



HIGHLIGHTS

Quarterly Report - 31 December 2006

Queensland

- Mt Windsor Volcanics Project
- Fort Constantine South Project

Activity

- IPO completed 27 December 2006, raising \$7.0 million.
- Drilling at the Mount Windsor Volcanics Project commenced in January 2007.
- Over 11,000 metres of reverse circulation ('RC') and diamond drilling is planned at Liontown in 2007, to validate past exploration data with the objective of defining a JORC compliant Mineral Resource.

Western Australia

- Cowan Nickel Project
- Logan's Find Project

Ground Position

- The 1,060 km² Mount Windsor Volcanics Project, including the historic Liontown mining centre, located within a prolific minerals province south of Charters Towers in Queensland.
- The 490 km² Cowan Nickel Project, situated south of the nickel mining town of Kambalda in Western Australia, interpreted to include 180 strike kilometres of komatiitic stratigraphy, the host rocks for potential sulphide nickel mineralisation.
- The 100 km² Fort Constantine South Project comprising two tenements, the most prospective area of which is located within 5 kilometres of both Xstrata Plc's Ernest Henry copper-gold mine and Exco Resources NL's E1 copper-gold deposits.
- The 56 km² Logan's Find Project comprising a single tenement, located 30 kilometres west of Kambalda, containing 13 strike kilometres of covered greenstone belt including an interpreted komatiitic unit.

CAPITAL STRUCTURE

Issued Capital:

Shares	79,000,009
Options	7,225,000

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1. MT WINDOR VOLCANICS PROJECT

The Mount Windsor Volcanics Project covers approximately 1,060 km² of prospective ground hosting the Cambro-Ordovician Mount Windsor Volcanics sequence, located south of Charters Towers in Queensland (Figure 1).

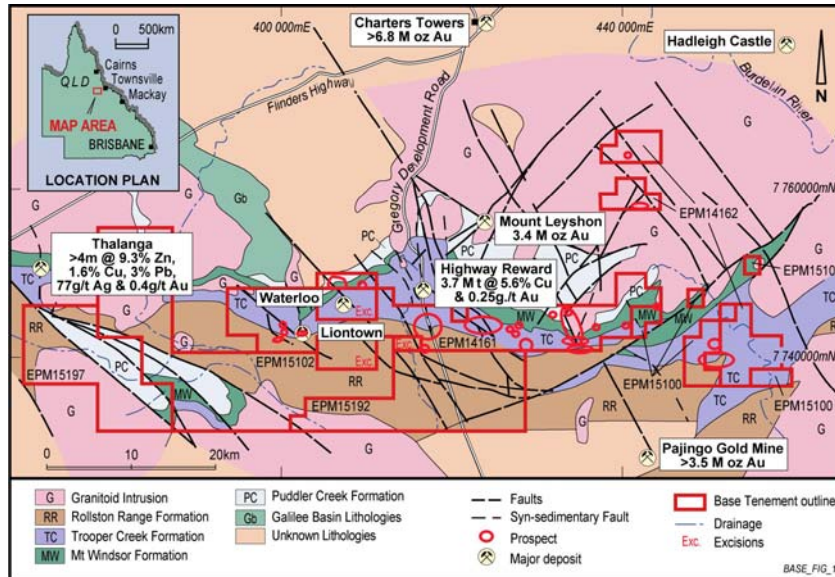


Figure 1: The Mount Windsor Volcanics Project - regional, mineral endowment, geology and prospects

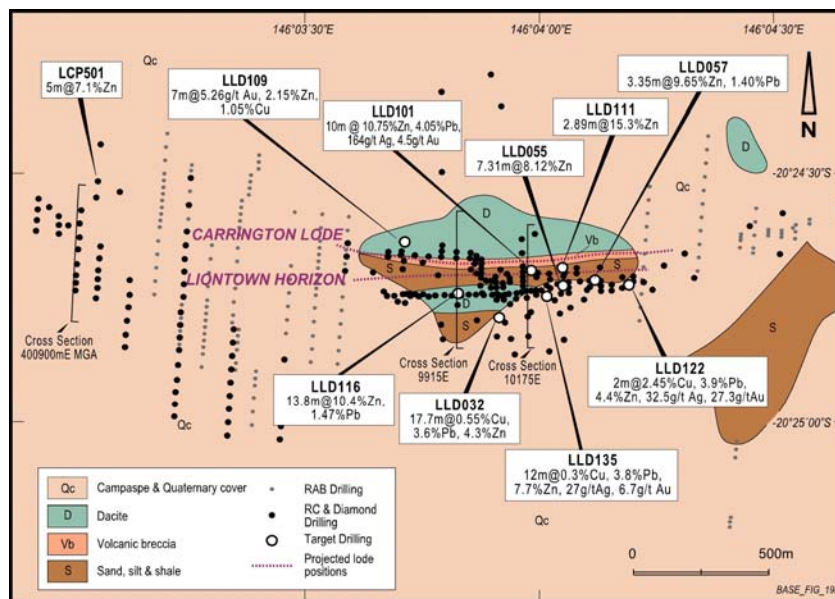


Figure 2: Liantown Prospect - outcrop geology, showing drill collars and significant drill hole intercepts

The Charters Towers area has been a prolific minerals production centre, with a mineral endowment (i.e. past production plus current Mineral Resources) of over 13 million ounces of gold, 350,000 tonnes of zinc, 300,000 tonnes of copper, 90,000 tonnes of lead and 200,000 ounces of silver.

Liontown Resources considers the Project area to be prospective for a range of deposit styles, including volcanic hosted massive sulphide ('VHMS') base metals deposits, as exhibited by Thalanga and Liantown, VHMS gold-copper deposits such as Highway-Reward, mesothermal epigenetic gold deposits such as at Charters Towers and Mount Leyshon and epithermal gold deposits similar to those at Pajingo. These deposits are all located within a 40 kilometre radius of the Project.

The Mount Windsor Volcanics sequence hosts the historic Thalanga zinc-copper-lead and Highway Reward copper-gold mines and numerous zinc-lead-copper-silver-gold resources and anomalies, including massive to semi-massive sulphide hosted base metal mineralisation at Liontown, shown in plan view in Figure 2 and in cross section in Figures 3 and 4.

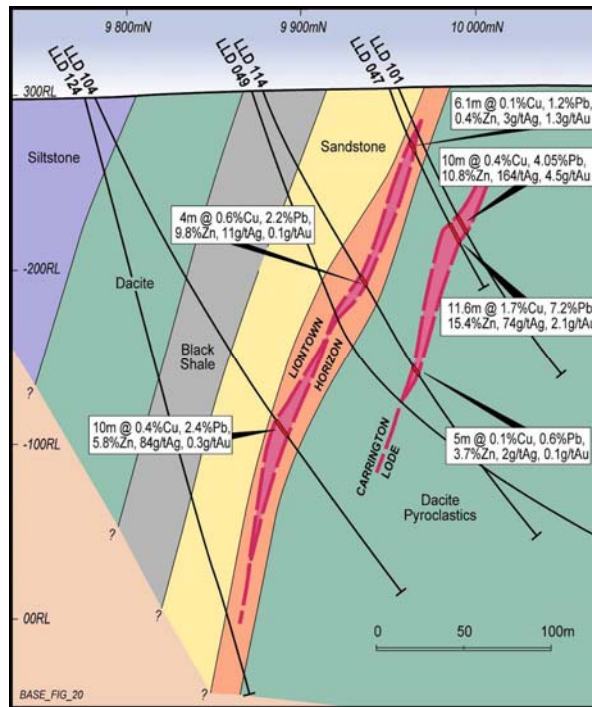


Figure 3: Liontown Prospect - cross section through 10,175mE showing the Liontown Horizon and Carrington Lode

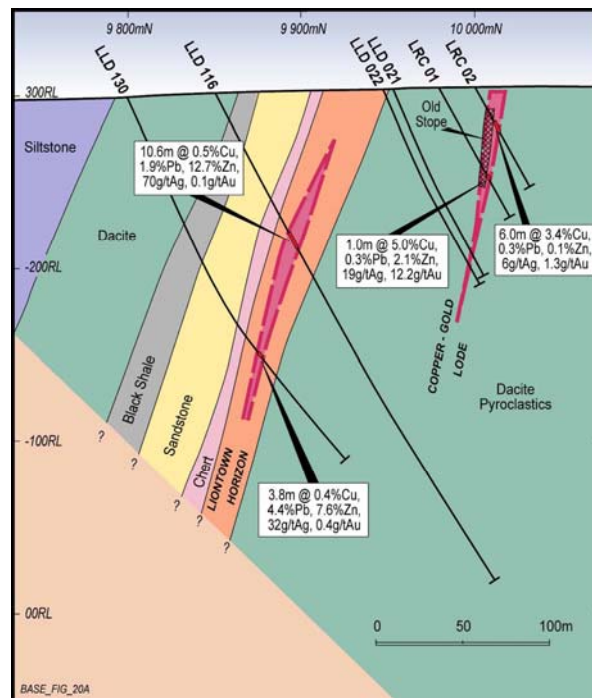


Figure 4: Liontown Prospect - cross-section through 9,915mE showing the Liontown Horizon and footwall copper-gold stringer lodes

Three types of base mineralisation have been identified at Liontown by previous explorers:

- the Liontown Horizon, comprising finely banded discontinuous lenses of semi massive sulphides (drawn in long section in Figure 5);
- the Carrington Lode, located in the footwall of the Liontown Horizon, comprising semi-massive to massive sulphides in altered tuffs and dacites (drawn in long section in Figure 6); and
- copper-gold rich stringer quartz veins within the footwall below the projected position of the Carrington Lode (Figure 4).

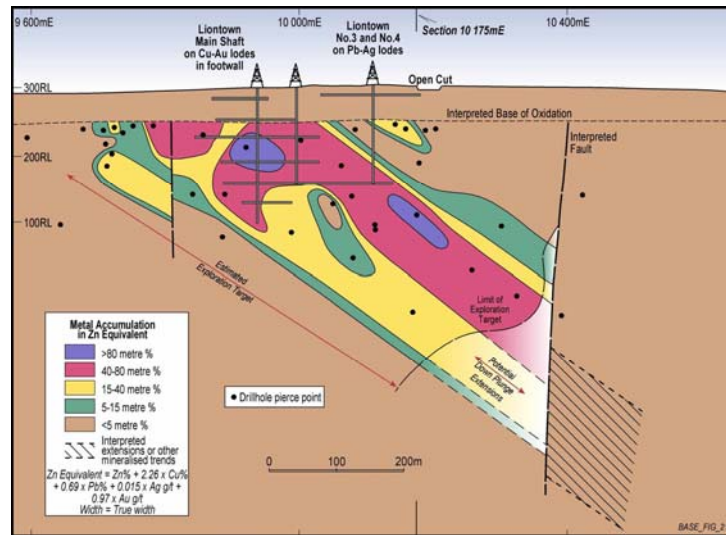


Figure 5: Liontown Prospect – Liontown Horizon, showing contours of zinc equivalent values, the exploration target area and interpreted extensions

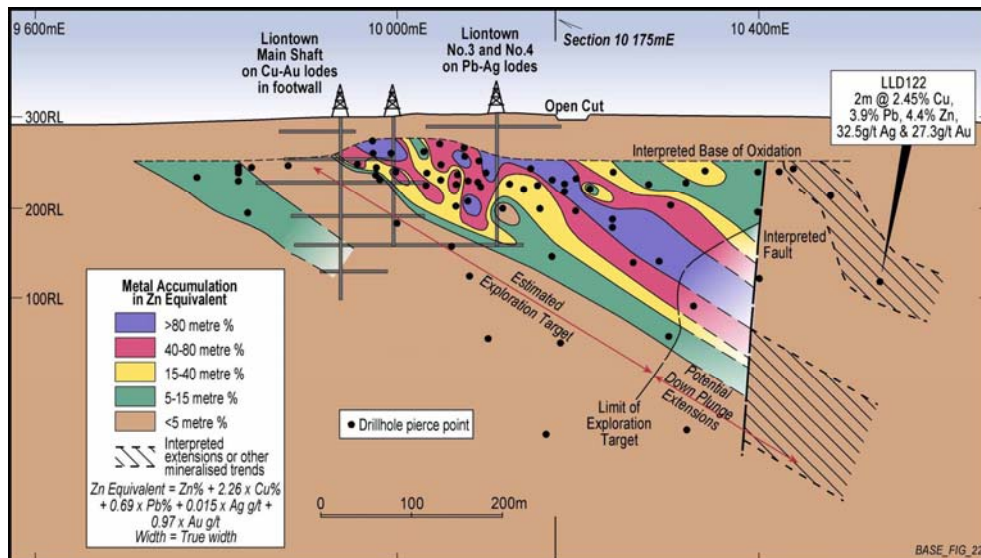


Figure 6: Liontown Prospect – Carrington Lode, showing contours of zinc equivalent values, the exploration target area and interpreted extensions

Historical drilling at Liontown suggests there is, in the Liontown Horizon and Carrington Lode, an exploration target with a potential tonnage and grade range outlined in Table 1 below. The exploration target is shown in Figure 5 (Liontown Horizon) and Figure 6 (Carrington Lode).

Exploration target range	Tonnes (million)	Grade				
		Zinc (%)	Copper (%)	Lead (%)	Silver (g/t)	Gold (g/t)
Lower Tonnage Range	1.3	8.7	0.7	2.8	55.0	1.1
Upper Tonnage Range	2.5	6.8	0.6	2.2	45.7	0.9

Table 1: Liontown mineralisation - exploration target tonnage and grade range*

* Details of the exploration target estimate are presented in detail in Section 2.4 of the Liontown Resources Limited Prospectus dated 14 November 2006. The Prospectus is available on the Company website at www.ltresources.com.au.

The assessment of the potential quantity and grade is conceptual in nature and there is insufficient data available to define a JORC compliant Mineral Resource. It is uncertain if further exploration will result in the determination of a JORC compliant Mineral Resource.

Liontown Resources has developed a work program to validate the data, including over 11,000 metres of RC and diamond drilling to confirm the historical grades and geology, and other work required to calculate a JORC compliant Mineral Resource.

In addition to the known zinc-copper-lead-silver-gold mineralisation at Liontown, a further 28 targets have been identified in the Mount Windsor Volcanics Project, including seven high-priority targets.

2. COWAN NICKEL PROJECT

The Cowan Nickel Project comprises over 490 km² of tenements south of the nickel mining town of Kambalda (Figure 7). Liontown Resources considers the Project to comprise prime exploration ground in one of Australia's pre-eminent nickel belts.

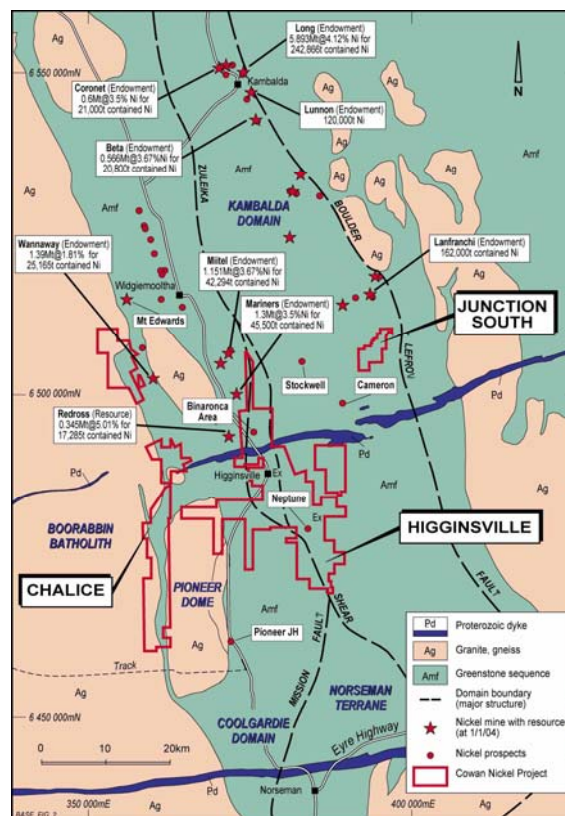


Figure 7: Cowan Nickel Project - tenement outline and regional nickel mineral endowment

The Cowan Nickel Project tenements are interpreted by the Company to include approximately 180 strike kilometres of komatiitic stratigraphy, the host rocks for potential nickel sulphide mineralisation (Figure 8). This stratigraphy includes strike extensions or thrust repetitions of the komatiitic sequences that host Mincor Resources NL’s nickel sulphide mines at Mariners, Miitel, Redross and Wannaway, on the Widgiemooltha Dome to the north and mineralisation at the Stockwell, Cameron and Pioneer JH nickel sulphide occurrences.

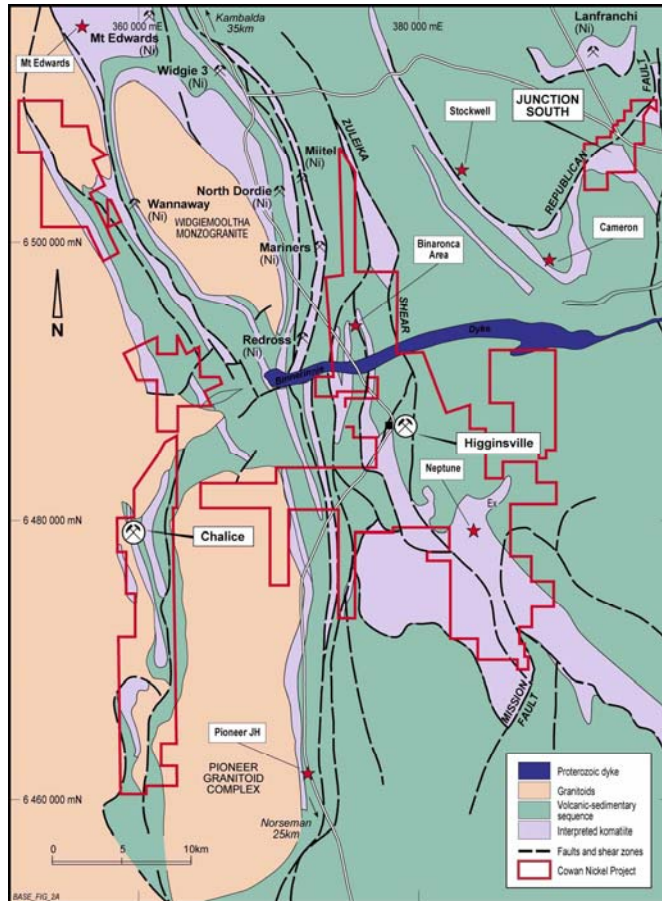


Figure 8: Cowan Nickel Project - interpreted komatiitic stratigraphy

The tenement area has been extensively explored for gold over the past twenty years. However, only three significant nickel-focused exploration programs have been recorded in the project area since the 1970’s nickel boom. Significant results reported from these programs include:

- two strong transient electromagnetic (‘TEM’) conductors at Binaronca (Figure 9), one of which is developed under cover and two TEM conductors at Neptune (Figure 10), one of which is associated with nickel-copper soil anomalism. The Neptune area is developed along strike from known fertile komatiite (i.e. komatiite with nickel-copper sulphides developed along strike);
- the identification of 10 other short strike length TEM conductors associated with komatiitic rocks, possibly sourced from massive sulphide mineralisation. There is no reported drill testing of these conductors. One of these TEM conductors is located along strike from known copper mineralisation at the historic Higginsville copper mine;
- anomalous nickel (>5000ppm) and copper (>200ppm) in ultramafic rock identified in drilling. Three areas of anomalous nickel and copper in ultramafics have been identified, with no reported detailed ground TEM surveys; and
- nickel-copper soil anomalism over mapped ultramafics, apparently untested by modern TEM or recent drilling. Four such soil anomalies have been reported.

Over 100 of the 180 strike kilometres of komatiitic stratigraphy identified within the tenement package are considered by the Company to be untested. 37 kilometres of this is interpreted as having high potential for the discovery of nickel sulphides based on the presence of nickel-copper anomalism in historical soil and drill sampling and location along strike from known nickel mines, prospects and gossans.

Liontown Resources has outlined an exploration program based on currently accepted models for the formation of komatiite-hosted nickel sulphide deposits.

This program comprises:

- drilling of five defined TEM anomalies at Binaronca (Figure 12), Neptune (Figure 13) and Junction South; and
- completing TEM coverage of the 37 kilometres of high priority nickel fertile komatiitic stratigraphy, with detailed follow-up of any resulting anomalies.

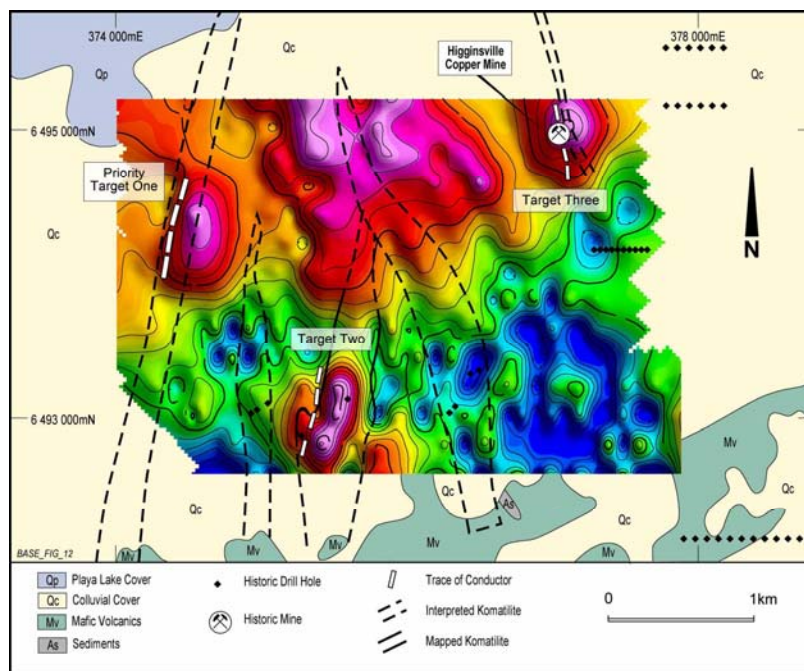


Figure 9 : Binaronca Prospect - image of TEM data, channel 36, showing target conductors

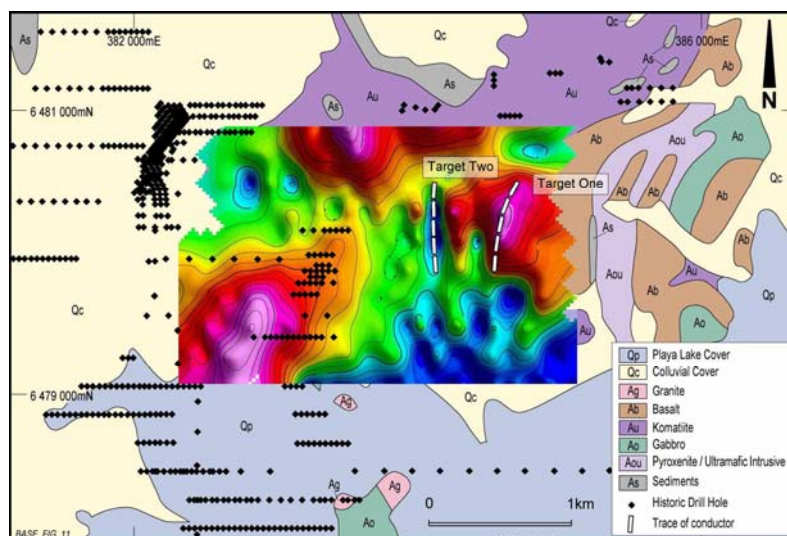


Figure 10 : Neptune Prospect - image of TEM data, channel 36, showing target conductors

3. FORT CONSTANTINE SOUTH PROJECT

The 100 km² Fort Constantine South Project comprises two tenements, the most prospective area of which is located within 5 kilometres of both Xstrata Plc’s Ernest Henry copper-gold mine and Exco Resources NL’s E1 copper-gold deposits.

The Project is located in the Eastern Succession of the Mt Isa Inlier, in north-west Queensland, approximately 25 kilometres north east of Cloncurry (Figure 11).

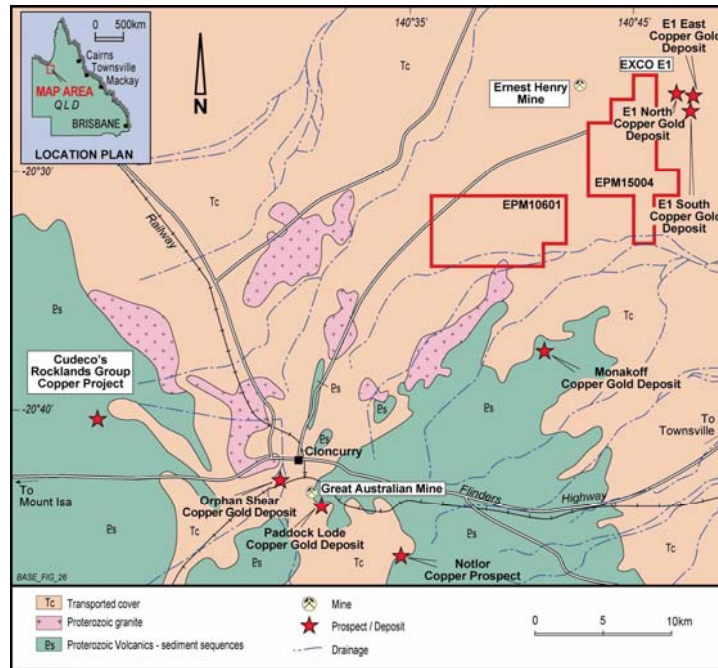


Figure 11: Fort Constantine South Project - regional location plan

The tenements cover a sequence of the mid Proterozoic Mt Fort Constantine Volcanics and Williams-Naraku granites, interpreted to be the host rocks and heat source respectively to the Ernest Henry copper-gold deposit. The tenements are covered by up to 40 metres of Tertiary sediments and recent soils. The available geology and magnetic data indicate high prospectivity for iron-oxide copper-gold mineralisation. Structures belonging to the fault suite interpreted to be associated with the mineralisation at both Ernest Henry and the E1 deposits transect the project area. Extensive areas of magnetic anomalism are developed in or adjacent to these structures.

Previous work focusing on magnetic anomalism developed in EPM10601 has intersected strong alteration and anomalous copper mineralisation in drilling at several prospects.

A series of targets has been defined, including areas of known copper anomalism requiring further work, untested magnetic anomalies (including the high priority BT8 target in Figure 12), structural targets associated with jogs in meridional structures similar to the control on Ernest Henry, and gravity targets identifying possible hematite related alteration systems. In addition to these targets recent improvements in the understanding of iron-oxide mineralising systems, as well as technological developments in electrical geophysics, provide opportunity within prospective geological terrain.

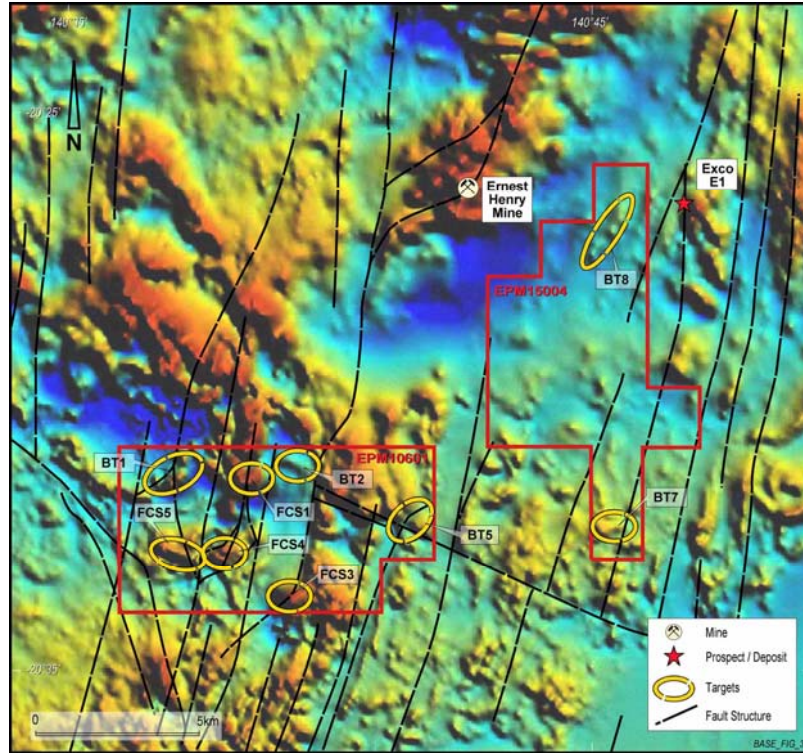


Figure 12: Fort Constantine South Project - exploration targets over total magnetic intensity

4. LOGAN'S FIND

The 56 km² Logan's Find Project comprises a single tenement located 30 kilometres west of Kambalda, in the Eastern Goldfields region of Western Australia (Figure 7). The tenement contains 13 strike kilometres of covered greenstone belt, including an interpreted komatiitic unit (Figure 13).

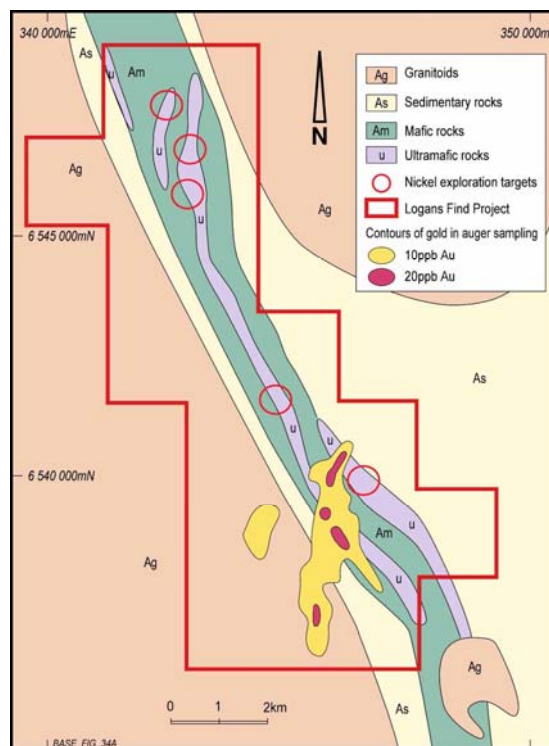


Figure 13: Logan's Find Project - interpreted geology and targets

The principal exploration models are komatiite hosted nickel sulphide deposits of the Kambalda style and Achaean lode gold.

The tenement has previously been explored for gold and nickel, including soil sampling and aircore drilling. Both gold and nickel anomalies have been identified in the area but have not been thoroughly tested.

Exploration targets have been generated from a review of data from previous explorers, including five coincident nickel-copper anomalies and a gold anomaly in the southern part of the tenement.



ANDREW BANTOCK
Managing Director

The information in this report that relates to Exploration Results is based on information compiled by Mr John McIntyre, a full-time employee of Liontown Resources Limited, who is a Member of the Australian Institute of Geoscientists. Mr McIntyre has sufficient experience in the field of activity being reported to qualify as a Competent Person as defined in the 2004 edition of the Australasian Code for Reporting of Exploration Results, Minerals Resources and Ore Reserves, and consents to the release of information in the form and context in which it appears here.

Historical exploration results - presentation parameters.

Drill hole intersections presented in Figures 2, 3 and 4 are calculated on a 1% Zinc lower cut, maximum 2m of internal waste.

The intersection in LCD501 (Figure 2) is calculated using a 3% zinc lower cut, maximum 3m of internal waste.

Metal accumulation in Figures 5 and 6 is based on a 5% zinc equivalent cut off, 1m internal waste. Hole prefixes indicate the following drill method, operating company and era:

LLD001 to LLD060	Diamond Drill Holes	Nickel Mines	1970-1971
LLD101 to LLD127	Diamond Drill Holes	Esso	1982-1984
LLRC001 to LLRC050	Reverse Circulation Holes	Great Mines	1987-1987
LLD128 to LLD137	Diamond Drill Holes	Pancontinental	1994-1995