

# Sale of Base Metal Assets at Mount Windsor Project, Queensland



## Highlights

- Liontown has agreed to sell its base metal deposit to Kagara.
- Liontown will be paid \$4.5M satisfied by 2,244,837 shares in Kagara and a further \$2.25 million upon a decision to mine or sale by Kagara.
- The sale will allow Liontown to focus on the exciting new gold prospects it has identified on the Mount Windsor Project.

Liontown Resources Limited (ASX: LTR) is pleased to advise it has agreed to sell its 100%-owned Liontown base metals deposit in North Queensland to Kagara Ltd (ASX: KZL) for \$4.5M comprising:

- (i) 2,244,837 Kagara shares (based on a 5 day VWAP); and
- (ii) \$2.25M upon either a decision to mine or the sale of the purchased assets by Kagara.

The sale includes Mining Lease 10277 which contains the 1.8 million tonne Liontown zinc-lead deposit and rights to base metal exploitation on 16 sub-blocks (51.5 square kilometres) of the surrounding Exploration Permit (EPM 14161) (Figure 1). Liontown will retain a holding of approximately 4,000 square kilometres under title or application.

The sale is subject to the standard Ministerial consent for the transfer of an ML and also the renewal of EPM14161. Notwithstanding those conditions, completion will take place on or about 6 January 2010 when the Kagara shares will be issued. In the event the conditions subsequent are not met, Liontown will have the option of relinquishing its interest in the Kagara shares or paying to Kagara \$2.25m. The transaction would then be terminated and the properties returned to Liontown.

The area covered by the transaction adjoins Kagara's Waterloo deposit.

Commenting on the sale, Liontown's Managing Director, Dr Doug Jones, said:

*"Given Kagara's ownership of the nearby Waterloo deposit and the Thalanga processing facility, Kagara was a natural purchaser of the project."*

*In combination with Liontown’s recent capital raising of \$1M, the sale provides us with further financial flexibility to pursue the exciting new gold projects within the Mount Windsor Project, where we hope to be drilling early in the New Year. In many ways this heralds a new and exciting beginning for the Company.”*

DR DOUGLAS JONES  
Managing Director

29 December 2009

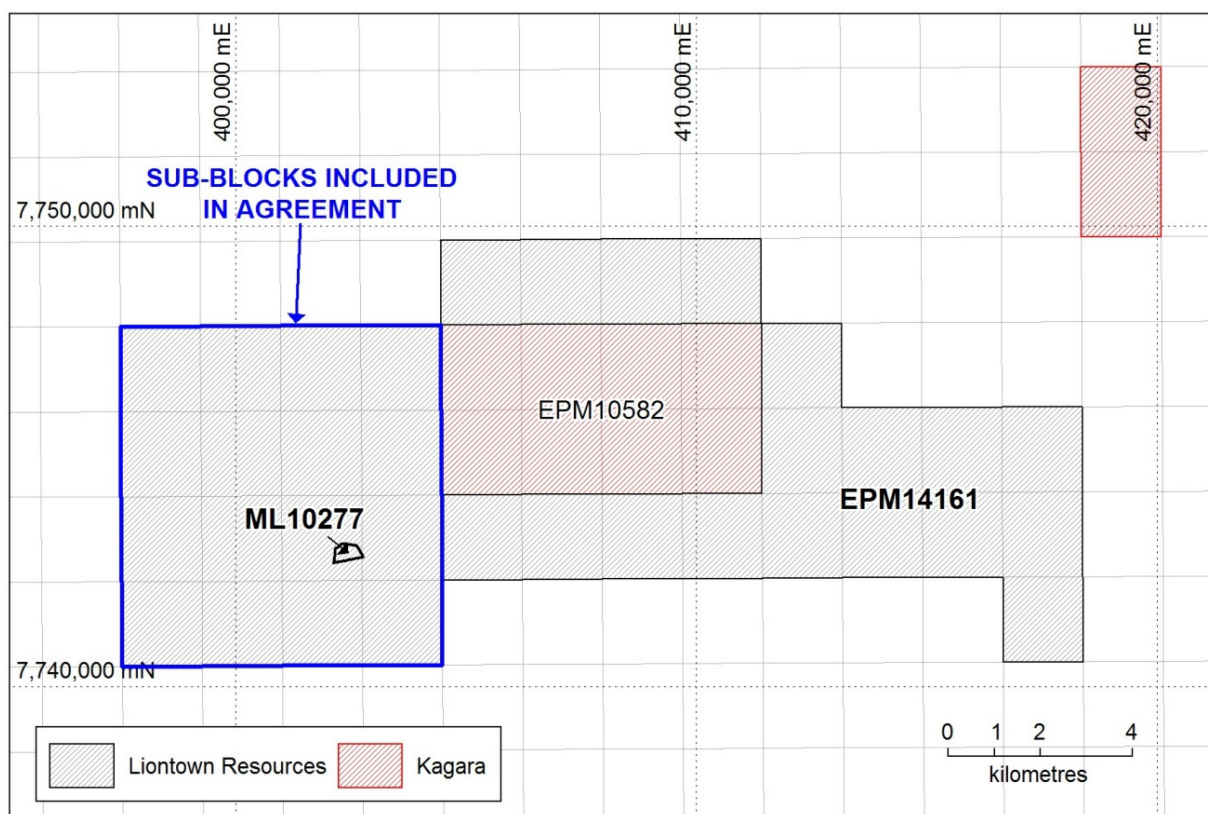


Figure 1: Liontown Base Metals Transaction - plan showing areas involved and relationship to Kagara’s Waterloo Deposit.

**Competent Persons' Statement**

*The information in this report that relates to Exploration Results is based on information compiled by Dr Doug Jones, a full-time employee and Director of Liontown Resources Limited, who is a Member of the Australian Institute of Mining and Metallurgy and is a Registered Professional Geologist. Dr Jones has sufficient experience in the field of activity being reported to qualify as a Competent Person as defined in the 2004 edition of the Australasian Code for Reporting of Exploration Results, Minerals Resources and Ore Reserves, and consents to the release of information in the form and context in which it appears here.*