LIONTOWN RESOURCES LIMITED

ABN 39 118 153 825

Annual Financial Report
30 June 2012

Liontown Resources Limited
Corporate Directory

Directors

Tim Rupert Barr Goyder	Chairman
David Ross Richards	Managing Director
Douglas Alan Jones	Non-executive Director
Anthony William Kiernan	Non-executive Director
Craig Russell Williams	Non-executive Director

Company Secretaries
Richard Keith Hacker
Leanne Forgione

Principal Place of Business & Registered Office
Level 2, 1292 Hay Street
WEST PERTH, WESTERN AUSTRALIA 6005
Tel: (+61 8)9322 7431
Fax: (+61 8)9322 5800
Web: www.ltresources.com.au
Email: info@ltresources.com.au

Auditors
HLB Mann Judd
Level 4, 130 Stirling Street
PERTH, WESTERN AUSTRALIA 6000

Share Registry
Computershare Investor Services Pty Limited
Level 2, Reserve Bank Building
45 St Georges Terrace
PERTH, WESTERN AUSTRALIA 6000
Tel: 1300 557 010

Home Exchange
Australian Securities Exchange Limited
Exchange Plaza
2 The Esplanade
PERTH, WESTERN AUSTRALIA 6000

ASX Code
Share Code: LTR

Liontown Resources Limited
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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 2012 and the independent auditor's report thereon.

1. Directors

The names and details of the Company's directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

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 private and publicly-listed companies. He is currently Executive Chairman of Chalice Gold Mines Limited and a director of Uranium Equities Limited and Strike Energy Limited.

D R Richards
BSc (Hons), MAIG
Managing Director

David has over 30 years experience in mineral exploration in Australia, Southeast Asia and western USA. His career includes exploration and resource definition for a variety of gold and base metal deposit styles and he led the team that discovered the multi-million ounce, high grade Vera-Nancy gold deposits in North Queensland. He has held senior positions with Battle Mountain Australia Inc, Delta Gold Limited, AurionGold Limited and was Managing Director of ASX-listed Glengarry Resources Limited from 2003-2009.

D A Jones
PhD, AusIMM, RPGeo
Non-executive Director

Doug is a Geologist with over 30 years experience in international mineral exploration, having worked extensively in Australia, Africa, South America and Europe. His career has covered exploration for gold in a wide range of geological settings, volcanic and sediment-hosted zinc-copper-lead, and IOCG style copper-gold. Doug is also Managing Director of Chalice Gold Mines Limited, and a director of TSX and AIM-listed Minera IRL Limited and TSX listed Serabi Mining Plc.

A W Kiernan
LLB
Non-executive Director

Tony, previously a lawyer, is a general corporate advisor with extensive experience in the administration and operation of listed public companies. He is Chairman of BC Iron Limited, Uranium Equities Limited, Venturex Resources Limited and is a director of Chalice Gold Mines Limited.

C R Williams
BSc (Hons)
Non-executive Director

Craig is a Geologist with over 30 years experience in mineral exploration and development. Craig co-founded Equinox Minerals Limited in 1993 and was President, Chief Executive Officer and Director prior to Barrick Gold's takeover of Equinox. He is currently Chairman of OreCorp Limited. 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, he also has extensive corporate management and financing experience.

V P Gauci
B.Eng (Hons)
Non-executive Director
(resigned 3 October 2011)

Vince was a non-executive director of the Company since 2007. He resigned as a non-executive director of the board on 3 October 2011. Vince was chairman of the Group's audit committee. During the past three years he also served as a director of Newcrest Mining Limited and Runge Limited.

2. Company secretaries

R K Hacker
B.Com, CA, ACIS

Richard is a Chartered Accountant and Chartered Secretary with significant professional and corporate experience in the resources and energy 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 was in private practice with major accounting practices. Richard is also the CFO and Company Secretary of Chalice Gold Mines Limited.
L Forgione **B.Com, CA**	Leanne is a Chartered Accountant who has over 10 years of accounting and governance experience within the mining and energy industries. Leanne is also joint Company Secretary of Chalice Gold Mines Limited.

3. Directors' meetings

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director were as follows:

	Directors' Meetings	Audit	Remuneration*	Nomination*
Number of meetings held:	6	2	-	-
Number of meetings attended:				
T R B Goyder	6	-	-	-
D A Jones	5	-	-	-
A W Kiernan	3	2	-	-
D R Richards	6	-	-	-
V P Gauci	-	1	-	-
C R Williams	6	1	-	-

*The full Board did not officially convene as a nomination or remuneration committee during the reporting period, however, nomination and remuneration discussions occurred from time to time as required.

As at the date of this report, the company had a separate audit committee. Given the current size and composition of the Board, the Company has not established a separate remuneration committee or nomination committee. Members acting on the committees of the board during the year were:

Audit	Remuneration	Nomination
V P Gauci (Chairman) (resigned 3 October 2011)	Full Board	Full Board
A W Kiernan (Chairman) (Appointed 3 October 2011)		
C R Williams		

4. Principal activities

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

The Company made a loss after tax for the year of $1,215,220 and had current assets in excess of current liabilities of $832,152.

5. Review of operations

During and since the end of the financial year Liontown Resources continued exploration for precious metal deposits in northern Tanzania, East Africa and northern Queensland, Australia. The current exploration portfolio includes the Jubilee Reef Joint Venture Project located in northern Tanzania where Liontown Resources has the right to earn up to 75% equity; the Mega Joint Venture located immediately southwest of the Jubilee Reef Project where Liontown Resources can earn up to 75%; and circa3,500km^2 Mt Windsor Joint Venture Project (including the Panhandle Project) in North Queensland where Ramelius Resources has the right to earn up to 60% equity.

5.1 Jubilee Reef Joint Venture Project (Liontown Resources earning up to 75%)

During the year, several significant intersections were recorded from drilling at the Masabi Hill prospect indicating that there is potential for a large gold system. Attention has therefore focused on undertaking a comprehensive drilling program aimed a further defining strike and dip extensions of significant intersections at Masabi Hill and to gain a better understanding of the geology at the project. A drilling program has recommenced in September 2012 to follow up on known targets and to undertake an aircore drilling program aimed at further defining the extent of mineralisation at the project and to generate further Reverse Circulation ("RC") drilling targets.

To 1 September 2012, Liontown Resources has drilled at total of approximately 11,000 metres since entering into an earn-in and joint venture agreement with TSX-V company, Currie Rose Resources. Under the terms of the agreement, Liontown Resources may elect to drill 14,000 metres to earn a 51% interest in the project. At that stage, Liontown Resources can either elect to earn a 75% interest by sole funding to completion a definitive feasibility study or to form a contributing joint venture of Liontown Resources 51% and Currie Rose 49%.

5.2 Mega Joint Venture Project

The Mega Joint Venture Project is located immediately southwest and along strike of the Jubilee Reef Project in northern Tanzania and is prospective for the same styles of gold mineralisation. During the year, Liontown Resources entered into an agreement with Tanzoz Minerals Ltd to earn up to 75% equity in the project by paying Tanzoz $50,000 per annum and spending a minimum of $50,000 per annum on in-ground exploration over 3 years.

5.3 Mount Windsor Joint Venture

RC and diamond drilling was completed over the Mt Windsor JV project leases during the year where a total of 13 RC holes were completed. To date no significant results have been received. An Amending Deed was signed between Ramelius Resources and Liontown Resources subsequent to year end which allows for Liontown Resources' Panhandle Project to be included into the existing exploration earn-in and joint venture agreement.

6. Significant changes in the state of affairs

There are no changes in the state of affairs other than as noted elsewhere in this financial report.

7. Remuneration report - audited

7.1 Introduction

This remuneration report for the year ended 30 June 2012 outlines remuneration arrangements in place for directors and executives of Liontown Resources in accordance with the requirements of the Corporations Act 2001 (the Act) and its regulations. This information has been audited as required by section 308(3C) of the Act.

The remuneration report details the remuneration for key management personnel ("KMP") who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company, and the Group. KMP's during the year were:

(i) Directors
T R B Goyder (Chairman)
C R Williams (Non-executive Director)
D A Jones (Non-executive Director)
A W Kiernan (Non-executive Director)
D R Richards (Managing Director)
V P Gauci (Non-executive Director) (Resigned 3 October 2011)

(ii) Executives
Richard Hacker (CFO)

There were no changes to KMP after the reporting date and before the date the financial report was authorised for issue.

7.1.1 Remuneration philosophy

The performance of the Company depends upon the quality of the directors and executives. The philosophy of the company in determining remuneration levels is to set competitive remuneration packages to attract and retain high calibre employees and to link a significant component of executive rewards to shareholder value creation. The size, nature and financial strength of the Company are also taken into account when setting remuneration levels so as to ensure that the operations of the Company remain sustainable.

7.1.2 Remuneration committee

The Board performs the role of the Remuneration Committee and is responsible for determining and reviewing compensation arrangements for the directors, the Managing Director and any executives.

7.1.3 Remuneration Structure

In accordance with best practice corporate governance, the structure of non-executive and executive remuneration is separate and distinct.

a) *Non-executive director remuneration*
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 of a similar size and complexity in the mining and exploration industry . The Board seeks to set aggregate remuneration at a level that provides the company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

The Company's Constitution and the ASX Listing Rules specify that the aggregate fees to be paid to non-executive directors for their role as a director are to be approved by shareholders at a general meeting. Shareholders have approved an aggregate amount of $300,000 per year (including superannuation).

The amount of total compensation apportioned amongst directors is reviewed annually and the Board considers advice from external shareholders as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process. The Board will not seek any increase for the non-executive pool at the 2012 AGM.

The remuneration of non-executive directors consists of directors' fees. Each director receives a fee for being a director of the company. No additional fees are paid for each Board committee which a director sits due to the size of the company. The non-executive directors are not entitled to receive retirement benefits and, at the discretion of the Board, may participate in the Employee Share Option Plan, subject to the usual approvals required by shareholders.

The Board considers it may be appropriate to issue options to non-executive directors given the current nature and size of the Company as, until profits are generated, conservation of cash reserves remain a high priority. Any options issued to directors will require separate shareholder approval.

Apart from their duties as directors, some non-executive directors may undertake work for the Company on a consultancy basis pursuant to the terms of consultancy services agreement. The nature of the consultancy work varies depending on the expertise of the relevant non-executive director. Under the terms of these consultancy agreements non-executive directors would receive a daily rate or a monthly retainer for the work performed at a rate comparable to market rates that they would otherwise receive for their consultancy services.

The remuneration of non-executive directors for the period ended 30 June 2012 is detailed in page 8 of this report.

b) *Executive remuneration*
The Company's executive remuneration strategy is designed to attract, motivate and retain high performance individuals and align the interests of executives and shareholders. Remuneration consists of fixed remuneration and variable remuneration (comprising short-term and long-term incentive schemes).

Fixed remuneration
Fixed remuneration is reviewed annually by the Board by a process which consists of a review of relevant comparative remuneration in the market and, where appropriate, external advice on policies and practices.

Variable remuneration - Long term incentive scheme
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. As no formal performance hurdles are set on options issued to executives, the Company believes that as options are issued at a price in excess of the Company's current share price at the date of issue of those options, there is an inherent performance hurdle as the share price of the Company's shares has to increase before any reward can accrue to the executive.

Short term incentive schemes
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.

7.1.4 Employment contracts
Remuneration arrangements for KMP are formalised in employment agreements. Details of these contracts are provided below.

Name and Job Title	Employment Contract Duration	Notice Period	Termination Provisions
Executive Director			
D R Richards Managing Director	Unlimited	3 months by the Company and the employee	Nil
R K Hacker Chief Financial Officer	At will	Nil	Nil

7.2 Directors' and executive officers' remuneration (audited)

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	Termination benefits	Options (A)	Total	
		$	$	$	$	$	$	$	
Directors									
T R B Goyder	2012	45,872	1,918	47,790	4,128	-	-	51,918	0%
	2011	45,872	1,778	47,650	4,128	-	-	51,778	0%
D R Richards	2012	275,229	1,918	277,147	24,771	-	-	301,918	0%
	2011	225,000	1,778	226,778	20,250	-	177,417	424,445	42%
D A Jones	2012	32,110	1,918	34,028	2,890	-	2,330	39,248	6%
	2011	37,462	1,778	39,240	3,372	-	9,053	51,665	18%
V P Gauci (resigned 3 October 2011)	2012	8,028	499	8,527	722	-	-	9,249	0%
	2011	68,807	1,778	70,585	6,193	-	-	76,778	0%
A W Kiernan	2012	75,210	1,918	77,128	2,890	-	-	80,018	0%
	2011	74,310	1,778	76,088	2,890	-	-	78,978	0%
C R Williams	2012	32,110	1,918	34,028	2,890	-	-	36,918	0%
	2011	32,110	1,778	33,888	2,890	-	-	36,778	0%
Executive									
R K Hacker	2012	37,500	1,918	39,418	3,375	-	-	42,793	0%
	2011	-	1,778	1,778	-	-	12,662	14,440	89%
Total Compensation	**2012**	**506,059**	**12,007**	**518,066**	**41,666**	**-**	**2,330**	**562,062**	
	2011	**483,561**	**12,446**	**496,007**	**39,723**	**-**	**199,132**	**734,862**	

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

A. The fair value of the options are calculated at the date of grant using a Black Scholes 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. (Refer to note 14).

7.3 Equity instruments

7.3.1 Options and rights over ordinary shares granted as compensation

During the year no options were granted as compensation to key management personnel. In the year ended 30 June 2011 Mr Richards was granted three million options with an exercise price of 10 cents and expiring 1 May 2013.

All options that are issued to key management personnel are at no cost to the recipients, however to exercise the options the recipients must pay to the Company the appropriate exercise price.

7.3.2 Exercise of options granted as compensation

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

7.3.3 Analysis of options and rights vested during the period

	Number granted	Date granted	Exercise price	% vested in year	Forfeited in year	Financial year in which grant vests
Directors						
D A Jones	1,000,000	2 December 2008	0.20	100%	-	2012

7.3.4 Analysis of movements in options

There was no movement during the reporting period, by value, of options over ordinary shares held by each key management person.

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 20 August 2012, Liontown Resources announced a fully underwritten entitlement issue to raise approximately $3.43 million. The raising is to be undertaken through a 1-for-3 pro-rata non-renounceable rights issue ('Offer') to existing shareholders at 3.5 cents per share. The Company will also be issuing 1 free attaching New Option for every 3 New Shares subscribed. Each New Option will have an exercise price of 5 cents and will expire on 27 September 2015. The Offer is underwritten by Bell Potter Securities Limited.

Funds raised from the entitlement issue will be used to underpin a major new drilling program comprising over 14,000 metres of reverse circulation and aircore drilling at the Jubilee Reef Project in Tanzania and for working capital.

10. Likely developments

There are no likely developments that will impact on the Company other than as disclosed elsewhere in this report.

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 at the date of this report is as follows:

	Ordinary shares	Options over ordinary shares
T R B Goyder	81,454,571	-
D R Richards	1,340,750	3,000,000
D A Jones	1,881,500	5,000,000
A W Kiernan	4,267,364	-
C R Williams	2,040,129	-

12. Share options

Options granted to directors and officers of the Company
No options over ordinary shares in the Company were granted as compensation to key management personnel during the reporting period.

Unissued shares under options
At the date of this report 9,650,000 unissued ordinary shares of the Company are under option on the following terms and conditions:

Expiry date	Exercise price	Number of shares
1 December 2012	0.35	2,000,000
31 July 2013	0.20	500,000
30 November 2013	0.20	3,000,000
1 May 2013	0.10	3,000,000
1 November 2013	0.20	1,150,000

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

During the period between balance date and the date of this report, no options have been granted.

Shares issued on exercise of options
During or since the end of the year, 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 and officers 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.

During the year the Company paid insurance premiums of $12,007 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 executive officers' remuneration on page 8.

14. Non-audit services

During the year HLB Mann Judd, the Company's auditors, performed no other services in addition to their statutory duties.

15. Auditor's independence declaration

The auditor's independence declaration is set out on page 12 and forms part of the Directors' Report for the year ended 30 June 2012.

This report is made with a resolution of the directors:

D R Richards
Managing Director

Dated at Perth the 24th day of September 2012

The information in this report that relates to Exploration Results is based on information compiled by Mr David Richards, a full time employee of Liontown Resources Limited, who is a Member of the Australian Institute of Geoscientists. Mr Richards 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.

HLB Mann Judd

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 2012, 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 audit; and

b) any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Liontown Resources Limited.

Perth, Western Australia
24 September 2012

W M CLARK
Partner, HLB Mann Judd

HLB Mann Judd (WA Partnership) ABN 22 193 232 714
Level 4, 130 Stirling Street Perth WA 6000. PO Box 8124 Perth BC 6849 Telephone +61 (08) 9227 7500. Fax +61 (08) 9227 7533.
Email: hlb@hlbwa.com.au. Website: http://www.hlb.com.au
Liability limited by a scheme approved under Professional Standards Legislation

HLB Mann Judd (WA Partnership) is a member of HLB International, a worldwide organisation of accounting firms and business advisers.

Liontown Resources Limited

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2012

	Note	2012 $	2011 $
Continuing Operations			
Revenue	3(a)	62,800	117,480
Impairment of exploration and evaluation assets	11	(334,451)	-
Exploration costs not capitalised	11	(118,903)	(213,644)
Corporate administrative expenses	3(b)	(824,666)	(1,093,782)
Loss before tax		(1,215,220)	(1,189,946)
Income tax expense	6	-	-
Loss for the period attributable to owners of the parent		(1,215,220)	(1,189,946)
Other comprehensive income			
Exchange differences on translation of foreign operations		15,525	-
Total comprehensive income after tax attributable to owners of the parent		(1,199,695)	(1,189,946)
Basic earnings per share attributable to ordinary equity holders	7	(0.005)	(0.006)
Diluted earnings per share attributable to ordinary equity holders	7	(0.005)	(0.006)

The statement of comprehensive income is to be read in conjunction with the notes to the financial statements.

Liontown Resources Limited

Consolidated Statement of Financial Position

As at 30 June 2012

	Note	2012 $	2011 $
Current assets			
Cash and cash equivalents	8	1,489,378	1,503,416
Trade and other receivables	9	61,343	54,684
Total current assets		1,550,721	1,558,100
Non-current assets			
Financial assets	10	54,369	52,402
Exploration and evaluation assets	11	3,640,913	1,684,900
Property, plant and equipment	12	82,720	103,056
Total non-current assets		3,778,002	1,840,358
Total assets		5,328,723	3,398,458
Current liabilities			
Trade and other payables	13	687,721	124,182
Employee benefits	14	30,848	16,190
Total current liabilities		718,569	140,372
Total liabilities		718,569	140,372
Net assets		4,610,154	3,258,086
Equity			
Issued capital	15	22,884,163	20,343,846
Accumulated losses	15	(19,912,561)	(18,697,341)
Reserves	15	1,638,552	1,611,581
Total equity		4,610,154	3,258,086

The statement of financial position is to be read in conjunction with the notes to the financial statements.

Liontown Resources Limited

Consolidated Statement of Changes in Equity

For the year ended 30 June 2012

	Note	Issued capital	Accumulated losses	Share based payments reserve	Translation reserve	Total equity
		$	$	$	$	$
Balance at 1 July 2011		20,343,846	(18,697,341)	1,611,581	-	3,258,086
Loss for the period		-	(1,215,220)	-	-	(1,215,220)
Exchange differences on translation of foreign operations		-	-	-	15,525	15,525
Total comprehensive loss for the period		-	(1,215,220)	-	15,525	(1,199,695)
Share issue - rights issue (net after costs)		1,469,188	-	-	-	1,469,188
Share placement (net after costs)		1,071,129	-	-	-	1,071,129
Share based payment expense		-	-	11,446	-	11,446
Balance at 30 June 2012	15	22,884,163	(19,912,561)	1,623,027	15,525	4,610,154

	Note	Issued capital	Accumulated losses	Share based payments reserve	Translation reserve	Total equity
		$	$	$	$	$
Balance at 1 July 2010		20,280,242	(17,507,395)	1,375,985	-	4,148,832
Loss for the period		-	(1,189,946)	-	-	(1,189,946)
Total comprehensive loss for the period		-	(1,189,946)	-	-	(1,189,946)
Issue of shares on acquisition of exploration tenements		63,604	-	-	-	63,604
Share based payment expense		-	-	235,596	-	235,596
Balance at 30 June 2011	15	20,343,846	(18,697,341)	1,611,581	-	3,258,086

The statement of changes in equity is to be read in conjunction with the notes to the financial statements.

Liontown Resources Limited

Consolidated Statement of Cash Flows

For the year ended 30 June 2012

	Note	2012 $	2011 $
Cash flows from operating activities			
Cash paid to suppliers and employees		(750,344)	(823,962)
Interest received		63,875	112,116
Net cash used in operating activities	18	(686,469)	(711,846)
Cash flows from investing activities			
Payments for exploration and evaluation		(1,864,309)	(901,078)
Acquisition of property, plant and equipment		(920)	(2,857)
Net cash used in investing activities		(1,865,229)	(903,935)
Cash flows from financing activities			
Proceeds from issue of shares		2,723,058	-
Transaction costs of issue of shares		(182,741)	-
Net cash from financing activities		2,540,317	-
Net increase/(decrease) in cash and cash equivalents		(11,381)	(1,615,781)
Net foreign exchange differences		(2,657)	438
Cash and cash equivalents at the beginning of the period		1,503,416	3,118,759
Cash and cash equivalents at 30 June	8	1,489,378	1,503,416

The statement of cash flows is to be read in conjunction with the notes to the financial statements.

1. Significant accounting policies

Liontown Resources is an ASX listed public company domiciled in Australia at Level 2, 1292 Hay Street, West Perth, Western Australia. The consolidated financial report comprises the financial statements of Liontown Resources Limited ('Company') and its subsidiaries ('the Group') for the year ended 30 June 2012.

The financial report was authorised for issue by the directors on 24th day of September 2012.

(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. The financial report is presented in Australian dollars.

The accounting policies detailed below have been consistently applied to all of the years presented unless otherwise stated.

The Company is a listed public company, incorporated in Australia and operating in Australia and Tanzania. The principal activity is mineral exploration and evaluation.

(c) Adoption of new and revised standards
In the year ended 30 June 2012, the Group 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 2011. It has been determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, the Group has adopted the following new and amended Australian Accounting Standards and AASB Interpretations as of 1 July 2011:

- AASB 124 *Related Party Disclosures (amendment)* effective 1 July 2011
- AASB 132 *Financial Instruments*
- Improvements to AASB's

The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2012. The following standards and interpretations have been recently issued or amended and have not been adopted by the Group for the annual reporting period ending 30 June 2012, outlined below:

- AASB 10 *Consolidated Financial Statements*
- AASB 12 *Disclosure of Interests in Other Entities*
- AASB 13 *Fair Value Measurement*
- AASB 119 *Employee Benefits*
- AASB 9 *Financial Instruments*

As a result of this review the directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to the Group's accounting policies.

(d) Basis of consolidation
The consolidated financial statements comprise the financial statements of Liontown Resources Limited ('Company' or 'Parent') and its subsidiaries as at 30 June 2012.

Subsidiaries are all those entities over which the Company has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the consolidated financial statements all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Company and cease to be consolidated from the date on which control is transferred out of the Group. Control exists where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing when the Company controls another entity.

Investments in subsidiaries held by Liontown Resources Limited are accounted for at cost in the accounts of the parent entity less any impairment charges.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values.

The difference between the above items and the fair value of consideration (including the fair value of any pre-existing investment in the acquiree) is goodwill or a discount on acquisition.

A change in ownership interest of a subsidiary that does not result in a loss of control is accounted as an equity transaction.

(e) 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 Group.

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 Group 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.

(f) Going concern

The financial statements are prepared on a going concern basis. At balance date, the Group had an excess of current assets over current liabilities of $832,152.

Notwithstanding the positive working capital position at balance date, the Group 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 12 months from the date of signing these financial statements. Subsequent to year end, the Company announced a fully underwritten Entitlement Offer to raise $3.43 million which the Company believes is sufficient to sustain activities for at least the next 12 months.

(g) Foreign currency translations

The functional currency of the Company is Australian dollars and the functional currency of subsidiary based in Tanzania is United States dollars (US$). The presentation of the Group is Australian dollars.

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for the following differences which are recognised in other comprehensive income arising on the retranslation of:

- available-for-sale equity investments (except on impairment in which case foreign currency differences that are recognised in other comprehensive income are reclassified to profit or loss);
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- qualifying cash flow hedges to the extent the hedge is effective.

(ii) Foreign Operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the functional currency at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Australian dollars at average exchange rates.

Foreign currency differences are recognised in other comprehensive income, and presented in foreign currency translation reserve (translation reserve) in equity upon translation to presentation currency. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When settlement of a monetary item receivable from or payable to a foreign operation is neither planned or likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the translation reserve in equity.

(h) Segment reporting
Operating segments are reported in a manner consistent with internal reporting provided to the Board of Directors who are responsible for allocating resources and assessing the performance of the operating segments.

(i) Revenue recognition
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

(i) Sale of goods and interests in exploration assets
Revenue is recognised when the significant risks and rewards of ownership of the goods/exploration assets 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/exploration assets to the buyer.

(ii) Services rendered
Revenue from services rendered is recognised in the statement of comprehensive income in proportion to the stage of completion of the transaction at balance 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, the costs incurred or to be incurred cannot be measured reliably.

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

(j) Expenses

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

(k) Depreciation
Depreciation is charged to the statement of comprehensive income 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. Depreciation rates used in the current and comparative periods are as follows:

- plant and equipment 5%-50%

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

(l) Income tax

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

Deferred tax is provided on all temporary differences at balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting 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 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.

(m) 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 statement of financial position.

Cash flows are included in the statement of cash flows 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.

(n) Impairment

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group 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 statement of comprehensive income 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 statement of comprehensive income. Receivables with a short duration are not discounted.

(o) 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 Group’s cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(p) Trade and other receivables

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

(q) 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 Group'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.

(r) Property, plant and equipment

Property, 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 de-recognition 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.

(s) 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 Group 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 Group 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.

(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 reporting 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.

(t) Derecognition of financial assets and financial liabilities

(i) Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either:

  (a) has transferred substantially all the risks and rewards of the asset, or

  (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration received that the Group could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

(ii) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(u) Impairment of financial assets

The Group assesses at each balance date whether a financial asset or group of financial assets is impaired.

(i) Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account. The amount of the loss is recognised in profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

(ii) Financial assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value (because its fair value cannot be reliably measured), or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset. Such impairment loss shall not be reversed in subsequent periods.

(iii) Available-for-sale investments

If there is objective evidence that an available-for-sale investment is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to the statement of comprehensive income. Reversals of impairment losses for equity instruments classified as available-for-sale are not recognised in profit. Reversals of impairment losses for debt instruments are reversed through profit or loss if the increase in an instrument's fair value can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

(v) 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 statement of financial position 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. 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.

(w) Trade and other payables

Trade and other payables are stated at cost. Trade and other payables are presented as current liabilities unless payment is not due within 12 months.

(x) Employee benefits

(i) Superannuation

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

(ii) Share-based payment transactions

The Group 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 Group 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.

(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 Group expects to pay as at reporting date including related on-costs, such as, workers compensation insurance and payroll tax.

(y) Provisions
A provision is recognised in the statement of financial position when the Group 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.

(z) Issued 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.

(aa) Earnings per share
Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.
Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element

(ab) Parent entity information
The financial information for the parent entity, Liontown Resources Limited, disclosed in noted 21, has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries, associates and joint venture entities
Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the parent entity's financial statements. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

(ii) Share-based payments
The grant by the company of options over its equity instruments to the employees of subsidiary undertakings in the group is treated as a capital contribution to that subsidiary undertaking. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

2. Segment reporting

The Group has identified its operating segments based on internal reports that are reviewed and used by the Board of Directors in assessing performance and in determining the allocation of resources.

The operating segments are identified by management based on the allocation of costs; whether they are corporate related costs or exploration costs. Results of both segments are reported to the Board of Directors at each Board meeting or more frequently if required.

	Exploration and Evaluation		Corporate		Total	
	30 June 2012	30 June 2011	30 June 2012	30 June 2011	30 June 2012	30 June 2011
	$	$	$	$	$	$
Impairment of exploration and evaluation assets	(334,451)	-	-	-	(334,451)	-
Exploration costs not capitalised	(118,903)	(213,644)	-	-	(118,903)	(213,644)
Corporate and administrative expenses	-	-	(824,666)	(1,093,782)	(824,666)	(1,093,782)
Segment net gain/ (loss) before tax	(453,354)	(213,644)	(824,666)	(1,093,782)	(1,278,020)	(1,307,426)
Unallocated income/(expenses)				-		
Net financing income					62,800	117,480
Profit/(loss) before income tax					(1,215,220)	(1,189,946)

	Exploration and Evaluation		Corporate		Total	
	30 June 2012	30 June 2011	30 June 2012	30 June 2011	30 June 2012	30 June 2011
	$	$	$	$	$	$
Segment assets:						
Exploration and evaluation assets	3,640,913	1,684,900	-	-	3,640,913	1,684,900
Other	116,190	67,196	59,295	86,706	175,485	153,902
	3,757,103	1,752,096	59,295	86,706	3,816,398	1,838,802
Unallocated assets					1,512,325	1,559,656
Total assets					5,328,723	3,398,458
Segment Liabilities	640,698	69,077	77,871	71,295	718,569	140,372

3. Revenue and expenses

(a) Revenue

	Note	2012 $	2011 $
Interest received		62,800	117,480
		62,800	117,480

(b) Corporate administrative expenses

	Note	2012 $	2011 $
Depreciation and amortisation		21,256	32,557
Insurance		27,131	28,893
Legal fees		41,465	34,420
Office costs		9,519	13,241
Personnel expenses	4	397,271	662,114
Regulatory and compliance		98,749	88,476
Corporate and administration office rent		144,000	144,000
Other		85,275	90,081
		824,666	1,093,782

4. Personnel expenses

	2012 $	2011 $
Wages and salaries	166,915	130,035
Directors' fees	163,750	235,834
Other associated personnel expenses	4,121	22,255
Defined contribution superannuation fund contributions	36,381	25,349
Annual leave	14,658	13,045
Equity-settled transactions	11,446	235,596
	397,271	662,114

5. Auditor's remuneration

	2012 $	2011 $
Audit services		
HLB Mann Judd		
Audit and review of financial reports	27,500	27,860

	2012 $	2011 $
6. Income tax		
(a) The prima facie income tax expense on pre-tax accounting result from operations reconciles to the income tax benefit in the financial statements as follows:		
Accounting loss before tax from continuing operations	(1,215,220)	(1,189,946)
Income tax benefit calculated at 30%	(364,566)	(356,984)
Tax effect of amounts which are not tax deductible (taxable) in calculating taxable income:		
Non-deductible expenses	5,015	45,407
Share based payments	3,434	-
Deferred tax assets and liabilities not recognised	356,117	311,577
Income tax expense/(benefit) reported in the statement of comprehensive income	-	-
(b) Unrecognised deferred tax balances		
The following deferred tax assets and liabilities have not been brought to account:		
Deferred tax assets comprise:		
Revenue losses available to offset against future taxable income	2,505,876	2,059,974
Share issue expenses	54,721	28,125
Accrued expenses and liabilities	10,668	11,457
	2,571,265	2,099,556
Deferred tax liabilities comprise:		
Exploration expenditure capitalised	525,433	463,840
Accrued interest	327	1,151
	525,760	464,991
(c) Income tax expense not recognised directly in equity during the year:		
Share issue costs	54,822	28,125

Deferred tax liabilities have not been recognised in respect of these taxable temporary differences as the entity is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

7. Earnings per share

Basic and diluted earnings per share

The calculation of basic and diluted earnings per share for the year ended 30 June 2012 was based on the loss attributable to ordinary shareholders of $1,215,220 [2011: loss of $1,189,946] average number of ordinary shares outstanding during the year ended 30 June 2012 of 252,724,609 [2011: 210,905,599] calculated as follows:

Profit/(loss) attributable to ordinary shareholders (diluted)	**2012** **$**	**2011** **$**
Profit/(loss) attributable to ordinary shareholders	(1,215,220)	(1,189,946)
Profit/(loss) attributable to ordinary shareholders (diluted)	(1,215,220)	(1,189,946)

	No.	No.
Weighted average number of ordinary shares (diluted)		
Weighted average number of ordinary shares at 30 June	252,724,609	210,905,999
Weighted average number of ordinary shares (diluted) at 30 June	252,724,609	210,905,999

8. Cash and cash equivalents

	2012 **$**	**2011** **$**
Bank accounts	829,787	489,342
Term deposits	652,530	1,011,388
Petty cash	7,061	2,686
Cash and cash equivalents in the statement of cash flows	1,489,378	1,503,416

9. Trade and other receivables

	2012 **$**	**2011** **$**
Current		
Other trade receivables	43,259	37,104
Prepayments	18,084	17,580
	61,343	54,684

10. Financial assets

	2012 **$**	**2011** **$**
Non-current		
Bank guarantee	33,410	31,739
Security deposits	15,000	15,000
Funds held on trust	5,959	5,663
	54,369	52,402

11. Exploration and evaluation expenditure

Costs carried forward in respect of areas of interest in the exploration and evaluation phases (at cost):

	2012 $	2011 $
Balance at beginning of year	1,684,900	925,950
Expenditure incurred during the year	2,409,367	972,594
Impairment of exploration and evaluation assets	(334,451)	-
Exploration expenditure not capitalised	(118,903)	(213,644)
	3,640,913	1,684,900

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

12. Property, plant and equipment

	2012 $	2011 $
At cost	345,901	344,981
Less: accumulated depreciation	(263,181)	(241,925)
	82,720	103,056
Plant and equipment		
Carrying amount at 1 July	103,056	132,756
Additions	920	2,857
Depreciation	(21,256)	(32,557)
Carrying amount at end of period	82,720	103,056

13. Trade and other payables

	2012 $	2011 $
Trade payables	73,696	73,248
Accrued expenses	614,025	50,934
	687,721	124,182

14. Employee benefits

	2012 $	2011 $
Liability for annual leave	30,848	16,190
Total employee benefits	30,848	16,190

Share based payments

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.

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

	Weighted average exercise price ($) 2012	Number of options 2012
Outstanding at the beginning of the period	0.23	11,650,000
Outstanding at the end of the period	0.23	11,650,000
Exercisable at the end of the period	0.23	11,650,000

The options outstanding at 30 June 2012 have a weighted average exercise price of $0.23 (2011:$0.23) and a weighted average contractual life of 4 years.

During the year, no share options were exercised and no share options were granted.

The fair value of the options is estimated at the date of grant using a binomial option-pricing model.

The following table provides the assumptions made in determining the fair value of the options granted.

Fair value of share options and assumptions	2012	2011
Share price at grant date (weighted average)	-	0.10
Exercise price (weighted average)	-	0.13
Expected volatility (expressed as weighted average volatility used in the modelling under binominal option-pricing model)	-	100%
Option life (expressed as weighted average life used in the modelling under binomial option-pricing model)	-	4 years
Expected dividends	-	Nil
Risk-free interest rate	-	5.06%

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.

	2012 $	2011 $
Share options granted in 2011 - equity settled	11,446	235,596
Total expense recognised as personnel expenses	11,446	235,596

15. Issued capital and reserves

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

2012	**Issued capital (a) $**	**Accumulated losses $**	**Foreign currency translation reserve $**	**Share based payments reserve (b) $**	**Total equity $**
Balance at 1 July 2011	20,343,846	(18,697,341)	-	1,611,581	3,258,086
Share issue - rights issue (net of costs)	1,469,188	-	-	-	1,469,188
Share issue - placement (net of costs)	1,071,129	-	-	-	1,071,129
Share based payment expense	-	-	-	11,446	11,446
Loss for the period	-	(1,215,220)	-	-	(1,215,220)
Currency translation differences	-	-	15,525	-	15,525
Balance at 30 June 2012	22,884,163	(19,912,561)	15,525	1,623,027	4,610,154

2011	**Issued capital (a) $**	**Accumulated losses $**	**Foreign currency translation reserve $**	**Share based payments reserve (b) $**	**Total equity $**
Balance at 1 July 2010	20,280,242	(17,507,395)	-	1,375,985	4,148,832
Issue of shares on acquisition of exploration tenements	63,604	-	-	-	63,604
Share based payment expense	-	-	-	235,596	235,596
Loss for the period	-	(1,189,946)	-	-	(1,189,946)
Balance at 30 June 2011	20,343,846	(18,697,341)	-	1,611,581	3,258,086

(a) Issued capital

	2012 No.	**2011 No.**
On issue at 1 July	211,073,581	210,073,581
Issue shares on acquisition of exploration tenements	-	1,000,000
Rights Issue	52,768,600	-
Issue of fully paid ordinary shares - share placement	30,000,000	-
On issue at 30 June	293,842,181	211,073,581

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

	2012 No.	2011 No.
On issue at 1 July	11,650,000	10,310,000
Options issued during the year	-	4,150,000
Options forfeited during the year	-	(2,810,000)
On issue at 30 June	11,650,000	11,650,000

At 30 June the Company had 11,650,000 unlisted options on issue under the following terms and conditions:

Number	Expiry Date	Exercise Price
4,000,000	1 December 2012	0.35
500,000	31 July 2013	0.20
3,000,000	30 November 2013	0.20
3,000,000	1 May 2013	0.10
1,150,000	1 November 2013	0.20

(c) Nature and purpose of reserves

Share based payments reserve
This reserve is used to record the value of equity benefits provided to employees and directors as part of their remuneration. Refer to section 7 in the Directors' Report for further details of these plans.

16. Financial instruments

(a) Capital risk management
The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders.

The capital structure of the Group consists of equity attributable to equity holders, comprising issued capital, reserves and accumulated losses as disclosed in note 15.

The Board reviews the capital structure on a regular basis and considers the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through new share issues as well as the issue of debt, if the need arises.

(b) Market risk exposures
Market risk is the risk that changes in market prices such as foreign exchange rates, equity prices and interest rates will affect the Group's income or value of its holdings of financial instruments.

Foreign exchange rate risk
The Group undertakes certain transactions denominated in foreign currencies, hence exposes to exchange rate fluctuations arise. The Group does not hedge this exposure. The Group manages its foreign exchange risk by constantly reviewing its exposure and ensuring that there are appropriate cash balances in order to meet its commitments.

Equity prices
The Group currently has no significant exposure to equity price risk.

Interest rate risk exposures
The Group'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 2012	Note	1 year or less $	Over 1 to 5 years $	Floating interest $	Non-interest bearing $	Total $	Weighted average int. rate
Financial assets							
Bank balances	8	-	-	829,787	-	829,787	2.02%
Term deposits	8	652,530	-	-	-	652,530	5.83%
Bank guarantee	10	33,410	-	-	-	33,410	5.18%
Petty cash	8	-	-	-	7,061	7,061	-
Trade and other receivables	9	-	-	-	61,343	61,343	-
Security deposits, bonds, funds held on trust	10	-	-	-	20,959	20,959	-
Financial liabilities							
Trade payables and accrued expenses	13	-	-	-	687,721	687,721	-

30 June 2011	Note	1 year or less $	Over 1 to 5 years $	Floating interest $	Non-interest bearing $	Total $	Weighted average int. rate
Financial assets							
Bank balances	8	-	-	489,341	-	489,341	3.55%
Term deposits	8	1,011,389	-	-	-	1,011,389	5.86%
Bank guarantee	10	31,739	-	-	-	31,739	5.90%
Petty cash	8	-	-	-	2,686	2,686	-
Trade and other receivables	9	-	-	-	54,684	54,684	-
Security deposits, bonds, funds held on trust	10	-	-	-	20,663	20,663	-
Financial liabilities							
Trade payables and accrued expenses	13	-	-	-	124,182	124,182	-

(c) Credit risk exposure

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk is not significant and currently arises principally from sundry receivables which represent an insignificant proportion of the Group's activities.

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

(d) Liquidity risk exposure

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Board actively monitors the Group's ability to pay its debts as and when they fall due by regularly reviewing the current and forecast cash position based on the expected future activities.

The Group has non-derivative financial liabilities which include trade and other payables of $687,721 all of which are due within 60 days.

(e) Net fair values of financial assets and liabilities

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

17. Capital and other commitments

Exploration expenditure commitments

In order to maintain current rights of tenure to exploration tenements, the Group is required to perform minimum exploration work to meet the minimum expenditure requirements specified by various 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 Group may in certain situations apply for exemptions under relevant mining legislation. These obligations are not provided for in the financial report and are payable:

	2012	2011
	$	$
Within 1 year	136,915	402,000
Within 2 - 5 years	598,960	1,200,000
Later than 5 years	364,980	-
	1,100,855	1,602,000

18. Reconciliation of cash flows from operating activities

	2012	2011
Cash flows from operating activities	$	$
Loss for the period	(1,215,220)	(1,189,946)
Adjustments for:		
Depreciation and amortisation	21,256	32,557
Net gain on foreign exchange	2,657	(438)
Impairment of exploration and evaluation assets	334,451	-
Exploration expenditure not capitalised	118,903	213,644
Equity-settled share-based payment expenses	11,446	235,596
Operating loss before changes in working capital and provisions	(726,507)	(708,587)
(Increase)/ decrease in trade and other receivables	1,013	(14,442)
Increase/ (decrease) in trade creditors and accruals	24,367	(1,862)
Increase/(decrease) in provisions	14,658	13,045
Net cash used in operating activities	(686,469)	(711,846)

19. Key management personnel

The following were key management personnel of the Group at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period:

Directors
T R B Goyder
D R Richards
D A Jones
V P Gauci (resigned 3 October 2011)
A W Kiernan
C R Williams
Executive
R K Hacker (Chief Financial Officer/Company Secretary)

The key management personnel compensation is as follows:

	2012 $	2011 $
Short-term employee benefits	518,066	496,007
Post-employment benefits	41,666	39,723
Equity-settled transactions	2,330	199,132
	562,062	734,862

Individual directors' and executives' compensation disclosures
The Group 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 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 Group
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 Group 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.

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

Key management persons	Transaction	Note	Amounts payable/ (receivable) 2012 $	Amounts payable/ (receivable) 2011 $
A W Kiernan	Legal and consulting services	(i)	43,100	44,300
Other related parties				
Chalice Gold Mines Limited	Corporate Services	(ii)	144,000	144,000

(i) The Group used the legal and consulting services of Mr Kiernan during the year. Amounts were billed based on normal market rates for such services and were due and payable under normal payment terms.

(ii) The Group receives corporate services including accounting and company secretarial services under a Corporate Services Agreement with Chalice Gold Mines Limited. Messrs Goyder, Kiernan and Jones were all directors of Chalice Gold Mines Limited during the year, and Mr Hacker and Ms Forgione are joint company secretaries. 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:

Liabilities arising from the above transactions	**2012**	**2011**
	$	**$**
Current payables	(16,200)	(2,100)
	(16,200)	(2,100)

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 1 July 2011	Granted as compensation	Exercised	Expired/ Forfeited	Held at 30 June 2012	Vested during the year	Vested and exercisable at 30 June 2012
T R B Goyder	-	-	-	-	-	-	-
D R Richards	3,000,000	-	-	-	3,000,000	-	3,000,000
D A Jones	5,000,000	-	-	-	5,000,000	1,000,000	5,000,000
V P Gauci	2,000,000	-	-	-	2,000,000	-	2,000,000
A W Kiernan	-	-	-	-	-	-	-
C R Williams	-	-	-	-	-	-	-
Executive							
R K Hacker	750,000	-	-	-	750,000	-	750,000

	Held at 1 July 2010	Granted as compensation	Exercised	Expired/ Forfeited	Held at 30 June 2011	Vested during the year	Vested and exercisable at 30 June 2011
T R B Goyder	-	-	-	-	-	-	-
D R Richards	-	3,000,000	-	-	3,000,000	3,000,000	3,000,000
D A Jones	5,000,000	-	-	-	5,000,000	1,000,000	4,000,000
V P Gauci	2,000,000	-	-	-	2,000,000	-	2,000,000
A W Kiernan	-	-	-	-	-	-	-
C R Williams	-	-	-	-	-	-	-
Executive							
R K Hacker	500,000	250,000	-	-	750,000	250,000	750,000

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 2011	Additions	Received on exercise of options	Sales	Held at 30 June 2012
Directors					
T R B Goyder	58,511,444	22,543,127	-	-	81,054,571
D R Richards	200,000	1,140,750	-	-	1,340,750
D A Jones	1,120,000	761,500	-	-	1,881,500
V P Gauci	1,405,216	-	-	-	1,405,216
A W Kiernan	2,436,091	1,831,273	-	-	4,267,364
C R Williams	615,783	1,424,346	-	-	2,040,129
Executives					
R K Hacker	962,000	1,672,000	-	-	2,634,000

20. Group entities

During the reporting period a wholly owned subsidiary, incorporated in Tanzania, Africa was formed. This subsidiary is the operating company for the Company's relevant exploration interests in Tanzania. Details of the subsidiary are as follows:

		Ownership interest	
	Country of incorporation	2012	2011
Liontown Resources (Tanzania) Limited	Tanzania	100%	-

21. Parent entity disclosures

The Consolidated financial statements for 30 June 2012 represent the subsidiaries and parent entity within the Liontown Group, whereas the comparatives for 2011 represent the parent entity only as the Tanzanian subsidiary was not incorporated until the 2012 financial year. Refer to note 20 for further details. As at, and throughout the financial year ended 30 June 2012 the parent entity of the Group was Liontown Resources Limited.

	2012 $	2011 $
Results of parent entity		
Loss for the period	(1,215,219)	(1,189,946)
Total comprehensive loss for the period	(1,215,219)	(1,189,946)
Financial position of parent entity at year end		
Current assets	1,827,856	1,558,100
Total assets	5,270,108	3,398,458
Current liabilities	675,478	140,372
Total liabilities	675,478	140,372
Total equity of the parent entity comprising of:		
Issued capital	22,884,163	20,343,846
Share based payments reserve	1,623,027	1,611,581
Accumulated losses	(19,912,560)	(18,697,341)
Total equity	4,594,630	3,258,086

22. Subsequent events

On 20 August 2012, Liontown Resources Limited announced a fully underwritten entitlement issue to raise approximately $3.43 million. The raising is to be undertaken through a 1-for-3 pro-rata non-renounceable rights issue ('Offer') to existing shareholders at 3.5 cents per share. The Company will also be issuing 1 free attaching New Option for every 3 New Shares subscribed. Each New Option will have an exercise price of 5 cents and will expire on 27 September 2015. The Offer is underwritten by Bell Potter Securities Limited.

Funds raised from the raising will be used to underpin a major new drilling program comprising over 14,000 metres of reverse circulation and aircore drilling at the Jubilee Reef Project and for working capital.

23. Contingent assets and liabilities

There are no contingent assets or liabilities.

Directors' Declaration

1 In the opinion of the directors of Liontown Resources Limited ('the Company'):

(a) the financial statements, notes and additional disclosures of the Group are in accordance with the Corporations Act 2001 including:

(i) giving a true and fair view of the financial position of the Group as at 30 June 2012 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) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

(c) the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

2 This declaration has been made after receiving the declaration required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2012.

This declaration is signed in accordance with a resolution of the Directors:

D R Richards
Managing Director
Dated this 24th day of September 2012

Accountants | Business and Financial Advisers

INDEPENDENT AUDITOR'S REPORT

To the members of Liontown Resources Limited

Report on the Financial Report

We have audited the accompanying financial report of Liontown Resources Limited ("the company"), which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for the consolidated entity. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, that the consolidated financial report complies with International Financial Reporting Standards.

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. Those 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.

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

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

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*.

HLB Mann Judd (WA Partnership) ABN 22 193 232 714
Level 4, 130 Stirling Street Perth WA 6000. PO Box 8124 Perth BC 6849 Telephone +61 (08) 9227 7500. Fax +61 (08) 9227 7533.
Email: hlb@hlbwa.com.au. Website: http://www.hlb.com.au

Matters relating to the electronic presentation of the audited financial report and remuneration report

This auditor's report relates to the financial report and remuneration report of Liontown Resources Limited for the financial year ended 30 June 2012 published in the annual report and included on the company's website. The company's directors are responsible for the integrity of the company's website. We have not been engaged to report on the integrity of this website. The auditor's report refers only to the financial report and remuneration report. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report and remuneration report. If users of the financial report and remuneration report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report and remuneration report to confirm the information contained in this website version of the financial report and remuneration 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 consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
   (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

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

Report on the Remuneration Report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion the remuneration report of Liontown Resources Limited for the year ended 30 June 2012 complies with section 300A of the *Corporations Act 2001*.

HLB Mann Judd

HLB MANN JUDD
Chartered Accountants

Perth, Western Australia
24 September 2012

W M CLARK
Partner

Approach to Corporate Governance

Liontown Resources Limited ("**Company**") has made it a priority to adopt systems of control and accountability as the basis for the administration of corporate governance. Some of these policies and procedures are summarised in this statement. Commensurate with the spirit of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations 2nd edition ("**Principles & Recommendations**"), the Company has followed each recommendation where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. Where the Company's corporate governance practices follow a recommendation, the Board has made appropriate statements reporting on the adoption of the recommendation. In compliance with the “if not, why not” regime, where, after due consideration, the Company's corporate governance practices depart from a recommendation, the Board has offered full disclosure and an explanation for the adoption of its own practice.

Further information about the Company's corporate governance practices may be found on the Company's website at www.ltresources.com.au, under the section marked "Corporate Governance".

The Company reports below on how it has followed (or otherwise departed from) each of the Principles & Recommendations during the 2011/2012 financial year ("**Reporting Period**").

Board

Roles and responsibilities of the Board and Senior Executives
(Recommendations: 1.1, 1.3)

The Company has established the functions reserved to the Board, and those delegated to senior executives and has set out these functions in its Board Charter.

The Board is collectively responsible for promoting the success of the Company through its key functions of overseeing the management of the Company, providing overall corporate governance of the Company, monitoring the financial performance of the Company, engaging appropriate management commensurate with the Company's structure and objectives, involvement in the development of corporate strategy and performance objectives, and reviewing, ratifying and monitoring systems of risk management and internal control, codes of conduct and legal compliance.

Senior executives are responsible for supporting the Managing Director and assisting the Managing Director in implementing the running of the general operations and financial business of the Company in accordance with the delegated authority of the Board. Senior executives are responsible for reporting all matters which fall within the Company's materiality thresholds at first instance to the Managing Director or, if the matter concerns the Managing Director, directly to the Chair or the lead independent director as appropriate.

The Company's Board Charter is available on the Company's website at www.ltresources.com.au.

Skills, experience, expertise and period of office of each director
(Recommendation: 2.6)

A profile of each director setting out their skills, experience, expertise and period of office is set out in the Directors' Report.

The mix of skills and diversity for which the Board is looking to achieve in the membership of the Board is represented by the Board's current composition. The Board considers that its current composition is appropriate for the Company's current size and operations and the following mix of skills and expertise which the directors possess is relevant to the Company's business: public company management experience; resource industry experience; geological qualifications; and legal qualifications.

Director independence
(Recommendations: 2.1, 2.2, 2.3, 2.6)

The Board does not have a majority of directors who are independent. The Board considers that the current composition of the Board is adequate for the Company's current size and operations, and includes an appropriate mix of skills and expertise relevant to the Company's business. The Board continues to monitor its composition as the Company's operations evolve and will appoint further independent directors if considered appropriate.

The independent directors of the Company are Anthony Kiernan and Craig Williams. These directors are independent as they are non-executive directors who are not members of management and who are free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgement.

Independence is measured having regard to the relationships listed in Box 2.1 of the Principles & Recommendations and the Company's materiality thresholds. The materiality thresholds are set out below.

The Board has agreed on the following guidelines for assessing the materiality of matters, as set out in the Company's Board Charter:

- Statement of Financial Position items are material if they have a value of more than 10% of pro-forma net asset.
- Statement of Comprehensive Income items are material if they will have an impact on the current year operating result of 10% or more.
- Items are also material if they impact on the reputation of the Company, involve a breach of legislation, are outside the ordinary course of business, could affect the Company's rights to its assets, if accumulated would trigger the quantitative tests, involve a contingent liability that would have a probable effect of 10% or more on balance sheet or profit and loss items, or will have an effect on operations which is likely to result in an increase or decrease in net income or dividend distribution of more than 10%.
- Contracts will be considered material if they are outside the ordinary course of business, contain exceptionally onerous provisions in the opinion of the Board, impact on income or distribution in excess of the quantitative tests, there is a likelihood that either party will default, and the default may trigger any of the quantitative or qualitative tests, are essential to the activities of the Company and cannot be replaced or cannot be replaced without an increase in cost which triggers any of the quantitative tests, contain or trigger change of control provisions, are between or for the benefit of related parties, or otherwise trigger the quantitative tests.

The non-independent directors of the Company are Tim Goyder, Douglas Jones and David Richards.

The non-independent Chair of the Board is Tim Goyder. The Chair does not satisfy the test of independence as set out in Box 2.1 of the Principles and Recommendations. The Board believes that Tim Goyder is the most appropriate person for the position as Chair because of his seniority and industry experience. However, the Board will appoint Craig Williams to act as lead independent director when any conflicts of interest arise.

The Managing Director is David Richards who is not Chair of the Board.

Independent professional advice
(Recommendation: 2.6)

To assist directors with independent judgement, it is the Board's policy that if a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of their office as a director then, provided the director first obtains approval from the Chair for incurring such expense, the Company will pay the reasonable expenses associated with obtaining such advice.

Selection and (Re)Appointment of Directors
(Recommendation: 2.6)

In determining candidates for the Board, the Nomination Committee (or equivalent) follows a prescribed process whereby it evaluates the mix of skills, experience and expertise of the existing Board. In particular, the Nomination Committee (or equivalent) is to identify the particular skills that will best increase the Board's effectiveness. Consideration is also given to the balance of independent directors. Potential candidates are identified and, if relevant, the Nomination Committee (or equivalent) recommends an appropriate candidate for appointment to the Board. Any appointment made by the Board is subject to ratification by shareholders at the next general meeting.

The Board recognises that Board renewal is critical to performance and the impact of Board tenure on succession planning. Each director other than the Managing Director, must not hold office (without re-election) past the third annual general meeting of the Company following the director's appointment or three years following that director's last election or appointment (whichever is the longer). However, a director appointed to fill a casual vacancy or as an addition to the Board must not hold office (without re-election) past the next annual general meeting of the Company. At each annual general meeting a minimum of one director or a third of the total number of directors must resign. A director who retires at an annual general meeting is eligible for re-election at that meeting. Re-appointment of directors is not automatic.

The Company's Policy and Procedure for the Selection and (Re)Appointment of Directors is available on the Company's website at www.ltresources.com.au.

Board committees

Nomination Committee
(Recommendations: 2.4, 2.6)

The Company has not established a separate Nomination Committee. Given the current size and composition of the Board, the Board believes that there would be no efficiencies gained by establishing a separate Nomination Committee. Accordingly, the Board performs the role of the Nomination Committee. Items that are usually required to be discussed by a Nomination Committee are marked as separate agenda items at Board meetings when required. When the Board convenes as the Nomination Committee it carries out those functions which are delegated to it in the Company's Nomination Committee Charter. The Board deals with any conflicts of interest that may occur when convening in the capacity of the Nomination Committee by ensuring that the director with conflicting interests is not party to the relevant discussions.

The full Board did not officially convene as a Nomination Committee during the Reporting Period, however nomination-related discussions occurred from time to time during the year as required. The Board has adopted a Nomination Committee Charter which describes the role, composition, functions and responsibilities of the Nomination Committee.

The Company's Nomination Committee Charter is available on the Company's website at www.ltresources.com.au.

Audit Committee
(Recommendations: 4.1, 4.2, 4.3, 4.4)

The Company has established an Audit Committee.

The Audit Committee is structured in compliance with Recommendation 4.2. During the Reporting Period the Audit Committee comprised of Anthony Kiernan, Vince Gauci (resigned 3 October 2011) and Craig Williams (the Board's independent non-executive directors) and was chaired by Vince Gauci, who was not Chair of the Board. The Audit Committee currently consists of Anthony Kiernan and Craig Williams and is chaired by Anthony Kiernan.

The Board considers this present structure is the best mix of skills and expertise to carry out the function of an Audit Committee available to the Company and appropriate for its current needs. The Board has adopted an Audit Committee Charter which the Audit Committee applies to assist it to fulfil its function. The Audit Committee Charter makes provision for the Audit Committee to meet with the external auditor as required.

The Audit Committee held two meetings during the Reporting Period. Details of the directors who are members of the Audit Committee and their attendance at Audit Committee meetings are set out in the Directors' Report.

Details of each of the director's qualifications are set out in the Directors' Report. No members of the Audit Committee have formal accounting or financial qualifications, however, all are considered to be financially literate.

The Company has established procedures for the selection, appointment and rotation of its external auditor. The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises, as recommended by the Audit Committee. Candidates for the position of external auditor must demonstrate complete independence from the Company through the engagement period. The Board may otherwise select an external auditor based on criteria relevant to the Company's business and circumstances. The performance of the external auditor is reviewed on an annual basis by the Audit Committee and any recommendations are made to the Board.

The Company's Audit Committee Charter and the Company's Procedure for Selection, Appointment and Rotation of External Auditor are available on the Company's website at www.ltresources.com.au.

Remuneration Committee
(Recommendations: 8.1, 8.2, 8.3)

The Company has not established a separate Remuneration Committee. Given the current size and composition of the Board, the Board believes that there would be no efficiencies gained by establishing a separate Remuneration Committee. Accordingly, the Board performs the role of the Remuneration Committee. Items that are usually discussed by a Remuneration Committee are marked as separate agenda items at Board meetings when required. When the Board convenes as the Remuneration Committee it carries out those functions which are delegated to it in the Company's Remuneration Committee Charter. The Board deals with any conflicts of interest that may occur when convening in the capacity if the Remuneration Committee by ensuring that the director with conflicting interests is not party to the relevant discussions.

The full Board did not officially convene as a Remuneration Committee during the Reporting Period, however remuneration-related discussions occurred from time to time during the year as required.

Details of remuneration, including the Company's policy on remuneration, are contained in the "Remuneration Report" which forms of part of the Directors' Report. Non-executive directors are remunerated at a fixed fee for time, commitment and responsibilities. Remuneration for non-executive directors is not linked to individual performance. Pay and rewards for executive directors and senior executives consists of a base salary and performance incentives. Long term performance incentives may include options granted at the discretion of the Board and subject to obtaining the relevant approvals. Executives are offered a competitive level of base pay at market rates and are reviewed annually to ensure market competitiveness.

There are no termination or retirement benefits for non-executive directors (other than for superannuation).

The Company's Remuneration Committee Charter includes a statement of the Company's policy on prohibiting transactions in associated products which limit the risk of participating in unvested entitlements under any equity based remuneration schemes.

The Company's Remuneration Committee Charter is available on the Company's website at ww.ltresources.com.au.

Performance evaluation

Senior executives
(Recommendations: 1.2, 1.3)

The Managing Director and Chairman review the performance of the senior executives. This is conducted by informal interviews.

During the Reporting Period a formal evaluation of senior executives did not occur. However, due to the size of the group, the Chairman takes an active role in assessing the performance of executives on an informal basis.

Board, its committees and individual directors
(Recommendations: 2.5, 2.6)

The Chair evaluates the performance of the Board, individual directors, the Managing Director and any applicable committees of the Board. These evaluations are undertaken by each director completing a questionnaire which is then evaluated by the Chair.

During the Reporting Period an evaluation of the Board took place in accordance with the process disclosed. However, an evaluation of the individual directors and the committees of the Board did not occur during the Reporting Period.

Ethical and responsible decision making

Code of Conduct
(Recommendations: 3.1, 3.3)

The Company has established a Code of Conduct as to the practices necessary to maintain confidence in the Company's integrity, practices necessary to take into account their legal obligations and the expectations of their stakeholders and responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

A summary of the Company's Code of Conduct is available on the Company website at www.ltresources.com.au.

Diversity
(Recommendations: 3.2,3.3,3.4,3.5)

The Company has established a Diversity Policy, which includes requirements for the Board to establish in the long term, measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieving them.

However, due to the current size of the Company the Board has not set measurable objectives for achieving gender diversity. The Board intends to revisit the establishment of measurable objectives during the forthcoming financial year.

The proportion of women employees in the whole organisation, women in senior executive positions and women on the Board are set out in the following table:

	Proportion of women
Whole organisation	1 out of 8 (13%)
Senior executive positions	1 out of 3 (33%)
Board	0 out of 5 (0%)

The Company's Diversity Policy is available on the Company's website.

Continuous Disclosure
(Recommendations: 5.1, 5.2)

The Company has established written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure and accountability at a senior executive level for that compliance.

A summary of the Company's Policy on Continuous Disclosure and a summary of the Company's Compliance Procedures are available on the Company's website at www.ltresources.com.au.

Shareholder Communication
(Recommendations: 6.1, 6.2)

The Company has designed a communications policy for promoting effective communication with shareholders and encouraging shareholder participation at general meetings.

The Company's Shareholder Communication Policy is available on the Company's website at ww.ltresources.com.au.

Risk Management
Recommendations: 7.1, 7.2, 7.3, 7.4)

The Board has adopted a Risk Management Policy, which sets out the Company's risk profile. Under the policy, the Board is responsible for approving the Company's policies on risk oversight and management and satisfying itself that management has developed and implemented a sound system of risk management and internal control.

Under the policy, the Board delegates day-to-day management of risk to the Managing Director, who is responsible for identifying, assessing, monitoring and managing risks. The Managing Director is also responsible for updating the Company's material business risks to reflect any material changes, with the approval of the Board. In fulfilling the duties of risk management, the Managing Director may have unrestricted access to Company employees, contractors and records and may obtain independent expert advice on any matter they believe appropriate, with the prior approval of the Board.

The Board has established a separate Audit Committee to monitor and review the integrity of financial reporting and the Company's internal financial control systems and risk management systems.

As the Company continues to evolve, the Board will enhance the processes and procedures to manage and report on material business risk, and may engage external risk management consultants to assist.

In addition, the following risk management measures have been adopted by the Board to manage the Company's material business risks:

- Due to the size of the Company, all payments must be approved by the Managing Director and Chief Financial Officer;
- the Board has developed a range of emergency response and other health and safety policies and procedures relevant to its operations;
- the Board has adopted a compliance procedure for the purpose of ensuring compliance with the Company's continuous disclosure obligations; and
- the Board has adopted a corporate governance manual which contains other policies to assist the Company to establish and maintain its governance practices.

The Board has implemented a system to review, formalise and document the management of its material business risks. This system includes a risk register used by management to identify the Company's material business risks and risk management strategies for these risks. In addition, the process of managing material business risks is allocated to members of senior management. The risk register is currently being prepared by management and will be provided to the Board along with a report as to the effectiveness of the Company's management of material business risks for the next reporting period.

The categories of risk to be reported on or referred to as part of the Company's systems and processes for managing material business risk include market-related, financial reporting, operational, environmental, human capital, sustainability, occupational health and safety, political, strategic, economic cycle/marketing, and legal and compliance.

The Managing Director and the Chief Financial Officer have provided a declaration to the Board in accordance with section 295A of the Corporations Act and have assured the Board that such declaration is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risk.

A summary of the Company's Risk Management Policy is available on the Company's website at www.ltresources.com.au.

Additional information required by the Australian Stock 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 21 September 2012 were:

Shareholder	Number of ordinary shares held	Percentage of capital held %
Timothy R B Goyder	81,454,571	27.73
Delta Resource Management	30,000,000	10.21
Balfes (QLD) Pty Ltd	16,500,000	5.62
Graham Kluck Management & Investment	16,156,530	5.50

Class of Shares and Voting Rights

At 21 September 2012 there were 940 holders of the ordinary shares of the Company and 8 holders of unlisted options. The Company has 9,650,000 unlisted options on issue at 21 September 2012, all of which were issued under the Employee Share Option Plan.

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 -
>
> a) at meetings of members or classes of members each member entitled to vote in person or by proxy or attorney: and
>
> b) 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 21 September 2012:

	Number of equity security holders	
Category	**Ordinary Shares**	**Unlisted Share Options**
1 - 1,000	77	-
1,001 - 5,000	162	-
5,001 - 10,000	121	-
10,001 - 100,000	396	4
100,001 and over	184	4
Total	**940**	**8**

The number of shareholders holding less than a marketable parcel at 21 September 2012 was 425.

Twenty largest Ordinary Fully Paid Shareholders as at 21 September 2012		
Name	**Number of ordinary shares held**	**Percentage of capital held %**
Timothy R B Goyder	81,454,571	27.72
Delta Resource Management	30,000,000	10.21
Balfes (QLD) Pty Ltd	16,500,000	5.62
Graham Kluck Management & Investment Pty Ltd	16,156,530	5.50
Lujeta Pty Ltd <The Margaret Account>	11,172,060	3.80
Calm Holdings Pty Ltd	10,240,010	3.48
Albion Bay Pty Ltd	7,840,000	2.67
JP Morgan Nominees Australia Limited	7,569,895	2.58
Claw Pty Ltd	6,388,000	2.17
Anthony Kiernan	4,267,364	1.45
Clement Pty Ltd	3,955,771	1.35
Melita Station Pty Ltd	3,534,068	1.20
Colbern Fiduciary Nominees Pty Ltd	3,500,000	1.19
Calama Holdings Pty Ltd	2,897,250	0.99
Pindan Exploration Pty Ltd	2,750,000	0.94
Pershing Australia Nominees Pty Ltd	2,740,000	0.93
Richard Hacker	2,634,000	0.90
Mr Michael Joseph Tuite & Mrs Helen Elizabeth Tuite	2,500,000	0.85
Dr Lynette Hui Ching Wong	2,500,000	0.85
Craig Williams	2,040,129	0.69
Total	**220,639,648**	**75.09**