

Quarterly Report

for the period ended 30 September 2007



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- Mount Windsor ground position trebled, now covering over 100 km of strike
 - Step-out drilling continues at Liontown
 - Regional drilling planned for 5 x 5 km "Liontown block"
 - Drilling planned at Cowan Nickel Project
 - Vince Gauci, Doug Jones join the board
 - \$3.2 million of new capital raised
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Increased Ground Position at Mount Windsor

The Company trebled its ground position at the Mount Windsor Volcanics Project from approximately 1,060km² (at the time of the Company's IPO) to over 3,200km².

Liontown Resources now holds over 100 km of strike of the Mount Windsor Volcanics stratigraphy (over 80% of the belt), extending from within 5 km of Kagara Zinc Limited's Thalanga Mine in the west, to due south of Resolute Mining Limited's Ravenswood Mine in the east.

Mount Windsor Regional Exploration

A number of regional exploration targets have been identified within the Mount Windsor Volcanics Project, with data compilation and interpretation defining a number of potential drill targets.

Initial focus will be applied on the 5 x 5 km Liontown block, where previously identified prospect areas at Tigertown, Cougartown, Leopardtown and Oakvale (and adjacent areas) have been the subject of only limited surficial drilling.

A 25,000 metre RAB/RC drilling program is planned, to commence after the wet season.

Step-out Drilling

Step-out drilling continued on the along-strike and down-dip extensions of the Liontown Horizon and Carrington Lode. Drilling will continue, weather permitting, through to Christmas. A diamond drilling rig is currently on site, working double shift.

Cowan Nickel

Following a detailed review and "ground truthing" of ultramafic stratigraphy across the project, key basal contact areas have been identified for ground TEM surveying and drilling.

South Chalice and South Binaronca will be the initial focus of RC drilling targeting Kambalda style sulphide nickel occurrences. Application is being made to commence drilling prior to the end of 2007.

Corporate

Dr Doug Jones commenced as Exploration Director and Mr Vince Gauci joined the Company as Non-executive Director.

The Company has received commitments to place 11,850,000 shares at \$0.27 to raise \$3.2 million to sophisticated and professional investors.

Andrew Bantock
Managing Director
17 October 2007

1.0 MOUNT WINDSOR VOLCANICS PROJECT - LIONTOWN PROSPECT (100% LIONTOWN RESOURCES LIMITED)

1.1 Liontown Resource Estimate

Liontown Resources commenced drilling in January 2007, with the objective of validating historical drilling results and providing additional information from infill drilling to enable a resource to be estimated at Liontown.

Validation and infill drill holes were completed by August 2007 and have confirmed the results of historical drilling in terms of grades and thicknesses within the known Liontown and Carrington Lodes and provided improved quality assurance/quality control data for a JORC compliant resource estimate.

Independent technical consultants have been engaged to develop the Company's maiden resource statement, which is expected to be completed during the next quarter.

1.2 Liontown Step-out Drilling

Significant intercepts for results of step-out drilling at Liontown received from 1 July 2007 are reported in table 1 below.

Hole #	Lode	From	To	Interva	Recov %	Zn %	Pb %	Cu %	Ag ppm	Au ppm
LTD0024	Liontown	616	623.2	7.2	100	3.42	1.17	0.39	19.3	0.09
including	Liontown	619	620.5	1.5	100	6.85	3.38	0.52	48	0.17
including	Liontown	622.4	623.2	0.8	100	6.46	1.94	0.85	31	0.12
LTD0025	Liontown	580.2	581.4	1.2	100	14.89	0.73	1.49	12	0.09
LTD0026	Liontown	163	163.7	0.7	100	13.41	7.53	0.66	192	2.42
LTD0027 †	Liontown	107	108	1.0	100	1.37	0.15	0.23	4	0.15
	Carrington	138.2	143	4.8	100	2.23	0.77	0.04	1.66	0.2
	Footwall	177	179	2	100	2.42	1.86	1.72	23.9	4.79

All samples are of ½ NQ2 core.
 Base metal and silver assays were determined by AAS; gold assays by fire assay.
 No upper cuts have been applied.
 * Assay results outstanding at the date of this report. † Part of drill hole assays yet to be received.

Table 1: Significant Intersections, holes LTD00023-27

Results from the initial step-out holes suggest that although the known sulphide lenses reduce down plunge there are encouraging indications of increasing grades along strike on the eastern extension of the Carrington Lode and at depth on the Liontown Horizon. This supports the potential for further lenses of zinc-rich massive sulphide to develop along the Liontown and Carrington Lode positions and will be a focus for future exploration.

Long sections for each system are plotted in figure 1 (for the Liontown Horizon) and figure 2 (for the Carrington Lode).

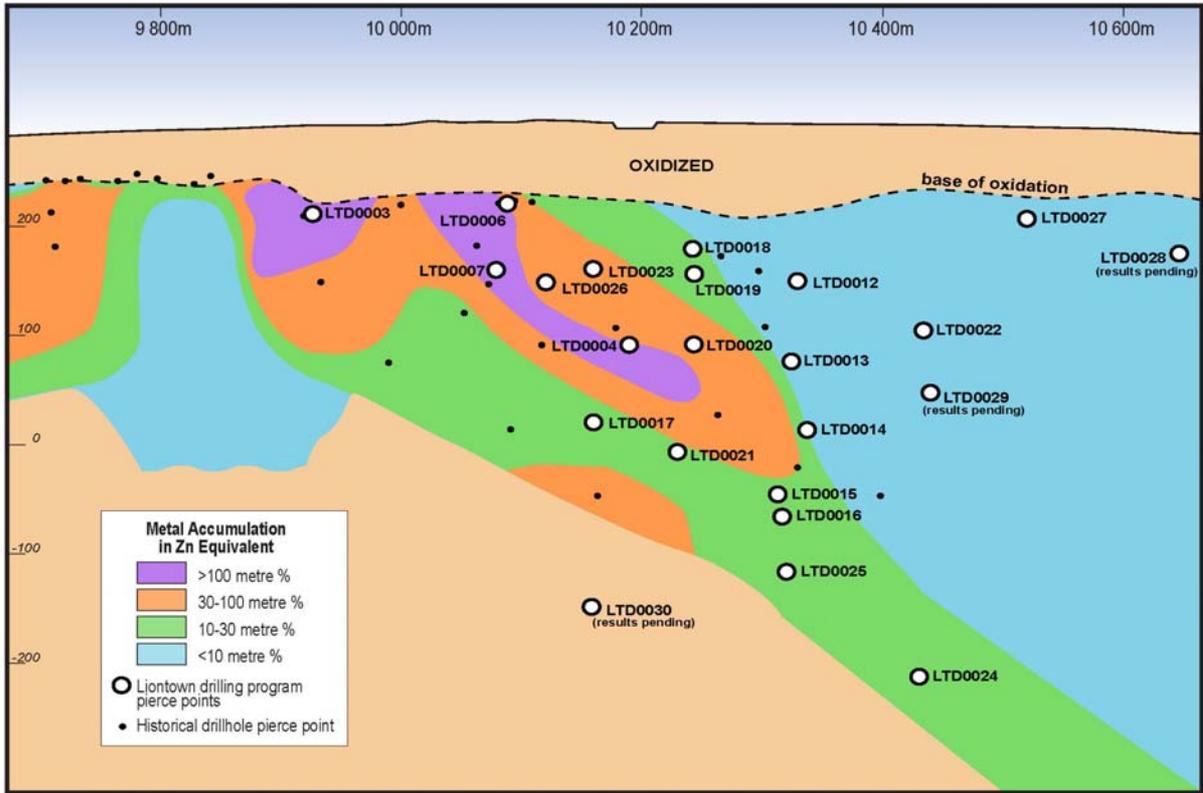


Figure 1: Long section along the Liontown Horizon ¹.

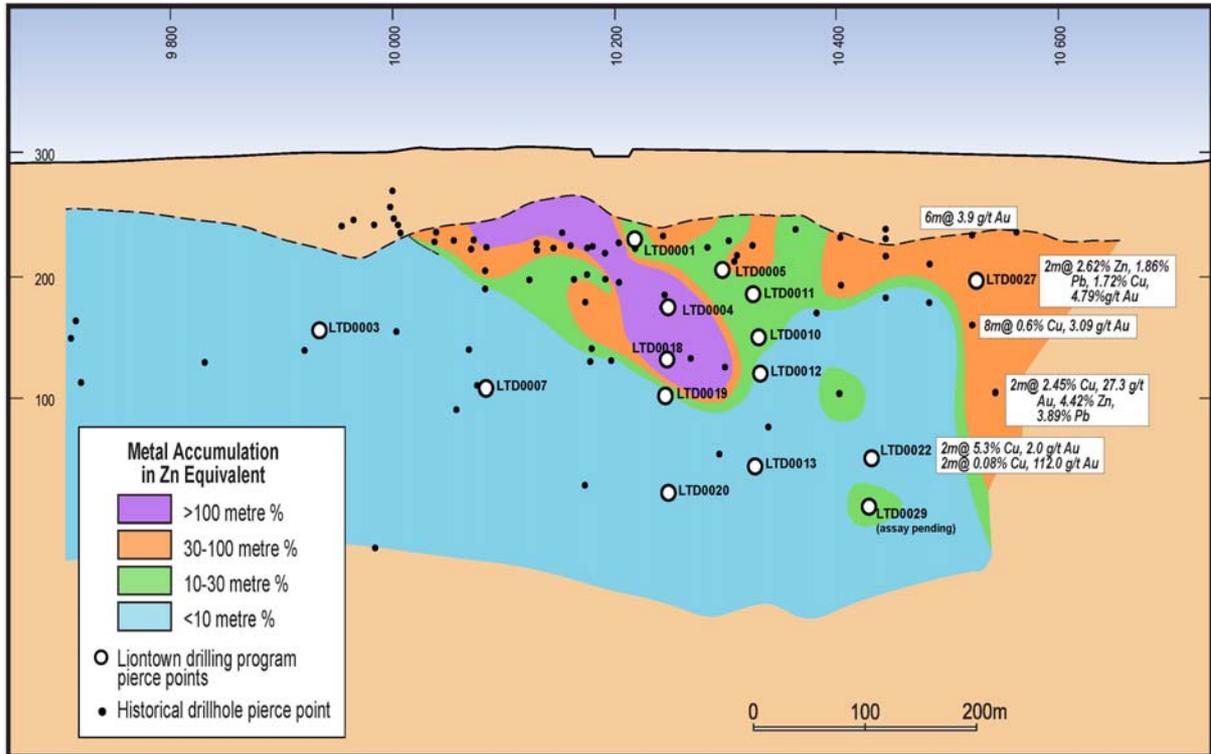


Figure 2: Long section along the Carrington Lode ¹.

Note 1. Zinc equivalence formula and assumed metal prices/recoveries applied to generate long section images are detailed at page 8 of this report

1.3 Regional Ground Position

During the period, the Company trebled its ground position at its Mount Windsor Volcanics Project.

The total project area has increased from 1,060km² to over 3,200km² and importantly, extends the line of strike coverage of the key geological sequences from 80 km at the time of the Company’s Initial Public Offering, to over 100 km (Figure 3).

The project area is regarded as being prospective for Thalanga style copper-lead-zinc deposits, Highway Reward style copper-gold deposits and a wide range of mesothermal to epithermal gold deposits related to Devonian to Carboniferous igneous activity.

Both the Mount Leyshon and Ravenswood-Pajingo structural corridors, regarded as being major controls on the gold mineralisation in the region, run through the Company’s ground position.

These corridors will be of particular focus as the exploration program is developed.

A regional exploration program will commence at the Mount Windsor Volcanics Project during the forthcoming quarter, where many historical mineral occurrences are noted on the Queensland Department of Mines and Energy database (see Figure 4).

The program will focus on the 100 km of strike along the Mount Windsor Volcanics stratigraphic sequence as well as on the 5 x 5 km block around Liontown.

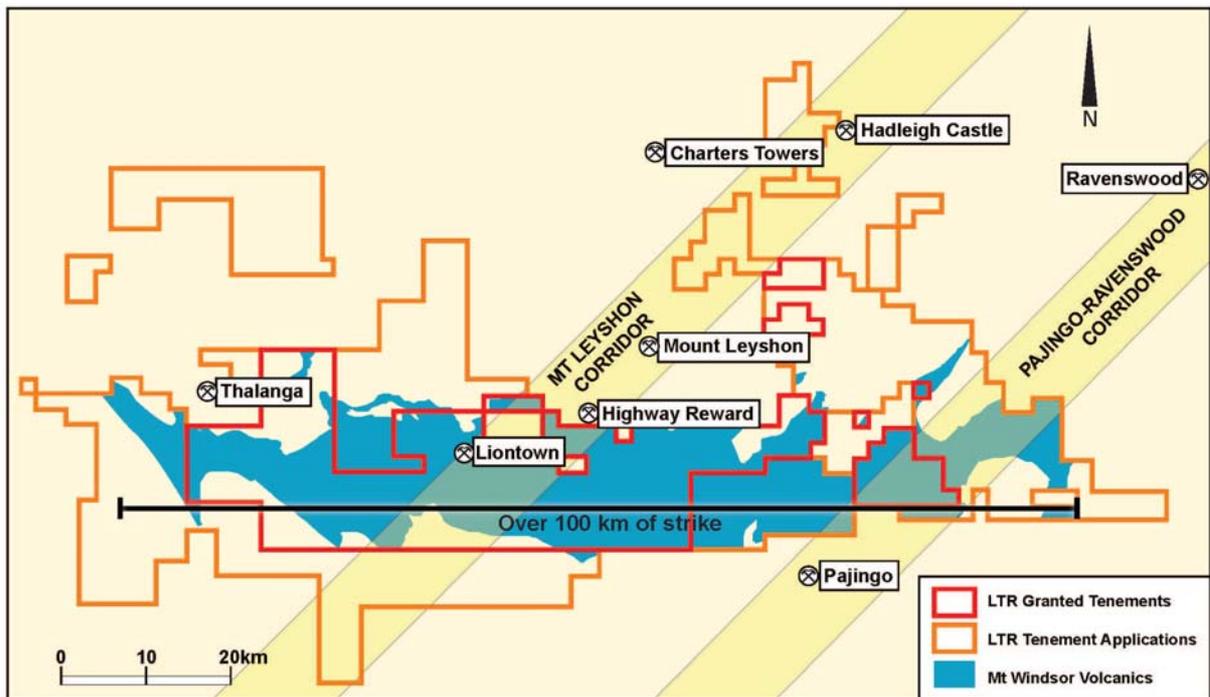


Figure 3: Mount Windsor Volcanics ground position

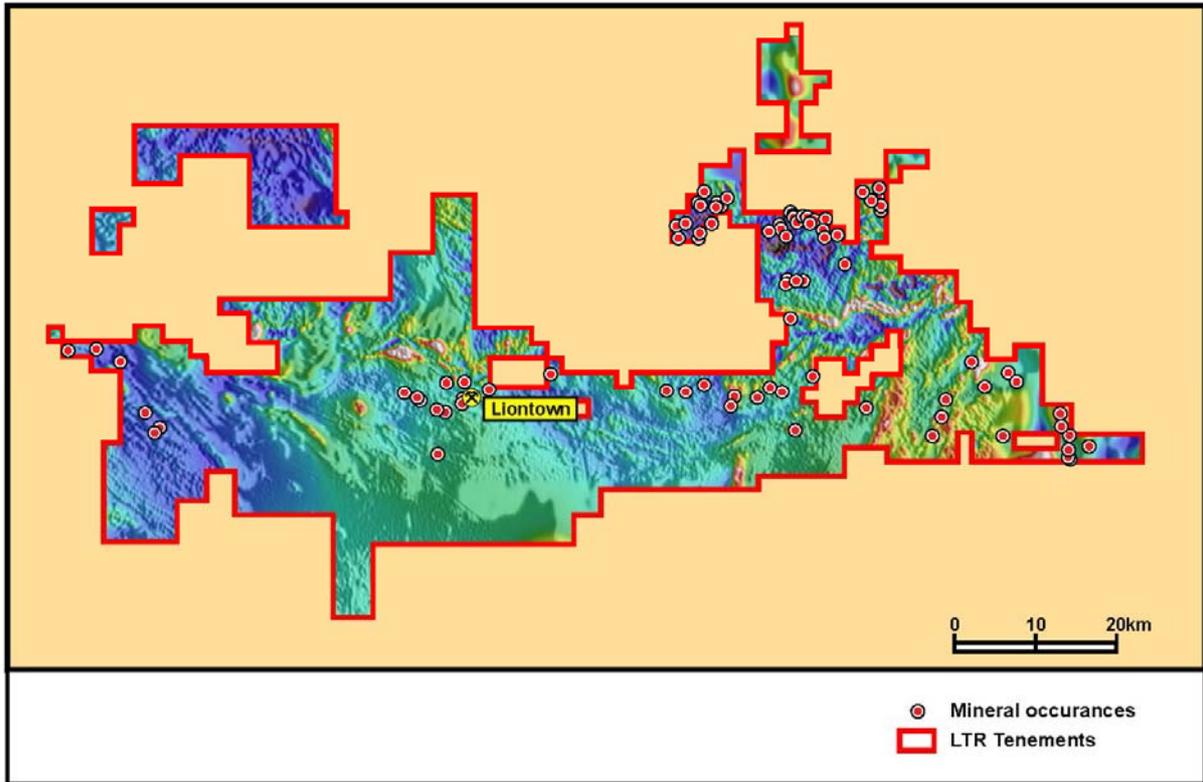


Figure 4: Airmag image of project area and known mineral occurrences per the Queensland Department of Mines and Energy database

1.4 Liontown Area - Commencing the regional program

Following an initial review of historical exploration data sets and modern geophysics, a 5 x 5 km block surrounding Liontown has already been prioritised for a 25,000 metre RAB/RC drilling program, commencing after the wet season.

Whilst four prospects (Cougartown, Tigertown, Leopardtown and Oakvale) were originally identified by previous explorers within this block, all have only been superficially explored with limited drilling deeper than 150 metres outside of the main Liontown prospect (Figure 5).

Despite some encouraging zinc and gold intersections in several of these deeper drill holes, little to no follow-up was conducted.

Future exploration will test the potential for additional mineralisation associated with the known prospects, and assess the potential for a large interconnected system of gold and base metal mineralisation under cover.

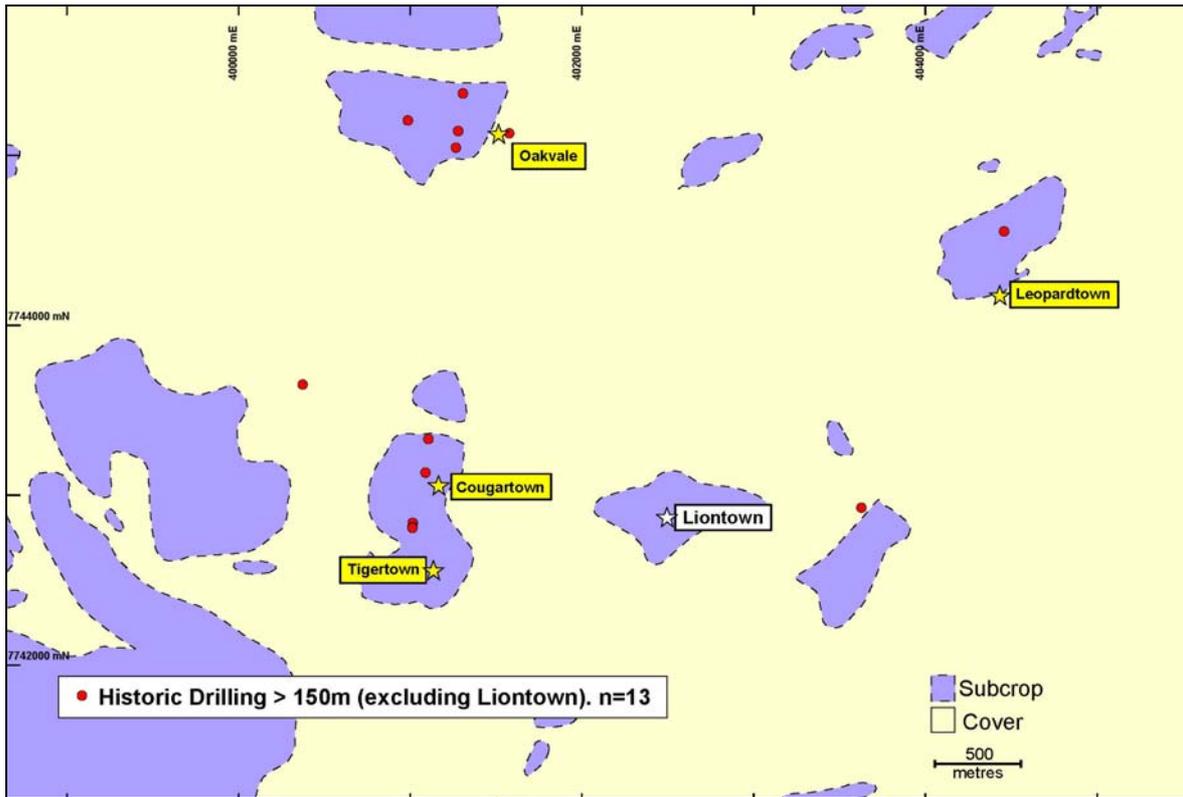


Figure 5: Historical drilling below 150m vertical depth, 5 x 5 km Liontown block (excluding Liontown itself). A total of 13 historical holes have exceeded 150 metres depth

1.5 Mount Windsor Regional - VTEM Survey

A helicopter-borne VTEM (Versatile Time-Domain ElectroMagnetics) survey was flown over approximately 60 km of the 100 km of strike held by Liontown Resources along the key Mount Windsor Volcanics stratigraphic sequence in June 2007.

The survey was undertaken to identify conductive zones potentially related to sulphide mineralisation within the Mount Windsor Volcanics Project, particularly along the prospective Thalanga, Waterloo and Liontown horizons. A secondary objective was to map conductive overburden in an attempt to determine its extent and thickness, and hence its possible impact on previous exploration.

The results from the survey are still being interpreted by the Company’s geophysical consultants. However, a preliminary assessment indicates the survey has identified a number of discrete bedrock conductors which may reflect sulphide concentrations.

Two high priority targets, including one immediately west of the known Liontown mineralisation (ie. between Liontown and Tigertown), have been highlighted for immediate follow-up.

The VTEM has also accurately mapped the thickness of cover sequences, which will greatly assist in the planning of future work in the extensive areas covered by younger, sedimentary cover sequences.

2.0 COWAN NICKEL PROJECT - NICKEL (100% LIONTOWN RESOURCES LIMITED)

Work by Newexco Services Pty Ltd ('Newexco') during the period, has focused on gaining a better understanding of the ultramafic stratigraphy within the Company's ground position and assessing previous exploration, particularly the results of historical geophysical surveys.

Based on new geological mapping, the position of the base of the various ultramafic packages has been defined with much greater precision than previously. This 'basal contact' is the focus for many of the known deposits in the district, such as the Miitel deposit located north of Liontown Resources' tenements.

From this, several Kambalda style sulphide nickel targets have been delineated at South Binaronca (Figure 6) and South Chalice (Figure 7) comprising TEM and geochemistry anomalies on the basal contact. Application is being made with the relevant authorities to enable drilling on these targets to commence prior to the end of 2007.

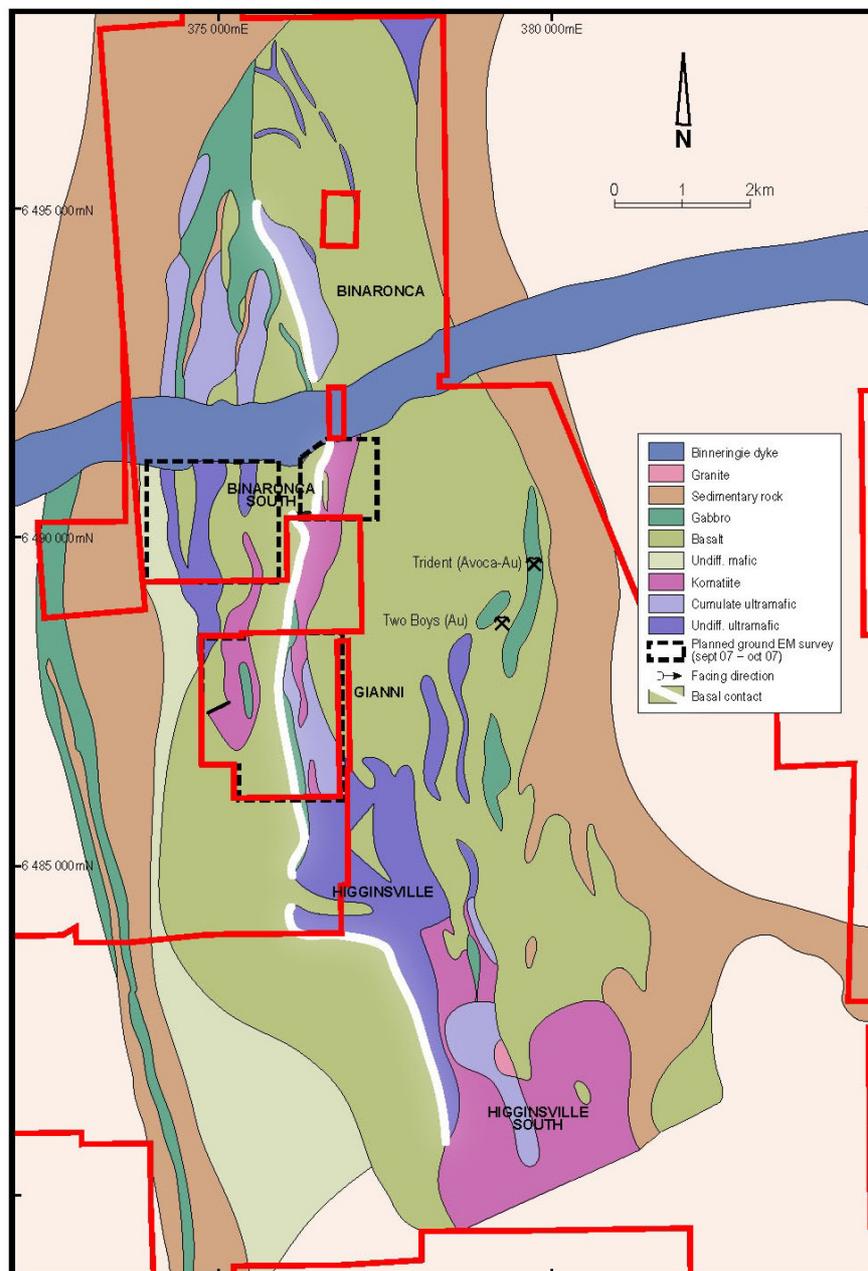


Figure 6: Cowan Nickel Project - Binaronca to Higginsville South, showing ultramafic basal contact and areas of immediate ground TEM geophysical survey coverage

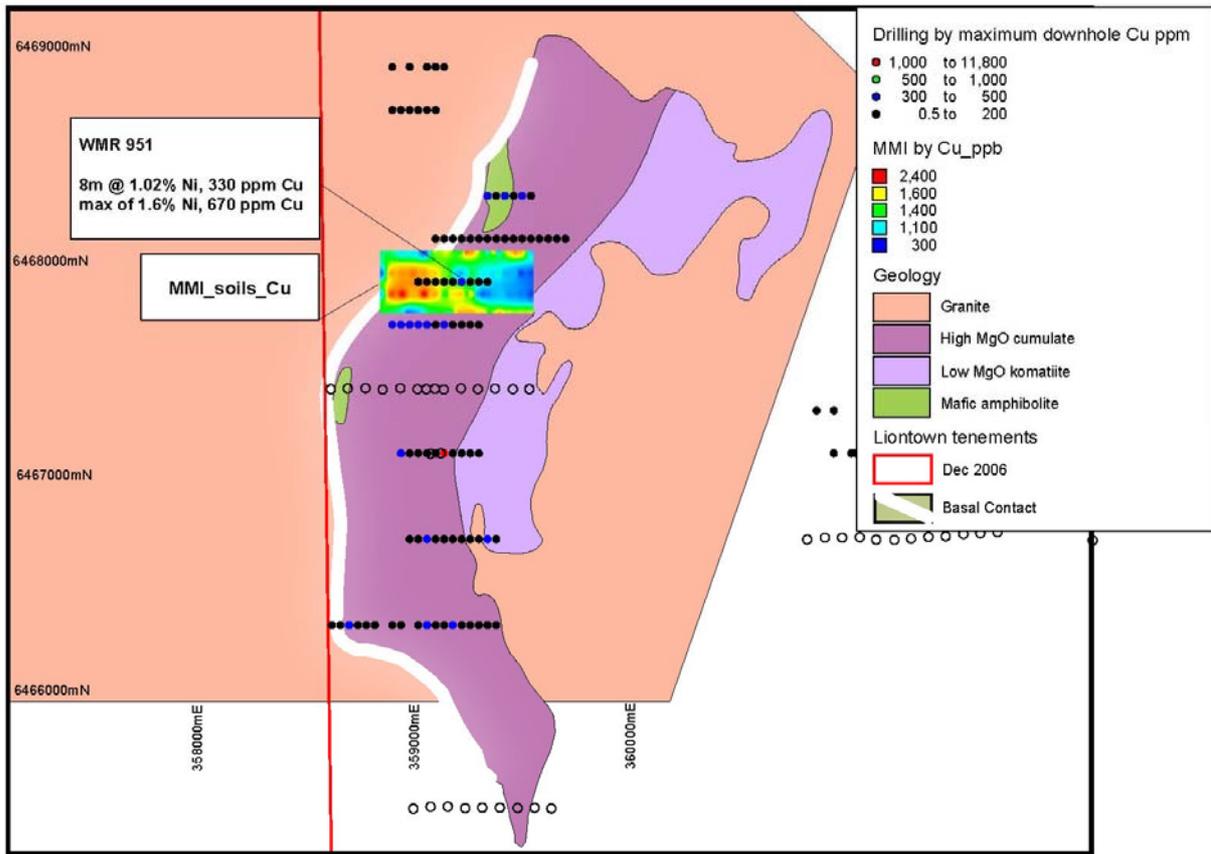


Figure 7: Cowan Nickel Project - Chalice South geology and geochemistry

3.0 CORPORATE

3.1 Board and Management Changes

During August 2007, Mr Vince Gauci joined the Board as a Non-executive Director.

Mr Gauci is well known in the mining industry as the former Managing Director of M.I.M. Holdings Ltd and Pancontinental Mining Ltd, and is currently the Chairman of Gallipoli Mining. He is also currently a director of Coates Hire Limited.

Mr Gauci graduated from the University of NSW with an Honours Degree in B.E. (Mining) and has been a leader in the resources industry both in Australia and overseas for many years.

In addition to his Board roles, Mr Gauci is involved in a number of community and research programs. He is currently Chairman of the Broken Hill Community Foundation and the Centre for Low Emission Technology.

Newly appointed Exploration Director, Dr Doug Jones who commenced in September 2007, has now been joined by new Exploration Manager, Jordan Lockett. Until recently, Jordan was Exploration Manager of Equigold Limited. New Queensland Exploration Manager, James Patterson, will also commence during October 2007.

Doug, Jordan and James were all previously part of the technical team at Delta Gold Limited.

3.2 Capital Raising

During October 2007, the Company received verbal firm commitments to place 11,850,000 shares at \$0.27 to raise \$3.2M. Southern Cross Equities arranged the placement to a number of sophisticated and professional investors.

The information in this report that relates to Exploration Results is based on information compiled by Dr Doug Jones, a full-time employee and Director of Liontown Resources Limited, who is a Member of the Australian Institute of Mining and Metallurgy and is a Registered Professional Geologist. Dr Jones 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.

Zinc equivalence formula used in long section calculations is as follows: $ZnE\% = Zn\% + 0.43 \cdot Pb\% + 1.76 \cdot Cu\% + 0.01Ag \text{ ppm} + 0.76 \text{ Au ppm}$. Metal prices assumed include zinc - US\$1.50/lb, lead - US\$0.60/lb, copper - US\$2.50/lb, silver - US\$12/oz and gold US\$600/oz. Metal recoveries assumed include zinc - 83.4%, lead - 88.6%, copper - 81.6%, silver - 70.9% and gold - 80.4%.