

**LIONTOWN RESOURCES LIMITED**

**ABN 39 118 153 825**

**Half Year Report  
31 December 2006**

# Liontown Resources Limited

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# Liontown Resources Limited

## Directors' Report

### DIRECTORS' REPORT

Your directors submit the financial report of the Company for the half year ended 31 December 2006. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

#### Directors

The names of directors who held office during or since the end of the half year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Timothy R B Goyder	Non-Executive Chairman	
Andrew R Bantock	Managing Director	
John R McIntyre	Executive Director	
Anthony W Kiernan	Non-executive Director	
Craig R Williams	Non-executive Director	Appointed 14 November 2006

#### Review of Operations

Liontown Resources Limited ('Liontown Resources' or 'the Company') listed on the Australian Stock Exchange on 27 December 2006, after raising \$7,000,000 via an initial public offering.

Liontown Resources has a portfolio of base metals projects including:

- The 1,060 km<sup>2</sup> Mount Windsor Volcanics Project, including the historic Liontown mining centre, located within a prolific minerals province south of Charters Towers in Queensland.
- The 490 km<sup>2</sup> 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 km<sup>2</sup> 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 km<sup>2</sup> 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.

Over 11,000 metres of reverse circulation and diamond drilling is planned at Liontown in 2007 to validate past exploration data with the objective of defining a JORC compliant Mineral Resource.

Drilling at the Mount Windsor Volcanics Project commenced in January 2007.

On 10 November 2006, Liontown Resources Limited entered into a sale and purchase deed in respect of its Strelley River tenements with CBH Panorama Pty Ltd, SIPA Resources (1987) Pty Ltd, Ashling Resources NL, CBH Resources Ltd, Uranium Equities Limited and GE Resources Limited. Pursuant to the deed, the sale of the Strelley River tenements will be satisfied by the issue of fully paid ordinary shares in CBH Resources Ltd, to the value of \$620,000. The sale of these tenements is conditional upon Ministerial consent being obtained, which had not occurred as at the date of this report.

# Liontown Resources Limited

## Directors' Report

### Auditor's Independence Declaration

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the company with an Independence Declaration in relation to the review of the half-year financial report. This Independence Declaration is set out on page 5 and forms part of this directors' report for the half-year ended 31 December 2006.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to s.306(3) of the Corporations Act 2001.



ANDREW R BANTOCK  
Managing Director

Dated at Perth this 8<sup>th</sup> day of March 2007.

## Auditor's Independence Declaration

As lead auditor for the review of the financial report of Liontown Resources Limited for the half year ended 31 December 2006, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Liontown Resources Limited.

*HLB Mann Judd*

**HLB MANN JUDD**  
Chartered Accountants

*L Di Giallonardo*

**Perth, Western Australia**  
**8 March 2007**

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

Liontown Resources Limited  
**Condensed Income Statement**  
For the half year ended 31 December 2006

	Note	2006 \$	2005 \$
Revenue		16,604	-
Impairment losses on exploration and evaluation expenditure		-	-
Corporate administrative expenses	3	(201,039)	-
Finance costs		(4,865)	-
<b>(Loss) before tax</b>		<b>(189,300)</b>	<b>-</b>
Income tax expense/benefit		-	-
<b>(Loss) for the period</b>	3	<b>(189,300)</b>	<b>-</b>
Basic earnings/(loss) per share attributable to ordinary equity holders		(0.03)	-
Diluted earnings/(loss) per share attributable to ordinary equity holders		(0.03)	-

Liontown Resources Limited  
**Condensed Balance Sheet**  
As at 31 December 2006

	Note	31 December 2006	30 June 2006
		\$	\$
<b>Current Assets</b>			
Cash and cash equivalents		6,731,981	1,778
Trade and other receivables		423,044	-
<b>Total current assets</b>		<b>7,155,025</b>	<b>1,778</b>
<b>Non-current assets</b>			
Property, plant and equipment		16,331	-
Exploration and evaluation assets	4	8,909,440	-
Assets held for sale	5	621,853	-
<b>Total non-current assets</b>		<b>9,547,624</b>	<b>-</b>
<b>Total assets</b>		<b>16,702,649</b>	<b>1,778</b>
<b>Current Liabilities</b>			
Trade and other payables		1,699,468	-
Interest bearing liabilities		42,046	19,622
Employee benefits		7,138	-
<b>Total current liabilities</b>		<b>1,748,652</b>	<b>19,622</b>
<b>Total liabilities</b>		<b>1,748,652</b>	<b>19,622</b>
<b>Net assets</b>		<b>14,953,997</b>	<b>(17,844)</b>
<b>Equity</b>			
Issued capital	6	14,982,861	2
Accumulated losses	6	(207,146)	(17,846)
Reserves	6	178,282	-
<b>Total Equity</b>		<b>14,953,997</b>	<b>(17,844)</b>

Liontown Resources Limited  
**Condensed Statement of Changes in Equity**  
For the half year ended 31 December 2006

	Note	Share capital \$	Accumulated losses \$	Share based payments reserve \$	Total equity \$
Balance at 30 June 2006		2	(17,846)	-	(17,844)
Issue of fully paid ordinary shares - tenement acquisition		3,400,000	-	-	3,400,000
Issue of fully paid ordinary shares - share conversion		5,400,002	-	-	5,400,002
Issue of fully paid ordinary shares - initial public offering		7,000,000	-	-	7,000,000
Transaction costs		(817,143)	-	-	(817,143)
Underwriter's and Consultant's share options vested		-	-	158,983	158,983
Employee share options vested		-	-	19,299	19,299
Loss for the period		-	(189,300)	-	(189,300)
Balance at 31 December 2006	6	14,982,861	(207,146)	178,282	14,953,997

Liontown Resources Limited  
**Condensed Cash Flow Statement**  
For the half year ended 31 December 2006

	2006 \$	2005 \$
<b>Cash flows from operating activities</b>		
Cash paid to suppliers and employees	(63,887)	-
Interest paid	(197)	-
Interest received	16,604	-
<b>Net cash used in operating activities</b>	<b>(47,480)</b>	<b>-</b>
<b>Cash flows from investing activities</b>		
Payments for mining exploration and evaluation	(38,605)	-
Acquisition of property, plant and equipment	(4,435)	-
<b>Net cash used in investing activities</b>	<b>(43,040)</b>	<b>-</b>
<b>Cash flows from financing activities</b>		
Net proceeds from issue of shares	6,840,346	-
Proceeds from borrowings	266,190	-
Repayment of borrowings	(285,813)	-
<b>Net cash from financing activities</b>	<b>6,820,723</b>	<b>-</b>
Net increase in cash and cash equivalents	6,730,203	-
Cash and cash equivalents at the beginning of the period	1,778	-
<b>Cash and cash equivalents at 31 December 2006</b>	<b>6,731,981</b>	<b>-</b>

Liontown Resources Limited  
**Notes to the Financial Statements**  
For the half year ended 31 December 2006

1. Significant accounting policies

(a) Statement of compliance

The half-year financial statements are a general purpose financial report prepared in accordance with the requirements of the *Corporations Act 2001*, applicable accounting standards including AASB 134: Interim Financial Reporting and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). Compliance with AASB 134 ensures compliance with IAS 34 'Interim Financial Reporting'.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2006 and any public announcements made by Liontown Resources Limited during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

The half-year report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Company as in the full financial report.

For the purpose of preparing the half-year report, the half-year has been treated as a discrete reporting period.

(b) Basis of preparation

The half-year report has been prepared on a historical cost basis, except for land and buildings, derivative financial instruments and available-for-sale financial assets which are measured at fair value. Cost is based on the fair value of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2006 annual financial report for the financial year ended 30 June 2006.

In the half-year ended 31 December 2006, 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 2006.

It has been determined by the Company that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Company accounting policies.

2 Segment reporting

The Company currently only operates in one business segment and one geographical segment being the mining and exploration industry in Australia.

3 Loss before income tax expense

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

	2006	2005
	\$	\$
ASX Fees	41,674	-
Audit Fees	1,800	-
Depreciation and amortisation	268	-
Personnel expenses	40,261	-
Insurance	39,057	-
Legal Fees	9,871	-
Share registry	19,817	-
Recruitment	30,752	-
Other	17,539	-
<b>Total</b>	<b>201,039</b>	<b>-</b>

Liontown Resources Limited  
**Notes to the Financial Statements**  
For the half year ended 31 December 2006

4	Exploration and evaluation expenditure	Note	31 December 2006 \$
	Cost brought forward		-
	Acquisition of tenements		9,418,755
	Expenditure incurred during the period		112,538
	Impairment of exploration and evaluation expenditure		-
	Assets held for sale reclassified	5	(621,853)
	<b>Total</b>		<b>8,909,440</b>

5 **Assets held for sale**

On 10 November 2006, Liontown Resources Limited entered into a sale and purchase deed in respect of its Strelley River tenements with CBH Panorama Pty Ltd, SIPA Resources (1987) Pty Ltd, Ashling Resources NL, CBH Resources Ltd, Uranium Equities Limited and GE Resources Limited. Pursuant to the deed, the sale of the Strelley River tenements will be satisfied by the issue of fully paid ordinary shares in CBH Resources Ltd, to the value of \$620,000. The sale of these tenements is conditional upon Ministerial consent being obtained, which had not occurred as at the date of this report.

6 **Issued capital**

	Share capital \$
Balance at 30 June 2006	2
Issue of shares - tenement acquisitions	3,400,000
Issue of shares - share conversion	5,400,002
Issue of shares - initial public offering	7,000,000
Less costs of issue	(817,143)
Balance at 31 December 2006	<b>14,982,861</b>

  

	Ordinary shares
	<b>31 December 2006</b>
On issue at 1 July	2
Initial public offering	35,000,000
Tenement acquisition and share conversion	44,000,007
On issue at 31 December	<b>79,000,009</b>

# Liontown Resources Limited

## Directors' Declaration

The directors of the Company declare that:

1. The financial statements and notes thereto, as set out on 6 to 11:
  - a. comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations; and
  - b. give a true and fair view of the Company's financial position as at 31 December 2006 and of its performance for the half-year then ended.
2. In the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with a resolution of the Board of Directors made pursuant to s.303(5) of the Corporations Act 2001.

Dated this 8<sup>th</sup> day of March 2007



ANDREW R BANTOCK  
Managing Director

## **INDEPENDENT AUDITOR'S REVIEW REPORT**

**To the members of  
Liontown Resources Limited**

### **Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report, which comprises the condensed balance sheet as at 31 December 2006, the condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration, of Liontown Resources Limited.

#### ***Directors' Responsibility for the Half-Year Financial Report***

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### ***Auditor's Responsibility***

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001*, including giving a true and fair view of the company's financial position as at 31 December 2006 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Liontown Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

***Independence***

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001* has been provided to the directors of Liontown Resources Limited on 8 March 2007.

***Conclusion***

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Liontown Resources Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the company's financial position at 31 December 2006 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



**HLB MANN JUDD**  
**Chartered Accountants**



**L DI GIALLONARDO**  
**Partner**

**Perth, Western Australia**  
**8 March 2007**