECTORS' REPORT

The Directors present their report together with the financial report of Liontown Resources Limited ('Liontown Resources' or 'the Company') for the financial year ended 30 June 2011 and the independent auditor's report thereon.

1. DIRECTORS

The Directors of the Company at any time during or since the end of the financial year are:

T R B Goyder

Chairman

Tim has over 30 years experience in the resource industry. Tim has been involved in the formation and management of a number of private and publicly-listed companies. Tim is currently Executive Chairman of Chalice Gold Mines Limited and a Director of Uranium Equities Limited and Strike Energy Limited.

D R Richards

BSc (Hons), MAIG
Managing Director

David has over 30 years experience in mineral exploration in Australia, S.E. Asia and western U.S.A. His career includes exploration and resource definition for a variety of gold and base metal deposit styles and he led the team that discovered the multi-million ounce, high grade Vera-Nancy gold deposits in North Queensland. He has held senior positions with Battle Mountain Australia Inc, Delta Gold Limited, AurionGold Limited and was Managing Director of ASX-listed Glengarry Resources Limited from 2003-2009.

D A Jones

PhD, AusIMM, RPGeo
Non-executive Director

Doug is a Geologist with over 30 years experience in international mineral exploration, having worked extensively in Australia, Africa, South America and Europe. His career has covered exploration for gold in a wide range of geological settings, volcanic and sediment-hosted zinc-copper-lead, and IOCG style copper-gold. Doug is also a director of Chalice Gold Mines Limited, TSX and AIM-listed Minera IRL Limited and TSX listed Serabi Mining Plc.

V P Gauci

B.Eng (Hons)
Non-executive Director

Vince was previously Managing Director of Pancontinental Mining Ltd and MIM Holdings Ltd. Vince graduated from the University of NSW with an Honours Degree in B.Eng (Mining) and has been active for many years in the resource industry both in Australia and overseas. Vince is currently the Chairman of Runge Limited and is a director of Newcrest Mining Limited. He is also Chairman of the Broken Hill Community Foundation.

A W Kiernan

LLB
Non-executive Director

Tony is a lawyer and general corporate advisor with extensive experience in the administration and operation of listed public companies. Tony is Chairman of BC Iron Limited, Uranium Equities Limited, Venturex Resources Limited and is a director of Chalice Gold Mines Limited. Tony was formerly a director of North Queensland Metals Limited in the previous 3 years.

C R Williams

BSc (Hons)
Non-executive Director

Craig is a geologist with over 30 years experience in mineral exploration and development. Craig co-founded Equinox Minerals Limited in 1993 where, until recently following Barrick Gold's takeover of Equinox, was President, Chief Executive Officer and Director. He has been directly involved in several significant discoveries, including the Ernest Henry Deposit in Queensland and a series of gold deposits in Western Australia. In addition to his technical capabilities, Craig also has extensive corporate management and financing experience.

DIRECTORS' REPORT

2. COMPANY SECRETARY

R K Hacker

B.Com, CA, ACIS

Richard is a Chartered Accountant and Chartered Secretary with significant professional and corporate experience in the energy and resources sector in Australia and the United Kingdom. Richard has previously worked in senior finance roles with global energy companies including Woodside Petroleum Limited and Centrica Plc. Prior to this, Richard was in private practice with major accounting practices. Richard is also Company Secretary of Chalice Gold Mines Limited.

3. DIRECTORS' MEETINGS

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director were as follows:

	DIRECTORS' MEETINGS	AUDIT	REMUNERATION	NOMINATION
Number of meetings held:	4	1	-	-
Number of meetings attended:				
T R B Goyder	3	-	-	-
D A Jones	4	-	-	-
A W Kiernan	4	1	-	-
D R Richards	4	-	-	-
V P Gauci	3	1	-	-
C R Williams	2	-	-	-

As at the date of this report, the company had an audit committee, a remuneration committee and a nomination committee of the board of directors.

Members acting on the committees of the board during the year were:

AUDIT	REMUNERATION	NOMINATION
V P Gauci (Chairman)	T R B Goyder (Chairman)	T R B Goyder (Chairman)
A W Kiernan	D A Jones	D A Jones
C R Williams	A W Kiernan	A W Kiernan
	D R Richards	D R Richards
	V P Gauci	V P Gauci
	C R Williams	C R Williams

4. PRINCIPAL ACTIVITIES

The principal activities of the Company during the course of the financial year were mineral exploration and evaluation.

The Company made a loss after tax for the year of $1,189,946 and had current assets in excess of current liabilities of $1,417,728.

5. REVIEW OF OPERATIONS

During or since the end of the financial year Liontown Resources Limited explored for standalone precious metal deposits in northern Queensland, Australia and northern Tanzania, East Africa.

The current exploration portfolio includes:

- the 100% owned, 1,260km^2 Panhandle Project located 150 kilometres south-southeast of Townsville in North Queensland;
- the Jubilee Reef Joint Venture Project located in northern Tanzania where Liontown has the right to earn up to 75% equity; and
- the 3,500km^2 Mt Windsor Joint Venture Project located south of Charters Towers in North Queensland where Ramelius Resources has the right to earn up to 60% equity.

Fieldwork during the year focused on defining targets for drill testing. This work has successfully delineated a number of gold and silver-gold targets and drilling programs totalling 8,000-10,000 metres are scheduled for all three projects in the second half of 2011.

6. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There are no significant changes in the state of affairs, other than as noted elsewhere in this annual financial report.

7. REMUNERATION REPORT - AUDITED

This report outlines remuneration arrangements in place for Directors and executives of Liontown Resources.

7.1 Principles of compensation

The broad remuneration policy of the Company is to ensure that remuneration levels for executive directors, secretaries and other key management personnel are set at competitive levels to attract and retain appropriately qualified and experienced personnel. This is particularly important in view of the significant impact that each individual can make within a small executive team for an exploration company such as Liontown Resources.

Remuneration offered by Liontown Resources is therefore geared to attracting talented employees through a combination of fixed remuneration and long term incentives, calibrated and individually tailored to be competitive in the external market to offer incentive to join and remain with the Company.

Fixed compensation

Fixed remuneration consists of base remuneration (which is calculated on a total cost basis and includes any FBT charges related to employee benefits), as well as employer contributions to superannuation funds.

Remuneration levels are reviewed annually through a process that considers the person's responsibilities, expertise, duties and personal performance.

Long-term incentives

Options may be issued under the Employee Share Option Plan to directors, employees and consultants of the Company and must be exercised within 3 months of termination. The ability to exercise the options is usually based on the option holder remaining with the Company for at least one year. Other than the vesting period, there is no performance hurdle required to be achieved by the Company to enable the options to be exercised.

The Company believes that the issue of share options in the Company aligns the interests of Directors, employees and shareholders alike. As no formal performance hurdles are set on options issued to executives, the Company believes that as options are issued at a price in excess of the Company's current share price at the date of issue of those options, there is an inherent performance hurdle as the share price of the Company's shares had to increase before any reward can accrue to the executive.

Performance related compensation

The Company currently has no formal performance related remuneration policy which governs the payment of annual cash bonuses upon meeting pre-determined performance targets. However, the board may consider performance related remuneration in the form of cash or share options when they consider these to be warranted.

DIRECTORS' REPORT

Employment contracts

The following table sets out the contractual provisions of executive Directors and key management personnel.

NAME AND JOB TITLE	EMPLOYMENT CONTRACT DURATION	NOTICE PERIOD	TERMINATION PROVISIONS
Executive Director			
D R Richards Managing Director	Unlimited	3 months by the Company and the employee	Nil

Non-executive directors

The Board recognises the importance of attracting and retaining talented Non-executive Directors and aims to remunerate these Directors in line with fees paid to Directors of companies in the mining and exploration industry of a similar size and complexity.

Total compensation for all Non-executive Directors is not to exceed $300,000 per annum.

7.2 Directors' and executive officers' remuneration (audited)

		SHORT-TERM PAYMENTS			POST-EMPLOYMENT PAYMENTS		SHARE-BASED PAYMENTS		
KEY MANAGEMENT PERSONNEL		SALARY & FEES (B) $	NON-MONETARY BENEFITS $	TOTAL $	SUPER-ANNUATION BENEFITS $	TERMINATION BENEFITS $	OPTIONS (A) $	TOTAL $	VALUE OF OPTIONS AS PROPORTION OF REMUNERATION (%)
Directors									
T R B Goyder	2011	45,872	1,778	47,650	4,128	-	-	51,778	0%
	2010	45,872	2,463	48,335	4,128	-	-	52,463	0%
D R Richards	2011	225,000	1,778	226,778	20,250	-	177,417	424,445	42%
	2010	37,500	414	37,914	3,375	-	-	41,289	0%
D A Jones	2011	37,462	1,778	39,240	3,372	-	9,053	51,665	18%
	2010	57,339	2,463	59,802	5,161	-	45,957	110,920	41%
V P Gauci	2011	68,807	1,778	70,585	6,193	-	-	76,778	0%
	2010	68,807	2,463	71,270	6,193	-	25,072	102,535	24%
A W Kiernan	2011	74,310	1,778	76,088	2,890	-	-	78,978	0%
	2010	51,010	2,463	53,473	2,890	-	-	56,363	0%
C R Williams	2011	32,110	1,778	33,888	2,890	-	-	36,778	0%
	2010	32,110	2,463	34,573	2,890	-	-	37,463	0%
Executive									
R K Hacker (B)	2011	-	1,778	1,778	-	-	12,662	14,440	89%
	2010	-	2,463	2,463	-	-	547	3,010	18%
Total Compensation	**2011**	**483,561**	**12,446**	**496,007**	**39,723**	**-**	**199,132**	**734,862**	
	2010	**292,638**	**15,192**	**307,830**	**24,637**	**-**	**71,576**	**404,043**	

From 1 July 2011, all non-executive directors will receive $35,000 (inclusive of superannuation) and the Executive Chairman will receive $50,000 (inclusive of superannuation)

Notes in relation to the table of directors' and executive officers' remuneration

A. The fair value of the options are calculated at the date of grant using a binomial option-pricing model and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the options allocated to this reporting period. In valuing the options, market conditions have been taken into account. (Refer to note 15).

B. Corporate services were provided by Richard Hacker under a Corporate Services Agreement and fees were billed, at cost, with Chalice Gold Mines Limited. (Refer to note 20).

7.3 Equity instruments

7.3.1 Options and rights over ordinary shares granted as compensation

During the year Mr Richards was granted 3 million options expiring on 1 May 2013 with an exercise price of 10 cents and Mr Hacker was granted 250,000 options expiring 1 November 2013 with an exercise price of 20 cents.

All options that are issued to key management personnel are at no cost to the recipients, however to exercise the options the recipients must pay to the Company the appropriate exercise price.

7.3.2 Exercise of options granted as compensation

During the year, no shares were issued on the exercise of options previously granted as compensation.

Analysis of options and rights over ordinary shares granted as compensation

Details of the vesting profile of the options granted as remuneration to each Director of the Company and each of the named Company executives are outlined below. For further details please refer to note 20 in the notes to the financial statements.

	NUMBER GRANTED	DATE GRANTED	% VESTED IN YEAR	FORFEITED IN YEAR	FINANCIAL YEAR IN WHICH GRANT VESTS
Directors					
D A Jones	1,000,000	2 December 2008	100%	-	2011
	1,000,000	2 December 2008	-	-	2012
D R Richards	1,000,000	25 November 2010	100%	-	2011
	2,000,000	25 November 2010	100%	-	2011
Executive					
R K Hacker	250,000	25 October 2010	100%	-	2011

Analysis of movements in options

The movement during the reporting period, by value, of options over ordinary shares held by each key management person and each of the named Company executives is detailed below.

	GRANTED IN YEAR $ (A)	EXERCISED IN YEAR $ (B)	FORFEITED IN YEAR $ (C)
Directors			
T R B Goyder	-	-	-
D R Richards	177,417	-	-
V P Gauci	-	-	-
D A Jones	-	-	-
A W Kiernan	-	-	-
C R Williams	-	-	-
Executives			
R K Hacker	12,662	-	-

A. The value of options granted in the year is the fair value of the options calculated at grant date using a binomial option-pricing model. The total value of the options granted is included in the table above. This amount is allocated to remuneration over the vesting period. (Refer to note 15).
B. The value of options exercised during the year is calculated as the market price of shares of the Company on ASX as at close of trading on the date the options were exercised after deducting the price paid to exercise the option.
C. The value of the options that lapsed during the year represents the benefit foregone and is calculated at the date the option lapsed using a binomial option-pricing model with no adjustments for whether the performance criteria have or have not been achieved.

8. DIVIDENDS

No dividends were declared or paid during the period and the Directors recommend that no dividend be paid.

9. EVENTS SUBSEQUENT TO REPORTING DATE

There are no events subsequent to reporting date.

10. LIKELY DEVELOPMENTS

There are no likely developments that will impact on the company.

11. DIRECTORS' INTERESTS

The relevant interest of each Director in the shares, rights or options over such instruments issued by the Company and other related bodies corporate, as notified by the Directors to the ASX in accordance with S205G(1) of the *Corporations Act 2001*, at the date of this report is as follows:

	ORDINARY SHARES	OPTIONS OVER ORDINARY SHARES
T R B Goyder	58,511,444	-
D R Richards	480,000	3,000,000
D A Jones	1,120,000	5,000,000
V P Gauci	1,405,216	2,000,000
A W Kiernan	2,436,091	-
C R Williams	615,783	-

12. SHARE OPTIONS

Options granted to directors and officers of the Company

Details of options over ordinary shares in the Group that were granted as compensation to key management personnel during the reporting period and details of options that vested during the reporting period are as follows:

	NUMBER OF OPTIONS GRANTED DURING 2011	GRANT DATE	NUMBER OF OPTIONS VESTED DURING 2011	FAIR VALUE PER OPTION AT GRANT DATE $	EXERCISE PRICE $	EXPIRY DATE
Directors						
D R Richards	1,000,000	25 November 2010	1,000,000	0.06	0.10	1 May 2013
	2,000,000	25 November 2010	2,000,000	0.06	0.10	1 May 2013
Executives						
R K Hacker	250,000	25 October 2010	250,000	0.05	0.20	1 November 2013

Unissued shares under options

At the date of this report 11,650,000 unissued ordinary shares of the Company are under option on the following terms and conditions:

EXPIRY DATE	EXERCISE PRICE	NUMBER OF SHARES
1 December 2012	0.35	4,000,000
31 July 2013	0.20	500,000
30 November 2013	0.20	3,000,000
1 May 2013	0.10	3,000,000
1 November 2013	0.20	1,150,000

These options do not entitle the holder to participate in any share issue of the Company or any other body corporate.

During the period between balance date and the date of this report, no options have been granted.

Shares issued on exercise of options

During or since the end of the year, the Company has not issued any ordinary shares as a result of the exercise of options.

13. INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company has agreed to indemnify all the Directors and officers who have held office of the Company during the year, against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as Directors and officers of the Company, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

During the year the Company paid insurance premiums of $12,446 in respect of Directors' and officers' indemnity insurance contracts, for current and former Directors and officers. The insurance premiums relate to:

- costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal and whatever their outcome; and
- other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain a personal advantage.

The amount of insurance paid is included in Directors' and executive officers' remuneration on page 14.

14. NON-AUDIT SERVICES

During the year HLB Mann Judd, the Company's auditors, performed no other services in addition to their statutory duties.

15. AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is set out on page 18 and forms part of the Directors' Report for the year ended 30 June 2011.

This report is made with a resolution of the Directors:

D R Richards
Managing Director

Dated at Perth the 8th day of September 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

HLB Mann Judd

Accountants | Business and Financial Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Liontown Resources Limited for the year ended 30 June 2011, 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 audit; and

b) any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Liontown Resources Limited.

Perth, Western Australia
8 September 2011

L DI GIALLONARDO
Partner, HLB Mann Judd

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STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2011

	NOTE	2011 $	2010 $
Continuing Operations			
Revenue	3(a)	117,480	82,489
Net gain on sale of exploration and evaluation assets	3(b)	-	1,141,713
Net gain on sale of investments	3(c)	-	431,481
Impairment of exploration and evaluation assets	4	-	(111,842)
Exploration costs not capitalised	12	(213,644)	-
Corporate administrative expenses	3(d)	(1,093,782)	(701,368)
Profit/(loss) before tax		(1,189,946)	842,473
Income tax expense	7	-	-
Profit/(loss) for the year from continuing operations		(1,189,946)	842,473
Loss after tax from discontinued operations	3(e)	-	(531,508)
Net profit/(loss) for the year		(1,189,946)	310,965
Total comprehensive income/(loss) for the year after tax attributable to owners of the company		(1,189,946)	310,965
Basic earnings per share attributable to ordinary equity holders	8	(0.006)	0.002
Basic earnings per share from continuing operations attributable to ordinary shareholders	8	(0.006)	0.004
Diluted earnings per share attributable to ordinary equity holders	8	(0.006)	0.002

The statement of comprehensive income is to be read in conjunction with the notes to the financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2011

	NOTE	2011 $	2010 $
Current assets			
Cash and cash equivalents	9	1,503,416	3,118,759
Trade and other receivables	10	54,684	44,700
Total current assets		1,558,100	3,163,459
Non-current assets			
Financial assets	11	52,402	50,450
Exploration and evaluation assets	12	1,684,900	925,950
Property, plant and equipment	13	103,056	132,756
Total non-current assets		1,840,358	1,109,156
Total assets		3,398,458	4,272,615
Current liabilities			
Trade and other payables	14	124,182	120,639
Employee benefits	15	16,190	3,144
Total current liabilities		140,372	123,783
Total liabilities		140,372	123,783
Net assets		3,258,086	4,148,832
Equity			
Issued capital	16	20,343,846	20,280,242
Accumulated losses	16	(18,697,341)	(17,507,395)
Reserves	16	1,611,581	1,375,985
Total equity		3,258,086	4,148,832

The statement of financial position is to be read in conjunction with the notes to the financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2011

	NOTE	ISSUED CAPITAL $	ACCUMULATED LOSSES $	SHARE BASED PAYMENTS RESERVE $	TOTAL EQUITY $
Balance at 1 July 2010		20,280,242	(17,507,395)	1,375,985	4,148,832
Loss for the period		-	(1,189,946)	-	(1,189,946)
Total comprehensive loss for the period		-	(1,189,946)	-	(1,189,946)
Issue of shares on acquisition of exploration tenements		63,604	-	-	63,604
Share based payments		-	-	235,596	235,596
Balance at 30 June 2011	16	20,343,846	(18,697,341)	1,611,581	3,258,086
Balance at 1 July 2009		19,200,242	(17,818,360)	1,301,618	2,683,500
Issue of fully paid ordinary shares – share placement		1,000,000	-	-	1,000,000
Transaction costs		(50,000)	-	-	(50,000)
Fully paid ordinary shares –issued in lieu of outstanding directors' fees		130,000	-	-	130,000
Share options vested		-	-	74,367	74,367
Profit for the period		-	310,965	-	310,965
Balance at 30 June 2010	16	20,280,242	(17,507,395)	1,375,985	4,148,832

The statement of changes in equity is to be read in conjunction with the notes to the financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2011

	NOTE	2011 $	2010 $
Cash flows from operating activities			
Cash paid to suppliers and employees		(823,962)	(559,107)
Interest received		112,116	69,134
Other		-	(766)
Net cash used in operating activities	19	(711,846)	(490,739)
Cash flows from investing activities			
Proceeds from sale of investments		-	2,681,481
Payments for exploration and evaluation		(901,078)	(1,055,960)
Acquisition of property, plant and equipment		(2,857)	(4,036)
Net cash from/(used in) investing activities		(903,935)	1,621,485
Cash flows from financing activities			
Net proceeds from issue of shares		-	950,000
Lodgement of bank guarantee and security deposits		-	18,241
Net cash from financing activities		-	968,241
Net increase/(decrease) in cash and cash equivalents		(1,615,781)	2,098,987
Net foreign exchange differences		438	-
Cash and cash equivalents at the beginning of the period		3,118,759	1,019,772
Cash and cash equivalents at 30 June	9	1,503,416	3,118,759

The statement of cash flows is to be read in conjunction with the notes to the financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES

Liontown Resources is an ASX listed public company domiciled in Australia at Level 2, 1292 Hay Street, West Perth, Western Australia. The financial report of the Company is for the year ended 30 June 2011.

The financial report was authorised for issue by the Directors on 8th day of September 2011.

(a) Statement of compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ('IFRS').

(b) Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Accounting Standards and Interpretations and complies with other requirements of the law. The financial report has also been prepared on a historical cost basis, except for derivative financial instruments and available-for-sale investments, which have been measured at fair value. The financial report is presented in Australian dollars.

The accounting policies detailed below have been consistently applied to all of the years presented unless otherwise stated.

The Company is a listed public company, incorporated in Australia and operating in Australia and Tanzania. The principle activity is mineral exploration and evaluation.

(c) Adoption of new and revised standards

In the year ended 30 June 2011, the Company 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 2010. It has been 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.

The Company has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2011. 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 necessary to Company accounting policies.

(d) Significant accounting judgements, estimates and assumptions

The financial statements are prepared on a going concern basis. At balance date, the Company had an excess of current assets over current liabilities of $1,417,728.

Notwithstanding the positive working capital position at balance date, the Company has forecast that it will need to seek additional funding in the coming year in order to meet its operating expenditure and planned exploration expenditure for the next 12 months from the date of signing these financial statements. These arrangements may include a further capital raising or entering into the sale or joint venture of assets.

If the company is unable to raise further funding through a capital raising or entering into the sale or joint venture of assets, it would be able to defer certain exploration expenditure such that the Company will remain a going concern for at least the period up to 12 months from the date of signing the financial report.

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies have been consistently applied by the Company.

The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

(i) Recoverability of exploration expenditure

The carrying amount of exploration and evaluation expenditure is dependent on the future successful outcome from exploration activity or alternatively the sale of the respective areas of interest.

(ii) Shared-based payment transactions

The Company measures the cost of equity-settled share-based payments at fair value at the grant date using a binomial formula taking into account the terms and conditions upon which the instruments were granted.

(e) Segment reporting

Operating segments are reported in a manner consistent with internal reporting provided to the Board of Directors who are responsible for allocated resources and assessing the performance of the operating segments.

(f) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

(i) Sale of goods and interests in exploration assets

Revenue is recognised when the significant risks and rewards of ownership of the goods/exploration assets have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be reliably measured. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods/exploration assets to the buyer.

(ii) Services rendered

Revenue from services rendered is recognised in the statement of comprehensive income in proportion to the stage of completion of the transaction at balance date. The stage of completion is assessed by reference to surveys of work performed. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, the costs incurred or to be incurred cannot be measured reliably.

(iii) Interest received

Interest income is recognised in the statement of comprehensive income as it accrues, using the effective interest method. The interest expense component of finance lease payments is recognised in the statement of comprehensive income using the effective interest method.

(g) Expenses

(i) Operating lease payments

Payments made under operating leases are recognised in the statement of comprehensive income on a straight-line basis over the term of the lease. Lease incentives received are recognised in the statement of comprehensive income as an integral part of the total lease expense and spread over the lease term.

(ii) Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(iii) Financing costs

Financing costs comprise interest payable on borrowings calculated using the effective interest method and interest receivable on funds invested.

(h) Depreciation

Depreciation is charged to the statement of comprehensive income on a diminishing value basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. Depreciation rates used in the current and comparative periods are as follows:

- plant and equipment 5%-50%

The residual value, if not insignificant, is reassessed annually.

(i) Income tax

Income tax in the statement of comprehensive income comprises current and deferred tax. Income tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on all temporary differences at balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(j) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax ('GST'), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the Australian Taxation Office ('ATO') is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(k) Impairment

At each reporting date, the Company assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. Value in use is the present value of the future cash flows expected to be derived from the asset or cash generating unit. In estimating value in use, a pre-tax discount rate is used which reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cashflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Impairment losses are recognised in the statement of comprehensive income unless the asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through the statement of comprehensive income. Receivables with a short duration are not discounted.

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of six months or less. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(m) Trade and other receivables

Trade and other receivables are stated at cost less impairment losses (see accounting policy (k)).

(n) Non-current assets held for sale and discontinued operations

Immediately before classification as held for sale, the measurement of the assets (and all assets and liabilities in a disposal group) is brought up to date in accordance with applicable AIFRS. Then, on initial classification as held for sale, non-current assets and disposal groups are recognised at the lower of carrying amount and fair value less costs to sell.

Impairment losses on initial classification as held for sale are included in profit or loss, even when there is a revaluation. The same applies to gains and losses on subsequent re-measurement.

A discontinued operation is a component of the Company's business that represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. A disposal group that is to be abandoned also may qualify.

(o) Plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred.

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

An item of plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

(p) Financial assets

Financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value, through profit or loss, directly attributable transactions costs. The Company determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year end.

(i) Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in profit or loss.

(ii) Held-to-maturity investments

If the Company has the positive intent and ability to hold debt securities to maturity, then they are classified as held-to-maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment losses.

(iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(iv) Available-for-sale investments

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three preceding categories. After initial recognition available-for sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the reporting date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models.

(q) Exploration, evaluation, development and tenement acquisition costs

Exploration, evaluation, development and tenement acquisition costs in relation to separate areas of interest for which rights of tenure are current, are capitalised in the period in which they are incurred and are carried at cost less accumulated impairment losses. The cost of acquisition of an area of interest and exploration expenditure relating to that area of interest is carried forward as an asset in the statement of financial position so long as the following conditions are satisfied:

1) the rights to tenure of the area of interest are current; and
2) at least one of the following conditions is also met:
    (i) the exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; or
    (ii) exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation expenditure is assessed for impairment when facts and circumstances suggest that their carrying amount exceeds their recoverable amount. Where this is the case an impairment loss is recognised. Where a decision is made to proceed with development, accumulated expenditure will be amortised over the life of the reserves associated with the area of interest once mining operations have commenced.

(r) Trade and other payables

Trade and other payables are stated at cost. Trade and other payables are presented as current liabilities unless payment is not due within 12 months.

(s) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in profit and loss when the liabilities are derecognised.

(i) Leases

Finance leases, which transfer substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of minimum lease payments.

(t) Employee benefits

(i) Superannuation

Obligations for contributions to defined contribution pension plans are recognised as an expense in the statement of comprehensive income as incurred.

(ii) Share-based payment transactions

The Company provides benefits to employees (including Directors) in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

The Company currently provides benefits under an Employee Share Option Plan.

The cost of these equity-settled transactions with employees and Directors is measured by reference to the fair value at the date at which they are granted.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ('market conditions'). The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects:

(i) the extent to which the vesting period has expired; and

(ii) the number of awards that, in the opinion of the Directors, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where the terms of an equity-settled award are modified, as a minimum, an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

(iii) Wages, salaries, annual leave, sick leave and non-monetary benefits

Liabilities for employee benefits for wages, salaries, annual leave and sick leave represent present obligations resulting from employees' services provided to reporting date, calculated at undiscounted amounts based on remuneration wage and salary rates that the Company expects to pay as at reporting date including related on-costs, such as, workers compensation insurance and payroll tax.

(u) Provisions

A provision is recognised in the statement of financial position when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

(v) Share capital

(i) Ordinary share capital

Ordinary shares and partly paid shares are classified as equity.

(ii) Transaction costs

Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit.

2. SEGMENT REPORTING

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 at each Board meeting or more frequently if required.

	EXPLORATION AND EVALUATION		CORPORATE		TOTAL	
	30 JUNE 2011	30 JUNE 2010	30 JUNE 2011	30 JUNE 2010	30 JUNE 2011	30 JUNE 2010
	$	$	$	$	$	$
Net gain on sale of exploration assets	-	1,141,713	-	-	-	1,141,713
Exploration costs not capitalised	(213,644)	-	-	-	(213,644)	-
Other Income	-	-	-	11,742	-	11,742
Impairment of exploration assets	-	(111,842)	-	-	-	(111,842)
Corporate and administrative expenses	-	-	(1,093,782)	(701,368)	(1,093,782)	(701,368)
Segment net gain/ loss before tax	(213,644)	1,029,871	(1,093,782)	(689,626)	(1,307,426)	340,245
Unallocated income/(expenses)						
Net gain on sale on investments					-	431,481
Net financing income					117,480	70,747
Profit/(loss) before income tax					(1,189,946)	842,473

	EXPLORATION AND EVALUATION		CORPORATE		TOTAL	
	30 JUNE 2011	30 JUNE 2010	30 JUNE 2011	30 JUNE 2010	30 JUNE 2011	30 JUNE 2010
	$	$	$	$	$	$
Segment assets:						
Exploration and evaluation assets	1,684,900	925,950	-	-	1,684,900	925,950
Other	67,196	81,738	86,706	95,452	153,902	177,190
	1,752,096	1,007,688	86,706	95,452	1,838,802	1,103,140
Unallocated assets					1,559,656	3,169,475
Total assets					3,398,458	4,272,615
Segment Liabilities	69,077	34,503	71,295	89,280	140,372	123,783

3. REVENUE AND EXPENSES

	NOTE	2011 $	2010 $
(a) Revenue			
Interest received		117,480	70,747
Other		-	11,742
		117,480	82,489
(b) Net gain on disposal of exploration and evaluation assets			
Proceeds from sale of exploration and evaluation assets		-	2,250,000
Carrying value of exploration and evaluation assets sold	12	-	(1,108,287)
		-	1,141,713
(c) Net gain on sale of investments			
Proceeds from sale of investments		-	2,681,481
Carrying value of investments		-	(2,250,000)
		-	431,481
(d) Corporate administrative expenses			
Depreciation and amortisation		32,557	46,435
Insurance		28,893	28,656
Legal fees		34,420	29,673
Office costs		13,241	11,940
Personnel expenses	5	662,114	299,590
Regulatory and compliance		88,476	83,688
Corporate and administration service fees		144,000	144,000
Other		90,081	57,386
		1,093,782	701,368

(e) Discontinued operations

In the previous financial year, the Company did not renew the option to acquire the Sheep Mountain interest in Arizona, USA and as such, total expenditure for that project was impaired. The project was designated as a discontinued operation.

	NOTE	2011 $	2010 $
4. IMPAIRMENT LOSSES			
Impairment loss on exploration and evaluation assets	12	-	111,842
		-	111,842
5. PERSONNEL EXPENSES			
Wages and salaries		130,035	9,807
Directors' fees		235,834	195,000
Other associated personnel expenses		22,255	1,685
Defined contribution superannuation fund contributions		25,349	8,536
Annual leave		13,045	10,195
Equity-settled transactions	16	235,596	74,367
		662,114	299,590
6. AUDITOR'S REMUNERATION			
Audit services			
HLB Mann Judd			
Audit and review of financial reports		27,860	26,215
7. INCOME TAX			
Current tax expense		-	-
Deferred tax expense		-	-
Total income tax expense reported in the statement of comprehensive income		-	-
Numerical reconciliation of income tax expense to prima facie tax payable			
Profit/(loss) from continuing operations before income tax expense		(1,189,946)	310,965
Tax at the Australian corporate rate of 30%		(356,984)	93,290
Tax effect of amounts which are not tax deductible (taxable) in calculating taxable income:			
Non-deductible expenses		45,407	(43,554)
Origination and reversal of temporary differences		(223,789)	(201,009)
		(535,366)	(151,273)
Current year tax benefits not recognised		535,366	151,273
Income tax expense reported in the statement of comprehensive income		-	-

	NOTE	2011 $	2010 $
Deferred income tax			
Deferred tax liabilities			
Delayed revenue recognition for tax purposes		(1,071)	332,406
Exploration and evaluation expenditure		(227,682)	(130,698)
		(228,753)	201,708
Deferred tax assets			
Revenue losses available to offset against future taxable income		223,789	(201,009)
Employee benefits		3,914	(1,749)
Accrued expenses		1,050	1,050
Net deferred tax assets recognised		-	-
Tax Losses			
Unused tax losses for which no deferred tax asset has been recognised		6,991,861	7,677,733
Potential tax benefit at 30% tax rate		2,097,558	2,303,320

Deferred tax liabilities have not been recognised in respect of these taxable temporary differences as the entity is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

8. EARNINGS PER SHARE

Basic and diluted earnings per share

The calculation of basic and diluted earnings per share for the year ended 30 June 2011 was based on the loss attributable to ordinary shareholders of $1,189,946 [2010: profit of $310,965], continuing loss attributable to ordinary shareholders of $1,189,946 [2010: profit of $842,473] and a weighted average number of ordinary shares outstanding during the year ended 30 June 2011 of 210,905,599 [2010: 199,765,913] calculated as follows:

	NOTE	2011 $	2010 $
Profit/(loss) attributable to ordinary shareholders (diluted)			
Profit/(loss) attributable to ordinary shareholders		(1,189,946)	310,965
Profit/(loss) attributable to ordinary shareholders (diluted)		(1,189,946)	310,965
Weighted average number of ordinary shares (diluted)			
Weighted average number of ordinary shares at 30 June		210,905,999	199,765,913
Weighted average number of ordinary shares (diluted) at 30 June		210,905,999	199,765,913

9. CASH AND CASH EQUIVALENTS

		2011 $	2010 $
Bank accounts		489,342	3,107,925
Term deposits		1,011,388	10,634
Petty cash		2,686	200
Cash and cash equivalents in the statement of cash flows		1,503,416	3,118,759

	NOTE	2011 $	2010 $

10. TRADE AND OTHER RECEIVABLES

	NOTE	2011 $	2010 $
Current			
Other trade receivables		37,104	28,932
Prepayments		17,580	15,768
		54,684	44,700

11. FINANCIAL ASSETS

	NOTE	2011 $	2010 $
Non-current			
Bank guarantee		31,739	29,946
Security deposits		15,000	13,500
Funds held on trust		5,663	7,004
		52,402	50,450

12. EXPLORATION AND EVALUATION EXPENDITURE

Costs carried forward in respect of areas of interest in the exploration and evaluation phases (at cost):

	NOTE	2011 $	2010 $
Balance at beginning of year		925,950	1,598,577
Expenditure incurred during the year		972,594	1,079,010
Exploration expenditure not capitalised		(213,644)	-
Impairment of discontinued operations		-	(531,508)
Impairment loss	4	-	(111,842)
Carrying value of exploration and evaluation assets sold		-	(1,108,287)
		1,684,900	925,950

The recoupment of costs carried forward in relation to areas of interest in the exploration and evaluation phases are dependent on the successful development and commercial exploitation or sale of the respective areas.

13. PROPERTY, PLANT AND EQUIPMENT

	NOTE	2011 $	2010 $
At cost		344,981	342,124
Less: accumulated depreciation		(241,925)	(209,368)
		103,056	132,756
Plant and equipment			
Carrying amount at 1 July		132,756	175,156
Additions		2,857	4,035
Depreciation		(32,557)	(46,435)
Carrying amount at end of period		103,056	132,756

14. TRADE AND OTHER PAYABLES

	NOTE	2011 $	2010 $
Trade payables		73,248	57,692
Accrued expenses		50,934	62,947
		124,182	120,639

	NOTE	2011 $	2010 $
15. EMPLOYEE BENEFITS			
Liability for annual leave		16,190	3,144
Total employee benefits		16,190	3,144

Share based payments

Employee Share Option Plan

The Company has an Employee Share Option Plan ('ESOP') in place. Under the terms of the ESOP, the Board may offer free options to full-time or part-time employees (including persons engaged under a consultancy agreement) and executive and non-executive Directors.

Each option entitles the holder, on exercise, to one ordinary fully paid share in the Company. There is no issue price for the options. The exercise price for the options is such price as determined by the Board.

An option may only be exercised after that option has vested and any other conditions imposed by the Board on exercise satisfied. The Board may determine the vesting period, if any.

There are no voting or dividend rights attached to the options. There are no voting rights attached to the unissued ordinary shares. Voting rights will be attached to the issued ordinary shares when the options have been exercised.

The number and weighted average exercise prices of shares options are as follows:

	WEIGHTED AVERAGE EXERCISE PRICE 2011 ($)	NUMBER OF OPTIONS
Outstanding at the beginning of the period	0.26	9,060,000
Forfeited during the period	0.19	(1,560,000)
Granted during the period	0.13	4,150,000
Outstanding at the end of the period	0.23	11,650,000
Exercisable at the end of the period	0.23	10,200,000

The options outstanding at 30 June 2011 have a weighted average exercise price of $0.23 (2010:$0.26) and a weighted average contractual life of 4 years.

During the year, no share options were exercised.

The fair value of the options is estimated at the date of grant using a binomial option-pricing model.

The following table provides the assumptions made in determining the fair value of the options granted during the year.

FAIR VALUE OF SHARE OPTIONS AND ASSUMPTIONS	2011	2010
Share price at grant date (weighted average)	0.10	0.05
Exercise price (weighted average)	0.13	0.10
Expected volatility (expressed as weighted average volatility used in the modelling under binominal option-pricing model)	100%	100%
Option life (expressed as weighted average life used in the modelling under binomial option-pricing model)	4 years	4 years
Expected dividends	Nil	Nil
Risk-free interest rate	5.06%	4.64%

Share options are granted under service conditions. Non-market performance conditions are not taken into account in the grant date fair value measurement of the services received.

	2011 $	2010 $
Share options granted in 2010 - equity settled	9,053	74,367
Share options granted in 2011 – equity settled	226,543	-
Total expense recognised as personnel expenses	235,596	74,367

16. ISSUED CAPITAL AND RESERVES

Reconciliation of movement in capital and reserves attributable to equity holders of the company

2011	ISSUED CAPITAL (A) $	ACCUMULATED LOSSES $	SHARE BASED PAYMENTS RESERVE $	TOTAL EQUITY $
Balance at 1 July 2010	20,280,242	(17,507,395)	1,375,985	4,148,832
Issue of shares on acquisition of exploration tenements	63,604	-	-	63,604
Share options vested	-	-	235,596	235,596
Loss for the period	-	(1,189,946)	-	(1,189,946)
Balance at 30 June 2011	20,343,846	(18,697,341)	1,611,581	3,258,086

2010	ISSUED CAPITAL (A) $	ACCUMULATED LOSSES $	SHARE BASED PAYMENTS RESERVE $	TOTAL EQUITY $
Balance at 1 July 2009	19,200,242	(17,818,360)	1,301,618	2,683,500
Issue of fully paid ordinary shares – share placement	1,000,000	-	-	1,000,000
Transaction costs	(50,000)	-	-	(50,000)
Fully paid ordinary shares –issued in lieu of director's fees	130,000	-	-	130,000
Share options vested	-	-	74,367	74,367
Profit for the period	-	310,965	-	310,965
Balance at 30 June 2010	20,280,242	(17,507,395)	1,375,985	4,148,832

	2011 NO.	2010 NO.
(a) Issued capital		
On issue at 1 July	210,073,581	187,200,018
Issue shares on acquisition of exploration tenements	1,000,000	-
Issue of fully paid ordinary shares – share placement	-	20,000,000
Fully paid ordinary shares –issued in lieu of director's fees	-	2,873,563
On issue at 30 June	211,073,581	210,073,581

Ordinary shares

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. In the event of winding up of the Company, the ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds on liquidation.

	2011 NO.	2010 NO.
(b) Share options		
On issue at 1 July	10,310,000	15,635,000
Options issued during the year	4,150,000	1,000,000
Options forfeited during the year	(2,810,000)	(6,325,000)
On issue at 30 June	11,650,000	10,310,000

At 30 June the Company had 11,650,000 unlisted options on issue under the following terms and conditions:

NUMBER	EXPIRY DATE	EXERCISE PRICE
4,000,000	1 December 2010	0.35
500,000	31 July 2013	0.20
3,000,000	30 November 2013	0.20
3,000,000	1 May 2013	0.10
1,150,000	1 November 2013	0.20

(c) Nature and purpose of reserves

Share based payments reserve

This reserve is used to record the value of equity benefits provided to employees and directors as part of their remuneration. Refer to section 7 in the Directors' report for further details of these plans.

17. FINANCIAL INSTRUMENTS

(a) Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders.

The capital structure of the Company consists of equity attributable to equity holders, comprising issued capital, reserves and accumulated losses as disclosed in note 16.

The Board reviews the capital structure on a regular basis and considers the cost of capital and the risks associated with each class of capital. The Company will balance its overall capital structure through new share issues as well as the issue of debt, if the need arises.

(b) Market risk exposures

Market risk is the risk that changes in market prices such as foreign exchange rates, equity prices and interest rates will affect the Company's income or value of its holdings of financial instruments.

Foreign exchange rate risk

The Company currently has no significant exposure to foreign exchange rates.

Equity prices

The Company currently has no significant exposure to equity price risk.

Interest rate risk exposures

The Company's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities is set out below:

30 JUNE 2011	NOTE	1 YEAR OR LESS $	OVER 1 TO 5 YEARS $	FLOATING INTEREST $	NON-INTEREST BEARING $	TOTAL $	WEIGHTED AVERAGE INT. RATE
Financial assets							
Bank balances	9	-	-	489,341	-	489,341	3.55%
Term deposits	9	1,011,389	-	-	-	1,011,389	5.86%
Bank guarantee	11	31,739	-	-	-	31,739	5.90%
Petty cash	9	-	-	-	2,686	2,686	-
Trade and other receivables	10	-	-	-	54,684	54,684	-
Security deposits, bonds, funds held on trust	11	-	-	-	20,663	20,663	-
Financial liabilities							
Trade payables and accrued expenses	14	-	-	-	124,182	124,182	-

30 JUNE 2010	NOTE	1 YEAR OR LESS $	OVER 1 TO 5 YEARS $	FLOATING INTEREST $	NON-INTEREST BEARING $	TOTAL $	WEIGHTED AVERAGE INT. RATE
Financial assets							
Bank balances	9	-	-	3,107,925	-	3,107,925	0.03%
Term deposits	9	10,634	-	-	-	10,634	5.80%
Bank guarantee	11	29,946	-	-	-	29,946	6.00%
Petty cash	9	-	-	-	200	200	-
Trade and other receivables	10	-	-	-	44,700	44,700	-
Security deposits, bonds, funds held on trust	11	-	-	-	20,504	20,504	-
Financial liabilities							
Trade payables and accrued expenses	14	-	-	-	120,639	120,639	-

(c) Credit risk exposure

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's exposure to credit risk is not significant and currently arises principally from sundry receivables which represent an insignificant proportion of the Company's activities.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at reporting date to recognised financial assets is the carrying amount, net of any allowance for doubtful debts, as disclosed in the notes to the financial statements.

(d) Liquidity risk exposure

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Board actively monitors the Company's ability to pay its debts as and when they fall due by regularly reviewing the current and forecast cash position based on the expected future activities.

The Company has non-derivative financial liabilities which include trade and other payables of $124,182 all of which are due within 60 days.

(e) Net fair values of financial assets and liabilities

The carrying amounts of all financial assets and liabilities approximate the net fair values.

18. CAPITAL AND OTHER COMMITMENTS

Exploration expenditure commitments

In order to maintain current rights of tenure to exploration tenements, the Company is required to perform minimum exploration work to meet the minimum expenditure requirements specified by various governments. These obligations are subject to renegotiation when application for a mining lease is made and at other times. The amounts stated are based on the maximum commitments. The Company may in certain situations apply for exemptions under relevant mining legislation. These obligations are not provided for in the financial report and are payable:

	2011 $	2010 $
Within 1 year	402,000	130,000
Within 2 – 5 years	1,200,000	-
Later than 5 years	-	-
	1,602,000	130,000

19. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	2011 $	2010 $
Cash flows from operating activities		
Profit/(loss) for the period	(1,189,946)	310,965
Adjustments for:		
Depreciation and amortisation	32,557	46,435
Net gain on foreign exchange	(438)	-
(Profit)/ loss on sale of investments	-	(431,481)
(Profit)/ loss on sale of exploration and evaluation assets	-	(1,141,713)
Impairment losses	-	643,350
Exploration expenditure not capitalised	213,644	-
Shares issued to Directors	-	130,000
Equity-settled share-based payment expenses	235,596	74,367
Operating loss before changes in working capital and provisions	(708,587)	(368,077)
(Increase)/decrease in trade and other receivables	(14,442)	(1,090)
Increase/(decrease) in trade creditors and accruals	(1,862)	(115,742)
Increase/(decrease) in provisions	13,045	(5,830)
Net cash used in operating activities	(711,846)	(490,739)

20. KEY MANAGEMENT PERSONNEL

The following were key management personnel of the Company at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period:

Directors

T R B Goyder
D R Richards
D A Jones
V P Gauci
A W Kiernan
C R Williams

Executive

R K Hacker (Company Secretary)

The key management personnel compensation is as follows:

	2011 $	2010 $
Short-term employee benefits	496,007	307,830
Post-employment benefits	39,723	24,637
Equity-settled transactions	199,132	71,576
	734,862	404,043

Individual Directors' and executives' compensation disclosures

The Company has transferred the detailed remuneration disclosures to the Directors' Report in accordance with Corporations Amendment Regulations 2006 (No. 4). These remuneration disclosures are provided in the Remuneration Report section of the Directors' Report under Details of Remuneration and are designated as audited.

Loans to key management personnel and their related parties

No loans were made to key management personnel and their related parties.

Other key management personnel transactions with the Company

A number of key management persons, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

A number of these entities transacted with the Company in the reporting period. The terms and conditions of the transactions with management persons and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-Director related entities on an arm's length basis.

The aggregate amounts recognised during the year relating to key management personnel and their related parties were as follows:

	TRANSACTION	NOTE	AMOUNTS PAYABLE/ (RECEIVABLE) 2011 $	AMOUNTS PAYABLE/ (RECEIVABLE) 2010 $
Key management persons				
A W Kiernan	Legal and consulting services	(i)	44,300	25,200
Other related parties				
Chalice Gold Mines Limited	Corporate Services	(ii)	144,000	168,734

(i) The Company used the legal and consulting services of Mr Kiernan during the year. Amounts were billed based on normal market rates for such services and were due and payable under normal payment terms.

(ii) The Company receives corporate services including accounting and company secretarial services under a Corporate Services Agreement with Chalice Gold Mines Limited. Messrs Goyder, Kiernan and Jones were all Directors of Chalice Gold Mines Limited during the year, and Mr Hacker was the Company Secretary. Amounts billed are based on a proportionate share of the cost to Chalice Gold Mines Limited of providing the services and have normal payment terms.

Amounts payable to key management personnel at reporting date arising from these transactions were as follows:

	2011 $	2010 $
Assets and liabilities arising from the above transactions		
Current payables	(2,100)	(23,632)
Trade debtors	-	-
	(2,100)	(23,632

Options and rights over equity instruments granted as compensation

The movement during the reporting period in the number of options over ordinary shares in Liontown Resources held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

	HELD AT 1 JULY 2010	GRANTED AS COMPENSATION	EXERCISED	EXPIRED/ FORFEITED	HELD AT 30 JUNE 2011	VESTED DURING THE YEAR	VESTED AND EXERCISABLE AT 30 JUNE 2011
T R B Goyder	-	-	-	-	-	-	-
D R Richards	-	3,000,000	-	-	3,000,000	3,000,000	3,000,000
D A Jones	5,000,000	-	-	-	5,000,000	1,000,000	4,000,000
V P Gauci	2,000,000	-	-	-	2,000,000	-	2,000,000
A W Kiernan	-	-	-	-	-	-	-
C R Williams	-	-	-	-	-	-	-
Executive							
R K Hacker	500,000	250,000	-	-	750,000	250,000	750,000

	HELD AT 1 JULY 2009	GRANTED AS COMPENSATION	EXERCISED	EXPIRED/ FORFEITED	HELD AT 30 JUNE 2010	VESTED DURING THE YEAR	VESTED AND EXERCISABLE AT 30 JUNE 2010
T R B Goyder	750,000	-	-	(750,000)	-	-	-
D R Richards	-	-	-	-	-	-	-
D A Jones	5,000,000	-	-	-	5,000,000	2,000,000	3,000,000
V P Gauci	2,000,000	-	-	-	2,000,000	1,000,000	2,000,000
A W Kiernan	750,000	-	-	(750,000)	-	-	-
C R Williams	750,000	-	-	(750,000)	-	-	-
Former Directors							
A R Bantock	1,250,000	-	-	(1,250,000)	-	-	-
Executive							
R K Hacker	500,000	-	-	-	500,000	375,000	500,000

Movements in ordinary shares

The movement during the reporting period in the number of ordinary shares in Liontown Resources held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

	HELD AT 1 JULY 2010	ADDITIONS	RECEIVED ON EXERCISE OF OPTIONS	SALES	HELD AT 30 JUNE 2011
Directors					
T R B Goyder	53,252,444	5,259,000	-	-	58,511,444
D R Richards	-	200,000	-	-	200,000
D A Jones	1,120,000	-	-	-	1,120,000
V P Gauci	1,405,216	-	-	-	1,405,216
A W Kiernan	2,436,091	-	-	-	2,436,091
C R Williams	615,783	-	-	-	615,783
Executives					
R K Hacker	962,000	-	-	-	962,000

21. SUBSEQUENT EVENTS

There are no events subsequent to reporting date.

DIRECTOR'S DECLARATION

1 In the opinion of the Directors of Liontown Resources Limited ('the Company'):

(a) the financial statements, notes and additional disclosures of the company are in accordance with the *Corporations Act 2001* including:

(i) giving a true and fair view of the financial position of the Company as at 30 June 2011 and of its performance for the year then ended; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

(c) the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

2 This declaration has been made after receiving the declaration required to be made to the directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2011.

This declaration is signed in accordance with a resolution of the Directors:

D R Richards
Managing Director

Dated this 8th day of September 2011

HLB Mann Judd

Accountants | Business and Financial Advisers

INDEPENDENT AUDITOR'S REPORT

To the members of Liontown Resources Limited

Report on the Financial Report

We have audited the accompanying financial report of Liontown Resources Limited, which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for Liontown Resources Limited.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, that the financial report of Liontown Resources Limited complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Matters relating to the electronic presentation of the audited financial report

This auditor's report relates to the financial report and remuneration report of Liontown Resources Limited for the financial year ended 30 June 2011 included on Liontown Resources Limited's website. The company's directors are responsible for the integrity of the Liontown Resources Limited website. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the financial report and remuneration report identified in this report. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report and remuneration report to confirm the information contained in this website version of the financial report.

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HLB Mann Judd

Accountants | Business and Financial Advisers

INDEPENDENT AUDITOR'S REPORT (continued)

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's Opinion

In our opinion:

(a) the financial report of Liontown Resources Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the company's financial position as at 30 June 2011 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(a).

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2011.The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Liontown Resources Limited for the year ended 30 June 2011 complies with section 300A of the *Corporations Act 2001*.

HLB Mann Judd

HLB MANN JUDD
Chartered Accountants

Giallonardo.

Perth, Western Australia
8 September 2011

L DI GIALLONARDO
Partner

CORPORATE GOVERNANCE REPORT

APPROACH TO CORPORATE GOVERNANCE

Liontown Resources Limited ("**Company**") has made it a priority to adopt systems of control and accountability as the basis for the administration of corporate governance. Some of these policies and procedures are summarised in this statement. Commensurate with the spirit of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations 2nd edition ("**Principles & Recommendations**"), the Company has followed each recommendation where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. Where the Company's corporate governance practices follow a recommendation, the Board has made appropriate statements reporting on the adoption of the recommendation. In compliance with the "if not, why not" regime, where, after due consideration, the Company's corporate governance practices depart from a recommendation, the Board has offered full disclosure and an explanation for the adoption of its own practice.

Further information about the Company's corporate governance practices may be found on the Company's website at www.ltresources.com.au, under the section marked "Corporate Governance".

The Company reports below on how it has followed (or otherwise departed from) each of the Principles & Recommendations during the 2010/2011 financial year ("**Reporting Period**"). The Principles & Recommendations were amended in 2010. These amendments apply to the Company's first financial year commencing on or after 1 January 2011. Accordingly, disclosure against the Principles & Recommendations as amended in 2010 will be made in relation to the Company's financial year ending 30 June 2012. The report below is made against the Principles and Recommendations prior to their amendment in 2010.

However, the Company does wish to report that it adopted a Diversity Policy in accordance with the new Recommendation 3.2. A copy of the Company's Diversity Policy is available on the Company's website at www.ltresources.com.au.

Board

Roles and responsibilities of the Board and Senior Executives (Recommendations: 1.1, 1.3)

The Company has established the functions reserved to the Board, and those delegated to senior executives and has set out these functions in its Board Charter.

The Board is collectively responsible for promoting the success of the Company through its key functions of overseeing the management of the Company, providing overall corporate governance of the Company, monitoring the financial performance of the Company, engaging appropriate management commensurate with the Company's structure and objectives, involvement in the development of corporate strategy and performance objectives, and reviewing, ratifying and monitoring systems of risk management and internal control, codes of conduct and legal compliance.

Senior executives are responsible for supporting the Managing Director and assisting the Managing Director in implementing the running of the general operations and financial business of the Company in accordance with the delegated authority of the Board. Senior executives are responsible for reporting all matters which fall within the Company's materiality thresholds at first instance to the Managing Director or, if the matter concerns the Managing Director, directly to the Chair or the lead independent director as appropriate.

The Company's Board Charter is available on the Company's website at www.ltresources.com.au.

Skills, experience, expertise and period of office of each Director (Recommendation: 2.6)

A profile of each Director setting out their skills, experience, expertise and period of office is set out in the Directors' Report.

CORPORATE GOVERNANCE REPORT

Director independence
(Recommendations: 2.1, 2.2, 2.3, 2.6)

The Board does not have a majority of directors who are independent. The Board considers that the current composition of the Board is adequate for the Company's current size and operations, and includes an appropriate mix of skills and expertise relevant to the Company's business. The Board continues to monitor its composition as the Company's operations evolve and will appoint further independent directors if considered appropriate.

The independent directors of the Company are Anthony Kiernan, Craig Williams and Vince Gauci. These directors are independent as they are non-executive directors who are not members of management and who are free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgement.

Independence is measured having regard to the relationships listed in Box 2.1 of the Principles & Recommendations and the Company's materiality thresholds. The materiality thresholds are set out below.

The Board has agreed on the following guidelines for assessing the materiality of matters, as set out in the Company's Board Charter:

- Balance sheet items are material if they have a value of more than 10% of pro-forma net asset.
- Profit and loss items are material if they will have an impact on the current year operating result of 10% or more.
- Items are also material if they impact on the reputation of the Company, involve a breach of legislation, are outside the ordinary course of business, could affect the Company's rights to its assets, if accumulated would trigger the quantitative tests, involve a contingent liability that would have a probable effect of 10% or more on balance sheet or profit and loss items, or will have an effect on operations which is likely to result in an increase or decrease in net income or dividend distribution of more than 10%.
- Contracts will be considered material if they are outside the ordinary course of business, contain exceptionally onerous provisions in the opinion of the Board, impact on income or distribution in excess of the quantitative tests, there is a likelihood that either party will default, and the default may trigger any of the quantitative or qualitative tests, are essential to the activities of the Company and cannot be replaced or cannot be replaced without an increase in cost which triggers any of the quantitative tests, contain or trigger change of control provisions, are between or for the benefit of related parties, or otherwise trigger the quantitative tests.

The non-independent directors of the Company are Timothy Goyder, Douglas Jones and David Richards.

The non-independent Chair of the Board is Timothy Goyder. The Chair is an executive director and does not satisfy the test of independence as set out in Box 2.1 of the Principles and Recommendations. The Board believes that Timothy Goyder is the most appropriate person for the position as Chair because of his seniority and industry experience. However, the Board has appointed Anthony Kiernan to act as lead independent director when any conflicts of interest arise.

The Managing Director is David Richards who is not Chair of the Board.

Independent professional advice
(Recommendation: 2.6)

To assist directors with independent judgement, it is the Board's policy that if a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of their office as a director then, provided the director first obtains approval from the Chair for incurring such expense, the Company will pay the reasonable expenses associated with obtaining such advice.

Selection and (Re)Appointment of Directors
(Recommendation: 2.6)

In determining candidates for the Board, the Nomination Committee (or equivalent) follows a prescribed process whereby it evaluates the mix of skills, experience and expertise of the existing Board. In particular, the Nomination Committee (or equivalent) is to identify the particular skills that will best increase the Board's effectiveness. Consideration is also given to the balance of independent directors. Potential candidates are identified and, if relevant, the Nomination Committee (or equivalent) recommends an appropriate candidate for appointment to the Board. Any appointment made by the Board is subject to ratification by shareholders at the next general meeting.

The Board recognises that Board renewal is critical to performance and the impact of Board tenure on succession planning. Each director other than the Managing Director, must not hold office (without re-election) past the third annual general meeting of the Company following the Director's appointment or three years following that director's last election or appointment (whichever is the longer). However, a Director appointed to fill a casual vacancy or as an addition to the Board must not hold office (without re-election) past the next annual general meeting of the Company. At each annual general meeting a minimum of one director or a third of the total number of directors must resign. A director who retires at an annual general meeting is eligible for re-election at that meeting. Re-appointment of directors is not automatic.

The Company's Policy and Procedure for the Selection and (Re)Appointment of Directors is available on the Company's website at www.ltresources.com.au.

Board committees

Nomination Committee
(Recommendations: 2.4, 2.6)

The Company has not established a separate Nomination Committee. Given the current size and composition of the Board, the Board believes that there would be no efficiencies gained by establishing a separate Nomination Committee. Accordingly, the Board performs the role of the Nomination Committee. Items that are usually required to be discussed by a Nomination Committee are marked as separate agenda items at Board meetings when required. When the Board convenes as the Nomination Committee it carries out those functions which are delegated to it in the Company's Nomination Committee Charter. The Board deals with any conflicts of interest that may occur when convening in the capacity of the Nomination Committee by ensuring that the director with conflicting interests is not party to the relevant discussions.

The full Board did not officially convene as a Nomination Committee during the Reporting Period, however nomination-related discussions occurred from time to time during the year as required.

The Company's Nomination Committee Charter is available on the Company's website at www.ltresources.com.au.

Audit Committee
(Recommendations: 4.1, 4.2, 4.3, 4.4)

The Company has established an Audit Committee.

The Audit Committee is structured in compliance with Recommendation 4.2. The Audit Committee is comprised of Anthony Kiernan, Vince Gauci and Craig Williams (the Board's independent non-executive directors) and is chaired by Vince Gauci, who is not Chair of the Board. The Board considers this present structure is the best mix of skills and expertise to carry out the function of an Audit Committee available to the Company and appropriate for its current needs. The Board has adopted an Audit Committee Charter which the Audit Committee applies to assist it to fulfil its function. The Audit Committee Charter makes provision for the Audit Committee to meet with the external auditor as required.

The Audit Committee held one meeting during the Reporting Period. Details of the directors who are members of the Audit Committee and their attendance at Audit Committee meetings are set out in the Directors' Report.

Details of each of the director's qualifications are set out in the Directors' Report. No members of the Audit Committee have formal accounting or financial qualifications, however, all are considered to be financially literate.

The Company has established procedures for the selection, appointment and rotation of its external auditor. The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises, as recommended by the Audit Committee. Candidates for the position of external auditor must demonstrate complete independence from the Company through the engagement period. The Board may otherwise select an external auditor based on criteria relevant to the Company's business and circumstances. The performance of the external auditor is reviewed on an annual basis by the Audit Committee and any recommendations are made to the Board.

The Company's Audit Committee Charter and the Company's Procedure for Selection, Appointment and Rotation of External Auditor are available on the Company's website at www.ltresources.com.au.

Remuneration Committee
(Recommendations: 8.1, 8.2, 8.3)

The Company has not established a separate Remuneration Committee. Given the current size and composition of the Board, the Board believes that there would be no efficiencies gained by establishing a separate Remuneration Committee. Accordingly, the Board performs the role of the Remuneration Committee. Items that are usually discussed by a Remuneration Committee are marked as separate agenda items at Board meetings when required. When the Board convenes as the Remuneration Committee it carries out those functions which are delegated to it in the Company's Remuneration Committee Charter. The Board deals with any conflicts of interest that may occur when convening in the capacity if the Remuneration Committee by ensuring that the director with conflicting interests is not party to the relevant discussions.

The full Board did not officially convene as a Remuneration Committee during the Reporting Period, however remuneration-related discussions occurred from time to time during the year as required.

Details of remuneration, including the Company's policy on remuneration, are contained in the "Remuneration Report" which forms of part of the Directors' Report. Non-executive directors are remunerated at a fixed fee for time, commitment and responsibilities. Remuneration for non-executive directors is not linked to individual performance. Pay and rewards for executive directors and senior executives consists of a base salary and performance incentives. Long term performance incentives may include options granted at the discretion of the Board and subject to obtaining the relevant approvals. Executives are offered a competitive level of base pay at market rates and are reviewed annually to ensure market competitiveness.

There are no termination or retirement benefits for non-executive directors (other than for superannuation).

The Company's Remuneration Committee Charter includes a statement of the Company's policy on prohibiting transactions in associated products which limit the risk of participating in unvested entitlements under any equity based remuneration schemes.

The Company's Remuneration Committee Charter is available on the Company's website at ww.ltresources.com.au.

CORPORATE GOVERNANCE REPORT

Performance evaluation

Senior executives

(Recommendations: 1.2, 1.3)

The Managing Director and Executive Chairman review the performance of the senior executives. This is conducted by informal interviews.

During the Reporting Period a formal evaluation of senior executives did not occur. However, due to the size of the group, the executive Chairman takes an active role in assessing the performance of executives on an informal basis.

Board, its committees and individual directors

(Recommendations: 2.5, 2.6)

The Chair evaluates the performance of the Board, individual directors, the Managing Director and any applicable committees of the Board. These evaluations are undertaken by each director completing a questionnaire which is then evaluated by the Chair.

During the Reporting Period an evaluation of the Board took place in accordance with the process disclosed. However, an evaluation of the individual directors and the committees of the Board did not occur during the Reporting Period.

Ethical and responsible decision making

Code of Conduct

(Recommendations: 3.1, 3.3)

The Company has established a Code of Conduct as to the practices necessary to maintain confidence in the Company's integrity, practices necessary to take into account their legal obligations and the expectations of their stakeholders and responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

A summary of the Company's Code of Conduct is available on the Company website at www.ltresources.com.au.

Policy for Trading in Company Securities

(Recommendations: 3.2, 3.3)

The Company has established a Policy for Trading in Company Securities by directors, senior executives and employees.

A summary of the Company's Policy for Trading in Company Securities is available on the Company's website at www.ltresources.com.au.

Continuous Disclosure

(Recommendations: 5.1, 5.2)

The Company has established written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure and accountability at a senior executive level for that compliance.

A summary of the Company's Policy on Continuous Disclosure and a summary of the Company's Compliance Procedures are available on the Company's website at www.ltresources.com.au.

Shareholder Communication

(Recommendations: 6.1, 6.2)

The Company has designed a communications policy for promoting effective communication with shareholders and encouraging shareholder participation at general meetings.

The Company's Shareholder Communication Policy is available on the Company's website at ww.ltresources.com.au.

Risk Management
Recommendations: 7.1, 7.2, 7.3, 7.4)

The Board has adopted a Risk Management Policy, which sets out the Company's risk profile. Under the policy, the Board is responsible for approving the Company's policies on risk oversight and management and satisfying itself that management has developed and implemented a sound system of risk management and internal control.

Under the policy, the Board delegates day-to-day management of risk to the Managing Director, who is responsible for identifying, assessing, monitoring and managing risks. The Managing Director is also responsible for updating the Company's material business risks to reflect any material changes, with the approval of the Board. In fulfilling the duties of risk management, the Managing Director may have unrestricted access to Company employees, contractors and records and may obtain independent expert advice on any matter they believe appropriate, with the prior approval of the Board.

The Board has established a separate Audit Committee to monitor and review the integrity of financial reporting and the Company's internal financial control systems and risk management systems.

As the Company continues to evolve, the Board will enhance the processes and procedures to manage and report on material business risk, and may engage external risk management consultants to assist.

In addition, the following risk management measures have been adopted by the Board to manage the Company's material business risks:

- Due to the size of the Company, all payments must be approved by the Managing Director and Chief Financial Officer;
- the Board has developed a range of emergency response and other health and safety policies and procedures relevant to its operations;
- the Board has adopted a compliance procedure for the purpose of ensuring compliance with the Company's continuous disclosure obligations; and
- the Board has adopted a corporate governance manual which contains other policies to assist the Company to establish and maintain its governance practices.

The Board has implemented a system to review, formalise and document the management of its material business risks. This system includes a risk register used by management to identify the Company's material business risks and risk management strategies for these risks. In addition, the process of managing material business risks is allocated to members of senior management. The risk register is currently being prepared by management and will be provided to the Board along with a report as to the effectiveness of the Company's management of material business risks for the next reporting period.

The categories of risk to be reported on or referred to as part of the Company's systems and processes for managing material business risk include market-related, financial reporting, operational, environmental, human capital, sustainability, occupational health and safety, political, strategic, economic cycle/marketing, and legal and compliance.

The Managing Director and the Chief Financial Officer have provided a declaration to the Board in accordance with section 295A of the Corporations Act and have assured the Board that such declaration is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risk.

A summary of the Company's Risk Management Policy is available on the Company's website at www.ltresources.com.au.

ASX ADDITIONAL INFORMATION

Additional information required by the Australian Stock Exchange Limited Listing Rules and not disclosed elsewhere in this report is set out below.

SHAREHOLDINGS

Substantial shareholders

The number of shares held by substantial shareholders and their associated interests as at 7 September 2011 were:

SHAREHOLDER	NUMBER OF ORDINARY SHARES HELD	PERCENTAGE OF CAPITAL HELD %
Timothy R B Goyder	58,511,444	27.72
Balfes (QLD) Pty Ltd	13,300,000	6.30
Graham Kluck Management & Investment Pty Ltd	12,705,332	6.02

Class of Shares and Voting Rights

At 7 September 2011 there were 867 holders of the ordinary shares of the Company.

The voting rights to the ordinary shares set out in the Company's Constitution are:

"Subject to any rights or restrictions for the time being attached to any class or Classes of shares -

a) at meetings of members or classes of members each member entitled to vote in person or by proxy or attorney: and

b) on a show of hands every person who is a member has one vote and on a poll every person in person or by proxy or attorney has one vote for each ordinary share held."

Holders of options do not have voting rights.

Distribution of equity security holders as at 7 September 2011

CATEGORY	NUMBER OF EQUITY SECURITY HOLDERS	
	ORDINARY SHARES	UNLISTED SHARE OPTIONS
1 – 1,000	73	-
1,001 – 5,000	177	-
5,001 – 10,000	127	-
10,000 – 100,000	349	4
100,001 and over	141	5
Total	867	9

The number of shareholders holding less than a marketable parcel at 7 September 2011 was 326.

TWENTY LARGEST ORDINARY FULLY PAID SHAREHOLDERS AS AT 7 SEPTEMBER 2011

NAME	NUMBER OF ORDINARY SHARES HELD	PERCENTAGE OF CAPITAL HELD %
Timothy R B Goyder	58,511,444	27.72
Balfes (QLD) Pty Ltd	13,300,000	6.30
Graham Kluck Management & Investment Pty Ltd	12,705,332	6.02
Equinox Resources	9,000,000	4.26
Lujeta Pty Ltd <The Margaret Account>	8,937,648	4.23
Colbern Fiduciary Nominees Pty Ltd	6,955,771	3.30
Calm Holdings Pty Ltd	6,776,004	3.21
Albion Bay Pty Ltd	5,800,000	2.75
JP Morgan Nominees Australia Limited	5,682,017	2.69
Claw Pty Ltd	4,500,000	2.13
Bell Potter Nominees Ltd	3,740,000	1.77
Calama Holdings Pty Ltd	3,000,000	1.42
Pindan Exploration Pty Ltd	2,750,000	1.30
Gremlyn Pty Ltd	2,500,000	1.18
Melita Station Pty Ltd	2,056,854	0.97
Mr Michael Joseph Tuite & Mrs Helen Elizabeth Tuite	2,000,000	0.95
Dragon Gas Limited	1,500,000	0.71
Lost Ark Nominees Pty Ltd	1,500,000	0.71
Super Seed Pty Ltd	1,400,000	0.66
Octifil Pty Ltd	1,234,667	0.58
Total	153,849,737	72.89

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