

# Quarterly Report

for the period ended 30 June 2008



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## Mount Windsor

- Drilling has recommenced at Mount Windsor, with 20,000 metres of RAB/Aircore drilling aimed at discovery of significant-scale base metals mineralisation within the 4 kilometre Liontown Mineralised Corridor and adjacent areas.

## Sheep Mountain

- An Option has been agreed over the Sheep Mountain Project in Arizona.
- Significant porphyry copper-molybdenum system.

## New Tenement Applications

- New tenement applications have been lodged in areas potentially prospective for phosphate in the Northern Territory and Victoria:
  - five applications covering over 8,000 km<sup>2</sup> in the northeast margins of the Wiso Basin, Northern Territory;
  - one application covering 285km<sup>2</sup>, including the historic Phosphate Hill Mine (16,250 t production 1916-1926), near Mansfield in Victoria.
- Further tenement applications have also been made over 140km<sup>2</sup> adjacent to the Company's existing Mount Windsor Volcanics Project.

## Fort Constantine South Joint Venture

- Exco Resources Limited has entered into an option to farm-in to the Fort Constantine South project, which is located adjacent Xstrata Plc's Ernest Henry Mine and Exco's E1 copper-gold deposit.
- After an initial \$0.2 million program, if Exco exercises the option it must spend a further \$1.0 million to earn an initial 51% interest and then a further \$2.0 million to earn a 70% interest.

## Cowan Nickel Project Sale

- Agreement was made to sell the Cowan Nickel Project to Panoramic Resources Limited ("Panoramic") (formerly Sally Malay Limited) for cash consideration of \$1.685 million.
- Panoramic has also agreed to subscribe for 2.75 million shares in Liontown Resources at \$0.115 each, and will receive 1.25 million options, taking total cash proceeds to \$2 million.

ANDREW BANTOCK  
Managing Director

7 July 2008

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

Drilling has recommenced at the Company's Mount Windsor Volcanics Project, south of Charters Towers, in Queensland.

A 20,000 metre RAB/Aircore drilling program is underway within the 4 kilometre Liontown Mineralised Corridor and adjacent areas.

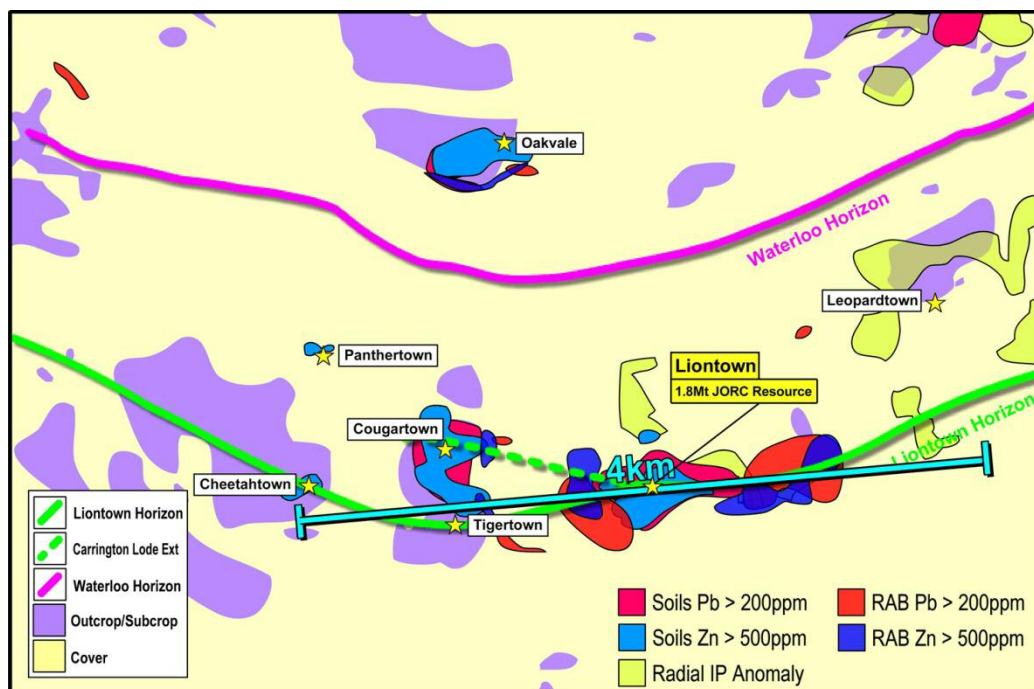


Figure 1: 4 km Liontown Mineralised Corridor, defined by contiguous geochemical and geophysical anomalism and bedrock mineralisation drilled by Liontown Resources and previous explorers, lying within over 120 km of the Liontown Horizon which is interpreted to traverse Liontown Resources' tenements.

The program will include drilling on targets within the interpreted position of the Thalanga, Highway Reward and Waterloo stratigraphic horizons, each of which host either significant past mines or resources adjacent to Liontown Resources' tenements.

The exploration model follows the mineralisation model of the nearby major mineralised system at Thalanga, 35 km to the west of Liontown, which is comprised of a series of economic-scale "pods" of ore along strike as illustrated in Figure 2 below.

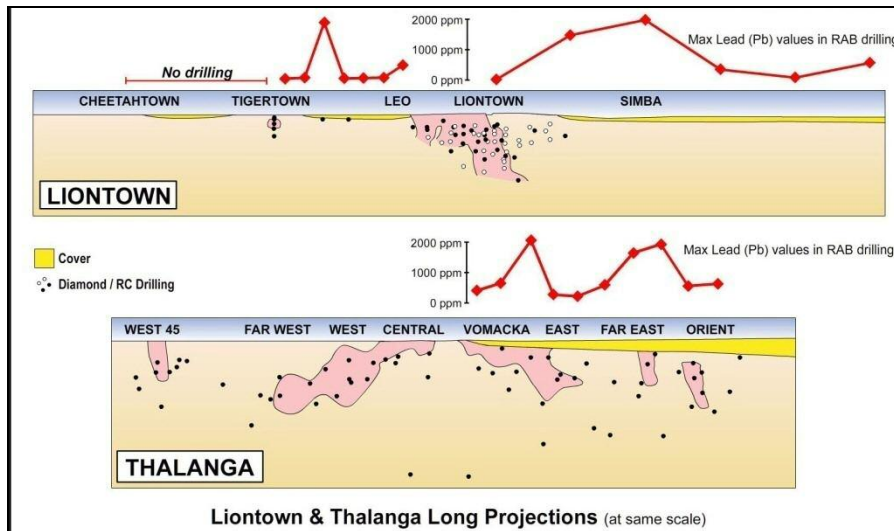


Figure 2: Same scale comparison of the Liontown Deposit and Kagara Ltd's nearby Thalanga Mine, highlighting lead (Pb) values in RAB drilling and relative lack of drilling of bedrock targets adjacent the Liontown Deposit

A state-of-the-art NITON x-ray analyser is being used for the first time in the field at Mount Windsor to provide real time data to shape the ongoing drilling program by focusing in on areas of immediate interest.

## 2.0 SHEEP MOUNTAIN PROJECT

Liontown Resources has entered into an option agreement with Wyoming based Lone Tree Exploration LLC (“LTE”) to acquire the Sheep Mountain Project in Arizona, USA.

The Sheep Mountain Project, located approximately 80 km north-northwest of Phoenix, consists of 11 contiguous, unpatented lode claims covering approximately 80 hectares in Yavapai County, north central Arizona (figure 3). Liontown Resources is in the process of staking another 37 lode claims to expand this landholding to a total of 350 hectares.

The claims cover a large porphyry copper-molybdenum deposit explored during the 1960’s and 1980’s by Phelps Dodge Corporation, Bear Creek Exploration (a subsidiary of RTZ-Kennecott) and Utah International (before its takeover by BHP). Collectively these companies drilled 56 core and rotary holes for a total of 22,865 metres.

Combined historical exploration expenditure on the project is estimated at over US\$10 million in today’s dollar values.

An historical (i.e. non-JORC Compliant) Resource<sup>1</sup> estimate for mineralisation at the project was calculated in 1992 by internationally recognised consulting group Watts, Griffis and McQuat Limited beneath volcanic cover of up to 600 metres.

<sup>1</sup> The full details of this Resource were released in the announcement by Liontown Resources of 10 June 2008, which can be viewed on the Company’s and the ASX’s websites.



Figure 3: Location of the Sheep Mountain Project

## 2.1 Geological Setting

Known hypogene (primary) mineralisation at Sheep Mountain consists of copper and molybdenum sulphide mineralisation extending over an area of approximately 4 by 1.5 kilometres, developed in and marginal to a composite Laramide-age (Eocene) quartz monzonite to latite porphyry stock (figure 4).

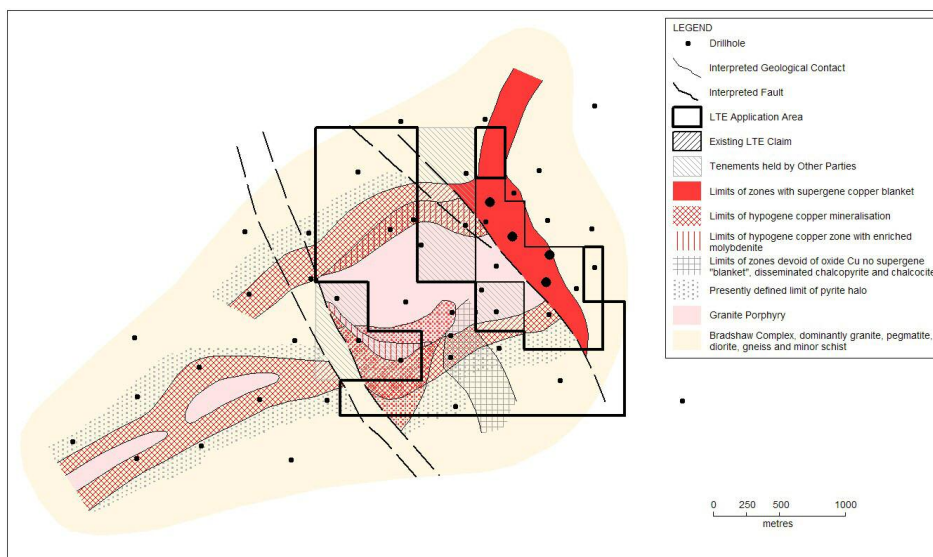


Figure 4: Geology and mineralization of the Sheep Mountain project showing location of existing LTE claims, claim application areas and Phelps Dodge and Utah drilling (holes into the supergene zone bolded).



A supergene copper-molybdenum zone up to 50 metres thick, developed prior to deposition of post-mineral volcanics, is preserved over parts of the primary mineralisation.

Similar Laramide-age porphyries in adjacent parts of the western USA and northern Mexico host giant porphyry copper and molybdenum deposits such as the Resolution (Magma), Bagdad, Inspiration, Miami and Morenci deposits in Arizona, the Bingham Canyon deposit in Utah, and the Cananea deposit in Mexico.



View looking Northwest along the Cow Creek fault zone, Sheep Mountain Project, which hosts the supergene resource at depth. This view is from the lower right of figure 4, looking towards the upper right.

Although many of these deposits are or were mined by open pit methods, several are now mined by underground methods at considerable depths. For example, BHP Billiton's Kalamazoo Deposit was mined to a depth of 1,100 metres, and Rio Tinto has said it is planning to block cave the Resolution Deposit at depths of over 2,100 metres.



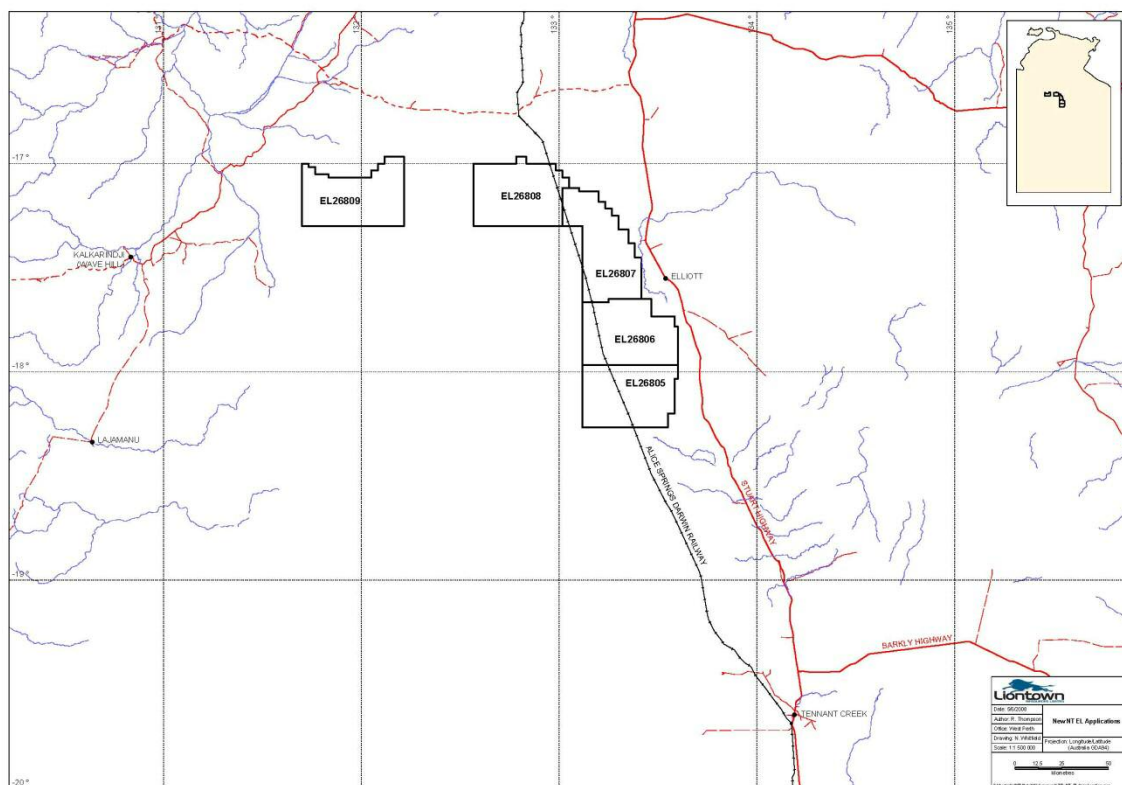
Outcrop of primary porphyry-style alteration and veining at Sheep Mountain

### 3.0 NEW TENEMENT APPLICATIONS

#### 3.1 Elliot Phosphate Project - Northern Territory

Application has been made for an area of over 8,000 km<sup>2</sup> of new tenements in the Northern Territory.

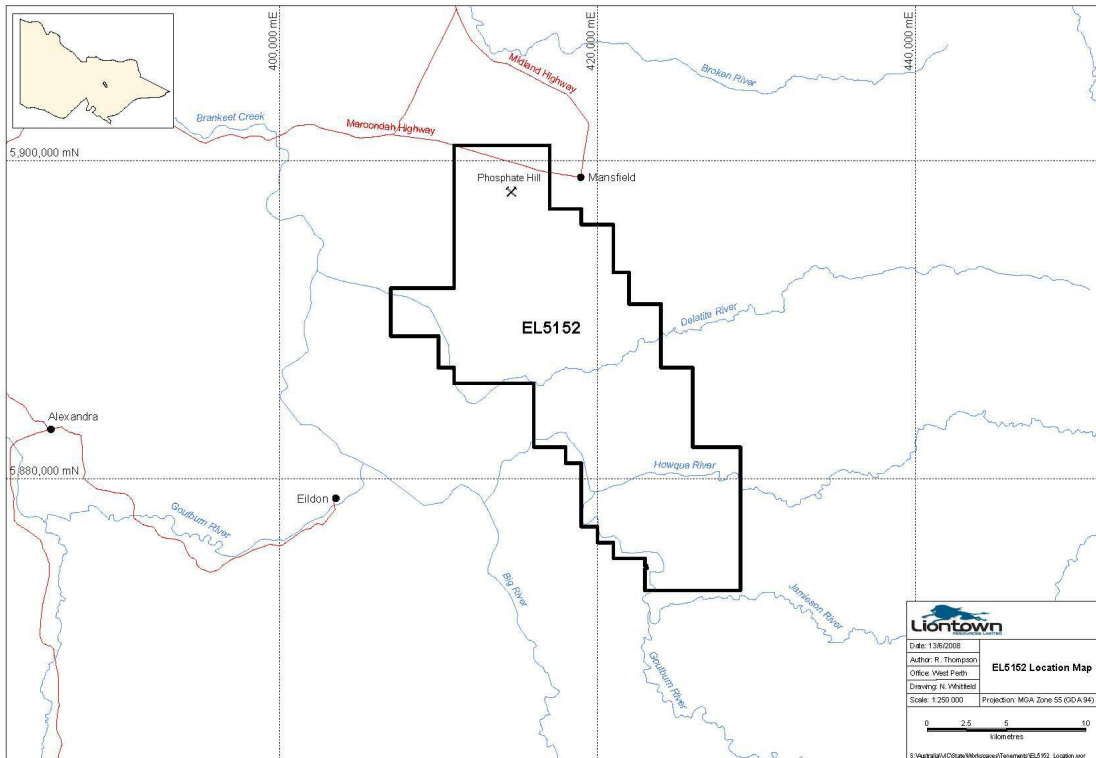
The applications lie to the west of the township of Elliott, which is located on the Stuart Highway about 240 km north of Tennant Creek. The region covers the northeast to northern margins of the Palaeozoic-age Wiso Basin, in which phosphate occurrences in Cambrian stratigraphy have been reported by the Northern Territory Geological Survey. There are some historical reports that indicate low grade phosphate mineralisation has been identified in water bores within the application areas.



#### 3.2 Mansfield Phosphate Project - Victoria

Application was also made over 285km<sup>2</sup> of tenements near the town of Mansfield in Victoria.

The project area includes the historic Phosphate Hill mine from which a total of 16,270 tonnes at an average grade of about 16% P<sub>2</sub>O<sub>5</sub> was produced between 1916 and 1926. Several minor phosphate occurrences have been noted within the application area, which covers a sequence of mainly Devonian and Ordovician age sediments.



### 3.3 Mount Windsor Volcanics

An additional tenement of approximately 140 km<sup>2</sup> has been applied for at Mt Deane. This property adjoins the Company's existing Mount Windsor tenements and covers parts of the lower Mt Windsor Volcanics sequence.

### 4.0 FORT CONSTANTINE SOUTH JOINT VENTURE

Liontown Resources has entered into an agreement with Exco Resources Limited during the quarter pursuant to which Exco can earn up to a 70% interest in the Company's Fort Constantine South (FCS) Project.

The key terms of the arrangement are as follows:

1. Exco has a 12-month option period in which to spend a minimum of \$200,000 on the tenements in order to identify and test prospective exploration anomalies.
2. Upon exercise of its option, Exco may elect to commit to spend a further \$1,000,000 on the tenements over 18 months in order to earn a 51% interest in the project.
3. Exco may then elect to commit to an additional \$2,000,000 in the subsequent two years to increase its interest to 70% of the project.

Previous exploration on the FCS tenements has identified a number of prospective geophysical anomalies, which have been the subject of only limited drill testing. Given the residual potential which exists, and the strategic location of the tenements, adjacent to Exco's flagship E1 Camp, and Xstrata's Ernest Henry Mine, Exco intends carrying out further drill testing as part of its ongoing exploration and resource development programs.

## 5.0 COWAN NICKEL PROJECT

During the quarter the Company agreed to sell its interests in the Cowan Nickel Project to Panoramic Resources Limited (“Panoramic”) (formerly Sally Malay Limited) for cash consideration of \$1.685 million. As part of the transaction, Panoramic has also agreed to subscribe for 2.75 million shares in the Company at \$0.115 each, taking the total cash proceeds to Liontown Resources to \$2 million.

Additionally, as part of the transaction, Panoramic will receive 1.25 million two-year unlisted options to acquire shares in Liontown Resources at an exercise price of \$0.225.

The sale of the Cowan Nickel Project comprises all of Liontown Resources’ nickel interests in the Eastern Goldfields of Western Australia, including a 60% interest in the Junction South Joint Venture and the nickel rights over the Company’s Logan’s Find tenements.

The sale is subject to typical conditions precedent for transactions of this nature and third party consents, and completion is expected during July 2008.

*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.*