

LIONTOWN RESOURCES LIMITED

ABN 39 118 153 825

**Half Year Report
31 December 2008**

Liontown Resources Limited
Directors' Report
For the half year ended 31 December 2008

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Liontown Resources Limited

Directors' Report

For the half year ended 31 December 2008

DIRECTORS' REPORT

Your directors submit the financial report of the Company for the half year ended 31 December 2008. 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	Chairman	
Douglas A Jones	Managing Director	
Vince P Gauci	Non-executive Director	
Anthony W Kiernan	Non-executive Director	
Craig R Williams	Non-executive Director	
Andrew R Bantock	Former Managing Director	Resigned 1 August 2008

Review of operations

During the period the Company:

- Engaged an independent consultant who has advised an 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.

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.

- Has undertaken an initial 5,983 metre RAB drilling program testing targets along the 4 km Liontown Mineralised Corridor which returned a number of encouraging intercepts, confirming potential extensions to known mineralisation.
- Focused exploration on the gold potential at the Mount Windsor Volcanics Project. 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 broader Charters Towers region.
- Completed the agreement to sell the Cowan Nickel Project to Panoramic Resources Limited ("Panoramic") for cash consideration of \$1.685 million. Panoramic also subscribed for 2.75 million shares in Liontown Resources at \$0.115 each, and has received 1.25 million options.

Liontown Resources Limited
Directors' Report
For the half year ended 31 December 2008

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 2008.

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.

A handwritten signature in black ink, appearing to read 'Tim Goyder', with a long horizontal flourish extending to the right.

Tim Goyder

Chairman

Dated at Perth this 11th day of March 2009.

Auditor's Independence Declaration

As lead auditor for the review of the financial report of Liantown Resources Limited for the half year ended 31 December 2008, 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 review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Liantown Resources Limited.



Perth, Western Australia
11 March 2009

L DI GIALONARDO
Partner, HLB Mann Judd

Liontown Resources Limited
Condensed Income Statement
For the half year ended 31 December 2008

	Note	2008 \$	2007 \$
Revenue		4,458	24,739
Net Finance income		25,514	74,003
Total income		29,972	98,742
Loss on sale of shares	3a	-	(86,714)
Loss on sale of assets		(6,659)	-
Loss on sale of interest in tenements		(3,012)	-
Exploration costs not capitalised		(200,051)	(168,040)
Impairment of exploration assets		(5,197,967)	-
Corporate administrative expenses	3b	(837,658)	(1,196,660)
(Loss) before tax		(6,215,375)	(1,352,672)
Income tax expense/benefit		-	-
(Loss) for the period		(6,215,375)	(1,352,672)
Basic earnings/(loss) per share attributable to ordinary equity holders		(0.07)	(0.02)

Liontown Resources Limited
Condensed Balance Sheet
As at 31 December 2008

	Note	31 December 2008	30 June 2008
		\$	\$
Current Assets			
Cash and cash equivalents		601,497	735,376
Trade and other receivables		101,148	99,453
Assets held for sale		-	1,682,500
Total current assets		702,645	2,517,329
Non-current assets			
Financial assets		69,009	62,916
Property, plant and equipment		241,816	391,719
Exploration and evaluation assets	4	1,290,575	5,514,309
Total non-current assets		1,601,400	5,968,944
Total assets		2,304,045	8,486,273
Current Liabilities			
Trade and other payables		134,022	502,398
Interest bearing liabilities		10,162	46,695
Employee benefits		6,762	28,514
Total current liabilities		150,946	577,607
Non-current liabilities			
Interest bearing liabilities		13,727	96,535
Total non-current liabilities		13,727	96,535
Total liabilities		164,673	674,142
Net assets		2,139,372	7,812,131
Equity			
Issued capital	5	18,333,136	18,016,886
Accumulated losses		(17,418,981)	(11,203,606)
Reserves		1,225,217	998,851
Total Equity		2,139,372	7,812,131

Liontown Resources Limited
Condensed Statement of Changes in Equity
For the half year ended 31 December 2008

	Note	Share capital \$	Accumulated losses \$	Share based payments reserve \$	Total equity \$
Balance at 30 June 2008		18,016,886	(11,203,606)	998,851	7,812,131
Issue of fully paid ordinary shares - other		316,250	-	-	316,250
Employee share options vested		-	-	226,366	226,366
Loss for the period		-	(6,215,375)	-	(6,215,375)
Balance at 31 December 2008	5	18,333,136	(17,418,981)	1,225,217	2,139,372

		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)
Balance at 31 December 2007		18,016,886	(2,247,722)	946,284	16,715,448

Liontown Resources Limited
Condensed Cash Flow Statement
For the half year ended 31 December 2008

	2008 \$	2007 \$
Cash flows from operating activities		
Cash paid to suppliers and employees	(579,928)	(802,437)
Interest received	36,771	78,271
Other	27,896	-
Net cash used in operating activities	(515,261)	(724,166)
Cash flows from investing activities		
Payments for mining exploration and evaluation	(1,476,974)	(2,986,082)
Proceeds from sale of investments	1,582,500	533,286
Proceeds from sale of property, plant and equipment	110,000	31,091
Acquisition of property, plant and equipment	(12,498)	(185,460)
Net cash used in investing activities	203,028	(2,607,165)
Cash flows from financing activities		
Net proceeds from issue of shares	316,250	3,039,525
Repayment of borrowings	(131,803)	(18,599)
Lodgement of bank guarantee and security deposits	(6,093)	(1,000)
Net cash from financing activities	178,354	3,019,926
Net increase in cash and cash equivalents	(133,879)	(311,405)
Cash and cash equivalents at the beginning of the period	735,376	3,122,703
Cash and cash equivalents at 31 December 2008	601,497	2,811,298

Liontown Resources Limited
Notes to the Financial Statements
For the half year ended 31 December 2008

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 2008 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 2008 annual financial report for the financial year ended 30 June 2008.

In the half-year ended 31 December 2008, 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 2008.

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.

(c) Going Concern

The financial statements are prepared on a going concern basis.

At balance sheet date, the Company had an excess of current assets over current liabilities of \$551,699.

Notwithstanding the positive working capital position at balance date, the Company has forecast that it will need to seek additional funding in the coming year in order to meet its operating expenditure and planned exploration expenditure for the next twelve months from the date of signing these financial statements. These arrangements may include a capital raising or entering into a sale or joint venture of assets.

Any inability to raise further funding through a capital raising or entering into the sale or joint venture of assets may have a material adverse effect on the Company's ability to continue as a going concern. The financial statements do not include any adjustments relating to recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary if the Company does not continue as a going concern.

Liontown Resources Limited
Notes to the Financial Statements
For the half year ended 31 December 2008

2. Segment reporting

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

3. Loss before income tax expense

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

	2008 \$	2007 \$
(a) Loss on sale of shares	-	86,714
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		
Accounting fees	1,500	22,440
Advertising, sponsorship and marketing	-	16,626
Annual report costs	19,406	16,170
ASX Fees	24,138	29,033
ASIC fees	-	26
Audit Fees	11,000	6,000
Corporate and administration service fees	136,225	129,000
Depreciation and amortisation	43,507	41,887
Insurance	13,721	10,380
Legal Fees	23,660	30,390
Personnel expenses	295,836	288,630
Share options vested	226,366	477,186
Printing and stationary	1,385	1,738
Rent and outgoings	12,704	8,745
Share registry	4,796	11,503
Travel and accommodation	2,605	51,969
Recruitment	-	15,750
Other	20,809	39,187
Total	837,658	1,196,660

4. Exploration and evaluation expenditure

Cost brought forward
Expenditure incurred during the period
Exploration costs not capitalised
Impairment of exploration assets
Total

**31 December
2008
\$
5,514,308
1,174,285
(200,051)
(5,197,967)
1,290,575**

Liontown Resources Limited
Notes to the Financial Statements
For the half year ended 31 December 2008

5. Issued capital

	Share capital \$
Balance at 30 June 2008	18,016,886
Issue of shares - other	316,250
Balance at 31 December 2008	<u>18,333,136</u>
	Ordinary shares
	31 December 2008
On issue at 30 June 2008	90,850,009
Issue of shares -other	2,750,000
On issue at 31 December 2008	<u>93,600,009</u>

Liontown Resources Limited

Directors' Declaration

The directors of the Company declare that:

1. The financial statements and notes thereto, as set out on pages 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 2008 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 11th day of March 2009



Tim Goyder
Chairman

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 2008, 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 ("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 Interim and Other Financial Reports 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 2008 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 11 March 2009.

HLB Mann Judd (WA Partnership) ABN 22 193 232 714

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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 2008 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*.

Continuation as a Going Concern

Without qualifying our conclusion, we draw attention to Note 1(c) to the financial report which indicates that the Company has forecast that it will be required to raise further capital or complete the sale or joint venture of assets in the coming year in order to meet its operating expenditure and planned exploration expenditure for the next twelve months from the date of signing these financial statements. If the Company is unable to raise additional capital or complete the sale or joint venture of assets, there is significant uncertainty whether the company will continue as a going concern and, therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

HLB Mann Judd

HLB MANN JUDD
Chartered Accountants

L Di Giallonardo

Perth, Western Australia
11 March 2009

L DI GIALONARDO
Partner