

**LIONTOWN RESOURCES LIMITED**

**ABN 39 118 153 825**

**Half Year Report  
31 December 2007**

# Liontown Resources Limited

## Contents

<b>Contents</b>	<b>Page</b>
Directors' Report	3
Auditor's Independence Declaration	5
Condensed Income Statement	6
Condensed Balance Sheet	7
Condensed Statement of Changes in Equity	8
Condensed Cash Flow Statement	9
Notes to the Financial Statements	10
Director's Declaration	13
Independent Auditor's Review Report	14

# Liontown Resources Limited

## Directors' Report

### DIRECTORS' REPORT

Your directors submit the financial report of the Company for the half year ended 31 December 2007. In compliance with the provisions of the Corporations Act 2001, the directors report as follows:

#### Directors

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

Timothy R B Goyder	Non-Executive Chairman	
Andrew R Bantock	Managing Director	
John R McIntyre	Executive Director	Resigned 17 July 2007
Douglas A Jones	Executive Director	Appointed 4 September 2007
Vince Gauci	Non-executive Director	Appointed 7 August 2007
Anthony W Kiernan	Non-executive Director	
Craig R Williams	Non-executive Director	

#### Review of Operations

During the period the Company:

- Received an initial Mineral Resource estimate for the Liontown zinc-lead-copper-silver-gold deposit of 1.8 million tonnes @ 7.6% zinc, 2.4% lead, 0.6% copper, 29 g/t silver and 0.6 g/t gold.
- Trebled its ground position at the Mount Windsor Volcanics Project from approximately 1,060km<sup>2</sup> (at the time of the Company's IPO) to over 3,200km<sup>2</sup>.
- Furthered the regional exploration program within the Mount Windsor Volcanics Project, initially focusing on a 5 x 5 km area surrounding the Liontown deposit, where previously identified prospect areas at Tigertown, Cougartown, Leopardtown and Oakvale (and adjacent areas) have been the subject of only limited surficial drilling.
- Completed a detailed review and "ground truthing" of ultramafic stratigraphy across the Cowan Nickel Project, where key basal contact areas were identified for ground TEM surveying and drilling which has commenced subsequent to balance date.

# Liontown Resources Limited

## Directors' Report

### Auditor's Independence Declaration

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the company with an Independence Declaration in relation to the review of the half-year financial report. This Independence Declaration is set out on page 5 and forms part of this directors' report for the half-year ended 31 December 2007.

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



ANDREW R BANTOCK  
Managing Director

Dated at Perth this 14<sup>th</sup> day of March 2008.

### Auditor's Independence Declaration

As lead auditor for the review of the financial report of Liontown Resources Limited for the half-year ended 31 December 2007, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b) any applicable code of professional conduct in relation to the review.

This declaration is in respect of Liontown Resources Limited.



Perth, Western Australia  
14 March 2008

L DI GIALONARDO  
Partner, HLB Mann Judd

Liontown Resources Limited  
**Condensed Income Statement**  
For the half year ended 31 December 2007

	Note	2007 \$	2006 \$
Revenue		24,739	16,604
Loss on sale of shares	3a	(86,714)	-
Exploration costs not capitalised		(168,040)	-
Corporate administrative expenses	3b	(1,196,660)	(201,039)
Finance income/(costs)		74,003	(4,865)
<b>(Loss) before tax</b>		<b>(1,352,672)</b>	<b>(189,300)</b>
Income tax expense/benefit		-	-
<b>(Loss) for the period</b>	3	<b>(1,352,672)</b>	<b>(189,300)</b>
Basic earnings/(loss) per share attributable to ordinary equity holders		(0.02)	(0.03)
Diluted earnings/(loss) per share attributable to ordinary equity holders		(0.02)	(0.03)

Liontown Resources Limited  
**Condensed Balance Sheet**  
As at 31 December 2007

	Note	31 December 2007	30 June 2007
		\$	\$
<b>Current Assets</b>			
Cash and cash equivalents		2,811,298	3,122,703
Trade and other receivables		264,403	798,196
<b>Total current assets</b>		<b>3,075,701</b>	<b>3,920,899</b>
<b>Non-current assets</b>			
Financial assets		61,312	60,312
Property, plant and equipment		425,530	153,430
Exploration and evaluation assets	4	13,730,169	11,087,435
<b>Total non-current assets</b>		<b>14,217,011</b>	<b>11,301,177</b>
<b>Total assets</b>		<b>17,292,712</b>	<b>15,222,076</b>
<b>Current Liabilities</b>			
Trade and other payables		394,954	656,114
Interest bearing liabilities		45,403	-
Employee benefits		17,292	14,553
<b>Total current liabilities</b>		<b>457,649</b>	<b>670,667</b>
<b>Non-current liabilities</b>			
Interest bearing liabilities		119,615	-
<b>Total non-current liabilities</b>		<b>119,615</b>	<b>-</b>
<b>Total liabilities</b>		<b>577,264</b>	<b>670,667</b>
<b>Net assets</b>		<b>16,715,448</b>	<b>14,551,409</b>
<b>Equity</b>			
Issued capital	5	18,016,886	14,977,361
Accumulated losses		(2,247,722)	(895,050)
Reserves		946,284	469,098
<b>Total Equity</b>		<b>16,715,448</b>	<b>14,551,409</b>

Liontown Resources Limited  
**Condensed Statement of Changes in Equity**  
For the half year ended 31 December 2007

	Note	Share capital \$	Accumulated losses \$	Share based payments reserve \$	Total equity \$
Balance at 30 June 2007		14,977,361	(895,050)	469,098	14,551,409
Issue of fully paid ordinary shares - other		3,199,500	-	-	3,199,500
Transaction costs		(159,975)	-	-	(159,975)
Employee share options vested		-	-	477,186	477,186
Loss for the period		-	(1,352,672)	-	(1,352,672)
<b>Balance at 31 December 2007</b>	5	<b>18,016,886</b>	<b>(2,247,722)</b>	<b>946,284</b>	<b>16,715,448</b>

Liontown Resources Limited  
**Condensed Cash Flow Statement**  
For the half year ended 31 December 2007

	2007 \$	2006 \$
<b>Cash flows from operating activities</b>		
Cash paid to suppliers and employees	(802,437)	(63,887)
Interest paid	-	(197)
Interest received	78,271	16,604
<b>Net cash used in operating activities</b>	<u>(724,166)</u>	<u>(47,480)</u>
<b>Cash flows from investing activities</b>		
Payments for mining exploration and evaluation	(2,986,082)	(38,605)
Proceeds from sale of investments	533,286	-
Proceeds from sale of property, plant and equipment	31,091	-
Acquisition of property, plant and equipment	(185,460)	(4,435)
<b>Net cash used in investing activities</b>	<u>(2,607,165)</u>	<u>(43,040)</u>
<b>Cash flows from financing activities</b>		
Net proceeds from issue of shares	3,039,525	6,840,346
Proceeds from borrowings	-	266,190
Repayment of borrowings	(18,599)	(285,813)
Lodgement of bank guarantee and security deposits	(1,000)	-
<b>Net cash from financing activities</b>	<u>3,019,926</u>	<u>6,820,723</u>
Net increase in cash and cash equivalents	(311,405)	6,730,203
Cash and cash equivalents at the beginning of the period	3,122,703	1,778
<b>Cash and cash equivalents at 31 December 2007</b>	<u>2,811,298</u>	<u>6,731,981</u>

# Liontown Resources Limited

## Notes to the Financial Statements

### For the half year ended 31 December 2007

#### 1. Significant accounting policies

##### (a) Statement of compliance

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

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2007 and any public announcements made by Liontown Resources Limited during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

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

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

##### (b) Basis of preparation

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

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2007 annual financial report for the financial year ended 30 June 2007.

In the half-year ended 31 December 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 2007.

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

#### 2. Segment reporting

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

Liontown Resources Limited  
**Notes to the Financial Statements**  
For the half year ended 31 December 2007

3. Loss before income tax expense

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

(a) Loss on sale of shares

In September 2007 1,037,114 shares in CBH Resources Ltd ("CBH") were sold for net proceeds of \$533,286. The shares were issued by CBH in consideration for sale of the Company's Strelley River tenements in the 2007 financial year.

(b) Corporate administrative expenses

	2007	2006
	\$	\$
(a) Loss on sale of shares	86,714	-
(b) Corporate administrative expenses		
Accounting fees	22,440	-
Advertising, sponsorship and marketing	16,626	-
Annual report costs	16,170	-
ASX Fees	29,033	41,674
ASIC fees	26	-
Audit Fees	6,000	1,800
Corporate and administration service fees	129,000	-
Depreciation and amortisation	41,887	268
Insurance	10,380	39,057
Legal Fees	30,390	9,871
Personnel expenses	765,816	40,261
Printing and stationary	1,738	-
Rent and outgoings	8,745	-
Share registry	11,503	19,817
Travel and accommodation	51,969	-
Recruitment	15,750	30,752
Other	39,187	17,539
<b>Total</b>	<b>1,196,660</b>	<b>201,039</b>

4 Exploration and evaluation expenditure

Cost brought forward  
Expenditure incurred during the period  
Exploration costs not capitalised  
**Total**

31 December 2007
\$
11,087,434
2,810,775
(168,040)
<b>13,730,169</b>

Liontown Resources Limited  
**Notes to the Financial Statements**  
For the half year ended 31 December 2007

5 Issued capital

	Share capital \$
Balance at 30 June 2007	14,977,361
Issue of shares - other	3,199,500
Less costs of issue	(159,975)
Balance at 31 December 2007	<u>18,016,886</u>
	Ordinary shares
	<b>31 December 2007</b>
On issue at 1 July	79,000,009
Issue of shares -other	11,850,000
On issue at 31 December	<u>90,850,009</u>

# Liontown Resources Limited

## Directors' Declaration

The directors of the Company declare that:

1. The financial statements and notes thereto, as set out on 6 to 12:
  - a. comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations; and
  - b. give a true and fair view of the Company's financial position as at 31 December 2007 and of its performance for the half-year then ended.
2. In the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Dated this 14<sup>th</sup> day of March 2008



ANDREW R BANTOCK  
Managing Director

## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of  
**LIONTOWN RESOURCES LIMITED**

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report, which comprises the condensed balance sheet as at 31 December 2007, the condensed income statement, condensed statement of changes in equity, condensed cash flow statement and notes to the financial statements for the half-year ended on that date, and the directors' declaration, of Liontown Resources Limited ("the company").

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

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

#### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of an Interim Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001, including giving a true and fair view of the company's financial position as at 31 December 2007 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Liontown Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

*Independence*

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001 has been provided to the directors of Liontown Resources Limited on 14 March 2008.

*Conclusion*

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

- (a) giving a true and fair view of the company's financial position at 31 December 2007 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

*HLB Mann Judd*

HLB MANN JUDD  
Chartered Accountants

*L Di Giallonardo*

Perth, Western Australia  
14 March 2008

L DI GIALLONARDO  
Partner