



Liontown
RESOURCES LIMITED

ANNUAL REPORT 2007

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Directors

T R B Goyder – Chairman
A R Bantock – Managing Director
D A Jones – Executive Director
V P Gauci – Non-executive Director
A W Kiernan – Non-executive Director
C R Williams – Non-executive Director

Company Secretary

R K Hacker

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Share Registry

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ASX Code
Share Code: LTR

HIGHLIGHTS

Corporate

- A portfolio of prospective base metal projects was acquired comprising over 1,700 km² in Queensland and Western Australia, including the Mount Windsor Volcanics zinc-lead-copper-gold project and the Fort Constantine South copper-gold project in Queensland and the Cowan Nickel Project in Western Australia.
- A \$7.0 million Initial Public Offering ('IPO') was completed with the Company admitted to the official list of ASX on 27 December 2006.
- Doug Jones and Vince Gauci have since joined the Company as Exploration Director and Non-executive Director respectively.

Mount Windsor Volcanics Project

- 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, 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.
- Drilling commenced at Liontown within a month of completion of the IPO with:
 - over 9,800 metres of diamond infill drilling completed;
 - resource consultants engaged to produce a resource estimate based on the results of the infill and validation drilling program; and
 - step-out drilling commenced, testing the along-strike and down-dip extensions of the Liontown Horizon and Carrington Lode.
- A helicopter-borne VTEM survey was completed, covering 60km of the 100km of Mount Windsor Volcanics strike.
- 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.

Cowan Nickel Project

- Newexco Services Pty Ltd ('Newexco'), consultants to the Company who have previously been involved with significant sulphide nickel discoveries in the Kambalda region, have been appointed as a key advisor for exploration at the Cowan Nickel Project.
- Following a detailed review and "ground truthing" by Newexco, 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.

Fort Constantine South

- A series of targets have been defined, including areas of known copper anomalism requiring further work, and untested magnetic anomalies.

LETTER TO SHAREHOLDERS

Dear Shareholder

Liontown Resources completed an active first year, with an enviable ground position across three well recognised mineral provinces and on the verge of publishing our maiden Resource estimate for the Liontown lead-zinc polymetallic deposit.

At the same time, we have built a high quality team of technical and operating people in a competitive market for such resources, giving us the internal capacity to rapidly assess and evaluate both our ongoing exploration programs and new resource opportunities.

The next year will be about marshalling this potential for growth.

We believe our current asset package can deliver growth, through discoveries and resource development potential at three key projects.

- At the Mount Windsor Project in Queensland, where we hold tenements covering over 3,000 km² in a highly endowed district – proximal to mines that have historically yielded over 350,000 tonnes of zinc, 300,000 tonnes of copper and 15 million ounces of gold.

The initial Liontown Resource estimate is expected to be published by the end of 2007.

A regional exploration program is being formulated by our new technical team, including the analysis of extensive VTEM geophysics flown this year. We will commence drilling after the wet season, with a 25,000 metre RAB/RC drilling program initially focused on the 5 x 5 km "Liontown block".

We are excited to commence the regional program. We are looking for repeats of Liontown, another (of our neighbouring) Thalanga or Highway Reward or a substantial gold deposit, given both the historically acknowledged Mount Leyshon and Pajingo-Ravenswood structural gold corridors run through our tenements (Liontown itself lies within the former).

- At the Cowan Project in Western Australia where we hold prime nickel sulphide exploration ground in one of Australia's pre-eminent nickel belts.

Our ground lies to the south of Mincor's producing nickel mines and on extensions to rock sequences that have spawned resource extensions and discoveries for Mincor and Consolidated Minerals in the past year.

Through modern geophysics and exploration techniques we are discovering exciting new nickel exploration targets in an area beneath 10-30 metres of sand cover that has been mostly held by gold companies for its gold potential - over the past 20 years.

The consulting team at Newexco, who have a successful record of eastern goldfields nickel discovery, have been of great assistance in helping our technical team to define a number of Kambalda-style sulphide nickel targets at Cowan, which we plan to drill before the end of 2007.

- At our Fort Constantine South Project, the northern portion of which sits within 5km of the Ernest Henry Mine and Exco Resources' E1 copper-gold deposits.

We plan to push on with geophysical targeting work and then drill a number of these targets after the coming wet season.

We are fortunate to hold our current exploration portfolio and will strive for discoveries, however we believe we cannot rely on exploration success alone.

LETTER TO SHAREHOLDERS

For this reason, we are currently seeking and will continue to actively pursue other project and investment opportunities for investor returns. I believe that we are well positioned to achieve this.

Vince Gauci and Doug Jones joined the board during the year, each adding outstanding experience and capability to your company. On behalf of shareholders I extend a warm welcome to Vince and Doug and look forward to working with them in the future.

John McIntyre resigned from the board during the year. I thank John for his efforts at the inception of the Company and wish him well in his future endeavours.

The past year has been one of establishment and growth for Liontown Resources.

I look forward to a second year of growth and success in building a significant resource business, and on behalf of the board thank our shareholders, employees and other stakeholders for their continuing support.

Yours faithfully



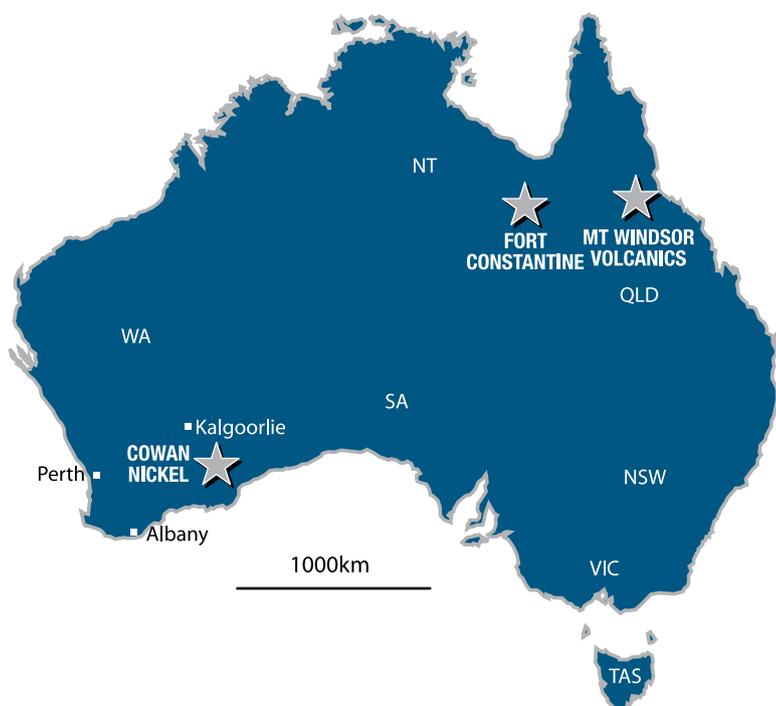
TIM R B GOYDER

Chairman



From left: Craig Williams, Andrew Bantock, Tim Goyder, Vince Gauci, Tony Kiernan and Doug Jones

THE COMPANY AND ITS PROJECTS



Liontown Resources' exploration portfolio comprises over 3,800km² of tenements in Queensland and Western Australia including:

- over 3,200km² at the Mount Windsor Volcanics Project, including the historic Liontown mining centre, located within a prolific minerals province south of Charters Towers in Queensland;
- the 490km² 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; and
- the 100km² 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 COMPANY AND ITS PROJECTS

1. Mount Windsor Volcanics Project (100% Liontown Resources Limited)

The Mount Windsor Volcanics Project covers over 3,200km² of prospective ground hosting the Cambro-Ordovician Mount Windsor Volcanics stratigraphic sequence, located south of Charters Towers in Queensland (Figure 1).

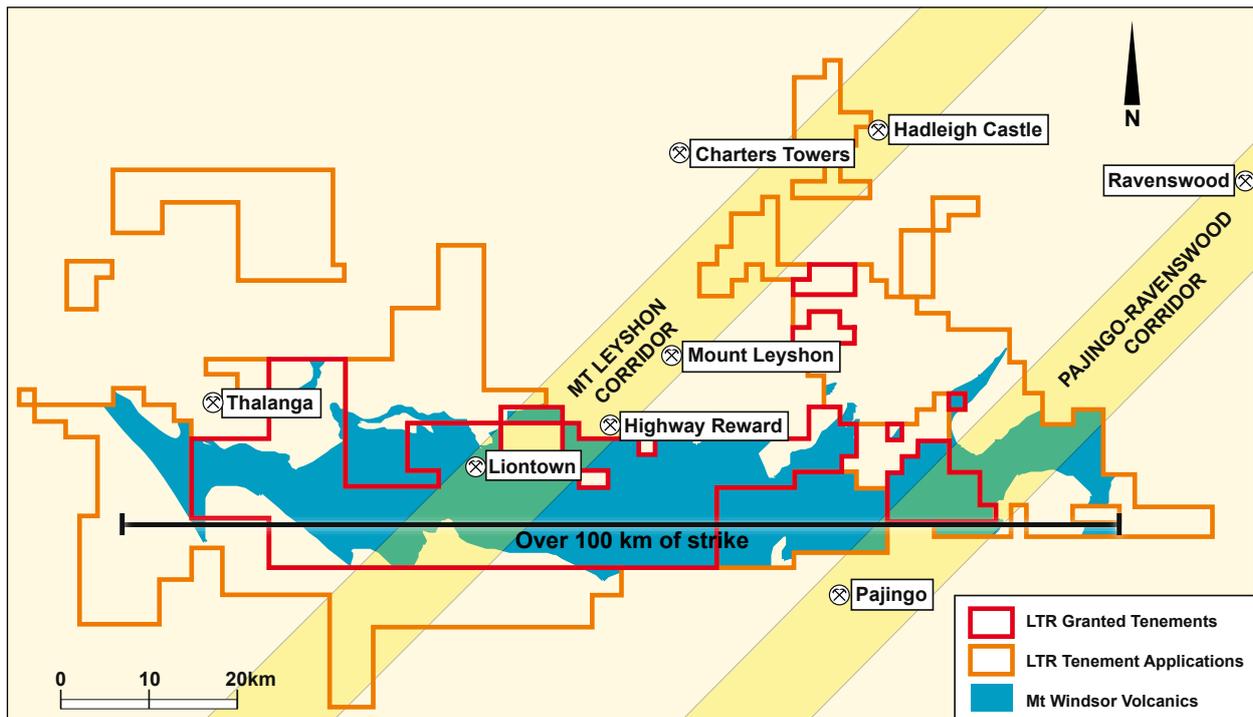


Figure 1: The Mount Windsor Volcanics Project – regional location plan

The Charters Towers area has been a prolific minerals production centre, with a mineral endowment (i.e. past production plus current mineral resources) approaching 15 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 Liontown, 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.

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.

The Mount Windsor Volcanics sequence also hosts the now-in-production Thalanga zinc-copper-lead and past-producing Highway Reward copper-gold mines as well as numerous zinc-lead-copper-silver-gold resources and anomalies, including massive to semi-massive sulphide hosted base metal mineralisation at Liontown.

Importantly, Liontown Resources holds over 100km of strike coverage of the key Mount Windsor Volcanics sequence.

THE COMPANY AND ITS PROJECTS

2. Cowan Nickel Project (100% Liontown Resources Limited)

The Cowan Nickel Project comprises over 490 km² of tenements south of the nickel mining town of Kambalda (Figure 2). Liontown Resources considers the project to comprise prime exploration ground in one of Australia's pre-eminent nickel belts.

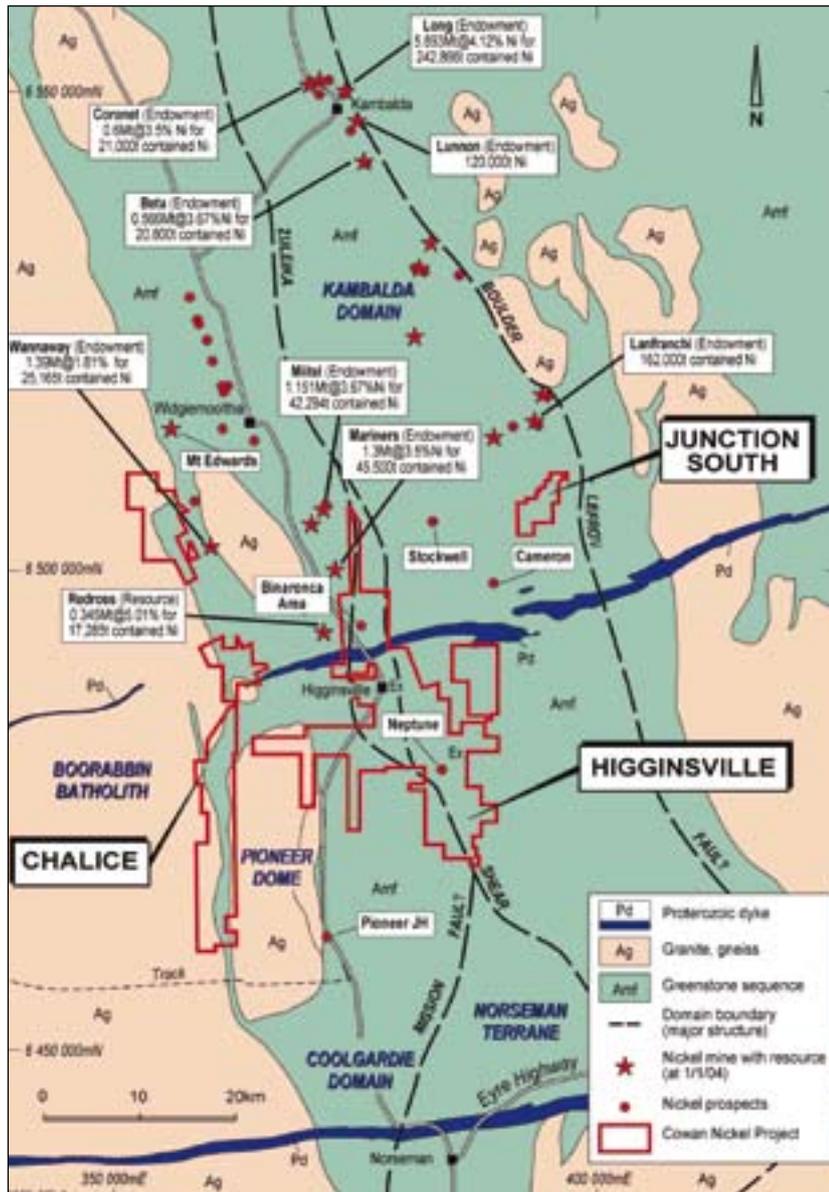


Figure 2: Cowan Nickel Project - tenement outline and regional nickel mineral endowment

THE COMPANY AND ITS PROJECTS

The Cowan Nickel Project tenements are interpreted by the Company to include approximately 180 strike kilometres of komatiitic stratigraphy, the host rocks for potential Kambalda-style nickel sulphide mineralisation (Figure 3).

This stratigraphy includes strike extensions or thrust repetitions of the komatiitic sequences that host 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.

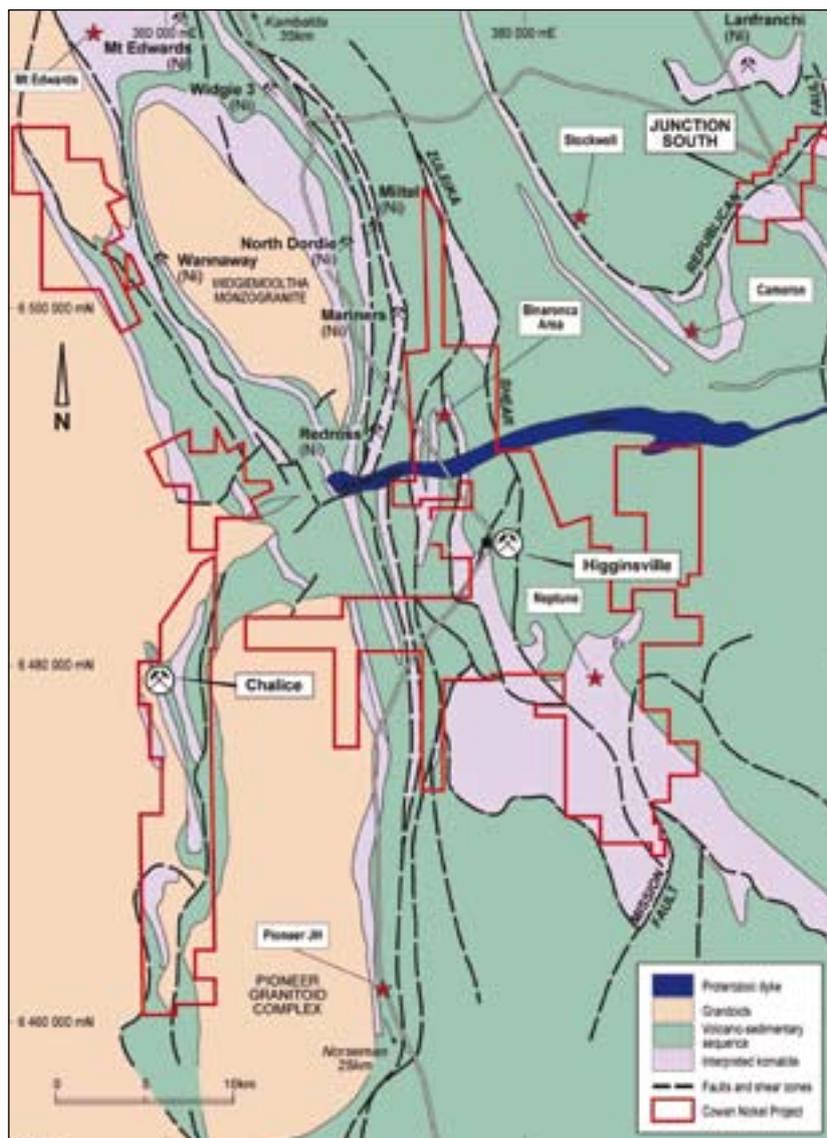


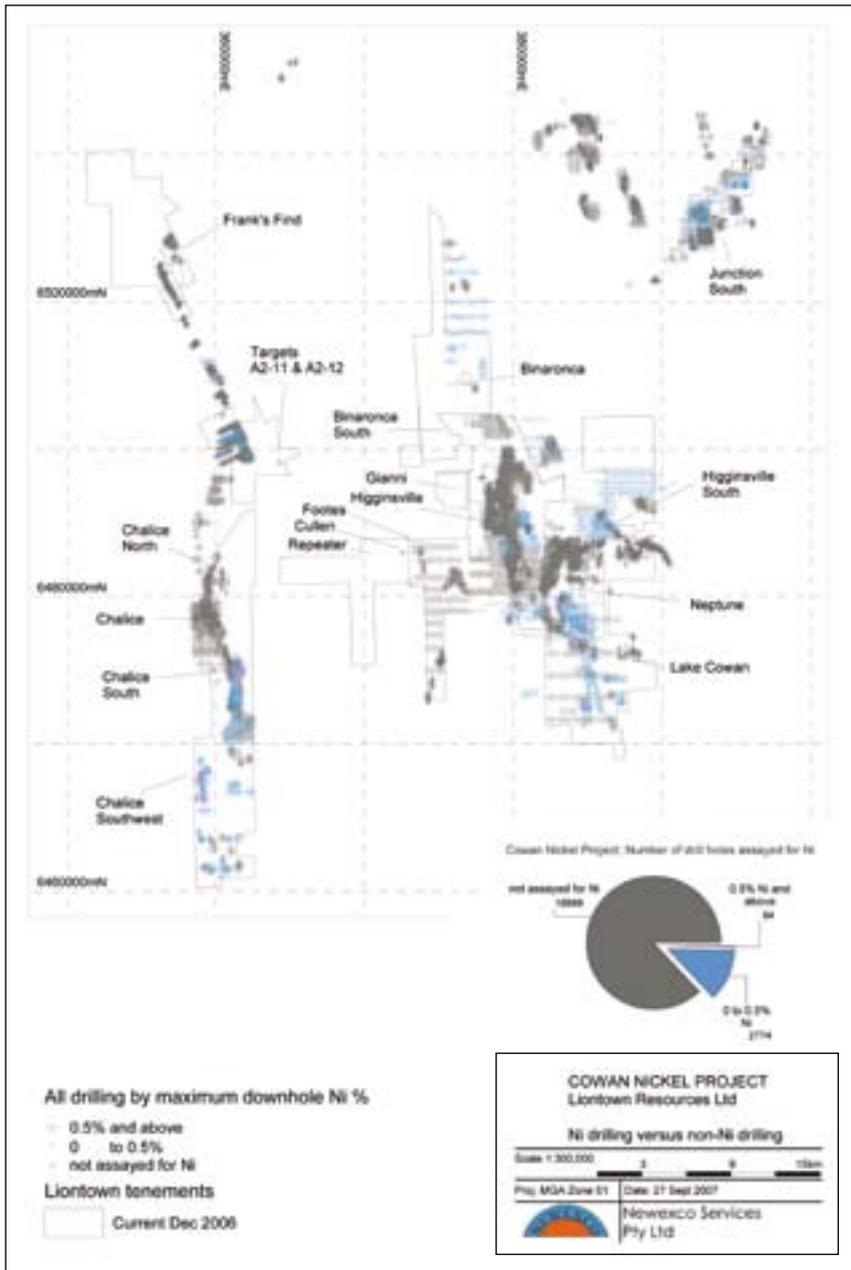
Figure 3: Cowan Nickel Project – interpreted komatiitic stratigraphy

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 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.

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.

THE COMPANY AND ITS PROJECTS

Figure 4 shows that approximately 87% of all historical drill holes have not been assayed for nickel, and that a significant proportion of the drill holes that were assayed for nickel returned encouraging nickel anomalism.



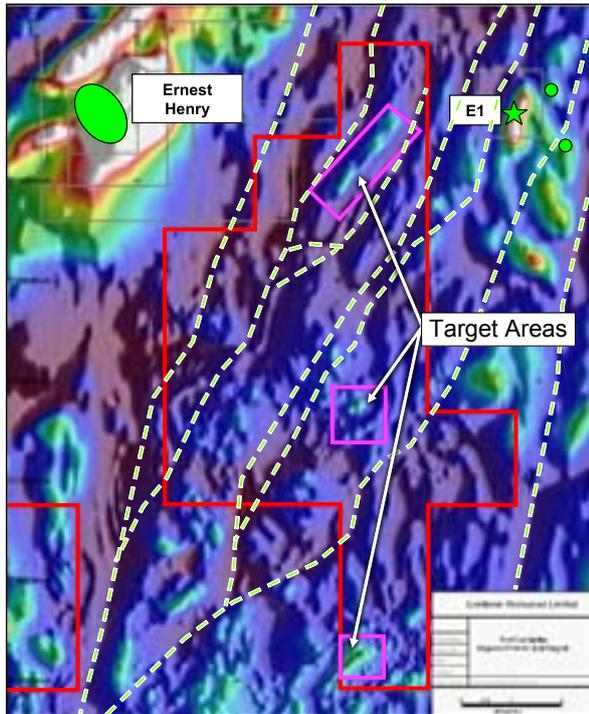
Field work at Cowan Nickel Project

Figure 4: Cowan Nickel – drill holes assayed for nickel

THE COMPANY AND ITS PROJECTS

3. Fort Constantine South (100% Liontown Resources Limited)

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 5).

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

Targets have been defined, including areas of known copper anomalism requiring further work, untested magnetic anomalies (shown in Figure 6), structural targets associated with jogs in meridional structures similar to the control on Ernest Henry, and gravity targets identifying possible hematite related alteration systems.

Exploration activity at the Fort Constantine South Project will seek to test these targets, including further geophysical work and drilling programs.

Figure 6: Fort Constantine South Project - exploration targets over total magnetic intensity

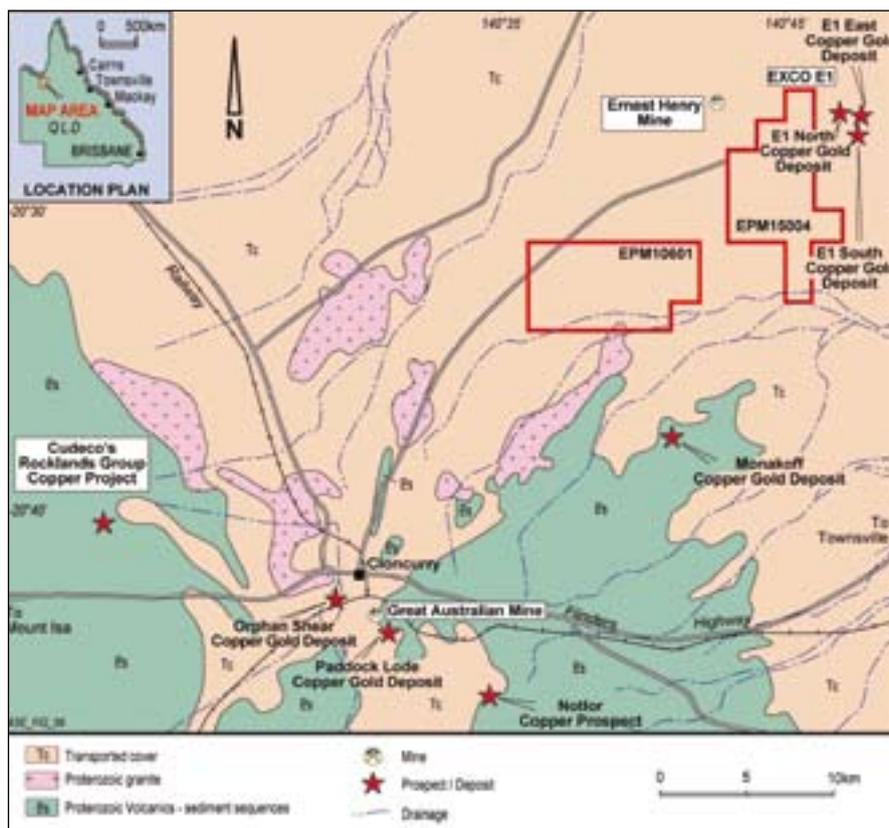


Figure 5: Fort Constantine South Project - regional location plan

REVIEW OF OPERATIONS

1. Mount Windsor Volcanics Project

1.1 Overview

Drilling commenced at the Liontown prospect 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 for the project.

The validation and infill drilling was completed in July 2007 and resource consultants have been engaged to produce a maiden Resource estimate for the Company.

Step-out drilling has commenced to test the along-strike and down-plunge extensions of the Liontown Horizon and Carrington Lode. 31 drill holes were completed to the end of September 2007, for a total of 9,814 metres.



Trace of the Liontown Horizon and Carrington lode - each extending over approximately 1.5km, shown on an aerial photograph featuring historical infrastructure and workings



Diamond drill rig operating at Liontown

1.2 Validation and Infill Drilling Results

Key results from validation and infill drilling received since the commencement of drilling in January 2007 to date are summarised in Table 1 below.

| Hole # | Lode | From | To | Interval | Recov % | Zn % | Pb % | Cu % | Ag ppm | Au ppm |
|---------|----------------|-------|-----|----------|---------|------|------|------|--------|--------|
| LTD0001 | CL | 78 | 80 | 2 | 100 | 4.9 | 2.3 | 0.1 | 26.3 | 0.4 |
| | U | 115 | 116 | 1 | 100 | 3.6 | <0.1 | <0.1 | 1.8 | 0.1 |
| | U | 134 | 135 | 1 | 100 | 4.6 | <0.1 | 0.2 | 5.8 | 0.3 |
| | U | 139 | 140 | 1 | 100 | 4.3 | 1.6 | 0.2 | 14.4 | 0.3 |
| | Ag rich | 84 | 92 | 8 | 99 | 0.7 | 0.4 | <0.1 | 112.1 | 1.1 |
| LTD0002 | U ** | 75 | 76 | 1 | 100 | 3.7 | <0.1 | <0.1 | 0.3 | <0.1 |
| | LH - Upper* | 84 | 89 | 5 | 60 | 13.6 | 1.0 | 0.2 | 23.1 | 0.1 |
| | LH - Central* | 99 | 108 | 9 | 45 | 20.2 | 2.9 | 0.3 | 16.8 | 0.1 |
| LTD0003 | U ** | 72 | 73 | 1 | 100 | 4.1 | <0.1 | <0.1 | 0.3 | <0.1 |
| | U - Upper** | 85 | 86 | 1 | 100 | 3.3 | 0.3 | 0.3 | 24.5 | <0.1 |
| | LH - Central** | 91 | 100 | 9 | 92 | 11.5 | 2.1 | 0.1 | 8.7 | 0.1 |
| | LH - Lower | 109.5 | 113 | 3.5 | 83 | 7.2 | <0.1 | <0.1 | 2.9 | <0.1 |
| | U | 117 | 118 | 1 | 100 | 10.8 | 1.3 | 2.4 | 20.3 | 0.1 |

REVIEW OF OPERATIONS

| Hole # | Lode | From | To | Interval | Recov % | Zn % | Pb % | Cu % | Ag ppm | Au ppm |
|-----------|------------------------------|--------|--------|----------|---------|-------|-------|------|--------|--------|
| LTD0004 | CL | 116.8 | 118 | 1.2 | 100 | 14.9 | 11.00 | 0.7 | 30.8 | 8.6 |
| | CL | 120 | 131 | 11 | 100 | 6.5 | 3.6 | 0.2 | 25.6 | 4.5 |
| | CL | 136 | 140 | 4 | 100 | 5.6 | 0.7 | 0.2 | 5.8 | 0.2 |
| LTD0005 | CL | 104 | 105 | 1 | 100 | 4.4 | <0.1 | 0.3 | 1.2 | 0.1 |
| LTD0006 | CL | 86 | 92 | 6 | 98 | 4.9 | 3.1 | 0.3 | 16.2 | 4.4 |
| | CL | 94 | 96 | 2 | 100 | 4.4 | 1.0 | 0.2 | 4.3 | 0.1 |
| LTD0007 | LH – Upper | 138.9 | 141.5 | 2.6 | 100 | 7.2 | 3.7 | 0.3 | 88.9 | 0.7 |
| | LH – Central | 145 | 153 | 8 | 100 | 6.9 | 3.9 | 0.3 | 17.8 | 0.1 |
| | LH – Lower | 157.6 | 158.6 | 1 | 100 | 4.8 | 1.6 | 2.9 | 18.9 | 0.1 |
| LTD0008 | LH*** | 109.1 | 111 | 1.9 | 44 | 13.3 | 1.2 | 0.5 | 19.4 | 0.2 |
| | CL | 151.55 | 153.65 | 2.1 | 100 | 9.2 | 3.2 | 0.2 | 56.6 | 1.7 |
| LTD0009 | LH | 224 | 225 | 1 | 100 | 5.6 | 3.2 | 0.3 | 55.6 | 0.4 |
| | LH | 227 | 234 | 7 | 100 | 8.6 | 2.9 | 0.6 | 29.1 | 0.2 |
| Including | LH | 230 | 234 | 4 | 100 | 11.5 | 3.0 | 0.7 | 34.9 | 0.2 |
| | LH | 236 | 238 | 2 | 100 | 7.8 | 2.0 | 0.5 | 16.5 | 0.1 |
| LTD0010 | CL | 186 | 187 | 1 | 100 | 6.3 | 0.2 | 0.2 | 4.4 | 0.2 |
| LTD0011 | CL | 130.5 | 131.1 | 0.5 | 100 | 6.6 | 0.1 | 0.1 | 2.7 | 0.1 |
| | CL | 135.6 | 138 | 2.3 | 100 | 4.0 | 1.1 | 0.1 | 4.1 | 0.1 |
| LTD0012 | No significant intersections | | | | | | | | | |
| LTD0013 | No significant intersections | | | | | | | | | |
| LTD0015 | LH | 396.5 | 398 | 1.5 | 100 | 3.8 | 1.2 | 0.2 | 8.2 | 0.2 |
| | LH | 406.2 | 406.75 | 0.55 | 100 | 6.5 | 0.2 | 0.5 | 5.1 | 0.2 |
| LTD0018 | LH | 128 | 132 | 4 | 100 | 5.7 | 1.0 | 0.3 | 6.4 | 0.1 |
| | CL | 181 | 188 | 7 | 100 | 9.7 | 3.0 | 0.4 | 12.0 | 0.4 |
| | CL | 192 | 193 | 1 | 100 | 15.1 | 0.0 | 0.1 | 4.5 | 0.1 |
| LTD0019 | LH | 159 | 164 | 5 | 100 | 3.7 | 0.5 | 0.1 | 5.3 | 0.1 |
| | CL | 219 | 230 | 11 | 100 | 5.0 | 0.3 | 0.2 | 4.2 | 0.1 |
| | CL | 231 | 235 | 4 | 100 | 2.4 | 0.0 | 0.2 | 1.5 | 0.0 |
| LTD0020 | LH | 232 | 236.5 | 4.5 | 100 | 6.2 | 2.9 | 0.4 | 79.4 | 0.8 |
| LTD0021 | LH | 378 | 380 | 2 | 100 | 10.0 | 2.0 | 0.5 | 18.0 | 0.1 |
| LTD0023 | LH | 162.5 | 168.5 | 6 | 100 | 8.8 | 2.3 | 0.3 | 77.5 | 1.2 |
| including | LH | 163 | 165.5 | 2.5 | 100 | 14.8 | 4.5 | 0.6 | 159.8 | 2.7 |
| LTD0026 | Liontown | 163 | 163.7 | 0.7 | 100 | 13.41 | 7.53 | 0.66 | 192 | 2.42 |

Notes and Comments:

CL = Carrington Lode; LH = Liontown Horizon; U = Unassigned mineralisation

* These intersections show poor sample recovery, and may not be representative of the downhole interval sampled. The intervals are oxidized and assays may be affected by supergene processes.

** The intervals are oxidised and assays may be affected by supergene processes.

*** This intersection shows poor sample recovery, and may not be representative of the downhole interval sampled.

All samples are of ½ NQ2 core, excluding hole LTD0003, which was drilled in HQ Triple Tube.

Base metal and silver assays were determined by aqua regia digest with AAS finish; gold assays by fire assay.

No upper cuts have been applied.

Table 1: Significant Intersections, validation and infill drilling program

REVIEW OF OPERATIONS

Long sections for each system are plotted in figure 7 (for the Lontown Horizon) and figure 8 (for the Carrington Lode).

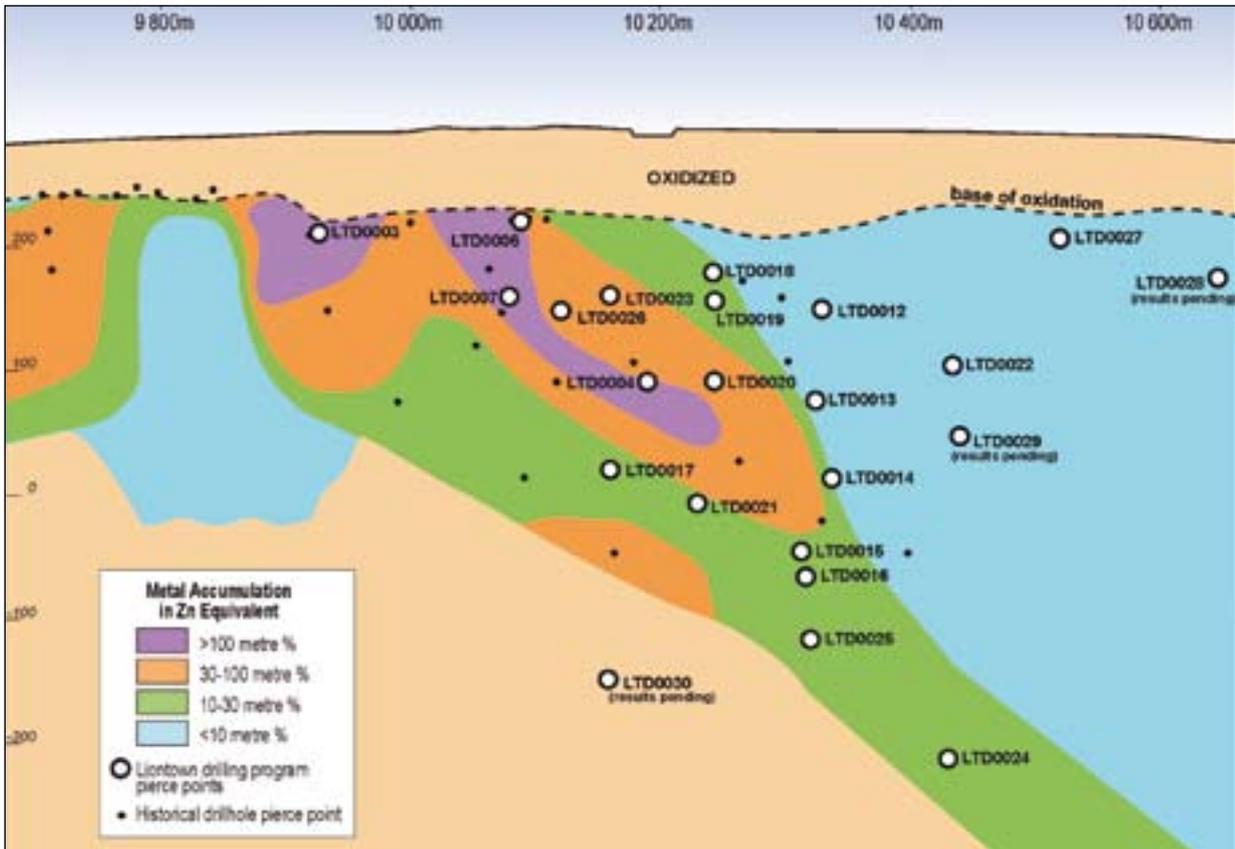


Figure 7: Long section along the Lontown Horizon

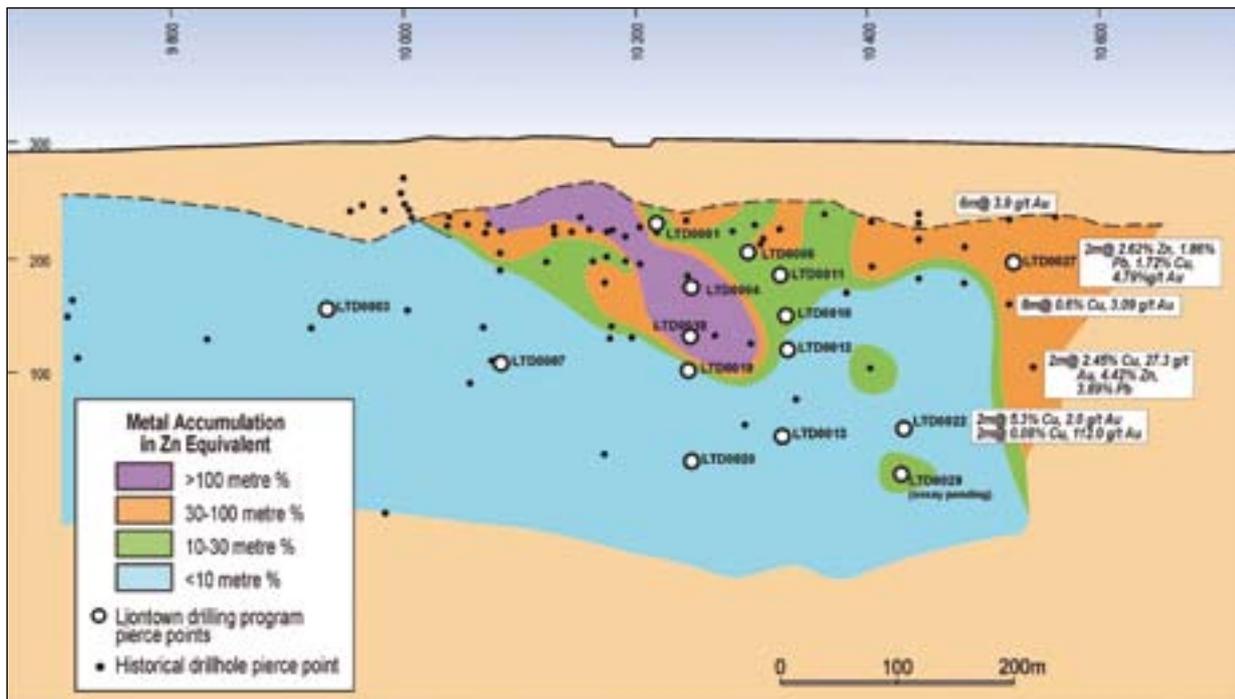


Figure 8: Long section along the Carrington Lode

Note 1: Zinc equivalence formula and assumed metal prices/recoveries applied to generate long section images are detailed at page 18 of this report.

REVIEW OF OPERATIONS

The validation and infill drilling program has 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.

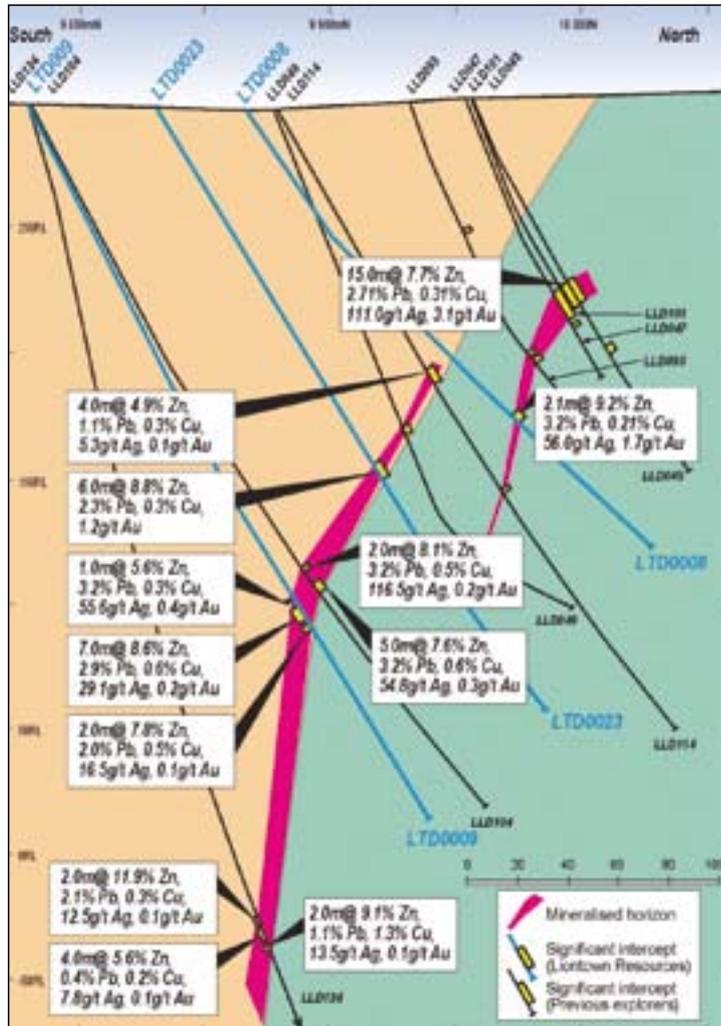


Figure 9: Liontown Prospect - cross-section through 10180m east; Liontown Resources drilled holes LTD0008, LTD0009 and LTD0023

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.

Figure 9 shows the cross section through 10180m east and is representative of results of infill and validation drilling to date which largely support the results of historical drilling.

1.3 Step-out Drilling

Following completion of the infill drilling program, step-out drilling commenced on the along strike and down dip projections of the Liontown Horizon and Carrington Lode, immediately to the east of 10320mE.

The drilling has been designed to explore for further zinc rich massive sulphide bodies along the mineralized horizons and copper-gold mineralization within the footwall volcanics.

Initial results from the 10440mE line have encountered high grade gold-copper mineralisation associated with intense hydrothermal alteration in the footwall of the Carrington Lode.



Core inspection at Liontown drill rig



Step-out diamond drilling at Liontown

REVIEW OF OPERATIONS

Significant results are included in Table 2 below:

| Hole # | Lode | From | To | Interval | Recov % | Zn % | Pb % | Cu % | Ag ppm | Au ppm |
|-----------|------------|-------|-------|----------|---------|-------|------|------|--------|--------|
| LTD0022 | Footwall | 308 | 310 | 2 | 100 | 3.1 | 0.3 | 5.3 | 15.6 | 2.0 |
| | Footwall | 344 | 346 | 2 | 100 | 0.0 | 0.1 | 0.1 | 9.8 | 112.0 |
| 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 |
| 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 |

Notes and Comments:

CL = Carrington Lode; LH = Liontown Horizon

Base metal and silver assays were determined by aqua regia digest with AAS finish; gold assays by fire assay.

No upper cuts have been applied.

Table 2: Significant Intersections, step-out drilling program

Down hole magnetometric resistivity ('DHMMR') and down hole electromagnetic ('DHEM') surveys will also be used to test the continuations of these zones beyond the immediate environs of the drilling.

1.4 Mount Windsor Volcanics Project - Regional Exploration

Regional Overview

Liontown Resources' Mount Windsor Volcanics Project extends from within 5 km of Kagara Zinc Limited's Thalanga mine in the west, to tenements due south of Resolute Mining Limited's Ravenswood mine in the east (Figure 10).

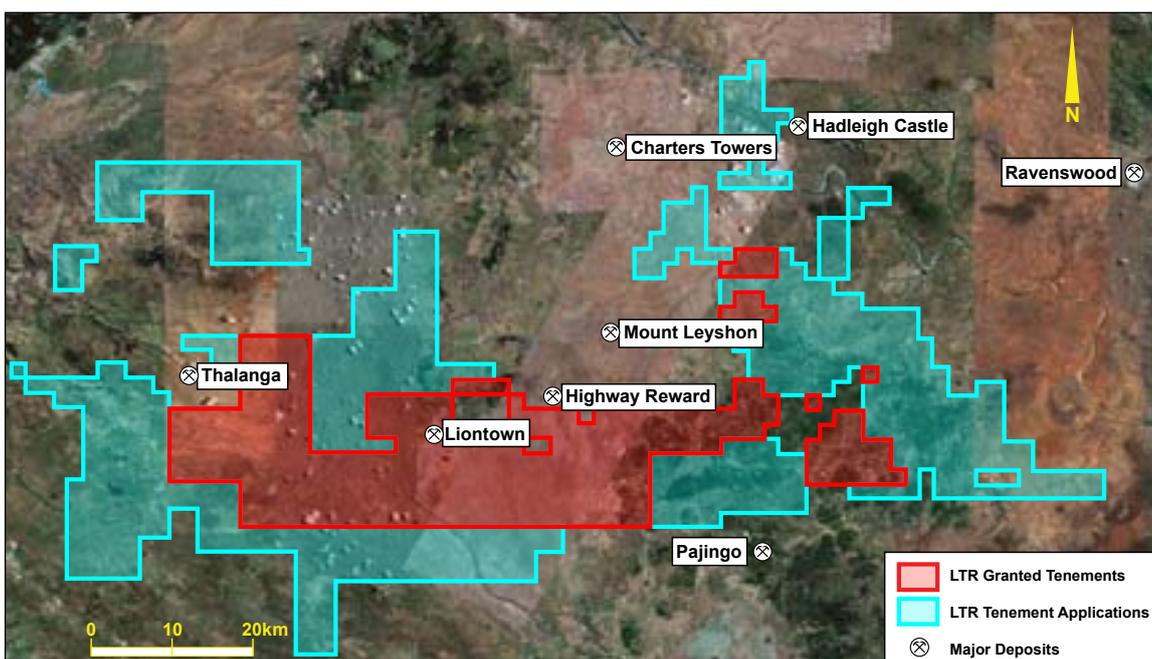


Figure 10: Mount Windsor Volcanics ground position

REVIEW OF OPERATIONS

A regional exploration program will commence at the Mount Windsor Volcanics Project in 2007/2008, where many historical mineral occurrences are noted on the Queensland Department of Mines and Energy database (see Figure 11).

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.

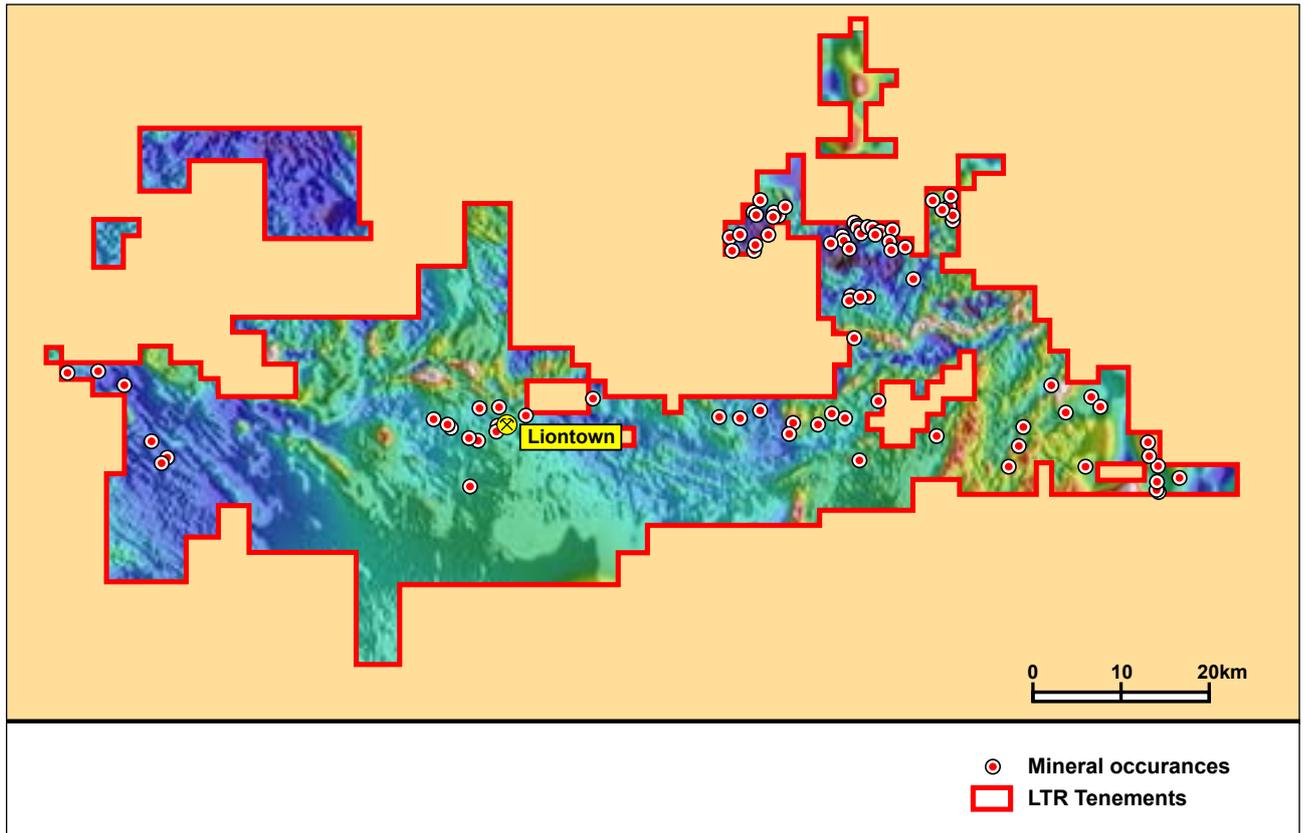


Figure 11: Airmag image of project area and known mineral occurrences per the Queensland Department of Mines and Energy database



Wildlife at Liontown

REVIEW OF OPERATIONS

Liontown Area

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

Whilst four prospects (Cougartown, Tigertown, Leopardtown and Oakvale) were originally identified by previous explorers in this block, all have only been superficially explored with limited drilling deeper than 150 metres outside of the main Liontown prospect (Figure 12).

Despite encouraging intersections of both zinc and gold in several of these deeper drill holes, little or 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.

In 2006, detailed aeromagnetics and radiometrics were flown over an approximately 115 km² block centred on the Liontown prospect. Interpretation of this data by the Company's consultants during 2007 has identified numerous geological targets for follow up (Figure 13).

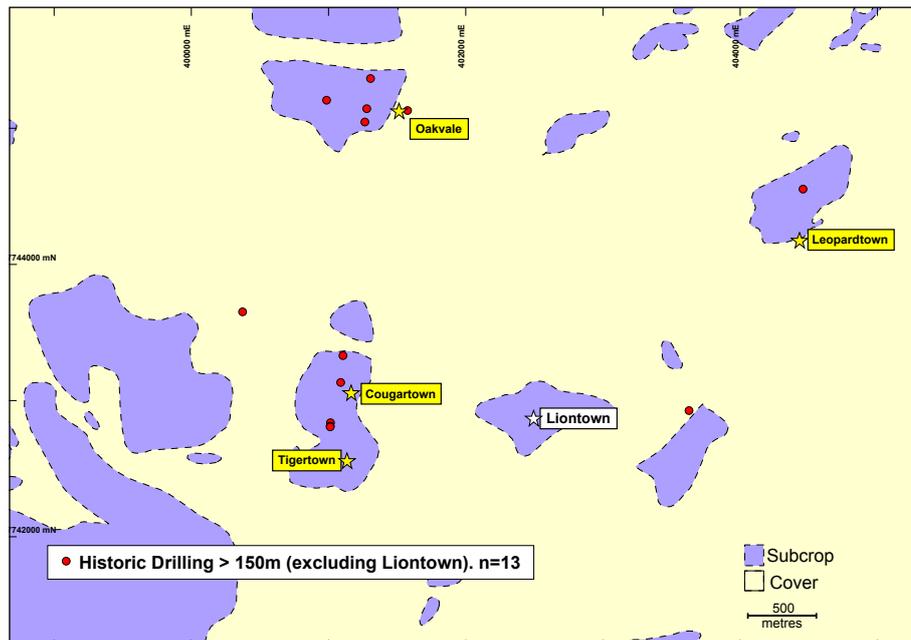


Figure 12: Historical drilling below 150m vertical depth, 5 x 5 km block including Liontown

These include the interpreted positions of the Thalanga, Waterloo and Liontown 'horizons' which are prospective for zinc-rich massive sulphides, and a series of circular and linear structural features regarded as being prospective for gold associated with intrusives, breccias and major shears and faults.

Many of these features are obscured beneath later cover and have not been previously targeted.

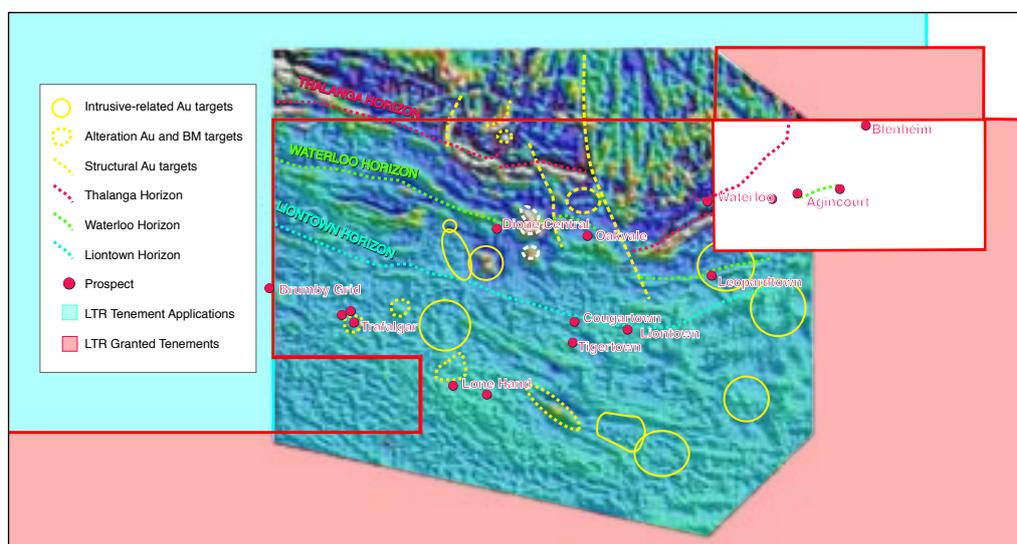


Figure 13: Detailed air mag image of Liontown area showing geological targets

REVIEW OF OPERATIONS

Regional VTEM Survey

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

The survey was undertaken to identify conductive zones potentially related to sulphide mineralization within the Mount Windsor Volcanics Project, particularly along the interpreted 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, 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.



Helicopter-borne VTEM geophysical survey underway at Liontown

REVIEW OF OPERATIONS

2. Cowan Nickel Project

Liontown Resources undertook six months of detailed geological review and “ground truthing” at the Cowan Nickel Project in 2007, with Newexco as a key advisor.

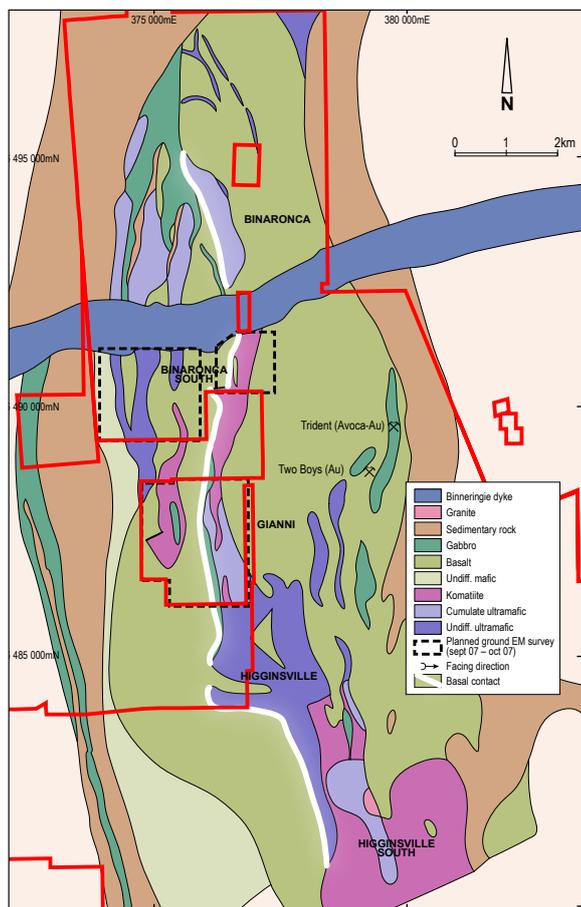


Figure 14: Cowan Nickel Project – Binaronca to Higginsville South, showing ultramafic basal contact

This work 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 Company now has a greater understanding of the ultramafic stratigraphy, especially regarding the position of the base of the various ultramafic packages. 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 targets have been delineated at South Binaronca (Figure 14) and South Chalice (Figure 15), comprising TEM and geochemistry anomalies on the basal contact. Drilling is expected to commence prior to the end of 2007.

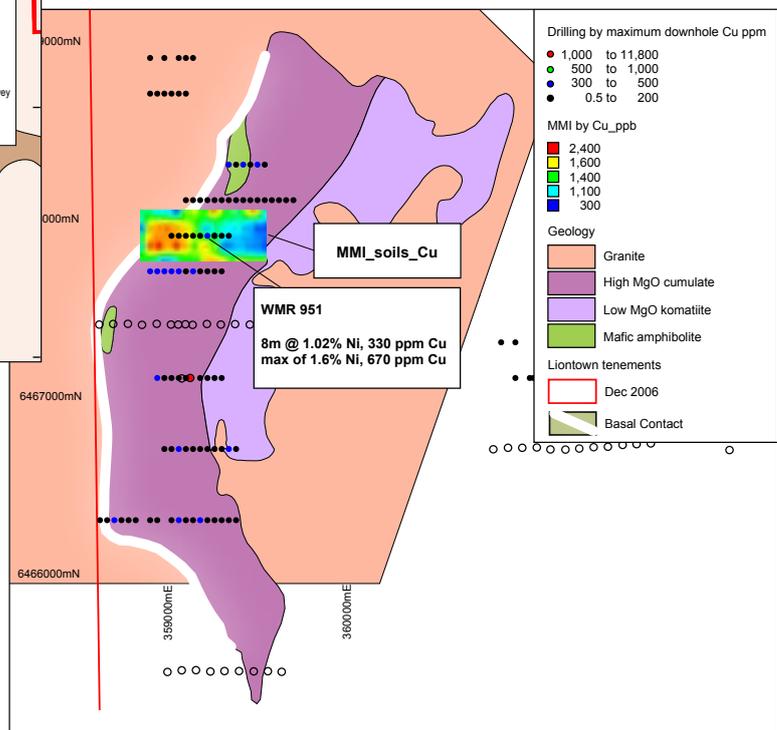


Figure 15: Chalice South geology and geochemistry

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: $ZnE\% + Zn\% + 0.43 \cdot Pb\% + 1.76 \cdot Cu\% + 0.01 \text{ Ag ppm} + 0.76 \text{ Au ppm}$. 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%.

REVIEW OF OPERATIONS

Schedule of Tenements as at 30 June 2007

Mt Windsor Volcanics

| Tenement # | Nature of Interest | Current Equity |
|------------|--------------------|----------------|
| EPM/14161 | Owned | 100% |
| EPM/14162 | Owned | 100% |
| EPM/15100 | Owned | 100% |
| EPM/15102 | Owned | 100% |
| ML/10277 | Owned | 100% |
| EPM/15192 | Owned | 100% |
| EPM/15197 | Owned | 100% |
| EPM/16412 | Application | 0% |
| EPM/16408 | Application | 0% |

Cowan Nickel

| Tenement # | Nature of Interest | Current Equity |
|------------|--------------------|----------------|
| P15/4619 | Nickel Rights Only | 100% |
| E15/0821 | Nickel Rights Only | 100% |
| E15/0822 | Nickel Rights Only | 100% |
| E63/0873 | Nickel Rights Only | 100% |
| P15/4594 | Nickel Rights Only | 100% |
| P15/4595 | Nickel Rights Only | 100% |
| P15/4596 | Nickel Rights Only | 100% |
| P15/4602 | Nickel Rights Only | 100% |
| P15/4605 | Nickel Rights Only | 100% |
| P15/4606 | Nickel Rights Only | 100% |
| P15/4607 | Nickel Rights Only | 100% |
| P15/4608 | Nickel Rights Only | 100% |
| P15/4609 | Nickel Rights Only | 100% |
| P15/4612 | Nickel Rights Only | 100% |
| P15/4613 | Nickel Rights Only | 100% |
| P15/4614 | Nickel Rights Only | 100% |
| P15/4671 | Nickel Rights Only | 100% |
| P63/1251 | Nickel Rights Only | 100% |
| P63/1252 | Nickel Rights Only | 100% |
| P63/1253 | Nickel Rights Only | 100% |
| P63/1257 | Nickel Rights Only | 100% |
| P63/1258 | Nickel Rights Only | 100% |
| P63/1259 | Nickel Rights Only | 100% |
| P63/1260 | Nickel Rights Only | 100% |
| P63/1261 | Nickel Rights Only | 100% |

REVIEW OF OPERATIONS

| | | |
|----------|--------------------|------|
| P63/1262 | Nickel Rights Only | 100% |
| P63/1263 | Nickel Rights Only | 100% |
| P63/1264 | Nickel Rights Only | 100% |
| P63/1265 | Nickel Rights Only | 100% |
| P63/1267 | Nickel Rights Only | 100% |
| P63/1268 | Nickel Rights Only | 100% |
| P63/1269 | Nickel Rights Only | 100% |
| P63/1270 | Nickel Rights Only | 100% |
| M15/0896 | Nickel Rights Only | 100% |
| E15/0828 | Nickel Rights Only | 100% |
| E15/0829 | Nickel Rights Only | 100% |
| E15/0838 | Nickel Rights Only | 100% |
| P15/4615 | Nickel Rights Only | 100% |
| P15/4618 | Nickel Rights Only | 100% |
| P15/4626 | Nickel Rights Only | 100% |
| P15/4629 | Nickel Rights Only | 100% |
| P15/4630 | Nickel Rights Only | 100% |
| P15/4632 | Nickel Rights Only | 100% |
| P15/4633 | Nickel Rights Only | 100% |
| P63/1271 | Nickel Rights Only | 100% |
| P63/1272 | Nickel Rights Only | 100% |
| P63/1274 | Nickel Rights Only | 100% |
| P63/1275 | Nickel Rights Only | 100% |
| P63/1276 | Nickel Rights Only | 100% |
| P15/4644 | Nickel Rights Only | 100% |
| P15/4646 | Nickel Rights Only | 100% |
| P15/4647 | Nickel Rights Only | 100% |
| P15/4648 | Nickel Rights Only | 100% |
| E15/0740 | Nickel Rights Only | 100% |
| E15/0860 | Nickel Rights Only | 100% |
| E15/1007 | Application | 0% |
| E15/1008 | Application | 0% |
| E15/0160 | Nickel Rights Only | 100% |
| M15/0338 | Nickel Rights Only | 100% |
| M15/0352 | Nickel Rights Only | 100% |
| M15/0375 | Nickel Rights Only | 100% |
| M15/0507 | Nickel Rights Only | 100% |
| M15/0580 | Nickel Rights Only | 100% |
| M15/0581 | Nickel Rights Only | 100% |
| M15/0620 | Nickel Rights Only | 100% |
| M15/0629 | Nickel Rights Only | 100% |
| M15/0639 | Nickel Rights Only | 100% |
| M15/0640 | Nickel Rights Only | 100% |
| M15/0642 | Nickel Rights Only | 100% |

REVIEW OF OPERATIONS

| | | |
|----------|--------------------|------|
| M15/0680 | Nickel Rights Only | 100% |
| M15/0681 | Nickel Rights Only | 100% |
| M15/0682 | Nickel Rights Only | 100% |
| M15/0683 | Nickel Rights Only | 100% |
| M15/0815 | Nickel Rights Only | 100% |
| M15/0817 | Nickel Rights Only | 100% |
| M15/0820 | Nickel Rights Only | 100% |
| M15/0976 | Application | 0% |
| M15/0977 | Application | 0% |

Fort Constantine South

| Tenement # | Nature of Interest | Current Equity |
|------------|--------------------|----------------|
| EPM/15004 | Owned | 100% |
| EPM/10601 | Owned | 100% |

Junction South

| Tenement # | Nature of Interest | Current Equity |
|------------|--------------------|----------------|
| E15/0148 | Owned | 60% |
| M15/0654 | Owned | 60% |
| M15/0655 | Owned | 60% |
| M15/1052 | Application | 0% |
| E15/914 | Owned | 60% |
| P15/4830 | Application | 0% |

Logan's Find

| Tenement # | Nature of Interest | Current Equity |
|------------|--------------------|----------------|
| E15/849 | Owned | 100% |

Strelley River

| Tenement # | Nature of Interest | Current Equity |
|------------|-------------------------------------|----------------|
| E45/2393 | Disposed subsequent to 30 June 2007 | 100% |
| E45/2474 | Disposed subsequent to 30 June 2007 | 100% |
| E45/2556 | Disposed subsequent to 30 June 2007 | 100% |

An aerial photograph of a coastline, showing waves breaking on a sandy beach. The water is a deep blue, and the sand is a lighter, golden-brown color. The horizon line is visible in the distance, separating the sea from a pale sky.

FINANCIAL REPORT 2007

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 2007 and the independent audit 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 publicly-listed companies and is currently a Director of Chalice Gold Mines Limited and Uranium Equities Limited.

A R Bantock
B.Com, ACA
Managing Director

Andrew has extensive professional, corporate and commercial experience in the resources, resource contracting and infrastructure sectors. He is currently Executive Chairman of Chalice Gold Mines Limited, Executive Director of Uranium Equities Limited, and is a Director of Water Corporation, Western Australia's water utility.

D A Jones
PhD, AusIMM, RPGeo
Executive Director
(appointed 4 September 2007)

Doug has 30 years experience in international mineral exploration, having worked extensively in Australia, Africa, South America and Europe. His career has covered exploration for volcanic and sediment-hosted zinc-copper-lead, gold in a wide range of geological settings and IOCG style copper-gold. This included a period with Pancontinental Mining, spent working on the Mount Windsor Volcanics, host to the Liontown deposit. He is also a director of AIM-listed Minera IRL Limited.

V P Gauci
B.Eng (Hons)
Non-executive Director
(appointed 7 August 2007)

Vince was previously Managing Director of Pancontinental Mining Ltd and M.I.M. 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 Gallipoli Mining Limited, a Director of Coates Hire Limited and is involved in a number of community and research programs, including his roles as Chairman of the Broken Hill Community Foundation and the Centre for Low Emission Technology.

A W Kiernan
LLB
Non-executive Director

Tony is a Solicitor with considerable experience in the administration and operation of listed public companies. He practises extensively in the areas of media, resources and information technology law. In addition to his legal practice Tony provides commercial and corporate advice to various entities. Tony is Chairman of Anglicare (WA), BC Iron Limited and Solbec Pharmaceuticals Ltd. He is also a Director of Uranium Equities Limited, Chalice Gold Mines Limited, Hailian International Limited and North Queensland Metals Limited.

C R Williams
BSc (Hons)
Non-executive Director
(appointed 11 November 2006)

Craig is a geologist with over 30 years experience in mineral exploration and development. Craig co-founded Equinox Minerals Limited in 1993 where he is currently 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 and is a Director of TSX-V listed Alturas Minerals Corporation.

J R McIntyre
BSc (Hons), MAIG
Executive Director
(Resigned 17 July 2007)

DIRECTORS REPORT

2. Company secretary

R K Hacker
B.Com, ACA, ACIS

Richard has 14 years 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 worked with leading accounting practices. Richard is both a Chartered Accountant and Chartered Secretary and is also Company Secretary of Chalice Gold Mines Limited.

3. Directors' meetings

During the year and since listing on ASX, seven Directors' meetings were held. The number of these meetings attended by each of the Directors of the Company during the year are:

| Director | Number of board meetings attended | Number of meetings held during the time the Director held office during the year |
|--------------|-----------------------------------|----------------------------------------------------------------------------------|
| T R B Goyder | 7 | 7 |
| A R Bantock | 7 | 7 |
| J R McIntyre | 6 | 7 |
| A W Kiernan | 6 | 7 |
| C R Williams | 7 | 7 |

4. Principal activities

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

5. Review of Operations

During the financial year Liontown Resources Limited:

- raised \$7 million from an initial public offering ('IPO');
- commenced a substantial drilling and exploration program at the Liontown Prospect within its Mount Windsor Volcanics Project in Queensland in January 2007, with 23 holes completed, for a total of 6,256m of RC/Diamond drilling completed by 30 June 2007;
- engaged resource consultants to calculate a maiden resource estimate at Liontown;
- commenced a step-out drilling program to test the down-plunge potential of the Liontown Horizon and Carrington Lode systems, each of which remain open at depth; and
- commenced a detailed review of regional exploration targets along the 115 kilometres of strike it holds across the key Mount Windsor Stratigraphic package within the Mount Windsor Volcanics Project. This work has identified over 30 targets within the project and identified the 5x5 km block surrounding Liontown as a key focus for a regional exploration program in 2007/2008.

DIRECTORS REPORT

6. Significant changes in the state of affairs

The Company was admitted to the Official List of the Australian Securities Exchange ('ASX') on 27 December 2006 following the completion of an IPO, raising \$7 million by the allotment and issue of 35 million shares.

Other than as referred to in the Financial Report, there have not been any matters or circumstances that have arisen since the end of the year that have significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in future years.

7. Remuneration report

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, officers and senior managers are set at competitive levels to attract and retain appropriately qualified and experienced personnel. This is particularly important in view of the strong demand for experienced technical and financial personnel currently being experienced in the Australian and international resources industry, driven by increased world demand for commodities and the significant impact that each individual can make within a small executive team for an exploration and development company such as at Liontown Resources. In short, the labour market is tight and key people make a difference to exploration and growth outcomes.

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, including motor vehicles), 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.

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 Provision |
|-------------------------------------|------------------------------|------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Executive Directors | | | |
| A R Bantock Executive Director | Unlimited | 3 months by the Company and the employee | Other than for misconduct, the Company must pay Mr Bantock 12 months salary to terminate his contract. In the case of take-over, and if Mr Bantock is not offered a similar position and terms of employment, the Company must pay Mr Bantock 12 months salary to terminate his contract. |
| D A Jones * Exploration Director | Unlimited | 3 months by the Company and the employee | In the case of take-over, and if Dr Jones is not offered a similar position and terms of employment, the Company must pay Dr Jones 12 months salary to terminate his contract. |

*Doug Jones commenced his employment on 3 September 2007.

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)

Non-executive Directors' fees were payable from 1 November 2006. Salaries and fees of all other key management personnel were not payable until January 2007, after the Company listed on the ASX.

| Key Management Personnel | | Short-term payments | | | Post-employment payments | Share-based payments | | Value of options as proportion of remuneration (%) |
|-----------------------------------------|-------------|---------------------|--------------------------|----------------|-----------------------------|----------------------|----------------|----------------------------------------------------|
| | | Salary & fees \$ | Non-monetary benefits \$ | Total \$ | Super-annuation benefits \$ | Options (A) \$ | Total \$ | |
| Directors | | | | | | | | |
| T R B Goyder | 2007 | 29,017 | 2,263 | 31,280 | 2,612 | 39,998 | 73,890 | 54% |
| | 2006 | - | - | - | - | - | - | - |
| A R Bantock | 2007 | 80,275 | 2,263 | 82,538 | 7,225 | 66,665 | 156,428 | 43% |
| | 2006 | - | - | - | - | - | - | - |
| A W Kiernan | 2007 | 20,312 | 2,263 | 22,575 | 1,828 | 39,998 | 64,401 | 62% |
| | 2006 | - | - | - | - | - | - | - |
| C R Williams | 2007 | 20,312 | 1,439 | 21,751 | 1,828 | 39,998 | 63,577 | 63% |
| | 2006 | - | - | - | - | - | - | - |
| Former Director | | | | | | | | |
| J R McIntyre (resigned 17 July 2007) | 2007 | 68,119 | 9,349 | 77,468 | 6,881 | 66,665 | 151,014 | 44% |
| | 2006 | - | - | - | - | - | - | - |
| Executives | | | | | | | | |
| R K Hacker (Company Secretary) | 2007 | - | 2,263 | 2,263 | - | 26,667 | 28,930 | 92% |
| | 2006 | - | - | - | - | - | - | - |
| Total Compensation | 2007 | 218,035 | 19,840 | 237,875 | 20,374 | 279,991 | 538,240 | |
| | 2006 | - | - | - | - | - | - | |

DIRECTORS REPORT

7.2 Directors' and executive officers' remuneration (audited) continued

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

A) The fair value of the options is 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. The following factors and assumptions were used in determining the fair value of options on grant date:

| Grant Date | Expiry Date | Fair value per option | Exercise price | Price of ordinary shares on grant date | Expected volatility | Risk free interest rate | Dividend yield |
|------------|-------------|-----------------------|----------------|----------------------------------------|---------------------|-------------------------|----------------|
| 18.12.06 | 18.12.09 | 0.10 | 0.25 | 0.20 | 80% | 6.06% | Nil |

Details of performance related remuneration

Detail of the Company's policy in relation to the proportion of remuneration that is performance related is discussed at 7.1.

7.3 Equity instruments

7.3.1 Options and rights over ordinary shares granted as compensation

Details of options over ordinary shares in the Company 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 2007 | Grant date | Number of options vested during 2007 | Fair value per option at grant date \$ | Exercise price \$ | Expiry date |
|------------------------|---------------------------------------|------------|--------------------------------------|----------------------------------------|-------------------|-------------|
| Directors | | | | | | |
| T R B Goyder | 750,000 | 18.12.06 | - | 0.10 | 0.25 | 18.12.09 |
| A R Bantock | 1,250,000 | 18.12.06 | - | 0.10 | 0.25 | 18.12.09 |
| A W Kiernan | 750,000 | 18.12.06 | - | 0.10 | 0.25 | 18.12.09 |
| C R Williams | 750,000 | 18.12.06 | - | 0.10 | 0.25 | 18.12.09 |
| Former Director | | | | | | |
| J R McIntyre | 1,250,000 | 18.12.06 | - | 0.10 | 0.25 | 18.12.09 |
| Executives | | | | | | |
| R K Hacker | 500,000 | 18.12.06 | - | 0.10 | 0.25 | 18.12.09 |

All options were issued at no cost to the recipients.

No options were granted in the 2006 financial year.

No options have been granted to key management personnel since the end of the period. Dr D Jones and Mr V Gauci are to receive 2,000,000 options each, subject to shareholder approval at the next Annual General Meeting.

DIRECTORS REPORT

7.3.2 Exercise of options granted as compensation

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

7.3.3 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.

| | Number granted | Date granted | % vested in year | Forfeited in year | Financial year in which grant vests |
|------------------------|----------------|--------------|------------------|-------------------|-------------------------------------|
| Directors | | | | | |
| T R B Goyder | 750,000 | 18.12.06 | - | - | 2008 |
| A R Bantock | 1,250,000 | 18.12.06 | - | - | 2008 |
| A W Kiernan | 750,000 | 18.12.06 | - | - | 2008 |
| C R Williams | 750,000 | 18.12.06 | - | - | 2008 |
| Former Director | | | | | |
| J R McIntyre | 1,250,000 | 18.12.06 | - | - | 2008 |
| Executives | | | | | |
| R K Hacker | 500,000 | 18.12.06 | - | - | 2008 |

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

| | Granted in year \$ (A) | Value of options Exercised in year \$ (B) | Forfeited in year \$ (C) | Total option value in year \$ |
|------------------------|---------------------------|-------------------------------------------------|-----------------------------|-------------------------------------|
| Directors | | | | |
| T R B Goyder | 75,257 | - | - | 75,257 |
| A R Bantock | 125,428 | - | - | 125,428 |
| A W Kiernan | 75,257 | - | - | 75,257 |
| C R Williams | 75,257 | - | - | 75,257 |
| Former Director | | | | |
| J R McIntyre | 125,428 | - | - | 125,428 |
| Executives | | | | |
| R K Hacker | 50,171 | - | - | 50,171 |

(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.

(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.

DIRECTORS REPORT

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

On 10 November 2006, the Company entered into an agreement to sell its Strelley River tenements to CBH Resources Ltd. On 9 August 2007 the sale of the Strelley River tenements was satisfied by the issue of 1,037,114 fully paid ordinary shares in CBH Resources Ltd, to the value of \$620,000.

During September 2007, the entire investment in CBH Resources was sold for \$533,286 (at an average price of 51.4 cents per share) resulting in a loss on sale of the investment of \$86,714.

10. Likely developments

The Company will continue activities in the exploration and evaluation of minerals tenements with the objective of developing a significant minerals business.

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 | 15,721,002 | 750,000 |
| A R Bantock | 3,063,544 | 1,250,000 |
| D A Jones | - | - |
| V P Gauci | 150,000 | - |
| A W Kiernan | 460,154 | 750,000 |
| C R Williams | 100,000 | 750,000 |

DIRECTORS REPORT

12. Share options

Options granted to directors and officers of the Company

During or since the end of the period, the Company granted options for no consideration over unissued ordinary shares in the Company to the following Directors and to the most highly remunerated officers of the Company as part of their remuneration:

| | Number of options granted | Exercise price | Expiry date |
|------------------------|---------------------------|----------------|-------------|
| Directors | | | |
| T R B Goyder | 750,000 | 0.25 | 18.12.09 |
| A R Bantock | 1,250,000 | 0.25 | 18.12.09 |
| A W Kiernan | 750,000 | 0.25 | 18.12.09 |
| C R Williams | 750,000 | 0.25 | 18.12.09 |
| Former Director | | | |
| J R McIntyre | 1,250,000 | 0.25 | 18.12.09 |
| Officers | | | |
| R K Hacker | 500,000 | 0.25 | 18.12.09 |

All options were granted during the period. No options have been granted since the end of the period. Dr D Jones and Mr V Gauci are to receive 2,000,000 options each, subject to shareholder approval at the next Annual General Meeting.

Unissued shares under options

At the date of this report 7,225,000 unissued ordinary shares of the Company are under option on the following terms and conditions:

| Expiry date | Exercise price | Number of shares |
|-------------|----------------|------------------|
| 18.12.09 | 0.25 | 5,475,000 |
| 31.12.09 | 0.25 | 1,500,000 |
| 06.08.10 | 0.35 | 250,000 |

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

Shares issued on exercise of options

During or since the end of the period, 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 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.

DIRECTORS REPORT

13. Indemnification and insurance of directors and officers (continued)

During the period the Company paid insurance premiums of \$12,754 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 executives remuneration on page 27.

14. Non-audit services

During the year HLB Mann Judd, the Company's auditors, performed no other services in addition to their statutory duties other than the preparation of an Independent Accountants Report in relation to the Company's prospectus.

15. Auditor's independence declaration

The auditor's independence declaration is set out on page 33 and forms part of the Directors' Report for the year ended 30 June 2007.

This report is made with a resolution of the Directors:



TIM R B GOYDER
Chairman

Dated at Perth this 28th day of September 2007

AUDITORS INDEPENDENCE REPORT



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 2007, 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 audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Liontown Resources Limited.

A handwritten signature in black ink, appearing to read 'L Di Giallonardo'.

Perth, Western Australia
28 September 2007

L Di Giallonardo
Partner, HLB Mann Judd

HLB Mann Judd (WA Partnership)
15 Rheola Street West Perth 6005, PO Box 269 West Perth 6872 Western Australia. DN 238 (Perth) Telephone +61 (08) 9481 0977. Fax +61 (08) 9481 3686.
Email: hbj@hlbwa.com.au Website: <http://www.hlb.com.au>
Partners: Terry W Blackmore, Lina Christakou, Wayne M Clark, Laura Di Giallonardo, Colin D Finson, Trevor G Hobby, Norman G Nairn, Peter J Spenceley

HLB Mann Judd (WA Partnership) is a member of  International and the HLB Mann Judd National Association of independent accounting firms

INCOME STATEMENT

For the year ended 30 June 2007

| | Note | 2007 \$ | 2006 \$ |
|--------------------------------------------------------------------|------|------------------|-----------------|
| Other income – interest received | | 133,175 | - |
| Exploration costs not capitalised | | (39,286) | - |
| Corporate administrative expenses | 3 | (965,706) | (17,846) |
| Finance costs | 6 | (5,387) | - |
| Loss before tax | | (877,204) | (17,846) |
| Income tax expense/benefit | 7 | - | - |
| Loss for the period | | (877,204) | (17,846) |
| Basic earnings per share attributable to ordinary equity holders | 8 | (0.02) | (8,923.00) |
| Diluted earnings per share attributable to ordinary equity holders | 8 | (0.02) | (8,923.00) |

The income statement is to be read in conjunction with the notes to the financial statements set out on pages 38 to 56.

BALANCE SHEET

As at 30 June 2007

| | Note | 2007 \$ | 2006 \$ |
|---------------------------------------|------|------------|------------|
| Current assets | | | |
| Cash and cash equivalents | 9 | 3,122,703 | 1,778 |
| Trade and other receivables | 10 | 798,196 | - |
| Total current assets | | 3,920,899 | 1,778 |
| Non-current assets | | | |
| Financial assets | 11 | 60,312 | - |
| Exploration and evaluation assets | 12 | 11,087,435 | - |
| Property, plant and equipment | 13 | 153,430 | - |
| Total non-current assets | | 11,301,177 | - |
| Total assets | | 15,222,076 | 1,778 |
| Current liabilities | | | |
| Trade and other payables | 14 | 656,114 | - |
| Interest-bearing loans and borrowings | 15 | - | 19,622 |
| Employee benefits | 16 | 14,553 | - |
| Total current liabilities | | 670,667 | 19,622 |
| Total liabilities | | 670,667 | 19,622 |
| Net assets | | 14,551,409 | (17,844) |
| Equity | | | |
| Issued capital | 17 | 14,977,361 | 2 |
| Accumulated losses | 17 | (895,050) | (17,846) |
| Reserves | 17 | 469,098 | - |
| Total equity | | 14,551,409 | (17,844) |

The balance sheet is to be read in conjunction with the notes to the financial statements set out on pages 38 to 56.

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2007

| | Note | Share capital \$ | Accumulated losses \$ | Share based payments reserve \$ | Total equity \$ |
|------------------------------------------------------------------|------|---------------------|-----------------------------|---------------------------------------|--------------------|
| Balance at 1 July 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 – initial public offering | | 7,000,000 | - | - | 7,000,000 |
| Issue of fully paid ordinary shares – share conversion | | 5,400,002 | - | - | 5,400,002 |
| Transaction costs | | (822,643) | - | - | (822,643) |
| Share options vested | | - | - | 469,098 | 469,098 |
| Loss for the period | | - | (877,204) | - | (877,204) |
| Balance at 30 June 2007 | 17 | 14,977,361 | (895,050) | 469,098 | 14,551,409 |
| Balance at date of incorporation | | - | - | - | - |
| Issue of fully paid ordinary shares – incorporation | | 2 | - | - | 2 |
| Loss for the period | | - | (17,846) | - | (17,846) |
| Balance at 30 June 2006 | 17 | 2 | (17,846) | - | (17,844) |

The statement of changes in equity is to be read in conjunction with the notes to the financial statements set out on pages 38 to 56.

CASH FLOW STATEMENT

For the year ended 30 June 2007

| | Note | 2007 \$ | 2006 \$ |
|----------------------------------------------------------|------|-------------|------------|
| Cash flows from operating activities | | | |
| Cash paid to suppliers and employees | | (521,950) | (17,846) |
| Interest paid | | (5,141) | - |
| Interest received | | 132,998 | - |
| Net cash used in operating activities | 20 | (394,093) | (17,846) |
| Cash flows from investing activities | | | |
| Payments for mining exploration and evaluation | | (2,584,063) | - |
| Acquisition of property, plant and equipment | | (144,917) | - |
| Net cash from investing activities | | (2,728,980) | - |
| Cash flows from financing activities | | | |
| Net proceeds from issue of shares | | 6,336,340 | 2 |
| Lodgement of bank guarantee and security deposits | | (60,312) | - |
| Proceeds from borrowings | | 296,074 | 19,622 |
| Repayment of borrowings | | (328,104) | - |
| Net cash from financing activities | | 6,243,998 | 19,624 |
| Net increase in cash and cash equivalents | | 3,120,925 | 1,778 |
| Cash and cash equivalents at the beginning of the period | | 1,778 | - |
| Cash and cash equivalents at 30 June | 9 | 3,122,703 | 1,778 |

The cash flow statement is to be read in conjunction with the notes to the financial statements set out on pages 38 to 56.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2007

1. Significant accounting policies

Liontown Resources is an ASX listed public company domiciled in Australia. The financial report of the Company is for the year ended 30 June 2007. The previous financial period of the Company was from the date of incorporation, 2 February 2006, to 30 June 2006.

The financial report was authorised for issue by the Directors on the 28th day of September 2007.

(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.

In the year ended 30 June 2007, 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 its accounting policies.

(c) Significant accounting judgements, estimates and assumptions

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.

(d) Segment reporting

A segment is a distinguishable component of the Company that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments

(e) 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2007

(i) Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods 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 to the buyer.

(ii) Services rendered

Revenue from services rendered is recognised in the income statement in proportion to the stage of completion of the transaction at the balance sheet 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 and the costs incurred or to be incurred cannot be measured reliably.

(iii) Interest received

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

(f) Expenses

(i) Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement 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.

(g) Depreciation

Depreciation is charged to the income statement 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. The estimated useful lives in the current and comparative periods are as follows:

| | |
|-------------------------|---------|
| ■ plant and equipment | 7%-40% |
| ■ fixtures and fittings | 11%-22% |
| ■ motor vehicles | 18.75% |

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2007

1. Significant accounting policies (continued)

(h) Income tax

Income tax in the income statement comprises current and deferred tax. Income tax is recognised in the income statement 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 sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation 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 sheet 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.

(i) 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 balance sheet.

Cash flows are included in the cash flow statement 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.

(j) 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 income statement 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 income statement. Receivables with a short duration are not discounted.

(k) 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 cash flow statement.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2007

(l) Trade and other receivables

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

(m) 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.

(n) 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 derecognition 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.

(o) 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2007

1. Significant accounting policies (continued)

(o) Financial assets (continued)

(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 balance sheet 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.

(p) 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 balance sheet 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. Should a project or an area of interest be abandoned, the expenditure will be written off in the period in which the decision is made. 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.

(q) Trade and other payables

Trade and other payables are stated at cost.

(r) 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2007

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.

(s) Employee benefits

(i) Superannuation

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2007

1. Significant accounting policies (continued)

(s) Employee benefits (continued)

(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.

(t) Provisions

A provision is recognised in the balance sheet 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.

(u) 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 currently only operates in one business segment and one geographical segment being the mining and exploration industry in Australia.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2007

3. Corporate administrative expenses

| | Note | 2007 \$ | 2006 \$ |
|-------------------------------------------|------|----------------|---------------|
| Accounting fees | | 5,450 | - |
| ASIC fees | | 1,412 | - |
| ASX fees | | 48,609 | - |
| Audit fees | 5 | 21,300 | - |
| Consulting fees | | 6,190 | - |
| Depreciation and amortisation | 13 | 18,202 | - |
| Insurance | | 26,408 | - |
| Legal fees | | 38,910 | 6,344 |
| Loss on sale of equipment | | 1,531 | - |
| Loss on sale of interest in tenements | | 1,892 | - |
| Marketing | | 8,940 | - |
| Personnel expenses | 4 | 578,246 | - |
| Printing and stationery | | 12,548 | - |
| Rent and outgoings | | 7,234 | - |
| Share registry | | 33,272 | - |
| Travel and accommodation | | 11,506 | - |
| Corporate and administration service fees | | 96,500 | - |
| Other | | 47,556 | 11,502 |
| | | <u>965,706</u> | <u>17,846</u> |

4. Personnel expenses

| | | | |
|--------------------------------------------------------|----|----------------|----------|
| Wages and salaries | | 118,260 | - |
| Directors' fees | | 75,909 | - |
| Other associated personnel expenses | | 42,866 | - |
| Defined contribution superannuation fund contributions | | 23,681 | - |
| Increase in liability for annual leave | | 7,415 | - |
| Equity-settled transactions | 16 | 310,115 | - |
| | | <u>578,246</u> | <u>-</u> |

5. Auditor's remuneration

Audit services

HLB Mann Judd:

Audit and review of financial reports

| | |
|---------------|----------|
| 21,300 | - |
| <u>21,300</u> | <u>-</u> |

6. Finance costs

Interest expense

| | |
|-------|---|
| 5,387 | - |
|-------|---|

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2007

7. Income tax

| | Note | 2007 \$ | 2006 \$ |
|---------------------------------------------------------------------------------------------|------|-------------|------------|
| Current tax expense | | (169,721) | (5,354) |
| Deferred tax expense relating to the origination and reversal of temporary differences | | (3,491,719) | 2,699 |
| Tax losses not brought to account as deferred tax assets | | 3,661,440 | 2,655 |
| Total income tax expense reported in the income statement | | - | - |
| Numerical reconciliation of income tax expense to prima facie tax payable | | | |
| Loss from continuing operations before income tax expense | | (877,204) | (17,846) |
| Tax at the Australian corporate rate of 30% | | (263,161) | (5,354) |
| Tax effect of amounts which are not tax deductible (taxable) in calculating taxable income: | | | |
| Non-deductible expenses | | 93,440 | - |
| Blackhole expenditure tax deductible | | (49,359) | - |
| Origination and reversal of temporary differences | | (3,491,719) | 2,699 |
| | | (3,710,799) | (2,655) |
| Current year tax benefits not recognised | | 3,710,799 | 2,655 |
| Income tax expense reported in the income statement | | - | - |
| Tax Losses | | | |
| Unused tax losses for which no deferred tax asset has been recognised | | 12,378,180 | 8,851 |
| Potential tax benefit at 30% tax rate | | 3,713,454 | 2,655 |

8. Earnings per share

Basic earnings per share

The calculation of basic earnings per share for the period ended 30 June 2007 was based on the loss attributable to ordinary shareholders of \$877,204 [2006: \$17,846] and a weighted average number of ordinary shares outstanding during the period ended 30 June 2007 of 42,638,361 [2006: 2].

Diluted earnings per share

The calculation of diluted earnings per share for the period ended 30 June 2007 was based on the loss attributable to ordinary shareholders of \$877,204 [2006: \$17,846] and a weighted average number of ordinary shares outstanding during the period ended 30 June 2007 of 42,638,361 [2006: 2] calculated as follows:

Loss attributable to ordinary shareholders (diluted)

| | | |
|-----------------------------------------------------------------|------------|--------|
| Loss attributable to ordinary shareholders | 877,204 | 17,846 |
| Loss attributable to ordinary shareholders (diluted) | 877,204 | 17,846 |
| Weighted average number of ordinary shares (diluted) | | |
| | No. | No. |
| Weighted average number of ordinary shares at 30 June | 42,638,361 | 2 |
| Effect of share options on issue | - | - |
| Weighted average number of ordinary shares (diluted) at 30 June | 42,638,361 | 2 |

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2007

9. Cash and cash equivalents

| | 2007 \$ | 2006 \$ |
|------------------------------------------------------|------------------|--------------|
| Bank accounts | 3,122,703 | 1,778 |
| Cash and cash equivalents in the cash flow statement | <u>3,122,703</u> | <u>1,778</u> |

10. Trade and other receivables

Current

| | | |
|--------------------------------------------|----------------|----------|
| Other trade receivables | 157,801 | - |
| Prepayments | 20,395 | - |
| Other current receivable - sale of assets* | 620,000 | - |
| | <u>798,196</u> | <u>-</u> |

* On 10 November 2006, the Company entered into an agreement to sell its Strelley River tenements to CBH Resources Ltd. On 9 August 2007 the sale of the Strelley River tenements was satisfied by the issue of fully paid ordinary shares in CBH Resources Ltd, to the value of \$620,000.

11. Financial assets

Non-current

| | | |
|-------------------------------------|---------------|----------|
| Bond in relation to office premises | 18,972 | - |
| Bank guarantee | 25,000 | - |
| Security deposits | 16,340 | - |
| | <u>60,312</u> | <u>-</u> |

12. Exploration and evaluation expenditure

| | | |
|---------------------------------------------------------------------------------------------------------|-------------------|----------|
| Costs carried forward in respect of areas of interest in the exploration and evaluation phase (at cost) | - | - |
| Acquisition of tenements | 9,415,248 | - |
| Expenditure incurred during the year | 2,333,365 | - |
| Exploration costs not capitalised | (39,286) | - |
| Interest in tenements disposed of | (621,892) | - |
| | <u>11,087,435</u> | <u>-</u> |

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

13. Property, plant and equipment

| | | |
|----------------------------------|----------------|----------|
| At cost | 171,572 | - |
| Less: accumulated depreciation | (18,142) | - |
| | <u>153,430</u> | <u>-</u> |
| Plant and equipment | | |
| Carrying amount at 1 July | - | - |
| Additions | 173,163 | - |
| Disposals/written off | (1,531) | - |
| Depreciation | (18,202) | - |
| Carrying amount at end of period | <u>153,430</u> | <u>-</u> |

14. Trade and other payables

| | | |
|------------------|----------------|----------|
| Trade payables | 547,714 | - |
| Accrued expenses | 108,400 | - |
| | <u>656,114</u> | <u>-</u> |

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2007

15. Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings. For more information about the Company's exposure to interest rate risk, see note 18.

| | 2007 \$ | 2006 \$ |
|-----------------------------|------------|------------|
| Current liabilities | | |
| Loan – Uranium Equities Ltd | - | 19,622 |
| | - | 19,622 |

16. Employee benefits

| | | |
|----------------------------|--------|---|
| Liability for annual leave | 14,553 | - |
| Total employee benefits | 14,553 | - |

Share based payments

(a) 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.

Share options were granted to employees on the following terms and conditions during the year:

| Grant date | Number of instruments | Vesting conditions | Contractual life of options |
|------------------|-----------------------|---------------------------|-----------------------------|
| 18 December 2006 | 5,400,000 | 1 year continual services | 3 years |
| 18 December 2006 | 75,000 | No vesting conditions | 3 years |
| 9 January 2007 | 250,000 | 1 year continual services | 3 years |

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

| | Weighted average exercise price \$ 2007 | Number of options 2007 |
|--------------------------------------------|-----------------------------------------------|------------------------------|
| Outstanding at the beginning of the period | - | - |
| Forfeited during the period | - | - |
| Exercised during the period | - | - |
| Granted during the period | 0.25 | 5,725,000 |
| Outstanding at the end of the period | 0.25 | 5,725,000 |
| Exercisable at the end of the period | 0.25 | 75,000 |

The options outstanding at 30 June 2007 have an exercise price of \$0.25 and a weighted average contractual life of 3 years.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2007

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 gives the assumptions made in determining the fair value of the options granted in the year to 30 June 2007.

| Fair value of share options and assumptions | 2007 | 2006 |
|--------------------------------------------------------------------------------------------------------------------------|---------|------|
| Share price at grant date (weighted average) | \$0.20 | - |
| Exercise price | \$0.25 | - |
| Expected volatility (expressed as weighted average volatility used in the modelling under binomial option-pricing model) | 80% | - |
| Option life (expressed as weighted average life used in the modelling under binomial option-pricing model) | 3 years | - |
| Expected dividends | Nil | - |
| Risk-free interest rate | 6.06% | - |

The expected volatility is based on the volatility of similar mining and exploration companies, due to limited historical share price data being available as a result of the Company listing on ASX on 27 December 2006.

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.

| | 2007 \$ | 2006 \$ |
|------------------------------------------------|------------|------------|
| Share options granted in 2007 - equity settled | 310,115 | - |
| Total expense recognised as personnel expenses | 310,115 | - |

17. Capital and reserves

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

| | Share capital (a) \$ | Accumulated losses \$ | Share based payments reserve \$ | Total equity \$ |
|------------------------------------------------------------------|----------------------------|-----------------------------|---------------------------------------|--------------------|
| 2007 | | | | |
| Balance at 1 July 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 - initial public offering | 7,000,000 | - | - | 7,000,000 |
| Issue of fully paid ordinary shares - share conversion | 5,400,002 | - | - | 5,400,002 |
| Transaction costs | (822,643) | - | - | (822,643) |
| Share options vested | - | - | 469,098 | 469,098 |
| Loss for the period | - | (877,204) | - | (877,204) |
| Balance at 30 June 2007 | 14,977,361 | (895,050) | 469,098 | 14,551,409 |

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2007

| 2006 | Share capital (a) \$ | Accumulated losses \$ | Share based payments reserve \$ | Total equity \$ |
|----------------------------------|----------------------------|-----------------------------|---------------------------------------|--------------------|
| Balance at date of incorporation | 2 | - | - | 2 |
| Loss for the period | - | (17,846) | - | (17,846) |
| Balance at 30 June 2006 | 2 | (17,846) | - | (17,844) |

(a) Share capital

| | 2007 No. | 2006 No. |
|---------------------------------------------------------------|-------------|-------------|
| On issue at 1 July | 2 | - |
| Issue of fully paid ordinary shares – on incorporation | - | 2 |
| Issue of fully paid ordinary shares – tenement acquisition | 17,000,000 | - |
| Issue of fully paid ordinary shares – initial public offering | 35,000,000 | - |
| Issue of fully paid ordinary shares – share conversion | 27,000,007 | - |
| On issue at 30 June | 79,000,009 | 2 |

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.

(b) Share options

| | 2007 No. | 2006 No. |
|--------------------------------|-------------|-------------|
| On issue at 1 July | - | - |
| Options issued during the year | 7,225,000 | - |
| On issue at 30 June | 7,225,000 | - |

At 30 June the Company had 7,225,000 unlisted options on issue under the following terms and conditions:

| Number | Expiry Date | Exercise Price |
|-----------|------------------|----------------|
| 5,475,000 | 18 December 2009 | 0.25 |
| 1,500,000 | 31 December 2009 | 0.25 |
| 250,000 | 9 January 2010 | 0.25 |

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2007

18. Financial instruments

(a) 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 2007 | 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 | - | - | 3,122,503 | - | 3,122,503 | 2.6% |
| Bank guarantee – term deposits | 11 | 25,000 | - | - | - | 25,000 | 6.4% |
| Petty cash | 9 | - | - | - | 200 | 200 | - |
| Trade and other receivables | 10 | - | - | - | 777,801 | 777,801 | - |
| Security deposits | 11 | - | - | - | 35,312 | 35,312 | - |
| Financial liabilities | | | | | | | |
| Trade payables and accrued expenses | 14 | - | - | - | 656,114 | 656,114 | - |

| 30 June 2006 | 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 | - | - | 1,778 | - | 1,778 | 0.0% |
| Financial liabilities | | | | | | | |
| Loans and borrowings | 15 | 19,622 | - | - | - | 19,622 | 8.0% |

(b) Credit risk exposure

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

(c) Net fair values of financial assets and liabilities

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2007

19. 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 State 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:

| | 2007 \$ | 2006 \$ |
|--------------------|------------|------------|
| Within 1 year | 997,325 | - |
| Within 2 – 5 years | 2,742,343 | - |
| Later than 5 years | 382,184 | - |
| | 4,121,852 | - |

Remuneration commitments

Commitments for the payment of salaries and other remuneration under long-term employment contracts in existence at balance date but not recognised as liabilities, payable:

| | | |
|------------------|---------|---|
| within 1 year | 425,000 | - |
| within 2-5 years | - | - |
| | 425,000 | - |

Operating lease commitments

Non-cancellable operating lease rentals are payable as follows:

| | | |
|------------------|---------|---|
| within 1 year | 67,242 | - |
| within 2-5 years | 119,828 | - |
| | 187,070 | - |

20. Reconciliation of cash flows from operating activities

Cash flows from operating activities

| | | |
|------------------------------------------------------------------------|------------------|-----------------|
| Loss for the period | (877,204) | (17,846) |
| Adjustments for: | | - |
| Depreciation and amortisation | 18,202 | - |
| Exploration costs not capitalised | 39,286 | - |
| Interest on finance leases | 246 | - |
| Loss on sale of equipment | 1,531 | - |
| Loss on sale of interest in mining tenements | 1,892 | - |
| Equity-settled share-based payment expenses | 310,115 | - |
| Operating loss before changes in working capital and provisions | (505,932) | (17,846) |
| (Increase) in trade and other receivables | (178,196) | - |
| Increase in trade creditors and accruals | 275,482 | - |
| Increase in provisions | 14,553 | - |
| Net cash used in operating activities | (394,093) | (17,846) |

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2007

21. 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:

Executive Directors

A R Bantock

J R McIntyre

Resigned 17 July 2007

Non-executive Directors

T R B Goyder (Chairman)

A W Kiernan

C R Williams

Appointed 11 November 2006

Executives

R K Hacker (Company Secretary)

The key management personnel compensation included in 'personnel expenses' (see note 4) is as follows:

| | 2007 \$ | 2006 \$ |
|------------------------------|----------------|------------|
| Short-term employee benefits | 237,876 | - |
| Post-employment benefits | 20,373 | - |
| Equity-settled transactions | 279,991 | - |
| | <u>538,240</u> | <u>-</u> |

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2007

21. Key management personnel (continued)

Other key management personnel transactions with the Company (continued)

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

| | | Note | Amounts payable/ (receivable) 2007 \$ | Amounts payable/ (receivable) 2006 \$ |
|-------------------------------|--------------------|-------|------------------------------------------------|------------------------------------------------|
| Key management persons | | | | |
| A W Kiernan | Legal services | (i) | 15,930 | - |
| T R B Goyder | Office premises | (ii) | (5,000) | - |
| Other related parties | | | | |
| Chalice Gold Mines Limited | Corporate Services | (iii) | 96,500 | - |
| Uranium Equities Limited | Office premises | (ii) | (11,000) | - |

(i) The Company used the legal services of Mr Kiernan and Christensen Vaughan (a company to which Mr Kiernan is a consultant) during the year. Amounts were billed based on normal market rates for such services and were due and payable under normal payment terms.

(ii) Uranium Equities Limited and Mr Goyder contribute to the rental cost of the Company's office premises in West Perth. Messrs Goyder, Bantock and Kiernan were all Directors of Uranium Equities Limited during the year and Mr Hacker was the Company Secretary. Amounts billed are based on the underlying usage of the premises by each party, reflecting its proportionate share of the rate charged by the lessor of the premises and have normal payment terms.

(iii) The Company receives corporate services including accounting and company secretarial services under a Corporate Services Agreement with Chalice Gold Mines Limited. Messrs Goyder, Bantock, Kiernan and McIntyre 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:

Assets and liabilities arising from the above transactions

| | 2007 \$ | 2006 \$ |
|------------------|-----------------|------------|
| Current payables | (27,011) | - |
| Trade debtors | 2,420 | - |
| | <u>(24,591)</u> | <u>-</u> |

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2007

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 date of incorporation | Granted as compensation | Exercised | Other changes | Held at 30 June 2007 | Vested during the year | Vested and exercisable at 30 June 2007 |
|-------------------|-------------------------------|-------------------------|-----------|---------------|----------------------|------------------------|----------------------------------------|
| Directors | | | | | | | |
| T R B Goyder | - | 750,000 | - | - | 750,000 | - | - |
| A R Bantock | - | 1,250,000 | - | - | 1,250,000 | - | - |
| J R McIntyre | - | 1,250,000 | - | - | 1,250,000 | - | - |
| A W Kiernan | - | 750,000 | - | - | 750,000 | - | - |
| C R Williams | - | 750,000 | - | - | 750,000 | - | - |
| Executives | | | | | | | |
| R K Hacker | - | 500,000 | - | - | 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 2006 | Additions | Received on exercise of options | Sales | Held at 30 June 2007 |
|-------------------|---------------------|------------|---------------------------------|---------|----------------------|
| Directors | | | | | |
| T R B Goyder | - | 15,721,002 | - | - | 15,721,002 |
| A R Bantock | - | 3,063,544 | - | - | 3,063,544 |
| J R McIntyre | - | 431,379 | - | - | 431,379 |
| A W Kiernan | - | 460,154 | - | - | 460,154 |
| C R Williams | - | 100,000 | - | - | 100,000 |
| Executives | | | | | |
| R K Hacker | - | 173,336 | - | 173,336 | - |

No shares were granted to key management personnel during the reporting period as compensation.

22. Related party disclosures

During the financial year and prior to the Company's IPO, Uranium Equities Limited provided funding to Liontown Resources under an agreement dated 22 March 2006.

Uranium Equities Limited was the ultimate parent entity of Liontown Resources until 15 December 2006.

Key terms were a loan limit of \$300,000 and that interest was charged at 8% per annum. Messrs Goyder, Bantock and Kiernan, as Directors of Liontown Resources, provided personal guarantees to Uranium Equities Limited for any balances not repaid by Liontown Resources.

The loan was fully repaid on 5 February 2007.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2007

23. Subsequent events

On 10 November 2006, the Company entered into an agreement to sell its Strelley River tenements to CBH Resources Ltd. On 9 August 2007 the sale of the Strelley River tenements was satisfied by the issue of 1,037,114 fully paid ordinary shares in CBH Resources Ltd, to the value of \$620,000 (see note 10).

During September 2007, the entire investment in CBH Resources was sold on ASX for \$533,286 (at an average price of 51.4 cents per share) resulting in a loss on sale of \$86,714.



DIRECTORS' DECLARATION

Directors' declaration

- 1 In the opinion of the Directors of Liontown Resources Limited ('the Company'):
 - (a) the financial statements and notes including the remuneration disclosures that are contained in sections 7.1, 7.2 and 7.3 of the Remuneration Report in the Directors' Report, set out on pages 26 to 29, 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 2007 and of its performance, as represented by the results of its operations and its cash flows, for the period ended on that date; and
 - (ii) complying with Australian Accounting Standards 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.
- 2 The Directors have been given the declarations by the Chief Executive Officer (or equivalent) and Chief Financial Officer (or equivalent) for the period ended 30 June 2007 pursuant to Section 295A of the Corporations Act 2001.

Dated at Perth the 28th day of September 2007

Signed in accordance with a resolution of the Directors:



TIM R B GOYDER
Chairman

INDEPENDENT AUDITOR'S REPORT



Accountants | Business and Financial Advisers

INDEPENDENT AUDITOR'S REPORT

To the members of LIONTOWN RESOURCES LIMITED

We have audited the accompanying financial report of Liontown Resources Limited, which comprises the balance sheet as at 30 June 2007, the income statement, statement of changes in equity, cash flow statement and notes to the financial statements for the year then ended and the directors' declaration.

As permitted by the Corporations Regulations 2001, the company has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), required by Accounting Standard AASB 124: Related Party Disclosures, under the heading "remuneration report" in the directors' report and not in the financial report. We have audited these remuneration disclosures.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the 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.

In Note 1(a), the directors state that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

The directors of the company are also responsible for the remuneration disclosures contained in the directors' report.

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. These Auditing 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. Our responsibility is to also express an opinion on the remuneration disclosures contained in the directors' report based on our audit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report and the remuneration disclosures contained in the directors' report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report and the remuneration disclosures contained in the directors' report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report and the remuneration disclosures contained in the directors' 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 entity's internal controls. 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 and the remuneration disclosures contained in the directors' report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

HLB Mann Judd (WA Partnership)
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Email: hbj@hlbwa.com.au. Website: <http://www.hlb.com.au>
Partners: Tom M Henderson, Lisa Christensen, Wayne M Clark, Lorne D Galbraith, Colin D Emmott, Trevor G Haddy, Norman G Sall, Peter J Speedley

HLB Mann Judd (WA Partnership) is a member of  International and the HLB Mann Judd National Association of Independent Accounting Firms

INDEPENDENT AUDITOR'S REPORT

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

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the directors of Liontown Resources Limited and included in the directors' report, would be on the same terms if provided to the directors as at the date of this auditor's report.

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 2007 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) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(a).

Auditor's Opinion on the AASB 124 Disclosures Contained in the Directors' Report

In our opinion the remuneration disclosures that are contained in the directors' report comply with Accounting Standard AASB 124.

HLB Mann Judd

HLB MANN JUDD
Chartered Accountants

L Di Giallonardo

L DI GIALLONARDO
Partner

Perth, Western Australia
28 September 2007

CORPORATE GOVERNANCE STATEMENT

Corporate Governance is a matter of high importance in the Company and is undertaken with due regard to all of the Company's stakeholders and its role in the community. The key corporate governance practices of the Company are summarised below.

1. Board of Directors

1.1 Role of the Board and Management

The Board represents shareholders' interests in continuing a successful business, which seeks to optimise medium to long-term financial gains for shareholders. The Board believes that this focus will ultimately result in the interests of all stakeholders being appropriately addressed when making business decisions.

The Board is responsible for ensuring that the Company is managed in such a way to best achieve this desired result. Given the current size and operations of the business, the Board currently undertakes an active, not passive, role.

The Board is responsible for evaluating and setting the strategic directions for the Company, establishing goals for management and monitoring the achievement of these goals. The Managing Director is responsible to the Board for the day-to-day management of the Company.

The Board has sole responsibility for the following:

- appointing and removing the Managing Director and approving senior executive remuneration;
- determining the strategic direction of the Company and measuring performance of management against approved strategies;
- review of the adequacy of resources for management to properly carry out approved strategies and business plans;
- adopting operating and capital expenditure budgets at the commencement of each financial year and monitoring the progress against them;
- monitoring capital and cash flow requirements;
- approving and monitoring financial and other reporting to regulatory bodies, shareholders and other organisations;
- determining that satisfactory arrangements are in place for auditing the Company's financial affairs; and
- ensuring that risk management and internal controls, policies and compliance systems consistent with the Company's objectives, external best practice and the Company's size and scope of operations are in place and that the Company and its officers act legally, ethically and responsibly on all matters.

The Board's role and the Company's corporate governance practices are being continually reviewed and improved as required.

1.2 Composition of the Board and New Appointments

The Company's Constitution provides that the number of Directors shall not be less than three and not more than seven. There is no requirement for any share holding qualification.

The Board considers that the Company is not currently of a size, nor are its affairs of such complexity, to justify the appointment and further expense of an independent Non-executive Chairman. The Board believes that the individuals on the Board can make, and do make, quality and independent judgments in the best interests of the Company on all relevant issues.

CORPORATE GOVERNANCE STATEMENT

The composition of the Board is reviewed periodically in view of the underlying scale, scope and complexity of the Company's operations. Changes are made where appropriate.

The membership of the Board and its activities are subject to periodic review. The criteria for determining the identification and appointment of a suitable candidate for the Board shall include quality of the individual, background of experience and achievement, compatibility with other Board members, credibility within the Company's scope of activities, intellectual ability to contribute to Board's duties and physical ability to undertake the Board's duties and responsibilities.

Directors are initially appointed by the full Board subject to election by shareholders at the next general meeting. Under the Company's Constitution the tenure of Directors (other than Managing Director, and only one Managing Director where the position is jointly held) is subject to reappointment by shareholders not later than the third anniversary following his last appointment. Subject to the requirements of the Corporations Act 2001, the Board does not subscribe to the principle of retirement age and there is no maximum period of service as a Director. A Managing Director may be appointed for any period and on any terms the Directors think fit and, subject to the terms of any agreement entered into, the Board may revoke any appointment.

1.3 Committees of the Board

The Board considers that the Company is not currently of a size, nor are its affairs of such complexity, to justify the formation of separate or special committees at this time. The Board as a whole is able to address the governance aspects of the full scope of the Company's activities and to ensure that it adheres to appropriate ethical standards.

The full Board currently holds meetings at such times as may be necessary to address any general or specific matters as required.

If the Company's activities increase in size, scope and nature, the appointment of separate or special committees will be reviewed by the Board and implemented if appropriate.

1.4 Conflicts of Interest

In accordance with the Corporations Act and the Company's Constitution, Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. Where the Board believes that a significant conflict exists, the Director concerned does not receive the relevant board papers and is not present at the meeting whilst the item is considered.

1.5 Independent Professional Advice

The Board has determined that individual Directors have the right in connection with their duties and responsibilities as Directors, to seek independent professional advice at the Company's expense. The engagement of an outside adviser is subject to prior approval of the Chairman and this will not be withheld unreasonably. If appropriate, any advice so received will be made available to all Board members.

2. Ethical Standards

The Board acknowledges the need for continued maintenance of a professional standard of corporate governance practice and ethical conduct by all Directors and employees of the Company.

2.1 Code of Conduct for Directors

The Board has adopted a Code of Conduct for Directors to promote ethical and responsible decision-making by the Directors. The code is based on a code of conduct for Directors prepared by the Australian Institute of Company Directors.

CORPORATE GOVERNANCE STATEMENT

2. Ethical Standards (continued)

2.1 Code of Conduct for Directors (continued)

The principles of the code are:

- A Director must act honestly, in good faith and in the best interests of the company as a whole.
- A Director has a duty to use due care and diligence in fulfilling the functions of office and exercising the powers attached to that office.
- A Director must use the powers of office for a proper purpose, in the best interests of the Company as a whole.
- A Director must recognise that the primary responsibility is to the Company's shareholders as a whole but should, where appropriate, have regard for the interest of all stakeholders of the Company.
- A Director must not make improper use of information acquired as a Director.
- A Director must not take improper advantage of the position of Director.
- A Director must not allow personal interests, or the interests of any associated person, to conflict with the interests of the Company.
- A Director has an obligation to be independent in judgment and actions and to take all reasonable steps to be satisfied as to the soundness of all decisions taken as a Board.
- Confidential information received by a Director in the course of the exercise of Directorial duties remains the property of the Company and it is improper to disclose it, or allow it to be disclosed, unless that disclosure has been authorised by the Company, or the person from whom the information is provided, or is required by law.
- A Director should not engage in conduct likely to bring discredit upon the Company.
- A Director has an obligation at all times, to comply with the spirit, as well as the letter of the law and with the principles of the Code.

The principles are supported by guidelines as set out by the Australian Institute of Company Directors for their interpretation. Directors are also obliged to comply with the Company's Code of Ethics and Conduct, as outlined below.

2.2 Code of Ethics and Conduct

The Company has implemented a Code of Ethics and Conduct, which provides guidelines aimed at maintaining high ethical standards, corporate behaviour and accountability within the Company.

All employees and Directors are expected to:

- respect the law and act in accordance with it;
- respect confidentiality and not misuse company information, assets or facilities;
- value and maintain professionalism;
- avoid real or perceived conflicts of interest;
- act in the best interests of shareholders;

CORPORATE GOVERNANCE STATEMENT

- by their actions contribute to the Company's reputation as a good corporate citizen which seeks the respect of the community and environment in which it operates;
- perform their duties in ways that minimise environmental impacts and maximise workplace safety;
- exercise fairness, courtesy, respect, consideration and sensitivity in all dealings within their workplace and with customers, suppliers and the public generally; and
- act with honesty, integrity, decency and responsibility at all times.

An employee that breaches the Code of Ethics and Conduct may face disciplinary action. If an employee suspects that a breach of the Code of Ethics and Conduct has occurred or will occur, he or she must notify that breach to management. No employee will be disadvantaged or prejudiced if he or she reports in good faith a suspected breach. All reports will be acted upon and kept confidential.

2.3 Dealings in Company Securities

The Company's share trading policy imposes basic trading restrictions on all employees of the Company with 'inside information', and additional trading restrictions on the Directors of the Company and employees who possess inside information.

'Inside information' is information that:

- is not generally available; and
- if it were generally available, it would, or would be likely to influence investors in deciding whether to buy or sell the Company's securities.

If an employee possesses inside information, the person must not:

- trade in the Company's securities;
- advise others or procure others to trade in the Company's securities; or
- pass on the inside information to others – including colleagues, family or friends – knowing (or where the employee or Director should have reasonably known) that the other persons will use that information to trade in, or procure someone else to trade in, the Company's securities.

This prohibition applies regardless of how the employee or Director learns the information.

In addition to the above, Directors must notify the Company Secretary as soon as practicable, but not later than 5 business days, after they have bought or sold the Company's securities or exercised options. In accordance with the provisions of the Corporations Act and the Listing rules of the ASX, the Company on behalf of the Directors must advise the ASX of any transactions conducted by them in the securities of the Company.

Breaches of this policy will be subject to disciplinary action, which may include termination of employment.

2.4 Interests of Other Stakeholders

The Company's objective is to maximise returns to shareholders through the continued exploration and development of current projects and the identification and acquisition of quality mining and/or exploration projects.

To assist in meeting its objective, the Company conducts its business within the Code of Ethics and Conduct, as outlined in 2.2 above.

CORPORATE GOVERNANCE STATEMENT

3. Disclosure of Information

3.1 Continuous Disclosure to ASX

The continuous disclosure policy requires all executives and Directors to inform the Managing Director or in his absence the Company Secretary of any potentially material information as soon as practicable after they become aware of that information.

Information is material if it is likely that the information would influence investors who commonly acquire securities on ASX in deciding whether to buy, sell or hold the Company's securities.

Information is not material and need not be disclosed if:

- a) a reasonable person would not expect the information to be disclosed or is material but due to a specific valid commercial reason is not to be disclosed; and
- b) the information is confidential; or one of the following applies:
 - It would breach a law or regulation to disclose the information;
 - the information concerns an incomplete proposal or negotiation;
 - the information comprises matters of supposition or is insufficiently definite to warrant disclosure;
 - the information is generated for internal management purposes;
 - the information is a trade secret;
 - it would breach a material term of an agreement, to which the company is a party, to disclose the information;
 - it would harm the Company's potential application or possible patent application; or
 - the information is scientific data that release of which may benefit the Company's potential competitors.

The Managing Director is responsible for interpreting and monitoring the Company's disclosure policy and where necessary informing the Board. The Company Secretary is responsible for all communications with ASX.

3.2 Communication with Shareholders

The Company places considerable importance on effective communications with shareholders.

The Company's communication strategy requires communication with shareholders and other stakeholders in an open, regular and timely manner so that the market has sufficient information to make informed investment decisions on the operations and results of the Company. The strategy provides for the use of systems that ensure a regular and timely release of information about the Company to shareholders.

CORPORATE GOVERNANCE STATEMENT

Mechanisms employed include:

- announcements lodged with ASX;
- ASX Quarterly Cash Flow Reports;
- Half Yearly Report;
- presentations at the Annual General Meeting/General Meetings; and
- Annual Report.

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and understanding of the Company's strategy and goals.

The Company also posts all reports, ASX and media releases and copies of significant business presentations on the Company's website.

4. Risk Management

4.1 Identification of Risk

The Board is responsible for overseeing the Company's risk management and control framework.

Responsibility for control and risk management is delegated to the appropriate level of management within the Company with the Managing Director having ultimate responsibility to the Board for the risk management and control framework.

Arrangements put in place by the Board to monitor risk management include:

- monthly reporting to the Board in respect of operations and the financial position of the Company;
- budgetary expenditure controls;
- monthly reporting to the Board on status of tenure to tenements;
- review of insurance requirements annually and as needed; and
- regular reporting on adherence to health and safety guidelines and policies.

4.2 Integrity of Financial Reporting

From the date the Company listed on the ASX, the Company's Managing Director and Chief Financial Officer (or equivalent) will report in writing to the Board that:

- the financial statements of the Company for each half and full year present a true and fair view, in all material aspects, of the Company's financial condition and operational results and are in accordance with accounting standards;
- the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- the Company's risk management and internal compliance and control framework is operating efficiently and effectively in all material respects.

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4.3 Role of Auditor

The Company's practice is to invite the auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

5. Performance Review

The Board has adopted a self-evaluation process to measure its own performance during each financial year. Ongoing review is undertaken in relation to the composition and skills mix of the Directors of the Company.

Arrangements put in place by the Board to monitor the performance of the Company's executives include annual performance appraisal meetings with each individual to ensure that the level of reward is aligned with respective responsibilities and individual contributions made to the success of the Company.

6. Remuneration Arrangements

The broad remuneration policy of the Company is to ensure that remuneration levels for executive Directors, secretaries and senior managers are set at competitive levels to attract and retain appropriately qualified and experienced personnel. This is a particularly important policy in view of the strong demand for experienced technical and financial personnel currently being experienced in the Australian and international resources industry, driven by increased world demand for commodities, and the significant impact that each individual can make within a small executive team for an exploration and development company such as at Liantown Resources. In short, the labour market is tight and key people make a difference to exploration and growth outcomes.

Remuneration packages offered by Liantown Resources are 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 good incentive to join and remain with the Company.

The remuneration of Non-executive Directors is determined by the Board as a whole having regard to the level of fees paid to Non-executive Directors by other companies of similar size in the industry.

The aggregate amount payable to the Company's Non-executive Directors must not exceed the maximum annual amount approved by the Company's shareholders.

Options may be issued under the Employee Share Option Plan to Directors, employees and consultants of the Company and must be exercised within three 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.

CORPORATE GOVERNANCE STATEMENT

ASX Corporate Governance Council: Principles of Good Corporate Governance and Best Practice Recommendations

Council Principle 1:

Lay solid foundations for management and oversight

Council Recommendation 1.1:

Formalise and disclose the functions reserved to the board and those delegated to management.

The Company complies with this recommendation. Refer Section 1.1 of Corporate Governance Statement.

Council Principle 2

Structure the board to add value

Council Recommendation 2.1:

A majority of the board should be independent Directors.

The Board considers that Mr Gauci, Mr Williams and Mr Kiernan are independent Directors in accordance with Recommendation 2.1. Whilst the remainder of the Board are not independent, the Board believes that all the individuals on the Board can make, and do make, quality and independent judgments in the best interests of the Company on all relevant issues. Directors having a conflict of interest in relation to a particular item of business must absent themselves from the Board Meeting before commencement of discussion on the topic.

Refer Section 1.2 of Corporate Governance Statement.

Council Recommendation 2.2:

The chairperson should be an independent Director.

Council Recommendation 2.3:

The roles of the Chairperson and Chief Executive Officer should not be exercised by the same individual.

The Company's Chairman, Mr Goyder, acts in a non-executive capacity but is considered by the Board not to be independent in terms of the ASX Corporate Governance Council's definition of independent Director. However the Board believes that the Chairman is able to and does bring quality and independent judgment to all relevant issues falling within the scope of the role of a Chairman.

The Board considers that the Company is not currently of a size, nor are its affairs of such complexity, to justify the expense of the appointment of an independent Non-executive Chairman.

Refer Section 1.2 of Corporate Governance Statement.

Council Recommendation 2.4:

The board should establish a nomination committee.

The Board considers that the Company is not currently of a size to justify the formation of a nomination committee.

The Board as a whole undertakes the process of reviewing the skill base and experience of existing Directors to enable identification or attributes required in new Directors. Where appropriate, independent consultants are engaged to identify possible new candidates for the Board.

The Board acknowledges this does not comply with recommendation 2.4 of the ASX Corporate Governance Guidelines. If the Company's activities increase in size, scope and nature, the appointment of a nomination committee will be reviewed by the Board and implemented if appropriate.

Refer Section 1.3 of Corporate Governance Statement.

CORPORATE GOVERNANCE STATEMENT

Council Principle 3:

Promote ethical and responsible decision-making

Council Recommendation 3.1:

Establish a code of conduct to guide the Directors, the Chief Executive Officer (or equivalent), the Chief Financial Officer (or equivalent) and any other key executives as to:

- 3.1.1 the practices necessary to maintain confidence in the company's integrity;
- 3.1.2 the responsibility and accountability of individuals for reporting and investigating reports of unethical practice.

The Company complies with this recommendation. Refer Sections 2.1 and 2.2 of Corporate Governance Statement.

Council Recommendation 3.2:

Disclose the policy concerning trading in company securities by Directors, officers and employees.

The Company complies with this recommendation. Refer Section 2.3 of Corporate Governance Statement.

Council Principle 4:

Safeguard integrity in financial reporting

Council Recommendation 4.1:

Require the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) to state in writing to the board that the company's financial reports present a true and fair view, in all material respects, of the company's financial condition and operational results and are in accordance with relevant accounting standards.

The Company complies with this recommendation.

Council Recommendation 4.2:

The board should establish an audit committee.

The Board considers that the Company is not currently of a size to justify the formation of an audit committee. The Board as a whole undertakes the selection and proper application of accounting policies, the identification and management of risk and the review of the operation of the internal control systems.

The Board acknowledges this does not comply with recommendation 4.2 of the ASX Corporate Governance Guidelines. If the Company's activities increase in size, scope and nature, the appointment of a audit committee will be reviewed by the Board and implemented if appropriate.

CORPORATE GOVERNANCE STATEMENT

Council Recommendation 4.3:

Structure the audit committee so that it consists of:

- only non-executive Directors;
- a majority of independent Directors;
- an independent chairperson, who is not chairperson of the board;
- at least three members.

Refer Recommendation 4.2.

Council Recommendation 4.4

The audit committee should have a formal operating charter.

Refer Recommendation 4.2.

Council Principle 5: Make a timely and balanced disclosure

Council Recommendation 5.1:

Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance.

The Company complies with this recommendation. Refer Section 3.1 of Corporate Governance Statement.

Council Principle 6: Respect the rights of shareholders

Council Recommendation 6.1:

Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings.

The Company complies with this recommendation. Refer Section 3.2 of Corporate Governance Statement.

Council Recommendation 6.2:

Request the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

The Company complies with this recommendation. Refer Section 4.3 of Corporate Governance Statement.

Council Principle 7: Recognise and manage risk

Council Recommendation 7.1:

The Board or appropriate board committee should establish policies on risk oversight and management.

The Company complies with this recommendation. Refer Section 4.1 of Corporate Governance Statement.

CORPORATE GOVERNANCE STATEMENT

Council Recommendation 7.2

The Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) should state in writing that:

7.2.1 the statement given in accordance with best practice recommendation 4.1 is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board; and

7.2.2 the company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

The Company complies with this recommendation. Refer Section 4.1 of Corporate Governance Statement.

Council Principle 8:

Encourage enhanced performance

Council Recommendation 8.1:

Disclose the process for performance evaluation of the board, its committees and individual Directors, and key executives.

The Company complies with this recommendation. Refer Section 5 of Corporate Governance Statement.

Council Principle 9:

Remunerate fairly and responsibly

Council Recommendation 9.1:

Provide disclosure in relation to the company's remuneration policies to enable investors to understand (i) the costs and benefits of those policies and (ii) the link between remuneration paid to Directors and key executives and corporate performance.

The Company complies with this recommendation. Refer Section 6 of Corporate Governance Statement.

Council Recommendation 9.2

The board should establish a remuneration committee.

The Board considers that the Company is not currently of a size, nor are its affairs of such complexity, to justify the formation of a remuneration committee. The Board as a whole is responsible for the remuneration arrangements for Directors and executives of the Company.

The Board acknowledges that this does not comply with recommendation 9.2 of the ASX Corporate Governance Guidelines. If the Company's activities increase in size, scope and nature, the appointment of a remuneration committee will be reviewed by the Board and implemented if appropriate. Refer Section 1.3 of Corporate Governance Statement.

Council Recommendation 9.3

Clearly distinguish the structure of Non-executive Directors' remuneration from that of executives.

The Company complies with this recommendation. Refer Section 6 of Corporate Governance Statement.

Council Recommendation 9.4

Ensure that payment of equity-based executive remuneration is made in accordance with thresholds set in plans approved by shareholders.

The Company complies with this recommendation. The Company currently has in place an Employee Share Option Plan. Any issue of options made to eligible participants is made in accordance with that plan.

CORPORATE GOVERNANCE STATEMENT

Council Principle 10:

Recognise the legitimate interests of stakeholders

Council Recommendation 10.1:

Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders.

The Company complies with this recommendation. Refer Section 2.4 of Corporate Governance Statement.

ASX ADDITIONAL INFORMATION

Additional information required by the Australian Securities 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 18 September 2007 were:

| Shareholder | Number of ordinary shares held | Percentage of capital held % |
|---------------------------|--------------------------------|------------------------------|
| Timothy R B Goyder | 15,721,002 | 19.90 |
| Resolute Limited | 12,249,094 | 15.51 |
| Equinox Resources Limited | 9,000,000 | 11.39 |
| Acorn Capital Limited | 5,238,427 | 6.63 |

Class of Shares and Voting Rights

At 18 September 2007 there were 1,017 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 -

- at meetings of members or classes of members each member entitled to vote in person or by proxy or attorney: and
- 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 18 September 2007:

| Category | Number of equity security holders | |
|------------------|-----------------------------------|------------------------|
| | Ordinary Shares | Unlisted Share Options |
| 1 – 1,000 | 66 | - |
| 1,001 – 5,000 | 267 | - |
| 5,001 – 10,000 | 153 | - |
| 10,000 – 100,000 | 469 | 3 |
| 100,001 and over | 62 | 7 |
| Total | 1,017 | 10 |

The number of shareholders holding less than a marketable parcel at 18 September 2007 was 137.

ASX ADDITIONAL INFORMATION

Twenty largest Ordinary Fully Paid Shareholders as at 18 September 2007

| Name | Number of ordinary shares held | Percentage of capital held% |
|------------------------------------------------|--------------------------------|-----------------------------|
| Plato Prospecting Pty Ltd | 14,784,988 | 18.72 |
| Resolute Limited | 12,249,094 | 15.51 |
| Equinox Resources Limited | 9,000,000 | 11.39 |
| National Nominees Limited | 4,156,162 | 5.00 |
| Define Consulting Pty Ltd | 3,063,544 | 3.88 |
| Tara Management Pty Ltd | 1,464,026 | 1.85 |
| J P Morgan Nominees Australia Limited | 1,168,911 | 1.48 |
| Balfes (QLD) Pty Ltd | 1,000,000 | 1.27 |
| Plato Prospecting Pty Ltd (Super Fund) | 936,014 | 1.18 |
| Cydac Pty Ltd | 868,273 | 1.10 |
| Nefco Nominees Pty Ltd | 799,010 | 1.01 |
| Merrill Lynch (Australia) Nominees Pty Limited | 794,314 | 1.00 |
| Penally Management Limited | 762,678 | 0.97 |
| HSBC Custody Nominees (Australia) Limited | 693,336 | 0.88 |
| All-States Finance Pty Ltd | 675,000 | 0.85 |
| Dr Lynette Hui Ching Wong | 617,333 | 0.78 |
| Mr Brian McCubbing | 500,000 | 0.63 |
| Calm Holdings Pty Ltd | 388,002 | 0.49 |
| Mr David Pullini | 300,000 | 0.38 |
| William Taylor Nominees Pty Ltd | 300,000 | 0.38 |
| Total | 54,520,685 | 68.75 |