

## Highlights

- Independent consultant advises initial JORC standard Inferred Resource at the Sheep Mountain deposit of 40,300,000 tonnes at an average copper grade of 1.4% and an average molybdenum grade of 0.035% above a cut-off grade of 0.8% copper equivalent.
- Exploration activities at the Mount Windsor Volcanics Project will have an added focus on the significant gold potential of the region.

### 1.0 Sheep Mountain Copper Molybdenum Project (Liontown option to acquire 100%)

Subsequent to the end of the quarter and as announced to the ASX on 23 January 2009, William F Tanaka ("Independent Consultant"), consultant resource geologist of Denver, USA has provided an initial Mineral Resource estimate for the Sheep Mountain Deposit of:

**40,300,000 tonnes at an average copper grade of 1.4% and an average molybdenum grade of 0.035% above a cutoff grade of 0.8% copper equivalent.**

This equates to 564,200 tonnes of contained copper metal, plus 14,100 tonnes of molybdenum metal. Copper equivalent used for the resource estimate was calculated as  $CuEq \% = Cu \% + 5.29 \times Mo \%$ .

Based on the encouraging indications of the Independent Consultant's report the Company believes Sheep Mountain Deposit warrants a concerted campaign of exploration drilling. Subject to funding, this work will be directed towards expanding the resource base, confirming ore-body continuity, improving the resource categorization and providing samples for metallurgical test-work and geotechnical studies.

This initial JORC compliant Mineral Resource estimate for the Sheep Mountain Deposit confirms the Company's initial confidence that Sheep Mountain Project contains a significant resource that may, with further exploration and improved metal prices, build towards a robust project.

Further details are provided in the announcement to the ASX dated 23 January 2009 and the full report of the Independent Consultant may be viewed on the Company's website at [www.ltresources.com.au](http://www.ltresources.com.au).

### 2.0 Mount Windsor Volcanics Project (Liontown 100%)

Exploration on the MWV project during the quarter has focused on a review of its gold potential. Although considerable exploration for base metals has been conducted on the Company's properties in the past, very little effort has been directed towards gold. This is despite the obvious prospectivity of the district, with close to 15 million ounces of gold having been produced from the broader Charters Towers region.

Processing and interpretation of detailed aeromagnetics flown by the Company in July has revealed numerous circular magnetic anomalies within the Company's tenement package, possibly indicative

of Kidston or Mt Leyshon style intrusive/breccia complexes (figure 1). Several of these are clustered along or close to the 'Mt Leyshon Corridor', a north-easterly structural trend that hosts the 3 million ounce Mt Leyshon breccia gold deposit.

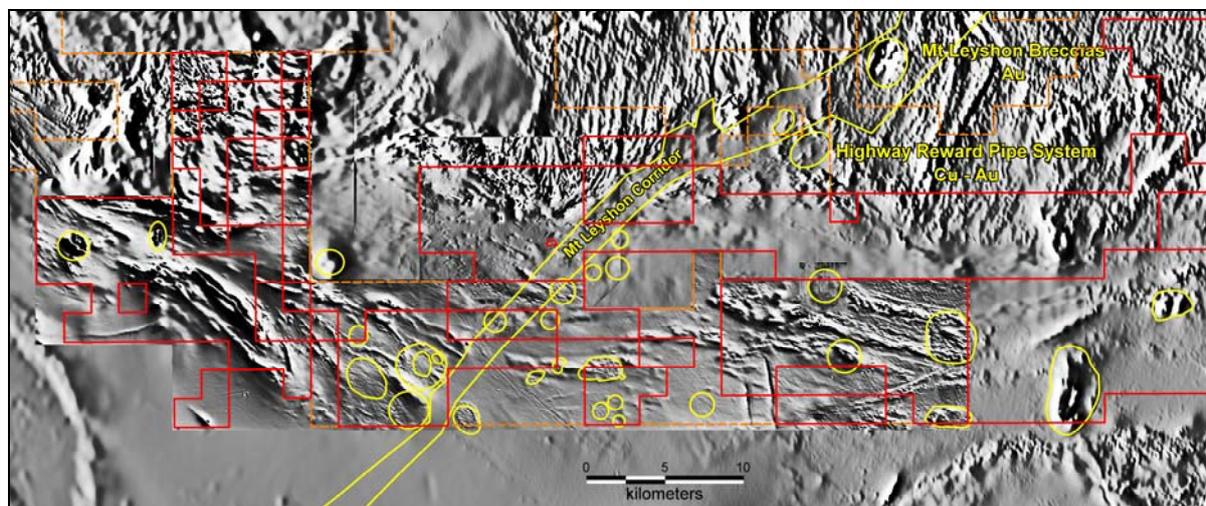


Figure 1: Interpreted gold targets (yellow) over RTP magnetics. Liontown Resources granted tenements in red and applications in orange.

Most of these anomalies are covered by later 'Campaspe' sediments and hence have not been explored by previous explorers. The Company is currently undertaking a program of detailed ground magnetics designed to better define the anomalies and their internal structure as a prelude to possible RAB drilling in 2009.

### 3.0 Corporate

At 31 December 2008, the Company has cash on hand of approximately \$617,000. The Board has taken the necessary actions to reduce the levels of expenditure and conserve cash in the current economic environment.

Regrettably, this has resulted in reduced exploration activity. However, the Board and management continue to drive activities which are within the financial constraints of the Company and aimed at building the Company for the future.

In accordance with ASX Listing Rules, 8,184,711 fully paid ordinary shares were released from escrow on 27 December 2008.

Please also refer to the attached quarterly cash flow for the quarter ended 31 December 2008.

Yours faithfully

DOUG JONES  
Managing Director  
27 January 2009

*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 Chartered 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.*

*The resource estimation and associated work described above has been carried out by William F Tanaka. Mr Tanaka is a Member of the Australasian Institute of Mining and Metallurgy and has extensive experience in the area of porphyry copper deposits from both a consulting and operational perspective. As such he is qualified to be considered a Competent Person as defined in the December 2004 edition of the JORC Code. Mr Tanaka consents to the release of information in the form and context in which it appears here.*

# Appendix 5B

## Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

LIONTOWN RESOURCES LIMITED

ABN

39 118 153 825

Quarter ended ("current quarter")

31 DECEMBER 2008

### Consolidated statement of cash flows

	Current quarter \$A	Year to date (6 months) \$A
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for		
(a) exploration and evaluation	(411,605)	(1,461,430)
(b) development	-	-
(c) production	-	-
(d) administration	(231,891)	(579,928)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	9,316	36,771
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other – Goods and Services Tax (net)	58,921	27,896
<b>Net Operating Cash Flows</b>	<b>(575,259)</b>	<b>(1,976,691)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a)prospects	-	-
(b)equity investments	-	-
(c)other fixed assets	(10,265)	(12,498)
1.9 Proceeds from sale of:		
(a)prospects	-	1,582,500
(b)equity investments	-	-
(c)other fixed assets	110,000	110,000
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
<b>Net investing cash flows</b>	<b>99,735</b>	<b>1,680,002</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(475,524)</b>	<b>(296,689)</b>

+ See chapter 19 for defined terms.

<b>Cash flows related to financing activities</b>			
1.14	Proceeds from issues of shares, options, etc. (net)	-	316,250
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	(117,308)	(131,803)
1.18	Dividends paid	-	-
1.19	Other	180	(6,093)
<b>Net financing cash flows</b>		<b>(117,128)</b>	<b>178,354</b>
<b>Net increase (decrease) in cash held</b>		<b>(592,652)</b>	<b>(118,335)</b>
1.20	Cash at beginning of quarter/year to date	<b>1,209,693</b>	<b>735,376</b>
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter</b>	<b>617,041</b>	<b>617,041</b>

**Payments to directors of the entity and associates of the directors**

**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A
1.23	Aggregate amount of payments to the parties included in item 1.2	133,693
1.24	Aggregate amount of loans to the parties included in item 1.10	Nil

1.25 Explanation necessary for an understanding of the transactions

Administration costs referred to in item 1.2d relate to costs being incurred prior to the effecting a recent rationalisation of the Company's cost structure as a result of the current economic environment. The resulting administration cost reduction will become evident during the next quarter.

Item 1.9a is the proceeds for the sale of the Cowan Nickel project tenements to Pindan Exploration Company Pty Ltd.

Item 1.9c is the proceeds for the sale of motor vehicles.

Item 1.23 consists of legal fees paid to a director related entity, directors fees, salaries and wages and superannuation paid to directors and a service charge paid to a related entity for the provision of corporate services. All transactions are on commercial terms and conditions.

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

N/A

+ See chapter 19 for defined terms.

### Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A	Amount used \$A
3.1 Loan facilities	Nil	Nil
3.2 Credit standby arrangements	Nil	Nil

### Estimated cash outflows for next quarter

	\$A
4.1 Exploration and evaluation	117,000
4.2 Development	Nil
<b>Total</b>	<b>\$117,000</b>

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A	Previous quarter \$A
5.1 Cash on hand and at bank	617,041	1,209,693
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (Bank Guarantee)	-	-
<b>Total: cash at end of quarter</b> (item 1.22)	<b>617,041</b>	<b>1,209,693</b>

### Changes in interests in mining tenements

6.1 Interests in mining tenements relinquished, reduced or lapsed	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
	E57/0761	Application withdrawn	0%	0%
	EL5152	Application withdrawn	0%	0%
	EL26805	Application withdrawn	0%	0%
	EL26806	Application withdrawn	0%	0%
	EL26807	Application withdrawn	0%	0%
	EL26808	Application withdrawn	0%	0%
	EL26809	Application withdrawn	0%	0%
	EPM17717	Application withdrawn	0%	0%
	EPM17718	Application withdrawn	0%	0%
	EPM17719	Application withdrawn	0%	0%
	EPM17720	Application withdrawn	0%	0%
	EPM16913	Application withdrawn	0%	0%
	EPM16914	Application withdrawn	0%	0%

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

6.2 Interests in mining tenements acquired or increased	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
	EPM17804	Application	0%	0%
	EPM17971	Application	0%	0%

**(1) Issued and quoted securities at end of current quarter**

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Preference +securities</b> <i>(description)</i>	Nil	Nil	N/A	N/A
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs.	N/A	N/A	N/A	N/A
7.3 <b>+Ordinary securities</b>	93,600,009	93,600,009	N/A	N/A
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital.	Nil	Nil	N/A	N/A
	Nil	Nil	N/A	N/A
7.5 <b>+Convertible debt securities</b> <i>(description)</i>	Nil	Nil	N/A	N/A
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured.	Nil	Nil	N/A	N/A
7.7 <b>Options</b> Share Options	4,825,000	Nil	Exercise price \$0.25	Expiry date 18.12.2009
	1,500,000	Nil	\$0.25	31.12.2009
	250,000	Nil	\$0.35	6.8.2010
	310,000	Nil	\$0.35	1.11.2010
	4,000,000	Nil	\$0.35	1.12.2012
	1,250,000	Nil	\$0.225	14.07.2010
	500,000	Nil	\$0.20	31.07.2013
	3,000,000	Nil	\$0.20	02.12.2013

+ See chapter 19 for defined terms.

7.8	Issued during quarter				
	Share Options	3,000,000	Nil	\$0.20	02.12.2013
7.9	Exercised during quarter	Nil	Nil	N/A	N/A
7.10	Expired/Forfeited during quarter	650,000	Nil	\$0.25	18.12.2009
		250,000	Nil	\$0.20	23.04.2011
7.11	<b>Debentures</b> <i>(totals only)</i>	Nil	Nil		
7.12	<b>Unsecured notes</b> <i>(totals only)</i>	Nil	Nil		

## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act.
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here: 

Date: 27 January 2009

Company Secretary

Print name: Richard Hacker

## Notes

1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.

3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.

4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.

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+ See chapter 19 for defined terms.

5      **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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