



LIONTOWN RESOURCES LIMITED

ABN 39 118 153 825

**Half Year Report
31 December 2012**

Contents	Page
Directors' Report	3
Auditor's Independence Declaration	5
Condensed Statement of Comprehensive Income	6
Condensed Statement of Financial Position	7
Condensed Statement of Changes in Equity	8
Condensed Statement of Cash Flows	9
Notes to the Financial Statements	10
Directors' Declaration	16
Independent Auditor's Review Report	17

Liontown Resources Limited

Directors' Report

For the half year ended 31 December 2012

DIRECTORS' REPORT

Your directors submit the financial report for Liontown Resources Limited (“Liontown” or “the Group”) for the half year ended 31 December 2012. In compliance with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

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

Tim R B Goyder	Chairman
David R Richards	Managing Director
Douglas A Jones	Non-executive Director (resigned 18 January 2013)
Anthony W Kiernan	Non-executive Director
Craig R Williams	Non-executive Director

REVIEW OF OPERATIONS

1. Jubilee Reef Joint Venture Project (Northern Tanzania) (Liontown earning up to 75%)

The Company completed its 2012 drilling program at the Jubilee Reef Project in early December 2012 with 219 holes being drilled in the year for a total of 16,911 metres. Since commencing work on the project in mid-2011, Liontown has drilled a total of 22,296 metres with approximately 60 per cent being Reverse Circulation (“RC”) drilling. In accordance with the joint venture agreement with Currie Rose Resources Inc., the Company earned a 51 per cent interest in the Jubilee Reef Project in October 2012. Currie Rose elected to not contribute to exploration expenditure for the last quarter of 2012, which resulted in the Company’s equity in the project increasing to 63%.

Drilling was undertaken at the Masabi Hill, Panapendesa and Chela prospects with strong gold mineralisation intersected at all three prospects. The Company is currently reviewing the results of the drilling program which will form the basis of future exploration activities at the project.

2. Mega Joint Venture Project (Liontown earning up to 75%)

During the period 49 aircore holes were drilled, however there were no significant assay results received. Further work at the Mega JV Project will be dependent on a review of the project and its strategic value relative to the Jubilee Reef Project.

3. Mount Windsor and Panhandle Joint Venture Project (Liontown 100%, Ramelius earning 60%)

Liontown’s joint venture partner, Ramelius Resources Limited (‘Ramelius’), carried out geochemical and geological programs which defined two high priority prospects, Kookaburra and Allandale. At Kookaburra, soil sampling defined a high order, multi-element (gold-silver-copper-molybdenum-mercury-tungsten) anomaly over 1.2km strike. Drilling is expected to commence in March 2013 at the Kookaburra prospect.

Other exploration completed by Ramelius included drill testing of 11 other targets with 7 RC holes and 47 aircore holes drilled for a total of 1,235 metres and 3,000 metres respectively. No significant mineralisation was intersected.

Liontown Resources Limited

Directors' Report

For the half year ended 31 December 2012

CORPORATE

In October 2012, the Company completed a fully underwritten entitlement issue and raised approximately \$3.43 million. The raising undertaken was through a 1-for-3 pro-rata non-renounceable rights issue to existing shareholders at 3.5 cents per share. In addition the Company also issued 1 free attaching new option for every 3 new shares subscribed. The new options have an exercise price of 5 cents and expire on 27 September 2015.

EVENTS SUBSEQUENT TO THE REPORTING DATE

There are no events subsequent to the reporting date which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs in future financial years.

AUDITOR'S INDEPENDENCE DECLARATION

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the Company with an Independence Declaration in relation to the review of the half-year financial report. This Independence Declaration is set out on page 5 and forms part of this directors' report for the half-year ended 31 December 2012.

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



David Richards

Managing Director

Dated at Perth this 12th day of March 2013.

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.

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Liontown Resources Limited for the half-year ended 31 December 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 review; and
- b) any applicable code of professional conduct in relation to the review.

Perth, Western Australia
12 March 2013



W M CLARK
Partner, HLB Mann Judd

Liontown Resources Limited
Condensed Statement of Comprehensive Income
For the half year ended 31 December 2012

		Consolidated	
	Note	31 December 2012 \$	31 December 2011 \$
Continuing Operations			
Other income	3a	35,020	25,238
Exploration costs not capitalised		-	(230,668)
Impairment of exploration and evaluation assets		(1,117,679)	-
Corporate administrative expenses	3b	(422,398)	(401,341)
Loss before tax		(1,505,057)	(606,771)
Income tax expense		-	-
Loss for the period attributable to owners of the parent		(1,505,057)	(606,771)
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations		(82,111)	614
Total comprehensive loss after tax		(1,587,168)	(606,157)
Basic loss per share attributable to ordinary equity holders (cents)		(0.44)	(0.28)

Liontown Resources Limited
Condensed Statement of Financial Position
As at 31 December 2012

	Note	Consolidated	
		31 December 2012 \$	30 June 2012 \$
Current assets			
Cash and cash equivalents		2,212,846	1,489,378
Trade and other receivables		103,614	61,343
Total current assets		2,316,460	1,550,721
Non-current assets			
Financial assets		54,910	54,369
Property, plant and equipment		76,699	82,720
Exploration and evaluation expenditure	4	4,189,672	3,640,913
Total non-current assets		4,321,281	3,778,002
Total assets		6,637,741	5,328,723
Current liabilities			
Trade and other payables		367,710	687,721
Employee benefits		21,201	30,848
Total current liabilities		388,911	718,569
Total liabilities		388,911	718,569
Net assets		6,248,830	4,610,154
Equity			
Issued capital	5	26,110,007	22,884,163
Reserves		244,870	1,638,552
Accumulated losses		(20,106,047)	(19,912,561)
Total equity		6,248,830	4,610,154

Liontown Resources Limited
Condensed Statement of Changes in Equity
For the half year ended 31 December 2012

	Consolidated				
	Issued capital \$	Accumulated losses \$	Share based payments reserve \$	Foreign currency translation reserve \$	Total equity \$
Balance at 30 June 2012	22,884,163	(19,912,561)	1,623,027	15,525	4,610,154
Loss for the period	-	(1,505,057)	-	-	(1,505,057)
Exchange differences on translation of foreign operations	-	-	-	(82,111)	(82,111)
Total comprehensive loss for the period	-	(1,505,057)	-	(82,111)	(1,587,168)
Share issue - rights issue (net after costs)	3,225,844	-	-	-	3,225,844
Transfer from share based payments reserve	-	1,311,571	(1,311,571)	-	-
Balance at 31 December 2012	26,110,007	(20,106,047)	311,456	(66,586)	6,248,830

	Consolidated				
	Issued capital \$	Accumulated losses \$	Share based payments reserve \$	Foreign currency translation reserve \$	Total equity \$
Balance at 30 June 2011	20,343,846	(18,697,341)	1,611,581	-	3,258,086
Loss for the period	-	(606,771)	-	-	(606,771)
Exchange differences on translation of foreign operations	-	-	-	614	614
Total comprehensive loss for the period	-	(606,771)	-	614	(606,157)
Share issue - rights issue (net after costs)	1,469,188	-	-	-	1,469,188
Share based payments	-	-	11,446	-	11,446
Balance at 31 December 2011	21,813,034	(19,304,112)	1,623,027	614	4,132,563

Liontown Resources Limited
Condensed Statement of Cash Flows
For the half year ended 31 December 2012

	Consolidated	
	31 December 2012 \$	31 December 2011 \$
Cash flows from operating activities		
Cash paid to suppliers and employees	(451,614)	(458,104)
Interest received	32,231	26,175
Other	-	2,601
Net cash used in operating activities	(419,383)	(429,328)
Cash flows from investing activities		
Payments for mining exploration and evaluation	(2,082,513)	(1,274,935)
Acquisition of property, plant and equipment	(1,930)	-
Net cash used in investing activities	(2,084,443)	(1,274,935)
Cash flows from financing activities		
Proceeds from issue of shares	3,428,159	1,583,058
Payments for share issue costs	(202,315)	(113,870)
Net cash provided from financing activities	3,225,844	1,469,188
Net increase/(decrease) in cash and cash equivalents	722,018	(235,075)
Cash and cash equivalents at the beginning of the period	1,489,378	1,503,416
Effects of exchange rate fluctuations on cash held	1,450	(102)
Cash and cash equivalents at 31 December	2,212,846	1,268,239

Liontown Resources Limited

Condensed Notes to the Financial Statements

For the half year ended 31 December 2012

1. Significant accounting policies

(a) Statement of compliance

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

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

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2012 and any public announcements made by Liontown Resources Limited during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except as set out below.

(b) Basis of preparation

The interim report has been prepared on a historical cost basis. Cost is based on the fair value of the consideration given in exchange for assets. The Group is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted.

(c) Significant accounting judgments and key estimates

The preparation of interim financial reports requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim report, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial report for the year ended 30 June 2012.

(d) Adoption of new and revised Accounting Standards

In the half-year ended 31 December 2012, the directors reviewed all new and revised Standards and Interpretations issued by the AASB that are relevant to the Group's operations and effective for annual reporting periods beginning on or after 1 July 2012. It has been determined by the directors that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on the Company and, therefore, no change is necessary to the Group's accounting policies.

The directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half year ended 31 December 2012. 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 the Company and, therefore, no change is necessary to the Group's accounting policies.

(e) Basis of consolidation

The consolidated financial statements comprise the financial statements of Liontown Resources Limited ("Company" or "Parent") and its subsidiaries (the "Group").

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 the Group controls another entity.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent, 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.

Liontown Resources Limited

Condensed Notes to the Financial Statements

For the half year ended 31 December 2012

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 when 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 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 for as an equity transaction.

Liontown Resources Limited

Condensed Notes to the Financial Statements

For the half year ended 31 December 2012

2. Segment reporting Geographical segments

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.

	Exploration and Evaluation		Corporate		Total	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011	31 December 2012	31 December 2011
	\$	\$	\$	\$	\$	\$
Exploration costs not capitalised	-	(230,668)	-	-	-	(230,668)
Other Income	-	-	-	1,591	-	1,591
Impairment of exploration and evaluation assets	(1,117,679)	-	-	-	(1,117,679)	-
Corporate and administrative expenses	-	-	(422,398)	(401,341)	(422,398)	(401,341)
Segment net gain/ loss after tax	(1,117,679)	(230,668)	(422,398)	(399,750)	(1,540,077)	(630,418)
Unallocated income/(expenses)						
Net financing income					35,020	23,647
Loss before income tax					(1,505,057)	(606,771)
	Exploration and Evaluation		Corporate		Total	
	31 December 2012	30 June 2012	31 December 2012	30 June 2012	31 December 2012	30 June 2012
	\$	\$	\$	\$	\$	\$
Segment assets:						
Exploration and evaluation assets	4,189,672	3,640,913	-	-	4,189,672	3,640,913
Other	133,121	116,190	87,337	59,295	220,458	175,485
	4,322,793	3,757,103	87,337	59,295	4,410,130	3,816,398
Unallocated assets					2,227,611	1,512,325
Total assets					6,637,741	5,328,723
Segment Liabilities	288,799	640,698	100,112	77,871	388,911	718,569

Liontown Resources Limited
Condensed Notes to the Financial Statements
For the half year ended 31 December 2012

3. Profit/(Loss) before income tax expense

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

	2012 \$	2011 \$
(a) Other Income		
Net finance income	35,020	23,647
Other income	-	1,591
	35,020	25,238
(b) Corporate administrative expenses		
Depreciation and amortisation	7,952	10,782
Insurance	5,711	5,428
Legal fees	28,875	16,600
Head office costs	76,255	78,684
Personnel expenses	194,430	227,523
Regulatory and compliance	53,129	38,966
Other	56,046	23,358
Total	422,398	401,341

4. Exploration and evaluation expenditure

	6 months to 31 December 2012 \$	6 months to 31 December 2011 \$
Cost brought forward	3,640,913	1,684,900
Expenditure incurred during the period	1,705,312	1,290,949
Impairment of exploration and evaluation assets ⁽¹⁾	(1,117,679)	-
Effects of movements in exchange rates	(38,874)	11,205
Exploration expenditure not capitalised	-	(230,668)
Total	4,189,672	2,756,386

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 their respective areas.

⁽¹⁾The impairment of exploration and evaluation assets relates predominately to the impairment of the Group's Panhandle Project. The Company has assessed its exploration priorities in Queensland and it has been determined that a joint venture partner will be sought for the project.

5. Issued capital

	31 December 2012 No.	30 June 2012 No.
Issued and fully paid ordinary shares	391,789,575	293,842,181

Liontown Resources Limited
Condensed Notes to the Financial Statements
For the half year ended 31 December 2012

	31 December 2012		30 June 2012	
	No.	\$	No.	\$
Balance at 1 July	293,842,181	22,884,163	211,073,581	20,343,846
Share issue - rights issue (net of costs)	97,947,394	3,225,844	52,768,600	1,469,188
Share issue - placement (net of costs)	-	-	30,000,000	1,071,129
Balance at end of period	391,789,575	26,110,007	293,842,181	22,884,163

During the half year the Company completed a fully underwritten entitlement issue to raise approximately \$3.43 million. The raising was a 1-for-3 pro-rata non-renounceable rights issue to existing shareholders of 3.5 cents per share. The Company also issued 1 free attaching new option for every 3 new shares subscribed. Each option has an exercise price of 5 cents and expires on 27 September 2015. Total options issued under the offer were 32,649,048.

6. Share Options

	31 December 2012 No.	31 December 2011 No.
Movements in unlisted options over ordinary shares on issue:		
At 1 July	11,650,000	11,650,000
Options expired	(2,000,000)	-
Options lapsed	(2,000,000)	-
At 31 December	7,650,000	11,650,000
Movements in listed options over ordinary shares on issue:		
At 1 July	-	-
Listed options issued under rights issue	32,649,048	-
At 31 December	32,649,048	-
Total share options on issue	40,299,048	11,650,000

7. Related Parties

Key management personnel including non-executive directors receive compensation in the form of short-term employee benefits, post-employment benefits and share-based payment awards. For the six months ended 31 December 2012, executive personnel received total compensation of \$180,618 (six months ended 31 December 2011: \$190,633) and non-executive directors received total compensation of \$99,236 (six months ended 31 December 2011: \$93,049).

Other related parties transactions

The Company used the consulting services of Mr Anthony Kiernan during the six months ended 31 December 2012. Amounts were billed based on normal market rates for such services and were due and payable under normal payment terms. Total amount paid during the period was \$18,000 (six months ended 31 December 2011: \$26,000). No amounts were outstanding or payable at the end of the period.

Liontown Resources Limited
Condensed Notes to the Financial Statements
For the half year ended 31 December 2012

8. Events Subsequent to Reporting Date

There are no events subsequent to the reporting date which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs in future financial years.

9. Contingent liabilities

There has been no change in contingent liabilities since the last annual reporting date.

Liontown Resources Limited

Directors' Declaration

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

1. The attached financial statements and notes thereto are in accordance with the Corporations Act 2001 including:
 - a. comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - b. give a true and fair view of the Group's financial position as at 31 December 2012 and of its performance for the half-year then ended.
2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Dated this 12th day of March 2013

A handwritten signature in black ink, appearing to read 'David Richards', written in a cursive style.

David Richards
Managing Director

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Liontown Resources Limited

Report on the Condensed Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Liontown Resources Limited ("the company") which comprises the condensed statement of financial position as at 31 December 2012, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year 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 half year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Matters relating to the electronic presentation of the reviewed half-year financial report

This review report relates to the half-year financial report of the consolidated entity for the half-year ended 31 December 2012 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 review report refers only to the half-year financial report identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the half-year financial report. If users of the half-year financial report are concerned with the inherent risks arising from publication on a website they are advised to refer to the hard copy of the reviewed half-year financial report to confirm the information contained in this website version of the half-year financial report.

Conclusion

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

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



HLB MANN JUDD
Chartered Accountants



W M CLARK
Partner

Perth, Western Australia
12 March 2013