



**GWR** ANNUAL REPORT

**2012**

# CORPORATE DIRECTORY

## Board of directors:

Gary Lyons (Non-executive chairman)  
Tan Sri Dato' Tien Seng Law (Non-executive deputy chairman)  
Mick Wilson (Executive director)  
Chin An Lau (Non-executive director)  
Kong Leng (Jimmy) Lee (Non-executive director)  
Teck Siong Wong (Alternate for Mr Law)

## Executive General Manager:

Craig Ferrier

## Company Secretary:

Mark Pitts

## Principal and registered office:

Suite 4, 138 Main Street  
OSBORNE PARK, WESTERN AUSTRALIA 6017  
  
PO Box 260  
OSBORNE PARK, WESTERN AUSTRALIA 6917  
  
Telephone: +61 8 9201 9202  
Facsimile: +61 8 9201 9203  
Email: admin@goldenwestresources.com  
Website: www.goldenwestresources.com

## Issued capital as at 30 June 2012:

Fully paid ordinary shares:	192,142,447
Options:	24,600,000

## Auditors:

Stantons International  
Level 2, 1 Walker Avenue  
WEST PERTH, WESTERN AUSTRALIA 6005  
  
Telephone: +61 8 9481 3188  
Facsimile: +61 8 9321 1204

## Bankers:

National Australia Bank Limited  
6/259 Bannister Road  
CANNING VALE, WESTERN AUSTRALIA 6155

## Share registry:

Security Transfer Registrars Pty Ltd  
770 Canning Highway  
APPLECROSS, WESTERN AUSTRALIA 6153  
  
Telephone: +61 8 9315 2333  
Facsimile: +61 8 9315 2233

## Solicitors:

Bennett & Co  
Level 10, BGC Centre  
28 The Esplanade  
PERTH, WESTERN AUSTRALIA 6000  
  
Telephone: +61 8 6316 2200  
Facsimile: +61 8 6316 2211

## Stock exchange:

Australian Securities Exchange Limited  
Company code: GWR

## Definitions:

'GWR' and 'the Company' means  
Golden West Resources Limited.  
  
ABN 54 102 622 051

## Competent Person's Statement

The information in this report which relates to Exploration Targets, Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Brian Varndell, who is a Fellow of the Australasian Institute of Mining and Metallurgy ("AusIMM") and independent consultant to the Company. Mr Varndell is a consultant of Al Maynard and Associates Pty Ltd and has 40 years of experience in exploration and mining in a variety of mineral deposit styles. Mr Varndell has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Varndell consents to inclusion in the report of the matters based on his information in the form and context in which it appears.

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## CHAIRMAN'S LETTER

In my inaugural year as chairman of your company we have faced a number of challenges, none more so than the prevailing global uncertainty and slow down in China, which in recent months has directly affected the price of iron ore and in turn, the market value of mining equities.

Nevertheless, the 2012 financial year has been a significant one in the history of Golden West Resources Limited (GWR) and its transition from explorer to producer.

We believe that GWR has made sound progress during the year in achieving a number of major milestones, albeit that our primary objective, the commencement of mining from our flagship asset, the Wiluna West Hematite project, remains unfulfilled.

Recognising the need to preserve cash we implemented a number of initiatives to provide this stimulus. These included but were not limited to the reduction in board members from eight to five and a reining in of expenditure with cash outflows from operating and investing activities of \$8.8M reported as compared to \$16M in 2011.

In July of 2011 the Company completed an update of its Hematite Resources at Wiluna West converting a large portion of our previously inferred Resource to Measured and Indicated categories. This allowed the release in August 2011 of the Wiluna West Hematite Project's maiden ore reserve statement consolidating many years of successful exploration activity.

With a clear focus on the development of the Wiluna West Project the Company continued to invest significant resources and energy towards the identification of an infrastructure solution to enable the export of GWR's high grade low impurity hematite iron ore. We have worked with Government, infrastructure providers and our fellow miners and project developers to deliver a viable port and transport option for the Wiluna West Project.

In January 2012 the West Australian Government through the Minister for Transport announced its decision to increase the Esperance Port capacity by up to 20 million tonnes per annum in a staged process. As described in the Review of Operations, the Esperance market sounding was initiated in June 2012. In July 2012, Esperance Ports Sea & Land and the Company signed a Capacity Reservation Deed concerning the reservation of 3 million tonnes of annual capacity in relation to facilities to be constructed as part of the proposed increase in export capacity at Esperance Port.

The development of a multi-user iron ore facility at Esperance is pivotal to our plans for delivering on our promise and completing the transition to miner. We remain actively engaged at a number of levels and are confident that an incremental development of the Esperance Port will deliver substantial benefits to miners, infrastructure owners and operators together with the regional communities and the State of Western Australia (WA).

There was no more significant milestone achieved during the past year than the notification in April 2012 that we had been granted formal approval to commence mining of our high grade resources at Wiluna West by the WA Department of Mines and Petroleum. Since receiving this approval we have redoubled our efforts to secure port access.

Development planning for the John William Douth (JWD) deposit has seen, since the end of the reporting period, the completion of programs of in-fill drilling and product definition metallurgical test-work. The CSIRO test-work has confirmed that JWD lump ore will be a premium lump iron ore product comparable with lump ores currently exported from the Pilbara Region of WA - a testament to our faith in the high quality nature of our ore.

Notwithstanding the recent falls in the price of iron ore we believe that GWR with a strong cash position, \$25M as at the end of June, is well positioned to navigate this challenging environment. Moreover, the opportunity to diversify our asset base and identify new opportunities may have never been better.

I would like to take this opportunity to thank my fellow directors for their tireless support. Similarly, I must thank our dedicated staff and executive for their contribution and achievement of the major milestones, in the past year. Finally, I must acknowledge the continuing support and patience shown by our loyal shareholders.

Yours sincerely



Gary Lyons  
Non-executive Chairman



## REVIEW OF OPERATIONS

### Overview

GWR has made substantial progress towards its objective of commencing mining operations at Wiluna West, a world class direct shipping ore (DSO) iron ore development project. The Wiluna West Hematite project will produce a high-grade low impurity iron ore. The release of the Company's maiden JORC Ore Reserve statement in August 2011 underpins the future development at Wiluna West with 69.2Mt at 60.3% Fe, including 2.9Mt @59.7% Fe in the Proven category and 66.4Mt @60.3% Fe in the Probable category.

Critical to the successful development of the Wiluna West project is the establishment of infrastructure capable of providing a cost efficient means of transporting product from the mine and loading on to the ship. To this end the Company has been actively pursuing an export option through the port of Esperance throughout the past year. GWR welcomed the decision announced in January 2012 of the West Australian Government through the Minister for Transport to increase the Esperance port capacity up to 20 million tonnes per annum in a staged plan.

In June 2012 the Department of Transport and Esperance Ports Sea and Land (EPSL) advertised a market sounding in relation to the proposed development of a Multi-User Iron Ore Facility (MUIOF) and to support the identification and selection of a proponent. GWR are a registered participant to the MUIOF Market Sounding.

GWR and EPSL entered into a Capacity Reservation Deed concerning the reservation of capacity in relation to facilities to be constructed as part of the proposed MUIOF and increase in export capacity at the Port of Esperance (New Facilities). The arrangements reserve capacity for GWR to export 3 million tonnes per annum utilising the New Facilities. GWR's right to access the Port or utilise any reserved capacity is dependent on the Company entering into a New Facilities Agreement on terms that are acceptable to the respective parties (including a future operator of the proposed New Facilities).

Further enhancing its credentials to complete the transition to producer, in April 2012 GWR announced it had been granted formal approval to commence mining of its high grade resources at Wiluna West. The approval from the State Department of Mines and Petroleum (DMP) allows GWR to mine up to one million tonnes per annum for three years from the John William Douth (JWD) deposit. The JWD deposit contains a DSO hematite resource of 10.8Mt at a very high grade 64.1% Fe, providing iron levels at or above resources found in the Pilbara.

The Company has previously been granted a clearing permit from the Department of Environment and Conservation (DEC) meaning that other than

works approvals, all statutory approvals have now been obtained. GWR expect mining to be by conventional open cut, contract mining with works approval for the crushing and screening process and a water extraction licence to be obtained prior to the commencement of operations.

Late in the financial year the Company committed to programs of in-fill drilling and product definition metallurgical test-work. Completion of the in-fill drilling program in August 2012 means the deposit in the proposed mine area has been drilled out on a nominal 50m by 20m spacing. Metallurgical test-work on JWD lump ore has also been completed at the CSIRO laboratories since the end of the reporting period. The results of the test-work have confirmed the JWD lump ore to be physically competent with high metallurgical qualities thereby providing a lump suitable for direct feed to the blast furnace. Technical marketing activities are planned in the coming months to introduce the JWD product to steel mills in Japan, Korea and Taiwan. Sinter pot tests of JWD fines product are also scheduled this year.

The Company has also progressed flora and fauna surveys during the 2012 financial year and consulted with key stakeholders, including the DEC and Department of Water ahead of submitting its referral document to the Environmental Protection Authority for the mining approval for the entire Wiluna West project.

GWR remains well funded with cash reserves of \$24.9 million and no debt at year end. In addition, the Company has cash backed security deposits amounting to \$1.1M (increased by \$0.571M for the JWD mining approval).

As part of a strategy of diversification the Company continues to assess project opportunities that are complimentary to its existing iron ore interests. As described elsewhere in this report, during the year GWR has expanded its project inventory with the acquisition of tenements in the Earahedy Basin and through a farm-in agreement for its involvement in the Woodley project. These regional exploration opportunities provide GWR with significant upside potential with drilling commencing at Woodley in late September 2012 and the commencement of exploration activities at Earahedy to follow thereafter.

### Location

The Company's principal operations are located near the town of Wiluna in the mineral rich north-eastern goldfields of Western Australia. The nearest regional centres are to the south, the inland city of Kalgoorlie (535km) and to the southwest, the coastal city of Geraldton (630km).

# REVIEW OF OPERATIONS (CONTINUED)

Figure 1



## REVIEW OF OPERATIONS (CONTINUED)

The Wiluna West Project is located 35km southwest of Wiluna. The project area is 45km long and covers almost the entire 'Joyners Find' Greenstone Belt.

During the 2012 financial year the Company has actively pursued new project opportunities. The Woodley Project (420km<sup>2</sup>) is located 600km north of Perth and 100km south west of the Wiluna West project, whilst our tenements in the Earraheedy Basin (1,382km<sup>2</sup>) are located approximately 200km north east of Wiluna (refer Figure 1).

### Wiluna West - Iron Ore

GWR has the second largest direct shipping hematite iron ore project in the Mid-West with a total JORC Code compliant resource of 130.3Mt @ 60% Fe, comprising of Measured 3.7Mt @ 59.6% Fe, Indicated 77.2Mt @ 60.3% Fe and Inferred 49.5Mt @ 59.6% Fe. The company recently announced a maiden Reserve of 69.2Mt @ 60.3% Fe, including 2.9Mt @ 59.7% Fe in the Proven category and 66.4Mt @ 60.3% Fe in the Probable category.

This resource and reserve are within two mineralised units described as Units B and C. Unit B and C are interpreted from magnetic survey data to extend the entire 45km length of the tenements (refer Figure 2).

### Strategy

The Board continues to pursue a development strategy that recognises the need for flexibility and is targeting using the existing port of Esperance and the yet to be constructed port of Oakajee.

Port options			
Port	Spur/Road (km)	Public Rail (km)	Total (km)
Esperance	320	650	970
Oakajee (proposed)	230	400	630

Esperance is the deepest port in southern Australia, capable of handling Capesize vessels up to 200,000 tonnes. The port is linked by rail through Kalgoorlie to Leonora. Trucking operations would then use a relatively short section of the unsealed Ulalla Road linking the mine to the fully sealed Goldfields Highway from Wiluna to Leonora.

As described elsewhere in this report, GWR has focused its efforts at developing the Wiluna West Hematite Project with product to be initially exported through the Esperance Port. The proposed development of a Multi-User Iron Ore Export Facility at Esperance will underpin the development options for transport of our DSO hematite ore from mine to ship. We continue to work with government, infrastructure owners and operators and other industry and community stakeholders to establish and develop cost efficient operations and logistics solutions.

There continues to be widespread commentary and speculation concerning the proposed development of the Oakajee port and rail system running from just north of Geraldton through to the Mid-West. The commitment of our resources on port and transport options are continuously measured against the visibility and status of these major infrastructure developments.

GWR remains a vital participant in the economic viability of both Oakajee and the upgrading of the Esperance Port.

### Resources

In July 2011, GWR announced a JORC Resource update. A summary of the high quality low contaminants Hematite Iron Ore is set out in the table below:

Wiluna West Hematite Project Mineral Resource Reported above a 50% cut-off						
Classification	Tonnes (Mt)	Fe %	SiO <sub>2</sub> %	Al <sub>2</sub> O <sub>3</sub> %	P %	LOI %
Measured	3.7	59.6	7.8	2.5	0.09	4.0
Indicated	77.2	60.3	7.4	2.4	0.05	3.6
Inferred	49.5	59.6	7.3	2.5	0.05	3.9
TOTAL	130.3	60.0	7.4	2.4	0.06	3.6

### Reserves

In August 2011 the Company reported its maiden ore Reserve of 69.2Mt at 60.3%Fe, including 2.9Mt in the Proven category and 66.4Mt in the Probable category. A summary of the Reserve is set out in the table below:

Wiluna West Hematite Project Reserve Estimate Reported above a 50% cut-off						
Classification	Tonnes (Mt)	Fe %	SiO <sub>2</sub> %	Al <sub>2</sub> O <sub>3</sub> %	P %	LOI %
Proven	2.9	59.7	7.6	2.6	0.07	4.0
Probable	66.4	60.3	7.2	2.5	0.05	3.6
TOTAL	69.2	60.3	7.2	2.5	0.05	3.6

### Drilling Programs - RC Drilling

A total of 60 RC drill holes were completed for an aggregate of 4,349m during the financial year which included a program of drilling in Band 5 & 6 and the commencement of an in-fill drilling program at the JWD deposit.

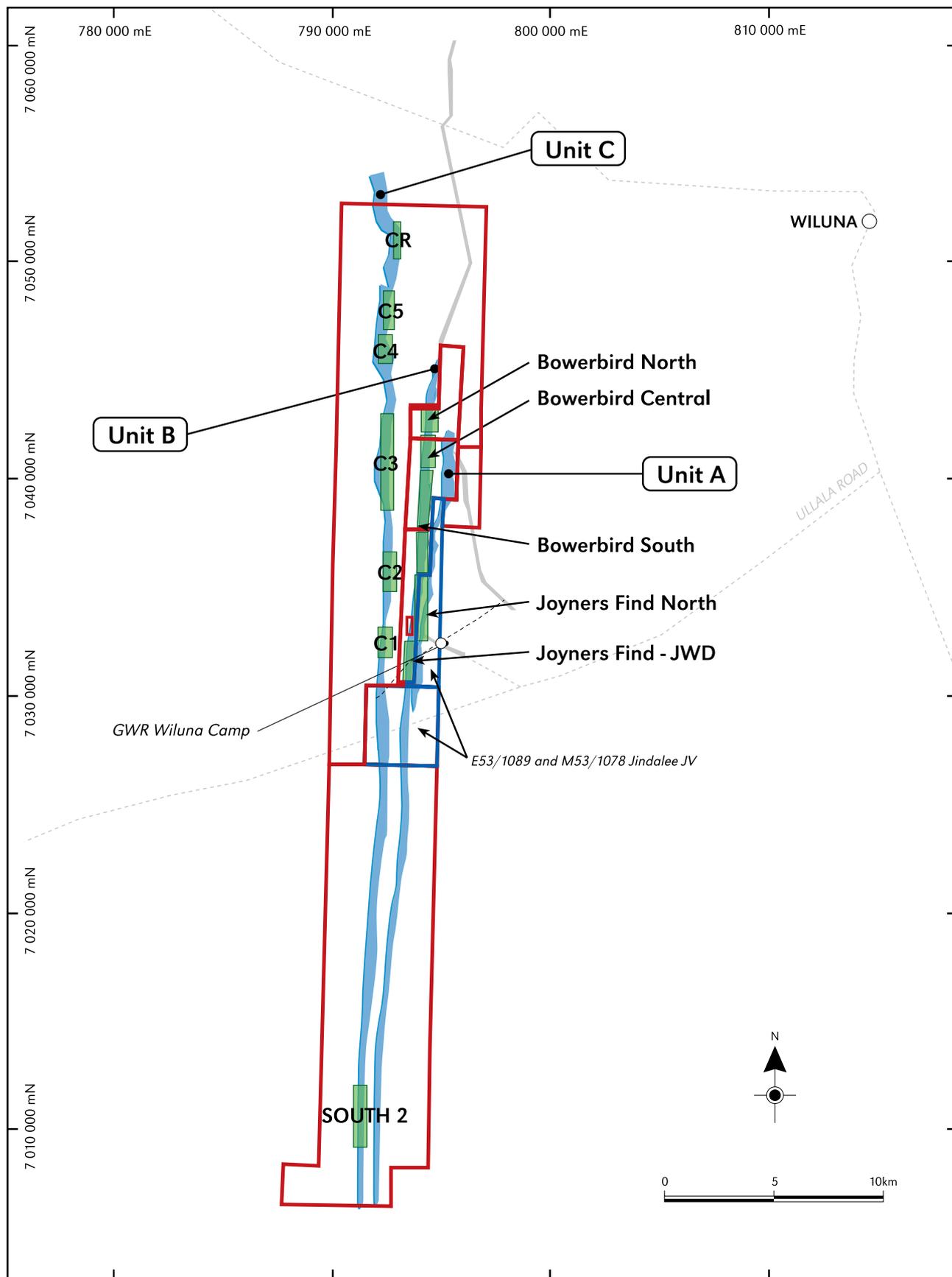
### Gold

The Company's gold assets consist of the Wiluna West and Doherty's gold projects, together with its investment in Stratex International Plc ('Stratex'), an AIM listed company with gold and high value base metals projects in Turkey and Africa.

The Wiluna West gold project refers to the gold located on the Company's Wiluna West tenements (refer Figure 3).

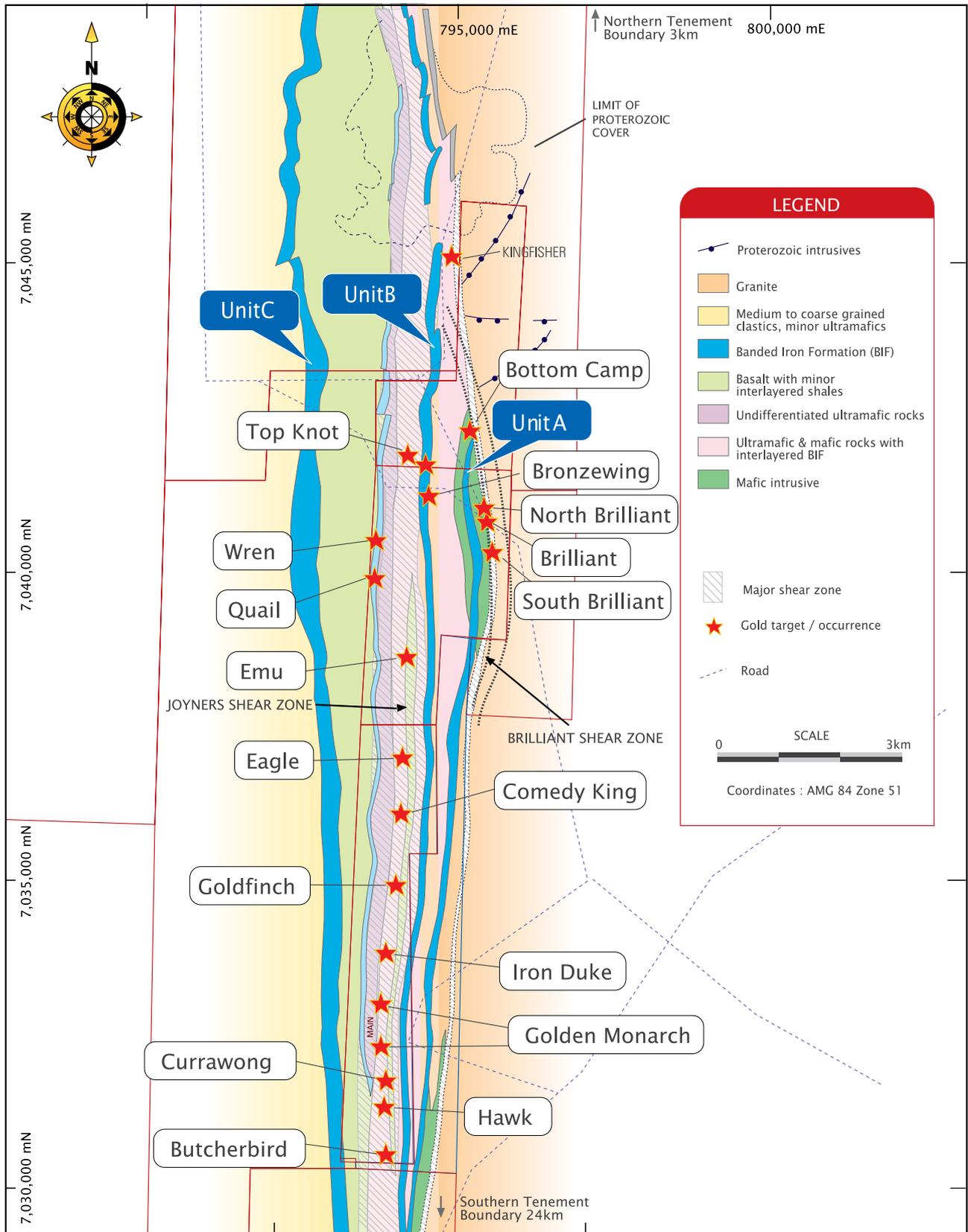
# REVIEW OF OPERATIONS (CONTINUED)

**Figure 2**



# REVIEW OF OPERATIONS (CONTINUED)

Figure 3



## REVIEW OF OPERATIONS (CONTINUED)

The Company has a total gold Resource Estimate for the Wiluna West gold deposits of 3,478,000 tonnes @ 2.3g/t for a contained 258,200 oz at a 1g/t cut off including an indicated resource of 46,000 tonnes @ 3.54g/t for 5,200 ounces and an inferred resource of 3,432,000 tonnes @ 2.29g/t for 253,000 ounces.

In addition, a 29 hole RC drilling program for 1,288m was completed at the Golden Monarch, Iron King and Bottom camp prospects. The drilling was undertaken to test for near surface continuity of mineralisation, confirm the reliability of previous drilling results, obtain density data and collect metallurgical samples. The Company is seeking to commence gold production by custom milling ore at a nearby processing facility.

Previous operators excavated a small open pit over a portion of the Golden Monarch deposit, from which a 1,235 tonne trial parcel of stockpiled ore was transported to the Apex mill in Wiluna. The trial parcel is awaiting treatment at the Apex mill to provide metallurgical information and assist with negotiations in respect to reaching a toll milling agreement.

Set out below is the Company's gold Resource Statement.

### Wiluna West Gold Project Summary of Gold Resources Reported above a 1.0g/t Au cut off

Classification	Tonnes	Au g/t	Ounces
Indicated	46,000	3.54	5,200
Inferred	3,432,000	2.29	253,000
<b>TOTAL</b>	<b>3,478,000</b>	<b>2.31</b>	<b>258,200</b>

Classic Minerals are earning a 90% interest in the Doherty's gold project, which is located in the Barrambie Greenstone Belt, 65km north of the township of Sandstone in the Murchison region of Western Australia. The Company has tenure over an area of 175 hectares. In March 2009 the Company executed a Joint Venture Agreement with Classic Minerals Limited ('Classic') regarding the project.

During the previous financial year, the Company undertook substantial work on the proposed Initial Public Offer of Western Gold Resources Limited (WGR) - the company that owns GWR's Wiluna West gold assets. Despite the continuing strength of the gold price and strong support from GWR shareholders, the Initial Public Offer of Western Gold was unsuccessful and was formally withdrawn in July 2011.

In preparation of the proposed listing an interest was acquired in Silvrex Limited, an unlisted English company which held rights to early exploration gold assets in Senegal and Mauritania, West Africa. Pursuant to a takeover offer made by Stratex, WGR received 1,795,803 Stratex ordinary shares in

January 2012 as consideration for its share holding in Silvrex. In addition, Stratex also repaid WGR the outstanding Convertible Notes plus interest owing on behalf of Silvrex.

### Native Title Agreement

In July 2010 the Company executed a Native Title Mining Agreement with the Tarlpa native title claimants over the Wiluna West project.

The agreement represents a significant milestone for GWR and respects the traditional rights and customs of the indigenous people, in particular the Tarlpa Native Title claimants who are the traditional owners and custodians of the land which constitutes the Wiluna West Project.

The mining agreement encompasses a number of employment, cultural and business initiatives.

GWR's site-based workforce is already largely indigenous, and the Company continues to work with the wider community to encourage indigenous business initiatives able to provide goods and services to the Company into the future.

### Aboriginal Heritage

A Section 18 Application under the Aboriginal Heritage Act, 1972 for approval to disturb a recorded ethnographic site (by the proposed JWD mining operations) was considered by the Aboriginal Cultural Material Committee (ACMC) at the Department of Indigenous Affairs on 8 February 2012. By letter dated 4 April 2012 the Minister for Indigenous Affairs advised that based on current knowledge there are no Aboriginal sites on the land the subject of the Section 18 Application and that GWR are able to use the land for the purpose described in the Section 18 Application as mining and the construction, maintenance and use of associated infrastructure.

A final Instructions meeting in relation to Aboriginal Heritage was held at the Wiluna West project in June 2012 with the Tarlpa Native Title claimants. This combined with the results of approximately two years of ongoing Aboriginal Heritage survey work will form the basis of a Heritage Management Plan. The traditional owners also gave heritage clearance for mining to proceed at the JWD hematite deposit.

### Community

GWR acknowledges the Martu people as the traditional owners of the land at Wiluna West and we recognise their right to derive social and economic benefits from our activities on their land.

## REVIEW OF OPERATIONS (CONTINUED)

The Company also recognises that mining and exploration companies have an important role to play in contributing to sustainable social, economic and institutional development in and around the communities impacted by their activities.

GWR is working hard to deliver an iron ore project and to pursue gold mining opportunities on their Wiluna West tenements. By meeting shareholder expectations on success and profitability, the Company recognises it can maximise positive outcomes for the wider Wiluna community.

### Indigenous employment

The Company is committed to working with local indigenous people to identify and create opportunities to maximise their employment and training opportunities.

GWR has seven local indigenous employees.

### Regional partnership agreement

The Company have wholeheartedly engaged in the Wiluna Regional Partnership Agreement ('RPA'), an initiative formulated by the Commonwealth Government in partnership with the Minerals Council of Australia.

The partnership aims to improve the socio-economic wellbeing of Indigenous Australians by expanding access to employment and business development opportunities available in mining regions by laying the foundation for lasting, intergenerational benefit. It involves government, Indigenous people, businesses and communities.

The agreement aims to benefit both Indigenous people and mining companies through improved opportunities for the industry to source local labour, products and services, skills development and achieve higher staff retention. The partnership is also aimed at present and future development of mineral resources, and the establishment of vibrant, diversified and sustainable regional economies.

### Scholarship programs

GWR has a commitment to the youth of Wiluna who represent the building blocks for the community's long-term strength.

The Company supports the Clontarf Football Academy for young men and Rolemodels Australia for young women. 13 boys from Wiluna enrolled at Clontarf and two girls at Rolemodels Australia.

These programs encourage the young to remain in education as well as offering them a chance to chase their dreams of sporting success and will continue to be part of the Company's thinking into the future.

### Sport and cultural events

As part of the Company's commitment to the Wiluna Community, a significant sporting and cultural event was organised for the June long weekend in 2012.

This year saw a long-term friendship continue to blossom between the Wiluna Martu Eagles and the Dalkeith Nedlands junior football clubs after their fourth annual football match was held this year at Wiluna.

The annual match has alternated between Perth and Wiluna and this year's event had the financial support of GWR and nine other resource and services companies operating in and around Wiluna.

WA Football Commission Director of Pathways and Competitions Grant Dorrington and WAFL Commissioner Larry Kickett attended the weekend, which included a cultural awareness program run by the local Martu people with assistance from the Central Desert Native Title Services.

According to Grant Dorrington, football is the common ground which has allowed these two very different communities to develop close bonds both among the players and their parents and supporters. "This is the type of program we will now carefully study to see if it can be spread to other communities particularly in the more remote regional areas of Western Australia," Mr Dorrington said.

### Community health

Another beneficiary of the GWR support program is the Wiluna AMS medical centre who received approximately \$20,000. The AMS medical centre is contracted to supply services for the Company's operations and this has beneficial outcomes for the wider community.

### Environmental

GWR is committed to environmental sustainability, recognising the Company's obligations to practice good environmental "stewardship" of the tenements on which we operate.

GWR's underlying goals relating to environmental sustainability are:

- To minimise any adverse impacts upon the environment resulting from the company's activities; and
- To offset, as much as is practicable, any deleterious impacts so that the company is able to demonstrate a net environmental benefit from its activities.

The Company's activities at Wiluna West are conducted in a manner that minimises our environmental "footprint" as much as possible, and are conducted strictly in accordance with all necessary permits and approvals from regulators.

## REVIEW OF OPERATIONS (CONTINUED)

### Safety

GWR report monthly to the Mines Department in regard to the amount of people working on site and if there were any Lost Time Injuries (LTI). The Company has been LTI free since first reporting to the Mines Department in 2005 to the end of the 2012 financial year.

The Company maintains a comprehensive database of hours worked on site and by whom. We also have a comprehensive Incident Reporting System as part of our HSE System, with trained Accident Investigators within the company to investigate all incidents. Complementing the HSE systems and processes has been the introduction of the 'Positive Attitude' safety approach which is now embedded in GWR's safety culture.

### Education and awareness

Prior to commencement of employment each employee is given a full induction on Company procedures and policies, including all safety procedures. New employees are also given a handbook on safety procedures and information and also a copy of the company policies.

Every day on site prior to commencement of work and once a week in the head office, meetings are held to bring awareness to any safety or environmental issues and are also there to encourage employees to take initiative when working either out in the field, at home or within their community.

GWR conducts regular training in First Aid, Emergency Drills, Safety Awareness and many other programs and initiatives within the working area.

GWR is committed to the ongoing education and up skilling of their employees.

### Woodley Iron Project

On the 30 March, GWR announced that through its 100% owned subsidiary Iron West Resources Pty Ltd it had executed a farm in agreement with ASX listed Company Nemex Resources Limited (Nemex) for Nemex's Woodley iron project.

Details of the Agreement are as follows;

- GWR must spend a minimum of \$300,000 on exploration within 12 months of signing the agreement after which time it may elect to withdraw
- Upon GWR spending a total of \$1,000,000 on exploration it will have earned an interest of 85%
- Nemex will be free carried to completion of a bankable feasibility study
- Should GWR identify an iron resource of at least 10Mt at greater than or equal to 55% Fe or a gold resource of greater than 500,000 ounces

of gold at a grade of 2g/t then Nemex shall be entitled to be issued up to 1,000,000 shares in GWR with the number of shares capped at \$600,000 maximum value.

The 420km<sup>2</sup> Woodley project is located 600km north of Perth and 100km south west of the GWR Wiluna West Iron Project in the mid-west region of WA and contains a north-west trending banded iron formation ("BIF") with a strike length of 22km.

The recently completed geological mapping has identified widespread hematite and goethite mineralisation over a strike length of approximately 15km associated with BIF. Rock chip sampling has confirmed that significant mineralisation is present in outcrop over significant widths of up to 30m in some locations (refer Figure 4).

A total of 225 rock chip samples were collected and 70% of these had grades >55% Fe, with 35% reporting grades >60% Fe, to a maximum of 65.2% Fe (68.6% Ca Fe). The rock chip samples indicate high-grade iron values at surface, however, the depth extent of this possible DSO mineralisation will not be known until drilling has been undertaken.

GWR has received approval for a Program of Works ("POW") from the DMP for the RC drilling program to test five target areas and this drilling commenced in late September 2012.

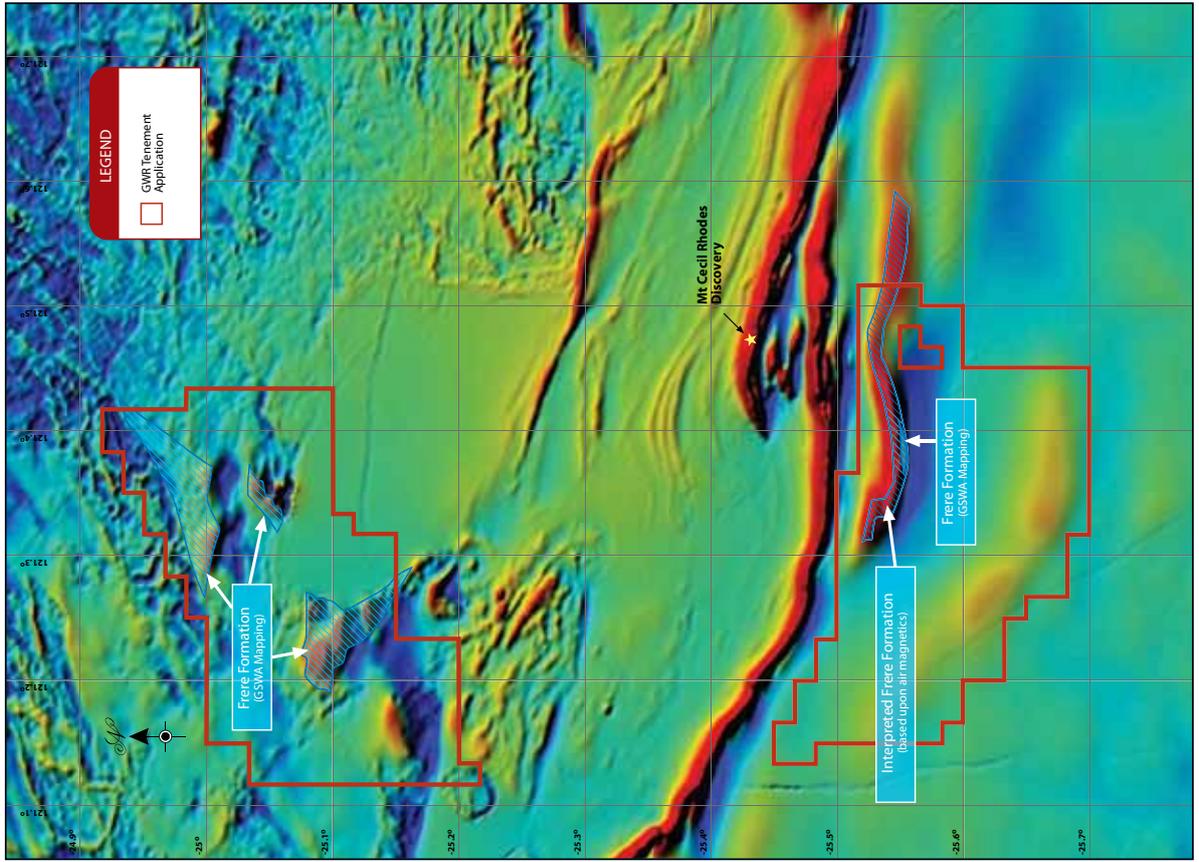
### Earaheedy Iron & Manganese Project

GWR continues to look for opportunities within the Earraheedy Basin, located approximately 200km north east of Wiluna. This basin is considered highly prospective for both iron and manganese deposits. GWR has now acquired a total area of 1,382km<sup>2</sup>. Previous exploration mostly in the 1970s identified significant hematite goethite mineralisation associated with the Frere Formation, which is evident on air magnetics (refer Figure 5). GWR's tenement applications, based upon aerial magnetic data interpretation and geological mapping undertaken by the Geological Survey of WA ("GSWA") are estimated to contain approximately 45km of strike.

During the quarter a meeting was held with the Birriburu Native Title holders with respect to executing an access deed for E69/2936 and terms have been agreed. The remaining tenement applications with the exception of E69/3020 (subject to ballot) were formally granted following the end of the financial year. GWR intends to undertake airborne geophysical surveys and geological mapping programs.

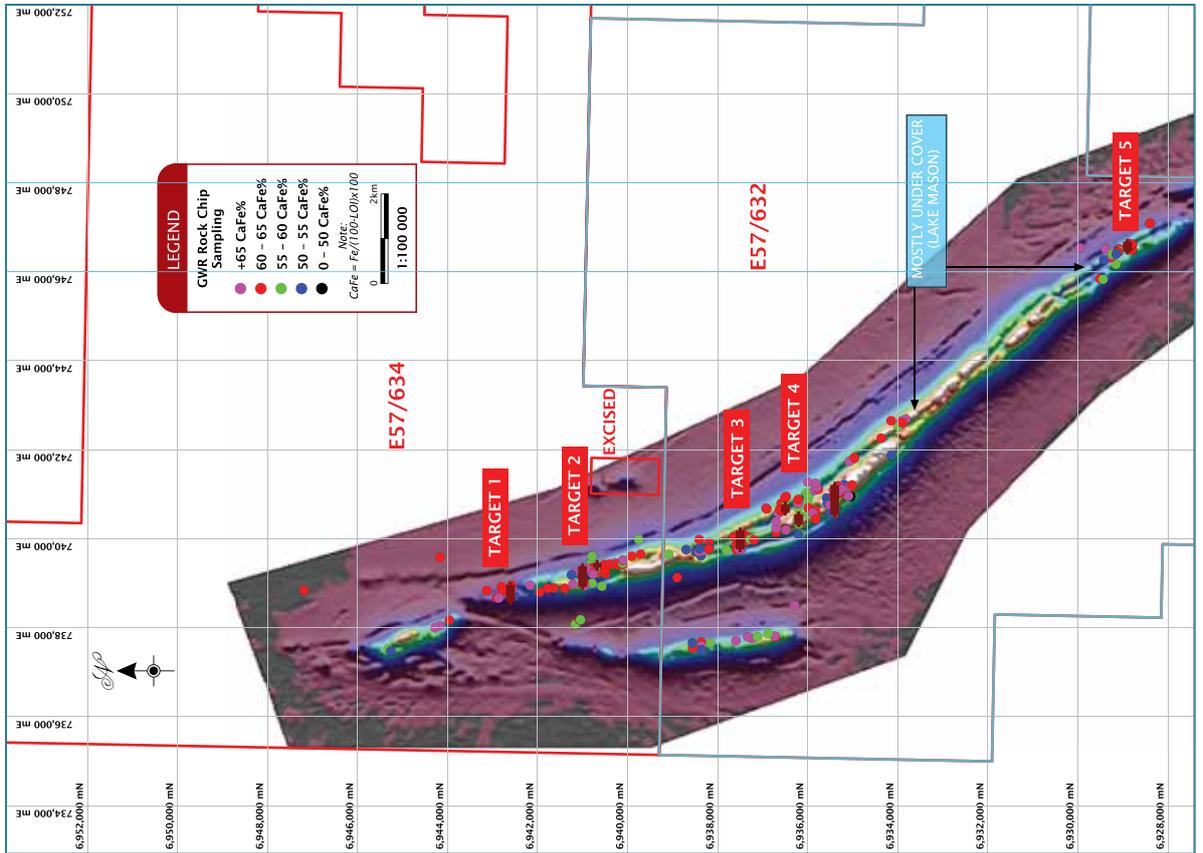
# REVIEW OF OPERATIONS (CONTINUED)

Figure 5



GOLDEN WEST RESOURCES: Earraheedy Project

Figure 4



GOLDEN WEST RESOURCES: Woodley Project Air Magnetics

## DIRECTOR'S REPORT

Your directors submit their report for Golden West Resources Limited ('the Company' or 'the Parent') and for the Group, being the Company and its controlled entities, for the financial year ended 30 June 2012.

### Directors

The following persons were Directors of the Company during the financial year and up to the date of this report. Directors were in office for this entire period unless otherwise stated.

### Names qualifications, experience and special responsibilities



#### **Gary Lyons - Non-executive chairman**

Mr Lyons is a successful and well respected Perth based businessman; being a shareholder and the Managing Director of the Heiniger Groups Australasian operations for the last 20 years.

Mr Lyons was appointed a director on 2 June 2010 and elected Chairman on 8 February 2012.

Mr Lyons is also Chairman of the Company's Executive Committee, and is a member of both the Audit & Risk Management Committee and the Remuneration Committee of the Group.

**Present ASX company directorships:** Nil

**Previous ASX company directorships (last 3 years):** Fairstar Resources Limited



#### **Tan Sri Dato' Tien Seng Law - Non-executive deputy chairman**

Mr Law is a highly experienced investor in iron ore companies and was previously the Deputy Chairman and major shareholder of Midwest Corporation Limited. Mr Law also has extensive business interests and investments in China.

Mr Law is currently the executive Chairman of T.S. Law Holding Sdn Bhd, an investment holding company in Malaysia, covering a diverse range of industries. These companies include those with activities in property investment and development, food and beverage and steel plate distribution.

Mr Law is the appointed Malaysian Business Advisor of Jinan Group of Companies of the Shandong Province, the People's Republic of China. He has a substantial interest in Ji Kang Dimensi Sdn Bhd, a company within the Jinan Group of Companies operating a steel plates manufacturing plant in Kuantan.

Mr Law is a substantial stakeholder and Deputy Chairman of Hiap Teck Venture Berhad, a Malaysian listed company engaged in distribution and trading of steel related products and as well as manufacturing of steel pipes.

Mr Law was appointed a director on 22 July 2010 and elected Deputy Chairman on 8 February 2012.

**Present ASX company directorships:** Nil

**Previous ASX company directorships (last 3 years):** Nil



#### **Michael Wilson, B.App.Sc - Executive director & Exploration Manager**

Mr Wilson is an exploration geologist with more than 25 years' experience within Australia and South East Asia.

He is a foundation Director of GWR and has a long association with the Wiluna West Project and was instrumental in consolidating the ownership of the tenement package and bringing that tenement package to market. He is also very well respected by the Aboriginal communities in and around Wiluna and takes a leading role in negotiating and resolving Heritage and Native Title matters.

**Present ASX company directorships:** Nil

**Previous ASX company directorships (last 3 years):** Nil.

## DIRECTOR'S REPORT (CONTINUED)



### **Chin An Lau - Non-executive director**

Mr Lau is a qualified lawyer and owner of the legal practice Lau Moghan & Ee. Mr Lau is also a director of LTS Properties (M) Sdn Bhd and LTS Capital Sdn. Bhd which are both property development companies.

Mr Lau is also currently the Deputy Chairman of Perduren Ltd, a property development company listed on the Malaysia stock exchange (Bursa).

Mr Lau is also Chairman of both the Remuneration Committee and the Audit & Risk Management Committee of the Group.

**Present ASX company directorships:** Nil

**Previous ASX company directorships (last 3 years):** Nil



### **Kong Leng (Jimmy) Lee, B.Sc - Non-executive director**

Mr Lee is a mining engineer with more than 30 years of industry experience and is a member of AusIMM. He has successfully worked with a number of major Australian mining companies and has held senior positions with Hamersley Iron Ltd, Dominion Mining Ltd, Christmas Island Phosphates, North Ltd and Carey Mining Ltd.

Mr Lee provides mining and corporate advisory services to the mining industry and was formerly a founding director of Terrain Minerals Limited. In addition, he has a successful track record with contract negotiations and company investment strategies.

Mr Lee is also a member of both the Remuneration Committee and the Audit & Risk Management Committee of the Group.

**Present ASX company directorships:** Nil

**Previous ASX company directorships (last 3 years):** Balamara Resources Limited



### **Teck Siong Wong - Alternate Director for Mr Law (appointed 27 July 2011)**

Mr Wong has considerable international business experience having worked in Hong Kong, United Kingdom and now in Malaysia and Indonesia after graduating with a Bachelor of Business degree from Swinburne University (Melbourne).

Mr Wong is involved with iron ore mining industry in Indonesia. He was previously involved in sales and exports of steel related products and was a director of a retail chain business in United Kingdom, previously known as JW Carpenter Ltd. Mr Wong was working in the OEM plastic manufacturing industry in Hong Kong prior to taking up a position in the steel industry in Malaysia.

**Present ASX company directorships:** Nil.

**Previous ASX company directorships (last 3 years):** Nil.

### **Former directors**

David Sanders, B.Juris, LLB, BComm - Non-executive chairman until resigned on 30 January 2012.

John Lester - Non-executive Director until resigned on 28 November 2011.

Jun Wang - Non executive director until ceased on 21 November 2011.

Xiang Hong Yang - Alternate Director for Mr Wang until ceased on 21 November 2011.

### **Interests in the shares and options of the Company and related bodies corporate**

As at the date of this report, the interests of the directors in the shares and options of the Company were:

	<b>Ordinary shares</b>	<b>Options (unlisted)</b>
M Wilson	2,084,438	4,000,000
C A Lau <sup>1</sup>	195,000	4,000,000
T S Law <sup>2</sup>	21,489,114	4,000,000
K L Lee	-	4,000,000
G Lyons	-	4,000,000
T S Wong	-	-

<sup>1</sup> Ordinary shares held via indirect interest through Mr C A Lau's spouse.

<sup>2</sup> Ordinary shares held via indirect interest through HSBC Custody Nominees Australia (as registered holder) on behalf of Wynnes Investment Holding Ltd (as beneficial holder), of which Tan Sri Dato' Tien Seng Law holds a 100% interest.

## DIRECTOR'S REPORT (CONTINUED)

### Company secretary

#### Mark Pitts (appointed 31 August 2012)

Mr Mark Pitts has more than 25 years experience in statutory reporting and business administration. He has been directly involved with, and consulted to a number of public company holding senior financial management positions. He is a Partner in the corporate advisory firm Endeavour Corporate providing company secretarial support; corporate and compliance advice to a number of ASX listed public companies.

Mark holds a Bachelor of Business degree from Curtin University and is a registered company auditor and fellow of the Institute of Chartered Accountants.

#### Former company secretaries

Sophie Raven (appointed 3 November 2011 and resigned 31 August 2012).

Anthony Begovich (resigned 18 November 2011).

### Dividends

No amounts have been paid or declared by way of dividend by the Company since the end of the previous financial period and up until the date of this report. The directors do not recommend the payment of any dividend for the financial year ended 30 June 2012.

### Principal activities

The principal activity of the Group during the year was the evaluation and exploration of its mining projects in Australia.

### Operating and financial review

#### Group overview

The Group continued to progress the development of its iron ore and gold projects during the reporting period with a focus of consolidating work previously completed on the Wiluna West hematite iron ore project to support the transition from explorer to producer.

In August 2011 the Company released its initial JORC Ore Reserve for the Wiluna West Project comprising 69.2Mt @ 60.3% Fe from a JORC Resource of 130.3Mt @ 60% Fe.

In April 2012 the West Australian Department of Mines and Petroleum approved the Company's small scale mining proposal which concerns mining 3Mt of ore from its high grade JWD hematite deposit. In June 2012 a 4,500m programme of RC in-fill drilling was commenced as part of the planned development activities for the JWD project.

The Group continued to progress studies and commercial discussions related to the transport and export of product via the ports of Esperance and Geraldton. In July 2012 the Company and Esperance Port Authority entered into a Capacity Reservation Deed concerning the reservation of capacity in relation to new facilities to be constructed as part of the proposed increase in export capacity at the Port of Esperance.

Work was progressed during the period on the Company's gold project with completion of RC drilling identifying the Golden Monarch, Iron King and Bottom Camp prospects as the most attractive start up pits. It is intended to complete a trial parcel of ore at a nearby processing facility as a precursor to commencing gold production by custom milling ore.

During the past year the Company has undertaken project generation activities directed at increasing its regional exploration interests with ground acquired in the Earahedy Basin 200km north east of Wiluna and through a farm-in joint venture at Woodley 100km south west of the Wiluna West Iron Project.

#### Board changes

During the year, the directorship terms of Mr Wang Jun (as Non-executive director) and Mr Xiang Hong Yang (as Alternate Director for Mr Wang Jun) ceased. In addition, both Mr David Sanders, as Non-executive chairman, and Mr John Lester, as a Non-executive director, resigned. Also during the period Mr Teck Siong Wong was appointed as an Alternate Director for Tan Sri Dato' Tien Seng Law. Mr Gary Lyons was appointed as Non-executive chairman and Tan Sri Dato' Tien Seng Law was appointed as Non-executive deputy chairman on 8 February 2012.

## DIRECTOR'S REPORT (CONTINUED)

### Operating results for the year

The consolidated loss for the year after income tax was \$4,576,410 (2011: loss of \$3,857,348).

The loss includes non-cash costs totalling \$2,988,947 (2011: \$963,904) comprising of \$Nil (2011: \$154,878) relating to the write-off and impairment of capitalised exploration & evaluation expenditure, \$Nil (2011: \$778,354) relating to the withdrawn IPO and cancellation of merger, \$542,909 (2011: \$Nil) relating to the impairment of loss in Available-for-sale share investments and amount of \$2,446,038 (2011: \$30,672) relating to share based payments.

After excluding the abovementioned non cash and non recurring costs, the loss for the year was \$1,587,463 (2011: \$2,924,116) a 45.7% improvement, on a like for like basis, from the prior year.

### Shareholder returns

	2012	2011	2010	2009	2008
Net profit/(loss) (\$000)	(4,576)	(3,857)	(4,103)	(18,350)	(9,833)
Basic EPS (cents)	(2.4)	(2.2)	(2.9)	(13.5)	(10.7)
Return on assets (%)	(4.2)	(3.4)	(5.2)	(22.2)	(19.4)
Return on equity (%)	(4.2)	(3.5)	(5.3)	(22.6)	(20.0)
Net debt/equity ratio (%)	(22.31)	(27.75)	(10.6)	(23.6)	(23.6)

### Review of financial condition

#### Liquidity and capital resources

The group's principal source of liquidity as at 30 June 2012 is cash and cash equivalents of \$24,882,064 (2011: \$31,622,677) of which \$24,200,000 has been placed on short term deposit.

#### Asset and capital structure

	2012 \$000	2011 \$000
Debts:		
Trade and other payables	621	847
Interest bearing liabilities	7	17
Cash and short term deposits	(24,882)	(31,623)
Net debt/(cash)	(24,254)	(30,759)
Total equity	108,710	110,840
Total capital employed	84,456	80,081

### Gearing

(28.7)% (38.4)%

The Group has minimal debt as its activities are financed via share placements whenever possible. As a result the Group has no formal gearing limit.

### Shares issued during the year

On 4 January 2012, the Company issued 59,880 fully paid ordinary shares at \$0.334 per share in accordance with the Company's Tax Discount Employee Share Ownership Plan.

### Risk management

The Board as a whole is ultimately responsible for establishing and reviewing the Company's policies on risk profile, oversight and management and satisfying itself that management has developed and implemented a sound system of risk management and internal control.

The Board has established an Audit and Risk Management Committee pursuant to an Audit and Risk Management Committee Charter whose mandate includes overseeing the implementation of the Company's risk management program and reporting to the Board as to the effectiveness of the Company's management of its material risks.

The Company's risk management program is implemented by Chief Executive Officer or equivalent under the direction of the Audit and Risk Management Committee as follows:

## DIRECTOR'S REPORT (CONTINUED)

- ensuring that matters affecting the goals, objectives and performance of the Company and the safety of its stakeholders are identified and assessed by an operational risk management framework in accordance with industry accepted standards;
- obtaining and regularly reviewing insurance for the Company relevant to managing material risks;
- implementing and maintaining internal control systems which will be identified in conjunction with the external auditors;
- monitoring and verifying the Company's compliance with record keeping and operating requirements, including all requirements of law including indigenous and community rights and environmental obligations; and
- minimising the potential for loss or damage resulting from risks affecting the Company.
- the Audit & Risk Management Committee shall report to the Board at least once a year as to the effectiveness of the Company's management of its material risks.

### Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Group that occurred during the financial year under review that is not mentioned elsewhere in this report or listed below.

### Significant events after the balance date

There have been no significant events since balance date.

### Likely developments and expected results

The Company intends to continue the development of its Wiluna West Hematite Iron Project and its Gold assets.

### Environmental regulation and performance

The Group's current development, evaluation and exploration activities have been undertaken under approved Programmes of Work on granted mining tenements in accordance with environmental regulations under both Commonwealth and State legislation.

As stated in the Group's Environmental policy it is committed to environmental sustainability, recognising our obligations to practice good environmental 'stewardship' of the tenements on which we operate. Our activities are conducted in a manner that minimises our environmental 'footprint' as much as possible, and are conducted strictly in accordance with all necessary permits and approvals from regulators.

The Company has employed environmental consultants to ensure it achieves its objectives by monitoring the Group's environmental exposures and compliance with environmental regulations. Results are reported to management and to the Board on a regular basis. There have been no significant known breaches of the Group's environmental regulations to which it is subject to.

### Share options

At the date of this report, there were 24,600,000 unissued shares under option.

Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company or of any related body corporate.

### Indemnification and insurance of directors and officers

The Company has made an agreement indemnifying all the directors and officers against all losses or liabilities incurred by each director and officer in their capacity as directors and officers of the Company to the extent permitted under the Corporations Act 2001.

During the year the Company paid insurance premiums to insure directors and officers against certain liabilities arising out of their conduct while acting as an officer of the Company. Under the terms and conditions of the insurance contract, the nature of the liabilities insured against and the premium paid cannot be disclosed.

## DIRECTOR'S REPORT (CONTINUED)

### Directors' meetings

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member). During the financial year, 5 board meetings, 3 audit and risk management committee meetings, 3 remuneration committee meetings were held.

	Committee meetings					
	Board meetings		Audit		Remuneration	
	Number Eligible to attend	Number Attended	Number Eligible to attend	Number Attended	Number Eligible to attend	Number Attended
D Sanders <sup>1</sup>	3	3	2	2	0	0
M Wilson <sup>2</sup>	5	5	0	0	0	0
C A Lau <sup>3</sup>	5	5	3	3	3	3
T S Law <sup>4</sup>	5	3 <sup>9</sup>	0	0	0	0
K L Lee <sup>5</sup>	5	5	1	1	3	3
J Lester <sup>6</sup>	3	2	0	0	0	0
G Lyons <sup>7</sup>	5	5	3	3	3	3
J Wang <sup>8</sup>	3	1 <sup>10</sup>	0	0	0	0

<sup>1</sup> Mr Sanders resigned from the Board and the Audit & Risk Management Committee on 30 January 2012.

<sup>2</sup> Mr Wilson resigned from the Audit & Risk Management Committee on 22 July 2010.

<sup>3</sup> Mr Lau was appointed to the Board on 22 May 2011, the Audit & Risk Management Committee on 19 January 2011 and the Remuneration Committee on 20 January 2011.

<sup>4</sup> Mr Law was appointed to the Board on 22 July 2010.

<sup>5</sup> Mr Lee was appointed to the Board on 8 December 2010, the Remuneration Committee on 20 January 2011 and the Audit & Risk Management Committee on 8 February 2012.

<sup>6</sup> Mr Lester resigned from the Audit & Risk Management Committee on 19 January 2011 and from the Board on 28 November 2011.

<sup>7</sup> Mr Lyons was appointed to the Audit & Risk Management Committee on 22 July 2010 and the Remuneration Committee on 20 January 2011.

<sup>8</sup> Mr Wang's directorship ceased on 21 November 2011.

<sup>9</sup> Mr Law's alternate director, Mr Teck Wong, attended all two Board meetings at which Mr Law was unable to attend.

<sup>10</sup> Mr Wang's alternate director, Mr Xiang Hong Yang, attended two of the three Board meetings at which Mr Wang was unable to attend.

### Committee membership

As at the date of this report, the company had an Audit & Risk Management Committee and a Remuneration Committee.

Members acting on the Committees during the year were:

#### Audit & Risk Management Committee

G Lyons<sup>1</sup>  
D Sanders<sup>3</sup>  
C A Lau<sup>2</sup>  
K L Lee

#### Remuneration Committee

C A Lau (Chairman)  
K L Lee  
G Lyons

<sup>1</sup> Chairman to 8 February 2012

<sup>2</sup> Chairman from 8 February 2012 to present date

<sup>3</sup> Ceased to be a member of the Committee on 30 January 2012

## DIRECTOR'S REPORT (CONTINUED)

### Auditors independence and non-audit services

The directors received the following declaration from the auditor of the Group which is set out below.

Stantons International Audit and Consulting Pty Ltd  
trading as

**Stantons International**  
Chartered Accountants and Consultants

PO Box 1908  
West Perth WA 6872  
Australia

Level 2, 1 Walker Avenue  
West Perth WA 6005  
Australia

Tel: +61 8 9481 3188  
Fax: +61 8 9321 1204

ABN: 84 144 581 519  
www.stantons.com.au

25 September 2012

Board of Directors  
Golden West Resources Limited  
Suite 4, 138 Main Street  
Osborne Park WA 6017

Dear Directors

**RE: GOLDEN WEST RESOURCES LIMITED**

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Golden West Resources Limited.

As the Audit Director for the audit of the financial statements of Golden West 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:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully

**STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD**  
(Trading as Stantons International)  
(An Authorised Audit Company)



**Martin Michalik**  
Director

West Perth, Western Australia

### Non-audit services

Any non audit services provided by the entity's auditor, Stantons International during the year, is shown at note 27. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

## DIRECTOR'S REPORT (CONTINUED)

### Remuneration report (audited)

This remuneration report for the year ended 30 June 2012 outlines the director and executive remuneration arrangements of the Company and the Group 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 arrangements 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 includes the five executives in the Parent and the Group receiving the highest remuneration.

For the purposes of this report the term 'executive' encompasses executive directors and senior executives of the Parent and the Group.

### Details of key management personnel

#### Non-executive directors

D Sanders	Non-executive chairman until 30 January 2012
CA Lau	
TS Law	Non-executive deputy chairman from 8 February 2012
KL Lee	
J Lester	Resigned 28 November 2011
G Lyons	Non-executive chairman from 8 February 2012
J Wang	Non-executive director until 21 November 2011

#### Executive directors

M Wilson

#### Other executives

C Ferrier	Executive General Manager, appointed 5 December 2011
M Pitts	Company Secretary, appointed 31 August 2012
S Raven	Company Secretary, appointed 3 November 2011 and resigned 31 August 2012
A Begovich	Chief financial officer & Company secretary, resigned 18 November 2011
V Webber	Executive General Manager Corporate Development, resigned 8 July 2011

### Remuneration committee

The Remuneration Committee is entrusted by the Board to provide appropriate guidance to the Board in relation to the following responsibilities:

- remuneration packages of senior executives (including executive directors);
- the remuneration framework for non-executive directors;
- employment incentive and equity based plans for senior executives, directors and employees generally including the appropriateness of performance hurdles and equity based incentives in the context of overall remuneration packages;
- remuneration policy generally including but not limited to fixed and performance based remuneration, non-cash remuneration including superannuation, and inclusive remuneration principles consistent with the Company's Diversity Policy; and
- retention and termination policies.

The remuneration committee assesses the appropriateness of the nature and amount of remuneration of senior executives (including executive directors) and non-executive directors on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit by balancing the Company's competing interests of attracting and retaining senior executives and directors and avoiding excessive remuneration.

The remuneration committee comprises three non-executive directors. Further information on the committee's role and responsibilities can be seen at [www.goldenwestresources.com](http://www.goldenwestresources.com).

## DIRECTOR'S REPORT (CONTINUED)

### Remuneration philosophy

The performance of the group depends upon the quality of its key personnel. To prosper, the group must attract, motivate and retain high skilled directors and executives. Due to the nature of the Group's business activities the overall level of compensation does not focus on the earnings of the Company.

To this end, the Group embodies the following principles in its remuneration framework:

- provide competitive rewards to attract high calibre personnel;
- link rewards to shareholder value;

### Remuneration structure

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

#### Non-executive director remuneration

##### Objective

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

##### Structure

The Constitution and the ASX listing rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting of shareholders. The latest determination was at the annual general meeting held on 25 November 2010 when shareholders voted to increase the aggregate remuneration to \$500,000 per year.

Non-executive directors are remunerated by way of fees and statutory superannuation. Current fees for Non-executive directors are from \$65,000 per annum and \$100,000 per annum for the Chairman. An additional amount of \$5,000 per annum is paid to the Chairman of the Audit and Risk Management and Remuneration Committees and an additional \$2,500 for members of these Committees.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The Board considers the fees paid to non-executive directors of comparable companies when undertaking the annual review process.

Non-executive directors are remunerated by way of fees and statutory superannuation but no other retirement benefits. Non-executive directors are also reimbursed for all reasonable travelling, accommodation and other expenses incurred as a consequence of their attendance at meetings of Directors and otherwise in the execution of their duties as Directors.

The remuneration of non-executive directors for the reporting period ending 30 June 2012 and 30 June 2011 is detailed in tables 1 and 2 respectively of this report.

#### Executive remuneration

##### Objective

The Company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Group so as to:

- align the interests of executives with those of shareholders; and
- ensure total remuneration is competitive by market standards.

##### Structure

In determining the level and make up of executive remuneration, the Remuneration Committee engages external consultants as needed to provide independent advice.

Remuneration consists of the following key elements:

- Fixed remuneration
- Variable remuneration comprising Short ('STI') and Long ('LTI') term incentives.

The proportion of fixed remuneration and variable remuneration for executive is set out in table 1.

## DIRECTOR'S REPORT (CONTINUED)

### Fixed remuneration

#### Objective

The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market.

Fixed remuneration is reviewed annually by the remuneration committee and the process consists of individual performance, relative comparative remuneration in the market and, where appropriate, external advice.

#### Structure

Executives are given the opportunity to receive their fixed (primary) remuneration in a variety of forms including cash and fringe benefits such as motor vehicles. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Group.

The fixed remuneration component of executives is detailed in table 1.

### Variable remuneration – short term incentive (STI)

#### Objective

The objective of the STI program is to link the achievement of the Group's operational targets with the remuneration received by the executives charged with meeting those targets. The total potential STI available is set at a level so as to provide sufficient incentive to the executive to achieve the operational targets and such that the cost to the Group is reasonable in the circumstances.

#### Structure

Actual STI payments granted to each executive depend on the remuneration committee's assessment of the individual's performance and the performance of their business unit. The aggregate of annual STI payments available for executives across the Group is subject to the approval of the remuneration committee.

There were no cash bonus payments made in the current and prior financial years.

### Variable remuneration – long term incentive (LTI)

#### Objective

The objective of the LTI program is to reward executives in a manner that aligns remuneration with the creation of shareholder wealth. As such, LTI grants are made to executives who are able to influence the generation of shareholder wealth and thus have an impact on the Group's performance.

#### Structure

LTI grants to executives may be delivered in the form of share options or performance rights.

Table 3 provides details of LTI options granted and the value of options granted, exercised and lapsed during the year.

## DIRECTOR'S REPORT (CONTINUED)

### Employment contracts

The Board has entered into contracts and agreements with executives the details of which are provided below.

#### **Craig Ferrier**

Mr Ferrier was employed by the Company on 5 December 2011 as Executive General Manager, in accordance with the terms of an employment agreement.

Under the agreement, subsequently amended, the Company is to pay Mr Ferrier a base salary of \$350,000 plus statutory superannuation. Pursuant to the terms of the agreement Mr Ferrier has also been issued 1,000,000 options to subscribe for the shares of the Company pursuant to Company's Employment Option Incentive Scheme as per the agreement.

Mr Ferrier may terminate his employment by the giving of one months notice in writing to the Company. The Company may terminate the agreement by giving three months' notice in writing. The Company may pay Mr Ferrier for any or all of the three months' notice period in lieu of notice.

Mr Ferrier is not entitled to retirement benefits pursuant to his agreement.

#### **Mark Pitts**

Mr Pitts was appointed Company Secretary on 31 August 2012.

Pursuant to an agreement with Endeavour Corporate, an entity related to Mr Pitts, Endeavour Corporate will be paid a monthly fee of \$4,000.

#### **Michael Wilson**

Mr Wilson was engaged by the Company as Exploration Manager with effect from 24 December 2004.

The Company entered a new employment agreement with Mr Wilson on 7 September 2012. Under the agreement, the Company is to pay Mr Wilson a base annual salary of \$294,000, plus statutory superannuation.

In accordance with the agreement, either the Company or Mr Wilson may terminate the agreement with three month's notice in writing to the other party and payment by the Company to Mr Wilson of one month's salary for every 12 month period of service, up to a maximum of 6 month's salary. The Company may pay Mr Wilson for any or all of the three months' notice period in lieu of notice.

Mr Wilson is not entitled to any retirement benefits pursuant to his agreement.

## DIRECTOR'S REPORT (CONTINUED)

## Remuneration of key management personnel of the Company and Group

Table 1: Remuneration for the year ended 30 June 2012

30 June 2012	Short-term				Post employment		Share-based payments	Termination benefits	Total Performance related <sup>3</sup>	
	Salary & fees <sup>1</sup>	Cash bonus	Non monetary benefit	Other <sup>2</sup>	Super Long service leave		Options		\$	%
	\$	\$	\$		\$	\$	\$	\$	\$	%
<b>Non-executive directors</b>										
CA Lau	76,604	-	-	13,063	6,894	-	384,117	-	480,678	-
TS Law	63,984	-	-	-	1,504	-	384,117	-	449,605	-
KL Lee	62,836	-	-	256,000	5,655	-	384,117	-	708,608	-
J Lester <sup>4</sup>	16,175	-	-	-	1,456	-	48,014	-	65,645	-
G Lyons	86,790	-	-	64,000	7,811	-	384,117	-	542,718	-
D Sanders <sup>5</sup>	54,855	-	-	-	4,937	-	96,029	-	155,821	-
J Wang <sup>6</sup>	29,375	-	-	-	-	-	-	-	29,375	-
<b>Sub total</b>	<b>390,619</b>	<b>-</b>	<b>-</b>	<b>333,063</b>	<b>28,257</b>	<b>-</b>	<b>1,680,511</b>	<b>-</b>	<b>2,432,450</b>	
<b>Executive directors</b>										
M Wilson <sup>7</sup>	295,108	-	13,987	-	27,579	8,855	384,117	26,266	755,912	-
<b>Other executives</b>										
C Ferrier <sup>8</sup>	176,519	-	-	-	15,887	-	123,526	-	315,932	-
S Raven <sup>9</sup>	39,550	-	-	-	-	-	-	-	39,550	-
A Begovich <sup>10</sup>	105,846	-	-	-	8,607	-	-	62,368	176,821	-
V Webber <sup>11</sup>	10,141	-	19,368	-	600	-	-	-	30,109	-
<b>Sub total</b>	<b>627,164</b>	<b>-</b>	<b>33,355</b>	<b>-</b>	<b>52,673</b>	<b>8,855</b>	<b>507,643</b>	<b>88,634</b>	<b>1,318,324</b>	
<b>Total</b>	<b>1,017,783</b>	<b>-</b>	<b>33,355</b>	<b>333,063</b>	<b>80,930</b>	<b>8,855</b>	<b>2,188,154</b>	<b>88,634</b>	<b>3,750,774</b>	

<sup>1</sup> Salary and fees includes movements in annual leave provisions.

<sup>2</sup> Other refers to fees paid for consultancy work performed for the Company.

<sup>3</sup> Performance related refers to the percentage of total remuneration that is performance related.

<sup>4</sup> Mr Lester resigned as a Non-executive director on 28 November 2011.

<sup>5</sup> Mr Sanders resigned as Non-executive chairman on 30 January 2012.

<sup>6</sup> Mr Wang Jun ceased being a Non-executive director on 21 November 2011.

<sup>7</sup> Mr Wilson's remuneration includes movements in his termination benefits provision in accordance with his employment contract. During the year, a company car was sold to Mr Wilson, the proceeds of the sale \$23,444 was offset against his salary.

<sup>8</sup> Mr Ferrier was appointed on 5 December 2011.

<sup>9</sup> Ms Raven was appointed on 3 November 2011.

<sup>10</sup> Mr Begovich resigned on 18 November 2011.

<sup>11</sup> Mr Webber resigned on 8 July 2011.

## DIRECTOR'S REPORT (CONTINUED)

### Remuneration of key management personnel of the Company and Group

**Table 2: Remuneration for the year ended 30 June 2011**

30 June 2011	Short-term			Other <sup>2</sup>	Post employment		Share-based payments	Termination benefits	Total	Performance related <sup>3</sup>
	Salary & fees <sup>1</sup>	Cash bonus	Non monetary benefit		SuperLong	service leave	Options			
	\$	\$	\$		\$	\$	\$	\$	\$	
<b>Non-executive directors</b>										
CA Lau	10,007	-	-	14,198	-	-	-	-	24,205	-
TS Law	55,372	-	-	-	-	-	-	-	55,372	-
KL Lee	27,470	-	-	87,638	2,472	-	-	-	117,580	-
J Lester <sup>4</sup>	31,783	-	-	-	-	-	-	-	31,783	-
G Lyons	59,909	-	-	-	5,392	-	-	-	65,301	-
D Sanders	81,847	-	-	-	7,366	-	-	-	89,213	-
J Wang	75,000	-	-	-	-	-	-	-	75,000	-
<b>Sub total</b>	<b>341,388</b>	<b>-</b>	<b>-</b>	<b>101,836</b>	<b>15,230</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>458,454</b>	
<b>Executive directors</b>										
J Lester <sup>4</sup>	309,417	-	-	-	-	-	-	-	309,417	-
M Wilson <sup>5</sup>	292,384	-	23,922	-	25,200	4,830	-	15,330	361,666	-
<b>Other executives</b>										
A Begovich	241,523	1,000	-	-	21,889	4,184	-	-	268,596	4.00
M Hine <sup>6</sup>	224,932	-	9,728	100,000	17,584	-	-	-	352,244	-
V Webber	198,764	-	14,563	-	15,572	1,391	-	-	230,290	-
<b>Sub total</b>	<b>1,267,020</b>	<b>1,000</b>	<b>48,213</b>	<b>100,000</b>	<b>80,245</b>	<b>10,405</b>	<b>-</b>	<b>15,330</b>	<b>1,522,213</b>	
<b>Total</b>	<b>1,608,408</b>	<b>1,000</b>	<b>48,213</b>	<b>201,836</b>	<b>95,475</b>	<b>10,405</b>	<b>-</b>	<b>15,330</b>	<b>1,980,667</b>	

<sup>1</sup> Salary and fees includes movements in annual leave provisions.

<sup>2</sup> Other refers to fees paid for consultancy work performed for the Company.

<sup>3</sup> Performance related refers to the percentage of total remuneration that is performance related.

<sup>4</sup> Mr Lester became a Non-executive director of the Company after his resignation as an Executive director on 25 May 2011.

<sup>5</sup> Mr Wilson's remuneration includes movements in his termination benefits provision in accordance with his employment contract.

<sup>6</sup> Mr Hine resigned on 3 March 2011.

## DIRECTOR'S REPORT (CONTINUED)

### Equity instruments (Consolidated)

The table below disclosed the share options granted to directors and key management personnel (KMP) during FY2012. Share options do not carry any voting or dividend rights and can be exercised once the terms and conditions for the exercise of options have been met.

**Table 3: Options granted to key management personnel and lapsed during the year**

30 June 2012	Options granted during the year		Fair value per options at granted date \$	Exercise price \$	Expiry date	Options lapsed during the year	
	Year	No.				Granted date	No.
<b>Directors</b>							
G Lyons	2012	4,000,000	21-Nov-2011	0.096	0.58	22-Nov-2015	-
T S Law	2012	4,000,000	21-Nov-2011	0.096	0.58	22-Nov-2015	-
M Wilson	2012	4,000,000	21-Nov-2011	0.096	0.58	22-Nov-2015	-
	2008	-	19-Sep-2007	-	-	-	1,500,000
C A Lau	2012	4,000,000	21-Nov-2011	0.096	0.58	22-Nov-2015	-
K L Lee	2012	4,000,000	21-Nov-2011	0.096	0.58	22-Nov-2015	-
D Sanders	2012	1,000,000	21-Nov-2011	0.096	0.58	22-Nov-2015	-
J Lester	2012	500,000	21-Nov-2011	0.096	0.58	22-Nov-2015	-
	2008	-	26-Sep-2008	-	-	-	500,000
<b>Other Key management personnel</b>							
C Ferrier	2012	1,000,000	12-Mar-2012	0.124	0.58	22-Mar-2016	-
<b>Total</b>		<b>22,500,000</b>					<b>2,000,000</b>

**Table 4: Value of options granted, exercised and lapsed during the year<sup>^</sup>**

	Value of options granted during the year \$	Value of options exercised during the year \$	Value of options lapsed during the year \$	Remuneration consisting of share options for the year %
G Lyons	384,117	-	-	71
T S Law	384,117	-	-	85
M Wilson	384,117	-	-	51
C A Lau	384,117	-	-	80
K L Lee	384,117	-	-	54
D Sanders	96,029	-	-	62
J Lester	48,014	-	-	73
C Ferrier	123,526	-	-	39

<sup>^</sup> For details on the valuation of the options, including models and assumptions used, please refer to Note 26.

## DIRECTOR'S REPORT (CONTINUED)

### Year ended 30 June 2011

There were no options granted, vested to key management personnel during the year ended 30 June 2011.

### Value of options granted, exercised and lapsed during the year ended 30 June 2011.

	Value of options granted during the year No.	Value of options exercised during the year No.	Value of options lapsed during the year No.
J Lester	-	-	500,000
M Wilson	-	-	1,500,000

### Shares issued on exercise of options

There were no shares issued on the exercise of options to key management personnel for the years ended 30 June 2012 and 30 June 2011.

Signed on behalf of directors and in accordance with a resolution of directors.



Gary Lyons

**Chairman**

Perth, 25 September 2012

# CORPORATE GOVERNANCE STATEMENT

## OVERVIEW

In March 2003, the Australian Securities Exchange (ASX) Corporate Governance Council published its Principles of Good Corporate Governance and Best Practice Recommendations (“Recommendations”).

In August 2007, the ASX Corporate Governance Council published a revised Principles and Recommendations (2nd Edition).

In 2010, the ASX Corporate Governance Council published a further revised Corporate Governance Principles and Recommendations with 2010 Amendments (2nd Edition) to ensure that these remain relevant to the Australian business and investment communities. The Company’s Corporate Governance Statement is structured below with reference to the ASX Corporate Governance Council’s Corporate Governance Principles and Recommendations with 2010 Amendments (2nd Edition). The Company’s Board of Directors has reviewed the recommendations. In many cases the Company was already achieving the standard required. In a limited number of instances, the Company has determined not to comply with the standard set out in the recommendations, largely due to the recommendation being considered by the Board to be unduly onerous for a Company of this size. Recommendations which the Company does not comply with are highlighted in this report.

Further information on the Company’s corporate governance policies is located on the website: [www.goldenwestresources.com](http://www.goldenwestresources.com).

## PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

### 1.1 Companies should establish and disclose the respective roles and responsibilities of board and management.

- **Recommendation 1.1:** Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.
- **Recommendation 1.2:** Companies should disclose the process for evaluating the performance of senior executives.
- **Recommendation 1.3:** Companies should provide the information indicated in the Guide to reporting on Principle 1.

### 1.2 The Company’s practice:

The Board considers that the essential responsibility of Directors is to oversee the Company’s activities for the benefit of its shareholders, employees and other stakeholders and to protect and enhance shareholder value. Responsibility for management of the Company’s business is delegated to a committee of the board, the Executive Committee, comprising all non-executive directors, the Executive Director and the Executive General Manager. The Executive General Manager and Executive Director are responsible for managing the Company’s activities reporting through the Executive Committee. The Executive Committee meets every fortnight other than when scheduled board meetings occur. The Board has established a delegated authorities policy with tiered levels of approval set for the Board, the Executive Committee and senior management in respect to expenditure commitment, employment and contracting.

Further, the Board takes specific responsibility for:

- Contributing to the development of and approving corporate strategy;
- Appointing, assessing the performance of and, if necessary removing senior management;
- Reviewing and approving business plans, the annual budget and financial plans including available resources and major capital expenditure initiatives;
- Overseeing and monitoring:
  - organisational performance and the achievement of strategic goals and objectives
  - compliance with the Company’s code of conduct
  - progress of major capital expenditures and other corporate projects including acquisitions, mergers and divestments;
- Monitoring financial performance including approval of the annual, half yearly and quarterly reports and liaison with the auditor;
- Ensuring there are effective management processes in place, including reviewing and ratifying systems of risk identification and management, ensuring appropriate and adequate internal control processes, and that monitoring and reporting procedures for these systems are effective;
- Enhancing and protecting the Company’s reputation;
- Approving major capital expenditure, capital management, acquisitions and divestments;

## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

- Reporting to shareholders;
- Appointment of Directors; and
- Any other matter considered desirable and in the interest of the Company.

The Board is responsible for the overall corporate governance of the Company, including the strategic direction, establishing goals for management and monitoring the achievement of these goals.

The Company has a formal Board Charter which is on the Company's website and summarised above. In broad terms, the Board is accountable to the shareholders and must ensure that the Company is properly managed to protect and enhance shareholders' wealth and other interests. The Board Charter sets out the role and responsibilities of the Board within the governance structure of the Company and its related bodies corporate (as defined in the Corporations Act).

Senior executives are responsible for the ongoing management of the Company's operations and report to the Board through the Executive Committee. They are accountable for all functions that are necessary to the operations of the Company and not specifically reserved to the Board or Executive Committee as the case may be. Senior executives' performance is reviewed on a regular basis by the Board.

Based on the above information the Company believes it is fully compliant with Recommendations 1.1, 1.2 and 1.3.

### PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

#### 2.1 Companies should have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.

- **Recommendation 2.1:** A majority of the board should be independent Directors.
- **Recommendation 2.2:** The chair should be an independent Director.
- **Recommendation 2.3:** The roles of chair and chief executive officer should not be exercised by the same individual.
- **Recommendation 2.4:** The board should establish a nomination committee.
- **Recommendation 2.5:** Companies should disclose the process for evaluating the performance of the board, its committees and individual Directors.
- **Recommendation 2.6:** Companies should provide the information indicated in the Guide to reporting on Principle 2.

#### 2.2 The Company's practice:

##### Independence

Corporate Governance Council Recommendation 2.1 requires a majority of the Board to be independent Directors. The Corporate Governance Council defines independence as being free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of unfettered and independent judgement. In accordance with this definition, the Company has one (1) independent Director, with the Board comprising of a Non-Executive Chairman, a Non-Executive Deputy Chairman, an Executive Director, and two Non-Executive Directors.

The sole independent Director is Mr Gary Lyons, the Company's Non-Executive Chairman, and the non-independent Directors of the Company are Tan Sri Dato' Tien Seng Law, Mr Michael Wilson, Mr Chin An Lau, Mr Kong Keng Lee, and Mr Teck Siong Wong (as alternate for Mr Law).

The Board is of the view that, given the Company's size and composition, the Board's current composition was the best structure for the Company's objectives during the period.

A General Executive Manager, Mr Craig Ferrier, was appointed by the Board on 4 December 2011.

##### Composition

The Directors have been chosen for their particular expertise to provide the company with a competent and well-rounded decision-making body and which will assist the company and shareholders in meeting their objectives.

As at September 2012, the term in office held by each Director in office at the date of this report is as follows and details of the professional skills and expertise of each of the Directors are set out in the Directors' Report.

## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Name	Position	Term in Office
Mr Gary Lyons	Non-Executive Chairman	2 years and 3 months <sup>1</sup>
Tan Sri Dato' Tien Seng Law	Non-Executive Director and Deputy Chairman	2 years and 2 months (appointed 21/07/10)
Mr Michael Wilson	Executive Director	11 years and 10 months (appointed 18/11/02)
Mr Kong Leng (Jimmy) Lee	Non-Executive Director	1 year and 9 months (appointed 08/12/10)
Mr Chin An Lau	Non-Executive Director	16 months (appointed 25/05/11)
Mr Teck Siong Wong	Alternate Director for Tan Sri Dato' Tien Seng Law	14 months (appointed 27/07/11)
Mr David Sanders	Non-Executive Chairman	Resigned on 30 January 2012
Mr Jun Wang	Non-Executive Director	Directorship ceased on 21 November 2011
Mr Xiang Hong Yang	Alternate Director for Mr Jun Wang	Directorship ceased on 21 November 2011
Mr John Lester	Non-Executive Director	Resigned on 28 November 2011

<sup>1</sup> Appointed Non-Executive Chairman on 8 February 2012

The Directors meet frequently, both formally and informally, so that they maintain a mutual, thorough understanding of the Company's business and to ensure that the Company's policies of corporate governance are adhered to.

### Education

The Company has a formal process to educate new Directors about the nature of the business, current issues, the corporate strategy and the Company's expectations concerning the performance of Directors. Directors are given access to and encouraged to participate in continuing education opportunities to update and enhance their skills and knowledge.

### Independent professional advice and access to company information

Each Director has the right of access to all relevant Company information and to the Company's executives and, subject to prior consultation with the Chairman, may seek independent professional advice from a suitably qualified advisor at the consolidated entity's expense. The Director must consult with an advisor suitably qualified in the relevant field and obtain the Chairman's approval of the fee payable for the advice before proceeding with the consultation. A copy of the advice received by the Director is made available to all other board members.

### Nomination committee

The Company does not currently have a separate nomination committee and as such has not complied with Recommendation 2.4. The duties and responsibilities typically delegated to such a committee are considered to be the responsibility of the full Board, given the size and nature of the Company's activities and as such, the Board does not believe that any marked efficiencies or enhancements would be achieved by the creation of a separate nomination committee.

### Monitoring of Board Performance

The performance of all Directors is reviewed by the Chairman on an ongoing basis and any Director whose performance is considered unsatisfactory is asked to retire. The Chairman's performance is reviewed by the other Board members.

The Company has established firm guidelines to identify the measurable and qualitative indicators of the Director's performance during the course of the year. Those guidelines include:

- Attendance at all Board meetings. Missing more than three consecutive meetings without reasonable excuse will result in that Director's position being reviewed,
- Attendance at the Company's Shareholder Meetings. Non-attendance without reasonable excuse will result in that Director's position being reviewed.

Based on the above information the Company believes it is fully compliant with Recommendations 2.2, 2.3, 2.5 and 2.6. The Company is not compliant with Recommendations 2.1 and 2.4, as outlined above.

## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

### PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

#### 3.1 Companies should actively promote ethical and responsible decision-making.

- **Recommendation 3.1:** Companies should establish a code of conduct and disclose the code or a summary of the code as to:
  - the practices necessary to maintain confidence in the company's integrity;
  - the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders;
  - the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.
- **Recommendation 3.2:** Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.
- **Recommendation 3.3:** Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.
- **Recommendation 3.4:** Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.
- **Recommendation 3.5:** Companies should provide the information indicated in the Guide to reporting on Principle 3.

#### 3.2 The Company's practice:

##### Ethical Standards

The Company has a formal Code of Conduct as per Recommendation 3.1. This code outlines how Directors and employees of the Company and its related bodies corporate are to behave when conducting business. A full copy of this Code of Conduct is available on the Company's website.

The Company is committed to the highest level of integrity and ethical standards in all business practices. Directors and employees must conduct themselves in a manner consistent with current community and corporate standards and in compliance with all legislation.

All Directors and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company.

##### Diversity Policy

The Board has adopted a Diversity Policy as per Recommendation 3.2. The Diversity Policy addresses equal opportunities in the hiring, training and career advancement of Directors, officers and employees. The Diversity Policy outlines the processes by which the Board will set measurable objectives to achieve the aims of its Diversity Policy, with particular focus on gender diversity within the Company.

The Company is committed to ensuring a diverse mix of skills and talent exists amongst its Directors, officers and employees and is utilised to enhance the Company's performance.

The Board is responsible for monitoring Company performance in meeting the Diversity Policy requirements, including the achievement of diversity objectives.

##### Gender Diversity

As a priority, the Company is focusing on the participation of women on its Board and within senior management. The Board is in the process of determining appropriate measurable objectives for achieving gender diversity.

##### Women Employees, Executives and Board Members

The Company and its consolidated entities have nine (9) female employees and/or executives, including:

- its Financial Controller;
- its Human Resources Manager;
- six (6) female employees, located at the Company's head office; and
- three (3) female employees, located on site,

who represent approximately 30% of the total employees, executives and/or board members of the Company and its consolidated entities. There are currently no female members of the Board of the Company.

Based on the above information the Company believes it is fully compliant with Recommendations 3.1, 3.2, 3.3, 3.4 and 3.5.

## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

### PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

#### 4.1 Companies should have a structure to independently verify and safeguard the integrity of their financial reporting.

- **Recommendation 4.1:** The board should establish an audit committee.
- **Recommendation 4.2:** The audit committee should be structured so that it:
  - consists only of Non-Executive Directors;
  - consists of a majority of independent Directors;
  - is chaired by an independent chair, who is not chair of the board;
  - has at least three members.
- **Recommendation 4.3:** The audit committee should have a formal charter.
- **Recommendation 4.4:** Companies should provide the information indicated in the Guide to reporting on Principle 4.

#### 4.2 The Company's practice:

##### Audit and Risk Management Committee

The Board has created a separate audit and risk management committee, which consists of three members, and therefore has complied with Recommendation 4.1, however, due to the size and current operations of the Company, the audit committee currently only has one (1) independent Director and the chair of the Audit and Risk Management Committee is not an independent Director, for which reason the Company is not compliant with all of Recommendation 4.2. The duties and responsibilities delegated to the audit committee include:

- reviewing internal control and recommending enhancements;
- monitoring compliance with Corporations Act 2001, Securities Exchange Listing Rules, matters outstanding with auditors, Australian Taxation Office, Australian Securities and Investment Commission and financial institutions;
- improving the quality of the accounting function, personnel and processes;
- reviewing external audit reports to ensure that where major deficiencies or breakdowns in controls or procedures have been identified, appropriate and prompt remedial action is taken by management;
- liaising with the external auditors and ensuring that the annual audit and half-year review are conducted in an effective manner; and
- reviewing the performance of the external auditors on an annual basis.

##### Audit and Compliance Policy

The Board imposes stringent policies and standards to ensure compliance with all corporate financial and accounting standards. Where considered appropriate, the Company's external auditors, professional advisors and management are invited to advise the Board on these issues and the Board meets quarterly to consider audit matters prior to statutory reporting.

The Company requires that its auditors must not carry out any other major area of service to the Company and should have expert knowledge of both Australian and international jurisdictions.

The Board assumes responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information. The Board maintains responsibility for a framework of internal control and ethical standards for the management of the consolidated entity.

The board, consisting of members with financial expertise and detailed knowledge and experience of the mineral exploration and evaluation business, advises on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the Company. The Executive General Manager and Financial Controller have declared in writing to the Board that the Company's financial reports for the year ended 30 June 2012 present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards. This statement is required annually.

Based on the above information the Company believes it is fully compliant with Recommendations 4.1, 4.3 and 4.4. The Company is not compliant with all of Recommendation 4.2 as outlined above.

## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

### PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

#### 5.1 Companies should promote timely and balanced disclosure of all material matters concerning the company.

- **Recommendation 5.1:** Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.
- **Recommendation 5.2:** Companies should provide the information indicated in the Guide to reporting on Principle 5.

#### 5.2 The Company's practice:

##### Continuous Disclosure Policy

The Company has a formal Disclosure Policy as required by Recommendation 5.1. This policy was introduced to ensure the Company achieves best practice in complying with its continuous disclosure obligations under the Corporations Act and ASX Listing Rules and ensuring The Company and individual officers do not contravene the Corporations Act or ASX Listing Rules. A full copy of this policy can be found on the Company's website.

The Company is required to immediately tell the ASX once it becomes aware of any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities.

Therefore to meet this obligation the Company undertakes to:

- Notify the ASX immediately it becomes aware of any information that a reasonable person would expect to have a material effect on the price and value of the companies securities, unless that information is not required to be disclosed under the listing rules;
- Disclose notifications to the ASX on the Company website following confirmation of the publishing of the information by the ASX; and

Not respond to market speculation or rumour unless the ASX considers it necessary due to there being, or likely to be, a false market in the Company's securities.

The Executive General Manager and the Company Secretary are responsible for co-ordinating the disclosure requirements. To ensure appropriate procedure all Directors, officers and employees of the Company coordinate disclosures through the Executive General Manager and the Company Secretary, including:

- Media releases;
- Analyst briefings and presentations; and
- The release of reports and operational results.

Based on the above information the Company believes it is fully compliant with Recommendations 5.1 and 5.2.

### PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

#### 6.1 Companies should respect the rights of shareholders and facilitate the effective exercise of those rights.

- **Recommendation 6.1:** Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.
- **Recommendation 6.2:** Companies should provide the information indicated in the Guide to reporting on Principle 6.

#### 6.2 The Company's practice:

##### Shareholder Communication

It is the policy of the Company to communicate effectively with its shareholders by giving them ready access to balanced and understandable information about the Company and making it easier for them to participate in general meetings.

The Board encourages full shareholder participation at the Annual General Meeting as it provides shareholders an opportunity to review the Company's annual performance. Shareholder attendance also ensures a high level of accountability and identification with the Company's strategy and goals.

The shareholders are responsible for voting on the appointment of Directors, approval of the maximum amount of Directors' fees and the granting of options and shares to Directors. Important issues are presented to the shareholders as single resolutions.

## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

The Company's auditor is required to be present, and be available to shareholders, at the Annual General Meeting.

Information is communicated to shareholders through:

- the Annual Report which is distributed to all shareholders;
- Half-Yearly Reports, Quarterly Reports, and all Australian Securities Exchange announcements which are posted on the Company's website;
- the Annual General Meeting and other meetings so called to obtain approval for Board action as appropriate; and
- compliance with the continuous disclosure requirements of the Australian Securities Exchange Listing Rules.

The Company's full policy on shareholder communication can be found on our website.

Based on the above information the Company believes it is fully compliant with Recommendations 6.1 and 6.2.

### PRINCIPLE 7: RECOGNISE AND MANAGE RISK

#### 7.1 Companies should establish a sound system of risk oversight and management and internal control.

- **Recommendation 7.1:** Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.
- **Recommendation 7.2:** The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.
- **Recommendation 7.3:** The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act 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 risks.
- **Recommendation 7.4:** Companies should provide the information indicated in the Guide to reporting on Principle 7.

#### 7.2 The Company's practice:

##### RISK MANAGEMENT

##### Recognise and Manage Risk

Risk oversight, management and internal control are dealt with on a continuous basis by management and the Board, with differing degrees of involvement from various Directors and management, depending upon the nature and materiality of the matter.

The Board has established a formal policy to effectively recognise and manage risk as required by Recommendation 7.1. The Company's policy is to achieve levels of operation that balance risk and reward with the ultimate aim of optimising shareholder value. The Corporate Governance Statement is detailed in full on our website.

##### Oversight of the risk management system

The Board takes a proactive approach to risk management. The Board is responsible for oversight of the processes whereby the risks, and also opportunities, are identified on a timely basis and that the Company's objectives and activities are aligned with the risks and opportunities identified by the Board. This oversight encompasses operational, financial reporting and compliance risks.

The Company believes that it is crucial for all Board members to be a part of the process, and as such the Board has not established a separate risk management committee.

The Board oversees the establishment, implementation and annual review of the Company's risk management policies as part of the Board approval process for the strategic plan, which encompasses the Company's vision and strategy, designed to meet stakeholder's needs and manage business risks.

The Executive General Manager and Financial Controller have declared, in writing to the Board and in accordance with section 295A of the Corporations Act, that the financial reporting risk management and associated compliance and controls have been assessed and found to be operating efficiently and effectively. All risk assessments covered the whole financial year and the period up to the signing of the annual financial report for all material operations in the Company.

## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

### Internal control framework

The Board acknowledges that it is responsible for the overall internal control framework, but recognizes that no cost effective internal control system will preclude all errors and irregularities. To assist in discharging this responsibility, the Board has instigated an internal control framework that deals with:

- Financial reporting - there is a comprehensive budgeting system with an annual budget, updated on a regular basis approved by the Board. Monthly actual results are reported against these budgets.
- Investment appraisal - the Company has clearly defined guidelines for capital expenditure including annual budgets, detailed appraisal and review procedures, levels of authority and due diligence requirements where businesses or assets are being acquired or divested.
- Quality and integrity of personnel - the Company's policies are detailed in an approved induction manual. Formal appraisals are conducted annually for all employees.

Based on the above information the Company believes it is fully compliant with Recommendations 7.1, 7.2, 7.3 and 7.4.

### PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

#### 8.1 Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.

- **Recommendation 8.1:** The board should establish a remuneration committee.
- **Recommendation 8.2:** The remuneration committee should be structured so that it:
  - consists of a majority of independent Directors
  - is chaired by an independent chair
  - has at least three members
- **Recommendation 8.3:** Companies should clearly distinguish the structure of Non-Executive Directors' remuneration from that of executive Directors and senior executives.
- **Recommendation 8.4:** Companies should provide the information indicated in the Guide to reporting on Principle 8.

#### 8.2 The Company's practice:

##### Remuneration committee

The Company has created a separate remuneration committee, which consists of three members, and therefore has complied with Recommendation 8.1, however due to the size and current operations of the Company, the remuneration committee currently only has one (1) independent Director and the chair of the remuneration committee is not an independent Director, for which reason the Company is not compliant with all of Recommendation 8.2.

##### Remuneration policies

Remuneration of Directors are formalised in service agreements. The Remuneration Committee is responsible for determining and reviewing compensation arrangements for the Non-Executive and Executive Directors, the Executive General Manager and the executive team.

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality board and executive team by remunerating Directors and senior executives fairly and appropriately with reference to relevant employment market conditions. To assist in achieving this objective, the Board links the nature and amount of executive Directors' and senior executives' emoluments to the Company's financial and operational performance. The expected outcomes of the remuneration structure are:

1. Retention and motivation of senior executives
2. Attraction of quality management to the Company
3. Performance incentives which allow executives to share the rewards of the success of the Company

Remuneration of the Non-Executive Directors is determined by the Board with reference to comparable industry levels and, specifically for Directors' fees, within the maximum amount approved by shareholders. There is no scheme to provide retirement benefits, other than statutory superannuation, to Non-Executive Directors.

For details on the amount of remuneration and all monetary and non-monetary components for all Directors refer to the Remuneration Report on pages 10 to 18 of the Directors' Report. In relation to the payment of bonuses, options and other incentive payments, discretion is exercised by the Board, having regard to the overall performance of the Company and the performance of the individual during the period.

Based on the above information the Company believes it is fully compliant with Recommendations 8.1, 8.3 and 8.4. The Company is not compliant with all of Recommendation 8.2 as outlined above.

## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Principle	Reference in the Company's Corporate Governance Statement
<p><b>Principle 1 – Lay solid foundations for Management and oversight</b></p> <p>Companies should establish and disclose the respective roles and responsibilities of Board and Management.</p> <ul style="list-style-type: none"> <li>• <b>Recommendation 1.1:</b> Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.</li> <li>• <b>Recommendation 1.2:</b> Companies should disclose the process for evaluating the performance of senior executives.</li> <li>• <b>Recommendation 1.3:</b> Companies should provide the information indicated in the Guide to reporting on Principle 1.</li> </ul>	See pages 28 to 29
<p><b>Principle 2 - Structure the Board to add value</b></p> <p>Companies should have a Board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.</p> <ul style="list-style-type: none"> <li>• <b>Recommendation 2.1:</b> A majority of the Board should be independent directors.</li> <li>• <b>Recommendation 2.2:</b> The chair should be an independent director.</li> <li>• <b>Recommendation 2.3:</b> The roles of chair and chief executive officer should not be exercised by the same individual.</li> <li>• <b>Recommendation 2.4:</b> The Board should establish a nomination committee.</li> <li>• <b>Recommendation 2.5:</b> Companies should disclose the process for evaluating the performance of the Board, its committees and individual directors.</li> <li>• <b>Recommendation 2.6:</b> Companies should provide the information indicated in the Guide to reporting on Principle 2.</li> </ul>	See pages 29 to 30
<p><b>Principle 3 - Promote ethical and responsible decision-making</b></p> <p>Companies should actively promote ethical and responsible decision-making.</p> <ul style="list-style-type: none"> <li>• <b>Recommendation 3.1:</b> Companies should establish a code of conduct and disclose the code or a summary of the code as to: <ul style="list-style-type: none"> <li>- the practices necessary to maintain confidence in the Company's integrity;</li> <li>- the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders;</li> <li>- the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.</li> </ul> </li> <li>• <b>Recommendation 3.2:</b> Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.</li> <li>• <b>Recommendation 3.3:</b> Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.</li> <li>• <b>Recommendation 3.4:</b> Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.</li> <li>• <b>Recommendation 3.5:</b> Companies should provide the information indicated in the Guide to reporting on Principle 3.</li> </ul>	See page 31
<p><b>Principle 4 - Safeguard integrity in financial reporting</b></p> <p>Companies should have a structure to independently verify and safeguard the integrity of their financial reporting.</p> <ul style="list-style-type: none"> <li>• <b>Recommendation 4.1:</b> The Board should establish an audit committee.</li> <li>• <b>Recommendation 4.2:</b> The audit committee should be structured so that it: <ul style="list-style-type: none"> <li>- consists only of non-executive directors;</li> <li>- consists of a majority of independent directors;</li> <li>- is chaired by an independent chair, who is not chair of the board;</li> <li>- has at least three members.</li> </ul> </li> <li>• <b>Recommendation 4.3:</b> The audit committee should have a formal charter.</li> <li>• <b>Recommendation 4.4:</b> Companies should provide the information indicated in the Guide to reporting on Principle 4.</li> </ul>	See page 32

## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Principle	Reference in the Company's Corporate Governance Statement
<p><b>Principle 5 - Make timely and balanced disclosure</b></p> <p>Companies should promote timely and balanced disclosure of all material matters concerning the Company.</p> <ul style="list-style-type: none"> <li>• <b>Recommendation 5.1:</b> Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.</li> <li>• <b>Recommendation 5.2:</b> Companies should provide the information indicated in the Guide to reporting on Principle 5.</li> </ul>	See page 33
<p><b>Principle 6 - Respect the rights of shareholders</b></p> <p>Companies should respect the rights of shareholders and facilitate the effective exercise of those rights.</p> <ul style="list-style-type: none"> <li>• <b>Recommendation 6.1:</b> Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.</li> <li>• <b>Recommendation 6.2:</b> Companies should provide the information indicated in the Guide to reporting on Principle 6.</li> </ul>	See pages 33 to 34
<p><b>Principle 7 - Recognise and manage risk</b></p> <p>Companies should establish a sound system of risk oversight and management and internal control.</p> <ul style="list-style-type: none"> <li>• <b>Recommendation 7.1:</b> Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.</li> <li>• <b>Recommendation 7.2:</b> The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.</li> <li>• <b>Recommendation 7.3:</b> The Board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act 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 risks.</li> <li>• <b>Recommendation 7.4:</b> Companies should provide the information indicated in the Guide to reporting on Principle 7.</li> </ul>	See pages 34 to 35
<p><b>Principle 8 - Remunerate fairly and responsibly</b></p> <p>Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.</p> <ul style="list-style-type: none"> <li>• <b>Recommendation 8.1:</b> The Board should establish a remuneration committee.</li> <li>• <b>Recommendation 8.2:</b> The remuneration committee should be structured so that it: <ul style="list-style-type: none"> <li>- consists of a majority of independent directors;</li> <li>- is chaired by an independent chair;</li> <li>- has at least three members.</li> </ul> </li> <li>• <b>Recommendation 8.3:</b> Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.</li> <li>• <b>Recommendation 8.4:</b> Companies should provide the information indicated in the Guide to reporting on Principle 8.</li> </ul>	See page 35

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

### FOR THE YEAR ENDED 30 JUNE 2012

	Note	Consolidated	
		2012 \$	2011 \$
Revenue	6	1,753,625	1,651,621
Employee expenses	7(a)	(1,949,629)	(2,949,608)
Share based payments	7(b)	(2,446,038)	(30,672)
Depreciation expense		(246,735)	(312,045)
Finance costs	7(c)	(542,909)	-
Other expenses	7(d)	(1,144,724)	(2,216,644)
<b>Profit/(loss) before income tax</b>		<b>(4,576,410)</b>	<b>(3,857,348)</b>
Income tax expense	8	-	-
<b>Profit/(loss) after income tax</b>		<b>(4,576,410)</b>	<b>(3,857,348)</b>
<b>Profit/(loss) attributable to members of the Parent</b>		<b>(4,576,410)</b>	<b>(3,857,348)</b>
<b>Other comprehensive income/(loss)</b>			
Other comprehensive income		-	-
Other comprehensive income/(loss) after tax		-	-
<b>Total comprehensive income/(loss) after tax</b>		<b>(4,576,410)</b>	<b>(3,857,348)</b>
Profit/(loss) attributable to members of the Parent	22	<b>(4,576,410)</b>	<b>(3,857,348)</b>
Total comprehensive income/(loss) attributable to members of the Parent		<b>(4,576,410)</b>	<b>(3,857,348)</b>
<b>Basic earnings/(loss) per share (cents per share)</b>	9	<b>(2.38)</b>	<b>(2.17)</b>

Diluted loss per share is not disclosed as it would not reflect an inferior position.

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

### AS AT 30 JUNE 2012

	Note	Consolidated	
		2012 \$	2011 \$
<b>Current assets</b>			
Cash and cash equivalents	10	24,882,064	31,622,677
Trade and other receivables	11	479,450	886,470
Prepayments		13,593	-
Other financial assets	12	-	1,435,980
<b>Total current assets</b>		<b>25,375,107</b>	<b>33,945,127</b>
<b>Non-current assets</b>			
Plant and equipment	13	828,834	999,609
Exploration & evaluation expenditure	14	82,268,276	77,337,627
Available-for-sale financial assets	15	151,492	-
Other financial assets	16	1,107,163	532,924
<b>Total non-current assets</b>		<b>84,355,765</b>	<b>78,870,160</b>
<b>Total assets</b>		<b>109,730,872</b>	<b>112,815,287</b>
<b>Current liabilities</b>			
Trade and other payables	17	621,023	846,728
Interest bearing liabilities	18(a)	6,687	16,863
Other current liabilities	18(b)	-	745,590
Provisions	19(a)	102,896	95,172
<b>Total current liabilities</b>		<b>730,606</b>	<b>1,704,353</b>
<b>Non-current liabilities</b>			
Provisions	19(b)	290,393	270,689
<b>Total non-current liabilities</b>		<b>290,393</b>	<b>270,689</b>
<b>Total liabilities</b>		<b>1,020,999</b>	<b>1,975,042</b>
<b>Net assets</b>		<b>108,709,873</b>	<b>110,840,245</b>
<b>Equity</b>			
Contributed equity	20	147,021,501	147,001,501
Reserves	21	26,309,612	23,883,574
Accumulated losses	22	(64,621,240)	(60,044,830)
<b>Total equity</b>		<b>108,709,873</b>	<b>110,840,245</b>

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

### FOR THE YEAR ENDED 30 JUNE 2012

	Ordinary share capital \$	Option reserve \$	Accumulated losses \$	Total \$
<b>Balance at 01/07/2010</b>	109,356,721	23,883,574	(56,187,482)	77,052,813
Shares issued during the year	39,157,963	-	-	39,157,963
Capital raising costs	(1,513,183)	-	-	(1,513,183)
Options issued during the year	-	-	-	-
Loss attributable to members of Parent	-	-	(3,857,348)	(3,857,348)
<b>Balance at 30/06/2011</b>	<b>147,001,501</b>	<b>23,883,574</b>	<b>(60,044,830)</b>	<b>110,840,245</b>
<b>Balance at 01/07/2011</b>	147,001,501	23,883,574	(60,044,830)	110,840,245
Shares issued during the year	20,000	-	-	20,000
Capital raising costs	-	-	-	-
Options issued during the year	-	2,426,038	-	2,426,038
Loss attributable to members of Parent	-	-	(4,576,410)	(4,576,410)
<b>Balance at 30/06/2012</b>	<b>147,021,501</b>	<b>26,309,612</b>	<b>(64,621,240)</b>	<b>108,709,873</b>

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

## CONSOLIDATED STATEMENT OF CASH FLOWS

### FOR THE YEAR ENDED 30 JUNE 2012

	Note	Consolidated	
		2012 \$	2011 \$
<b>Cash flows from operating activities</b>			
Payments to suppliers & employees		(3,316,107)	(4,653,438)
Interest received		2,111,541	884,280
<b>Net cash used in operating activities</b>	23	<b>(1,204,566)</b>	<b>(3,769,158)</b>
<b>Cash flows from investing activities</b>			
Payments for exploration & evaluation		(4,881,337)	(10,695,816)
Payments for plant & equipment		(110,311)	(195,126)
Proceeds from sale of plant & equipment		33,779	215
Proceeds from sale of uranium assets		-	200,000
Payments for security deposits/bonds		(573,808)	(211,836)
Proceeds from security deposits/bonds		34,610	95,048
Loans to other entities		(104,482)	(678,851)
Repayments from other entities		104,482	144,420
Acquisition of shares		(38,980)	-
<b>Net cash used in investing activities</b>		<b>(5,536,047)</b>	<b>(11,341,946)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares and options		-	39,127,291
Share and option issue costs		-	(1,513,183)
<b>Net cash provided by financing activities</b>		<b>-</b>	<b>37,614,108</b>
Net increase in cash and cash equivalents		(6,740,613)	22,503,004
Cash and cash equivalents at the beginning of the financial year		31,622,677	9,119,673
<b>Cash and cash equivalents at the end of the financial year</b>	10	<b>24,882,064</b>	<b>31,622,677</b>

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2012

#### Note 1: Corporate information

The financial report of Golden West Resources Limited ('the Company' or the 'Parent') and of the Group, being the Company and its controlled entities for the financial year ended 30 June 2012 was authorised for issue in accordance with a resolution of the directors on 25 September 2012.

Golden West Resources Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

The nature of the operations and principal activities of the Group are described in the directors' report.

Separate financial statements for Golden West Resources Limited as an individual entity are no longer presented as the consequence of a change to the Corporations Act 2001, however, required financial information for Golden West Resources Limited as an individual entity is included in Note 31.

#### Note 2: Summary of significant accounting policies

##### (a) 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, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards board. The financial report has also been prepared on a historical cost basis, except for available-for-sale investments, which have been measured at fair value.

The financial report is presented in Australian dollars and all values are rounded to the nearest dollar unless otherwise stated.

##### (b) Compliance with IFRS

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards board.

##### (c) New accounting standards and interpretations

###### Adoption of new and revised Accounting Standards

The Group has adopted where applicable the following new and revised Accounting Standards and Interpretations for the financial year beginning 1 July 2011.

###### Standards affecting presentation and disclosure

Amendments to AASB 7 'Financial Instruments' Disclosure'	The amendments (part of AASB 2010-4 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project') clarify the required level of disclosures about credit risk and collateral held.
Amendments to AASB 101 'Presentation of Financial Statements'	The amendments (part of AASB 2010-4 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project') clarify that an entity may choose to present the required analysis of items of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements.
AASB 1054 'Australian Additional Disclosures' and AASB 2011-1	AASB 1054 sets out the Australian-specific disclosures for entities that have adopted Australian Accounting Standards.
'Amendments to Australian Accounting Standards arising from Trans-Tasman Convergence Project'	AASB 2011-1 makes amendments to a range of Australian Accounting Standards and Interpretations for the purpose of closer alignment to IFRSs and harmonisation between Australian and New Zealand Standards.
AASB 124 'Related Party Disclosures' (revised December 2009)	AASB 124 (revised December 2009) has been revised on the following two aspects: (a) AASB 124 (revised December 2009) has changed the definition of a related party and (b) AASB 124 (revised December 2009) introduces a partial exemption from the disclosure requirements for government-related entities.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

AASB 2009-14 'Amendments to Australian Interpretation - Prepayments of a Minimum Funding Requirement'	Interpretation 114 addresses when refunds or reductions in future contributions should be regarded as available in accordance with paragraph 58 of AASB 119.
AASB 2009-12 'Amendments to Australian Accounting Standards'	The application of AASB 2009-12 makes amendments to AASB 8 'Operating Segments' as a result of the issuance of AASB 124 'Related Party Disclosures (2009)'.
AASB 2010-5 'Amendments to Australian Accounting Standards'	The Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations.
AASB 2010-6 'Amendments to Australian Accounting Standards - Disclosures on Transfers of Financial Assets'	The application of AASB 2010-6 makes amendments to AASB 7 'Financial Instruments - Disclosures' to introduce additional disclosure requirements for transactions involving transfer of financial assets.

The adoption of these new and revised Standards and Interpretations has not resulted in any material change to the Group's accounting policies.

### New Accounting Standards for Application in Future Periods

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Group.

At the date of the authorization of the financial statements, the standards and Interpretations listed below were in issue but not yet effective.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', AASB 200911 'Amendments to Australian Accounting Standards arising from AASB 9' and AASB 2010-7 'Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)'	1 January 2013	30 June 2014
AASB 10 'Consolidated Financial Statements'	1 January 2013	30 June 2014
AASB 11 'Joint Arrangements'	1 January 2013	30 June 2014
AASB 12 'Disclosure of Interests in other Entities'	1 January 2013	30 June 2014
AASB 127 'Separate Financial Statements' (2011)	1 January 2013	30 June 2014
AASB 128 'Investments in Associates and Joint Ventures' (2011)	1 January 2013	30 June 2014
AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'	1 January 2013	30 June 2014
AASB 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 19 (2011)'	1 January 2013	30 June 2014
AASB 2010-8 'Amendments to Australian Accounting Standards - Deferred Tax: recovery of Underlying Assets'	1 January 2012	30 June 2013
AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'	1 July 2013	30 June 2014
AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
AASB 2011-9 'Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income'	1 July 2012	30 June 2013
Interpretation 20 'Stripping Costs in the Production Phase of a Surface Mine' and AASB 2011-12 'Amendments to Australian Accounting Standards arising from Interpretation 20'.	1 January 2013	30 June 2014

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

The Group has decided not to early adopt any of the new and amended pronouncements. Of the above new and amended Standards and Interpretations the Group's assessment of those new and amended pronouncements that are relevant to the Group but applicable in future reporting periods is set out below:

AASB 9: Financial Instruments (December 2010) and AASB 2010-7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127] (applicable for annual reporting periods commencing on or after 1 January 2013).

These Standards are applicable retrospectively and include revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments.

The key changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- simplifying the requirements for embedded derivatives;
- removing the tainting rules associated with held-to-maturity assets;
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument;
- requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on: (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows; and
- requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income, except when that would create an accounting mismatch. If such a mismatch would be created or enlarged, the entity is required to present all changes in fair value (including the effects of changes in the credit risk of the liability) in profit or loss.

The Group has not yet been able to reasonably estimate the impact of these pronouncements on its financial statements.

AASB 10: Consolidated Financial Statements, AASB 11: Joint Arrangements, AASB 12: Disclosure of Interests in Other Entities, AASB 127: Separate Financial Statements (August 2011), AASB 128: Investments in Associates and Joint Ventures (August 2011) and AASB 2011-7: Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards [AASB 1, 2, 3, 5, 7, 9, 2009-11, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17] (applicable for annual reporting periods commencing on or after 1 January 2013).

AASB 10 replaces parts of AASB 127: Consolidated and Separate Financial Statements (March 2008, as amended) and Interpretation 112: Consolidation - Special Purpose Entities. AASB 10 provides a revised definition of control and additional application guidance so that a single control model will apply to all investees. The Group has not yet been able to reasonably estimate the impact of this Standard on its financial statements.

AASB 11 replaces AASB 131: Interests in Joint Ventures (July 2004, as amended). AASB 11 requires joint arrangements to be classified as either "joint operations" (whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities) or "joint ventures" (where the parties that have joint control of the arrangement have rights to the net assets of the arrangement). Joint ventures are required to adopt the equity method of accounting (proportionate consolidation is no longer allowed).

AASB 12 contains the disclosure requirements applicable to entities that hold an interest in a subsidiary, joint venture, joint operation or associate. AASB 12 also introduces the concept of a "structured entity", replacing the "special purpose entity" concept currently used in Interpretation 112, and requires specific disclosures in respect of any investments in unconsolidated structured entities. This Standard will only affect disclosures and is not expected to significantly impact the Group.

To facilitate the application of AASBs 10, 11 and 12, revised versions of AASB 127 and AASB 128 have also been issued. These Standards are not expected to significantly impact the Group.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

AASB 13: Fair Value Measurement and AASB 2011-8: Amendments to Australian Accounting Standards arising from AASB 13 [AASB 1, 2, 3, 4, 5, 7, 9, 2009-11, 2010-7, 101, 102, 108, 110, 116, 117, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 & 1038 and Interpretations 2, 4, 12, 13, 14, 17, 19, 131 & 132] (applicable for annual reporting periods commencing on or after 1 January 2013).

AASB 13 defines fair value, sets out in a single Standard a framework for measuring fair value, and requires disclosures about fair value measurements.

AASB 13 requires:

- inputs to all fair value measurements to be categorised in accordance with a fair value hierarchy; and
- enhanced disclosures regarding all assets and liabilities (including, but not limited to, financial assets and financial liabilities) measured at fair value.

These Standards are not expected to significantly impact the Group.

AASB 2011-9: Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049] (applicable for annual reporting periods commencing on or after 1 July 2012).

The main change arising from this Standard is the requirement for entities to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently.

This Standard affects presentation only and is not expected to significantly impact the Group.

AASB 119 (September 2011) also includes changes to the accounting for termination benefits that require an entity to recognise an obligation for such benefits at the earlier of:

- (i) for an offer that may be withdrawn – when the employee accepts;
- (ii) for an offer that cannot be withdrawn – when the offer is communicated to affected employees; and
- (iii) where the termination is associated with a restructuring of activities under AASB 137: Provisions, Contingent Liabilities and Contingent Assets, and if earlier than the first two conditions – when the related restructuring costs are recognised.

The Group has not yet been able to reasonably estimate the impact of these changes to AASB 9 and does not anticipate the early adoption of any of the above Australian Accounting Standards.

### **(d) Basis of consolidation**

The consolidated financial statements comprise the financial statements of Golden West Resources Limited and its subsidiaries as at 30 June each year ('The Group').

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. A list of subsidiaries at 30 June 2012 is contained in Note 24 to the financial statements.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. In preparing the consolidated financial statements, all inter-company balances and transactions, income and expenses and profits and losses resulting from inter-group transactions, have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

### **(e) Segment reporting**

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

Operating segments have been identified based on the information provided to the chief operating decision makers – being the executive management team. Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

The Group determines and presents operating segments based on the information internally provided to the executive management team.

### (f) Revenue

Revenue is recognised as income to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

#### *Interest Income*

Revenue is recognised as the interest accrues using the effective interest method. This is the method of calculating the amortised costs of the financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

### (g) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

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

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities related to the same taxable entity and the same taxation authority.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

### (h) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the cash flow statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

### (i) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

### (j) Plant and equipment

All 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. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation. All other repairs and maintenance are recognised in profit or loss as incurred.

#### *Depreciation*

Depreciation is calculated using diminishing balance method over the estimated useful life of the assets as follows:

Leasehold improvements	5 to 10 years
Motor vehicles	10 years
Plant and equipment	5 to 20 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

#### *Derecognition and disposal*

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition 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 item is derecognised.

### (k) Exploration and evaluation expenditure

Expenditure on exploration and evaluation is accounted for in accordance with the 'area of interest' method. Exploration and evaluation expenditure is capitalised provided the rights to tenure of the area of interest is current and either:

- the exploration and evaluation activities are expected to be recouped through successful development and exploitation of the area of interest or, alternatively, by its sale; or
- exploration and evaluation activities in the area of interest have not at the reporting date reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or relating to, the area of interest are continuing.

When the technical feasibility and commercial viability of extracting a mineral resource have been demonstrated then any capitalised exploration and evaluation expenditure is reclassified as capitalised 'Mine properties in development'. Prior to reclassification, capitalised exploration and evaluation expenditure is assessed for impairment.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

### *Impairment*

The carrying value of capitalised exploration and evaluation expenditure is assessed for impairment at the cash generating unit level whenever facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount.

An impairment exists when the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. The asset or cash generating unit is then written down to its recoverable amount. Any impairment losses are recognised in the income statement.

### **(I) Investments and other financial assets**

Investments and financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are categorised as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Designation is re-evaluated at each financial year end, but there are restrictions on reclassifying to other categories.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

### *Recognition and derecognition*

All regular way purchases and sales of financial assets are recognised on the trade date i.e., the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the market place. Financial assets are derecognised when the right to receive cash flows from the financial assets have expired or been transferred.

#### *(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 with the intention of making a profit. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on financial assets held for trading are recognised in profit or loss and the related assets are classified as current assets in the balance sheet.

#### *(ii) Held-to-maturity investments*

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

#### *(iii) Loans and receivables*

Loans and receivables including loan notes and loans to key management personnel 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. These are included in current assets, except for those with maturities greater than 12 months after balance date, which are classified as non-current.

#### *(iv) Available-for-sale securities*

Available-for-sale investments are those non-derivative financial assets, principally equity securities, which are designated as available-for-sale or are not classified as any of the three preceding categories. After initial recognition available-for-sale securities 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 values of investments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

with no active market, fair values are 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 making as much use of available and supportable market data as possible and keeping judgemental inputs to a minimum.

### **(m) Trade and other payables**

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

### **(n) Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

### **(o) Employee benefits**

#### *Wages salaries, annual leave and sick leave*

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

#### *Long service leave and other employment entitlements*

The liability for long service leave and other employment entitlements is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

### **(p) Contributed equity**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### **(q) 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), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit or loss attributable to members of the parent, adjusted for:

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

### (r) Leases

Leases are classified at the inception as either operating or finance leases, based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

#### *Group as a lessee*

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases.

Operating lease payments are recognised as an expense in the income statement on a straight line basis over the lease term. Lease incentives are recognised in the income statement as an integral part of the total lease expense.

#### *Group as a lessor*

Leases in which the group retains substantially all the risks and benefits and benefits of ownership of the leased asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as rental income.

### (s) Share-based payment transactions

#### *Equity settled transactions*

The Group provides benefits to directors, employees and other parties in the form of share-based payment transactions, whereby directors, employees and other parties render services in exchange for shares or rights over shares ('equity-settled transactions').

There are currently two plans in place to provide these benefits:

- The Employee Option Incentive Scheme, which provides benefits to directors, executives and other parties; and
- The Employee Share Ownership Plan, which provides benefits to all employees, excluding KMP.

The cost of these equity-settled transactions with directors, employees and consultants is measured by reference to the fair value of the equity instrument at the date at which they are granted. The fair value is determined by using the Black-Scholes model, further details of which are given in Note 26.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Golden West Resources Limited ('market conditions') if applicable.

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').

At each subsequent reporting date until vesting, the cumulative charge to the income statement is the product of the grant date fair value of the award; (ii) the current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met; and (iii) the expired portion of the vesting period.

The charge to the income statement for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding credit to equity.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If 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 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

### *Cash settled transactions*

The Group also provides benefits to various parties in the form of cash-settled share based payments, whereby the various parties provides goods and services in exchange for cash, the amounts of which are determined by reference to movements in the price of the shares of Golden West Resources Limited.

The ultimate cost of these cash-settled transactions will be equal to the actual cash paid to the various parties, which will be the fair value at settlement date.

The cumulative cost recognised until settlement is a liability and the periodic determination of this liability is as follows:

- (i) At each reporting date between grant and settlement, the fair value of the award is determined.
- (ii) During the vesting period, the liability recognised at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- (iii) From the end of the vesting period until settlement, the liability recognised is the full fair value of the liability at the reporting date.
- (iv) All changes in the liability are recognised in profit or loss for the period.

The fair value of the liability is determined, initially and at each reporting date until it is settled, by applying a Black-Scholes option pricing model, taking into account the terms and conditions on which the award was granted, and the extent to which employees have rendered service to date (see Note 26).

### **(t) Comparative figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

### **(u) Impairment of assets**

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impaired losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at a revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increase amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

### Note 3: Financial risk management objectives and policies

The Group's principal financial instruments comprise cash, short term deposits, trade and other receivables, available for sale investments, trade and other payables and interest bearing liabilities.

The Group's activities expose it to a variety of financial risks: market risk (including interest rate risk), credit risk and liquidity risk. The Group's activities, which mainly comprise of exploration and evaluation work that occurs solely within Australia, do not expose it, at this time, to any foreign currency risk or price risk.

The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize the potential adverse effects on the financial performance of the Group.

The main risks arising from the Group's financial instruments are market risk (e.g. interest rate risk), credit risk and liquidity risk.

The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate and assessment of market forecasts for interest rates. The Group manages credit risk by only dealing with recognised, creditworthy, third parties and liquidity risk is monitored through the development of future rolling cash flow forecasts.

The Board reviews and agrees procedures for managing each of these risks as summarised below. Primary responsibility for identification and control of financial risks rests with management under the procedures approved by the Board. The Board reviews management's processes for managing each of the risks identified below including future cash flow forecast projections.

### Risk exposures and responses

#### Market risk

##### Interest rate risk

The Group's exposure to market interest rates relates primarily to the Group's cash and cash equivalents, other financial assets and interest bearing liabilities. The Group has provided loans to third parties, which are disclosed under other financial assets (current) in note 12, at fixed rates of interest and as such does not expose the Group to interest rate risk. Trade and other receivables disclosed in note 11 and Trade and other payables disclosed in note 17 are non-interest bearing.

*At balance date, the Group had the following mix of financial assets and liabilities exposed to variable interest rate risk:*

	Consolidated	
	2012 \$	2011 \$
<b>Financial assets</b>		
Cash and cash equivalents	24,882,064	31,622,677
Other financial assets (current)	-	35,041
Other financial assets (non-current)	1,101,963	524,724
	25,984,027	32,182,442
<b>Financial liabilities</b>		
Interest bearing liabilities	6,687	16,863
	25,977,340	32,165,579

The Group's policy is to manage its finance costs using a mix of fixed and variable rate debt. The Group regularly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing and the mix of fixed and variable interest rates.

The following sensitivity analysis is based on the interest rate exposures in existence at the balance sheet date after taking into account judgements by management of reasonably possible movements in interest rates after consideration of the views of market commentators over the next twelve months.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

At 30 June 2012, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

	Post tax profit higher/(lower)		Equity higher/(lower)	
	2012 \$	2011 \$	2012 \$	2011 \$
<b>Consolidated</b>				
+0.50% (50 basis points)	129,887	160,828	129,887	160,828
-0.25% (25 basis points)	(64,943)	(80,414)	(64,943)	(80,414)

The sensitivity is lower in 2012 than in 2011 for the consolidated entity because of a decrease in cash and term deposits.

### Credit risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables and other financial assets. The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Exposure at balance date is addressed in each applicable note.

The Group does not hold any credit derivatives to offset its credit exposure. The Group only trades with recognised, creditworthy third parties, and as such collateral is not requested, nor it is the Group's policy to securitise its trade and other receivables.

Financial instruments held by the Group are spread amongst a number of financial institutions all of which have credit ratings of AA or better, to minimise the risk of counterparty default. At balance date the cash and cash equivalents are held by three big financial institutions.

### Liquidity risk

Liquidity risk arises from the financial liabilities of the Group and the Group's subsequent ability to meet their obligations to repay their financial liabilities as and when they fall due.

The Group does not have any significant financial liabilities as its objective has been to ensure continuity of funding through the use of ordinary shares. The Group regularly monitors forecasts and actual cash flows and the maturity profiles of its financial assets and liabilities to manage its liquidity risk.

There may be a need to raise additional funds in the next twelve months to meet forecast operating activities. The decision on how the Group will raise these funds which may include debt and equity will depend on market conditions at the time.

*The remaining contractual maturities of the Group's and Parent's financial liabilities are:*

	Consolidated	
	2012 \$	2011 \$
1 month or less	627,710	863,591
1 - 3 months	-	-
Over 3 months	-	-
	627,710	863,591

At balance date the Group had cash and cash equivalents of \$24,882,064 for its immediate use.

### Fair value

The methods for estimating fair value are outlined in the relevant notes to the financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

### Note 4: Significant accounting judgements, estimates and assumptions

#### (a) Significant accounting judgements

In the process of applying the Group's accounting policies management has the following significant accounting judgements apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements.

##### *Determination of mineral resources and ore reserves*

The Group reports its mineral resources and ore reserves in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, 2004 Edition ('the JORC code') as a minimum standard. The information on mineral resources and ore reserves were prepared by or under the supervision of Competent Persons as defined in the JORC code.

There are numerous uncertainties inherent in estimating mineral resources and ore reserves and assumptions that are valid at the time of estimation may change significantly when new information becomes available.

Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may, ultimately, result in reserves or resources being restated.

#### (b) Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. 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:

##### *Share-based payment transactions*

The Group measures the cost of equity-settled and cash-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Black-Scholes model and the assumptions and carrying amount at the reporting date is disclosed in note 26.

##### *Impairment of capitalised Exploration and evaluation expenditure*

The future recoverability of capitalised Exploration and evaluation expenditure is dependent on a number of factors, including whether the Group decides to exploit the related lease itself or, if not, whether it successfully recovers the related Exploration and evaluation asset through sale.

Factors that could impact the future recoverability include the level of reserves and resources, future technological changes, which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

To the extent that capitalised Exploration and evaluation expenditure is determined not to be recoverable in the future, profits and net assets will be reduced in the period in which this determination is made.

In addition, Exploration and evaluation expenditure is capitalised if activities in the area of interest have not yet reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. To the extent it is determined in the future that this capitalised expenditure should be written off, profits and net assets will be reduced in the period in which this determination is made.

### Note 5: Segment information

#### *Determination and identification of reportable segment*

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

The Group identifies its operating segments based on the internal reports that are reviewed and used by the executive management team (chief operating decision makers) in assessing performance and determining the allocation of resources.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

The operations and assets of Golden West Resources Limited and its controlled entities are primarily employed in exploration and evaluation activities relating to minerals in Western Australia. The decision to allocate the resources to individual projects is predominantly based on available cash reserve, technical data and the expectation of future metal price. Accordingly, the Group has identified only one reportable segment, being mineral exploration activities undertaken in Western Australia. The financial information presented in the consolidated statement of comprehensive income and consolidated statement of financial position is the same as that presented to the chief operating decision maker.

#### Note 6: Revenue

	Consolidated	
	2012 \$	2011 \$
<b>Revenue</b>		
Interest received	1,753,625	1,651,621
	1,753,625	1,651,621

#### Note 7: Expenses

##### (a) Employee expenses

Salary and wages	1,511,954	2,258,740
Superannuation	92,503	137,972
Other employee expenses	345,172	552,896
	1,949,629	2,949,608

##### (b) Share based payments

Share based payments (Note 26)	2,446,038	30,672
	2,446,038	30,672

##### (c) Finance Costs

Impairment loss on listed available-for-sale share investments (Note 15)	542,909	-
	542,909	-

##### (d) Other expenses

Administration costs	523,625	701,052
Corporate costs	154,342	118,904
Consulting fees	36,083	94,926
Legal costs	158,558	95,756
Occupancy costs	271,544	292,485
Exploration & evaluation expenditure written off	-	154,878
IPO and merger costs	-	724,210
Loss on disposal of plant and equipment	572	34,433
	1,144,724	2,216,644

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

### Note 8: Income tax

A reconciliation of income tax expense applicable to accounting profit before income tax at the statutory income tax rate to income tax expense at the company's effective income tax rate is as follows:

	<b>Consolidated</b>	
	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
Accounting loss before income tax	(4,576,410)	(3,857,348)
At the statutory income tax rate of 30% (2011: 30%)	(1,372,923)	(1,157,205)
Non deductible expenditure	740,951	14,521
Tax loss and temporary differences not brought to account as a deferred tax asset	952,935	1,515,219
Temporary investment allowance	-	-
Capital raising costs	(320,963)	(372,535)
At the effective income tax rate of 0% (2011: 0%)	-	-

### Unrecognised deferred tax assets (liabilities)

Deferred tax assets have not been recognised in respect of the following items:

Employee entitlements	117,987	109,759
Trade and other payables	18,511	18,643
Business related expenses	506,157	982,113
Allowance for impairment loss	3,690,873	3,528,000
Tax losses	33,970,388	31,661,329
Deferred tax assets:	38,303,916	36,299,844

Deferred tax liabilities have not been recognised in respect of the following items:

Accrued interest receivable	(130,160)	(238,011)
Plant and equipment	(9,675)	(7,820)
Capitalised exploration & evaluation expenditure	(24,680,483)	(23,201,288)
	(24,820,318)	(23,447,119)

### Net unrecognised deferred tax asset (liability)

	13,483,598	12,852,725
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Deferred tax assets and deferred tax liabilities have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilise the benefits.

### Tax consolidation

The Company and its 100% owned controlled entities have formed a tax consolidated group. Members of the consolidated entity have entered into a tax sharing agreement and a tax funding agreement. The head entity of the tax consolidated group is Golden West Resources Limited. The tax funding agreement provides for the allocation of current taxes to members of the tax consolidated group. Deferred taxes are allocated to members of the tax consolidated group in accordance with a group allocation approach which is consistent with the principle of AASB 112 Income Taxes.

The consolidated entity's carried forward tax losses at balance date are \$113,234,625 (2011: \$105,540,842).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

### Note 9: Loss per share

The following reflects the income and data used in the calculations of basic and diluted loss per share:

	<b>Consolidated</b>	
	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
Loss used in calculating basic and diluted loss per share	(4,576,410)	(3,857,348)
	<b>No. of shares</b>	<b>No. of shares</b>
Weighted average number of ordinary shares used in calculating basic earnings per share:	192,111,689	177,930,369

Diluted loss per share is not disclosed as it would not reflect an inferior position.

### Note 10: Cash and cash equivalents

Cash on hand	1,000	1,000
Cash at bank	681,064	3,051,219
Term deposits	24,200,000	28,570,458
Total cash and cash equivalents	24,882,064	31,622,677

### Note 11: Trade and other receivables

Trade receivables	12,227	-
Accrued interest	433,866	793,370
Goods and services tax	25,543	33,036
Other receivables	7,814	60,064
	479,450	886,470

As of 30 June 2012 there were no trade and other receivables that are impaired or past due.

### Note 12: Other financial assets

#### Current

Security deposits/bonds	-	35,041
Application deposits (Note 18(b)) <sup>1</sup>	-	745,518
Loans to third parties (Note 15) <sup>2</sup>	-	655,421
	-	1,435,980

<sup>1</sup> The application deposits balance refers to the monies received from applicants in relation to Western Gold Resources Limited Initial Public Offering ('IPO') less bank charges. On the 1 July the Company announced withdrawal of the IPO and consequently all the monies were refunded in July 2011.

<sup>2</sup> The loan to third parties balance as at 30 June 2011 relates to the interest free loan to Silvrex Limited under the terms of the Merger Implementation Deed (MID) signed between Western Gold Resources Limited and Silvrex Limited. In accordance with the MID, the loan was converted to Silvrex Limited shares on 5 August 2011 at an issue price of 1.5 pence per share.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

#### Note 13: Plant and equipment

	Consolidated	
	2012	2011
	\$	\$
Plant and equipment at cost	1,731,618	1,623,267
Less: accumulated depreciation	(1,268,375)	(1,109,991)
	463,243	513,276
Motor vehicles at cost	451,190	557,791
Less: accumulated depreciation	(245,392)	(268,879)
	205,798	288,912
Leasehold improvements at cost	282,163	282,163
Less: accumulated depreciation	(122,370)	(84,742)
	159,793	197,421
Total plant and equipment	828,834	999,609

#### Reconciliation of the carrying amount for plant and equipment, motor vehicles and leasehold improvements is set out below:

##### Plant and equipment

Carrying amount at beginning of year	513,276	638,040
Additions	110,311	93,306
Disposals	(335)	(18,998)
Depreciation expense	(160,009)	(199,072)
Carrying amount at end of year	463,243	513,276

##### Motor vehicles

Carrying amount at beginning of year	288,912	370,247
Additions	-	-
Disposals	(34,016)	(12,845)
Depreciation expense	(49,098)	(68,490)
Carrying amount at end of year	205,798	288,912

##### Leasehold improvements

Carrying amount at beginning of year	197,421	142,890
Additions	-	101,820
Disposals	-	(2,806)
Depreciation expense	(37,628)	(44,483)
Carrying amount at end of year	159,793	197,421
Total carrying amount at end of year	828,834	999,609

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

### Note 14: Exploration and evaluation expenditure

	Consolidated	
	2012 \$	2011 \$
<b>(a) Current</b>		
Balance at beginning of year	-	200,000
Disposal <sup>1</sup>	-	(200,000)
Balance at end of year	-	-
<b>(b) Non Current</b>		
Balance at beginning of year	77,337,627	66,922,431
Expenditure incurred during the year	4,930,649	10,570,074
Expenditure expensed during the year (Note 7(d))	-	(154,878)
Balance at end of year	82,268,276	77,337,627

<sup>1</sup> The comparative amount of disposal relates to the relinquishment of the Company's uranium tenements and the sale of associated mining information to a third party for an amount equivalent to its carrying value.

### Note 15: Available-for-sale financial assets

#### At fair value

Shares - UK listed <sup>1</sup>	151,492	-
Shares - Australian unlisted	-	-
	151,492	-

<sup>1</sup> Western Gold Resources Limited held total number of 28,848,242 Silvrex Limited shares, which were exchanged for 1,795,803 ordinary shares in Stratex International Limited ('Stratex') shares in January 2012 on completion of the off market takeover of Silvrex Limited by Stratex.

Available-for-sale investments consist of investments in ordinary shares, and therefore have no fixed maturity date or coupon rate.

#### (a) Listed shares

The fair value of listed available-for sale investments has been determined directly by reference to published price quotations in an active market.

The Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. In the case of share investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. The determination of what is "significant" or "prolonged" requires judgement, the Group evaluates, among other factors, historical share price movements and the duration or extent to which the fair value of an investment is less than its costs.

Based on these criteria, the Company identified an impairment of \$542,909 on available-for-sale investment listed shares, which is recognised within finance costs in the income statement (Note 7 (c)). A reconciliation of the movement during the year is as follows:

<b>Cost:</b> Opening balance	-	-
Movements (Note 15 & 16)	694,401	-
Closing balance	694,401	-
<b>Less:</b> Allowance for impairment loss (Note 7 (c))	(542,909)	-
Fair value at balance date	151,492	-

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

#### (b) Unlisted shares

The fair value of the unlisted available-for-sale investments has been estimated using valuation techniques based on assumptions, which are outlined in note 2, that are not supported by observable market prices or rates. Management believes the estimated fair value resulting from the valuation techniques and recorded in the balance sheet and the related impairment charge recorded in the profit and loss account are reasonable and the most appropriate at the balance sheet date. A reconciliation of the movement during the year is as follows:

	<b>Consolidated</b>	
	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
<b>Cost:</b> Opening balance	11,760,000	11,760,000
Movements (Note 15 & 16)	-	-
Closing balance	11,760,000	11,760,000
<b>Less:</b> Allowance for impairment loss	(11,760,000)	(11,760,000)
Fair value at balance date	-	-

#### Note 16: Other financial assets

##### Non-Current

Security deposits/bonds	1,107,163	532,924
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#### Note 17: Trade and other payables

Trade payables	43,712	364,782
Other payables	76,781	116,083
Accruals	500,530	365,863
	621,023	846,728

#### Note 18: Current liabilities

##### (a) Interest bearing liabilities

Corporate credit cards <sup>1</sup>	6,687	16,863
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<sup>1</sup> Details regarding interest rate risk is disclosed in Note 3

##### (b) Other current liabilities

Application for shares (Note 12) <sup>1</sup>	-	745,590
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<sup>1</sup> The application for shares balance in the prior year referred to the value of the shares the Company is obligated to issue based on monies received from applicants for the Western Gold Resources Limited Initial Public Offering ('IPO') as at 30 June 2011. On the 1 July 2011 the Company announced the withdrawal of the IPO and consequently all monies received were refunded in July 2011 and the obligation to issue shares was cancelled.

#### Note 19: Provisions

##### (a) Current

Employee entitlements	102,896	95,172
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##### (b) Non Current

Employee entitlements	290,393	270,689
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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

### Note 20: Contributed equity

	Consolidated	
	2012 \$	2011 \$
<b>(a) Issued capital</b>		
192,142,447 Ordinary fully paid shares (2011: 192,082,567)	147,021,501	147,001,501
	<b>Number</b>	<b>\$</b>
<b>Movement in ordinary shares on issue</b>		
<b>At 1 July 2010</b>	143,135,763	109,356,721
Share issue <sup>1</sup>	21,470,364	17,176,291
Share issue <sup>2</sup>	25,000,000	20,000,000
Employee share plan issue <sup>3</sup>	37,690	30,672
Share purchase plan issue <sup>4</sup>	2,438,750	1,951,000
Transaction costs <sup>5</sup>	-	(1,513,183)
<b>At 30 June 2011</b>	192,082,567	147,001,501
Employee share plan issue <sup>6</sup>	59,880	20,000
Transaction costs	-	-
<b>At 30 June 2012</b>	192,142,447	147,021,501

<sup>1</sup> On 1 July 2011, 21,470,364 shares were issued for cash.

<sup>2</sup> On 29 December 2011, 25,000,000 were shares issued for cash.

<sup>3</sup> On 15 February 2011, 37,690 shares were issued in accordance with a Tax Discounted Employee Share Ownership Plan.

<sup>4</sup> On 25 February 2011, 2,438,750 shares were issued under a Share Purchase Plan.

<sup>5</sup> The transaction costs represent the costs of issuing shares.

<sup>6</sup> On 4 January 2012, 59,880 shares were issued under Tax Discounted Employee Share Ownership Plan.

### (b) Capital management

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

As the equity market is constantly changing management may issue new shares to provide for future exploration, evaluation and development activity. Management is currently considering a number of options to fund the development of its mining projects which may include the issue of shares and the borrowing of funds.

The Group is not subject to any externally imposed capital requirements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

#### Note 21: Reserves

	Consolidated	
	2012	2011
	\$	\$
<b>Options reserve</b>		
24,600,000 unlisted options (2011: 10,250,000 unlisted)	26,309,612	23,883,574
<b>Movement in options on issue</b>	<b>Number Listed</b>	<b>Number Unlisted</b>
<b>At 1 July 2010</b>	18,013,879	10,250,000
Issue of options	-	-
Options lapsed/expired on 31 December 2010	(18,013,879)	-
<b>At 30 June 2011</b>	-	10,250,000
Issue of options <sup>1</sup>	-	21,500,000
Issue of options <sup>2</sup>	-	700,000
Options lapsed/expired on 31 December 2011	-	(10,250,000)
Issue of options <sup>3</sup>	-	1,400,000
Issue of options <sup>4</sup>	-	1,000,000
<b>At 30 June 2012</b>	-	24,600,000
<b>Movement in options reserve</b>	<b>2012</b>	<b>2011</b>
	\$	\$
Balance at beginning of financial year	23,883,574	23,883,574
Share-based payment expense	2,426,038	-
Balance at end of financial year	26,309,612	23,883,574

Under the company's Employee Option Incentive Scheme:

- <sup>1</sup> 21,500,000 unlisted options were granted to directors on 21 November 2011.
- <sup>2</sup> 450,000 unlisted options granted to employees and 250,000 unlisted options granted to a consultant on 21 November 2011.
- <sup>3</sup> 1,400,000 unlisted options were granted to another consultant on 11 January 2012.
- <sup>4</sup> 1,000,000 unlisted options granted to an employee on 12 March 2012.

#### Note 22: Accumulated losses

Balance at beginning of year	(60,044,830)	(56,187,482)
Loss attributable to members of the Parent	(4,576,410)	(3,857,348)
Balance at end of year	(64,621,240)	(60,044,830)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

### Note 23: Cash flow statement reconciliation

#### (a) Reconciliation of net cash and cash equivalents used in operating activities to loss after income tax:

	Consolidated	
	2012 \$	2011 \$
Loss after income tax	(4,576,410)	(3,857,348)
Depreciation	246,735	312,045
Share based payments	2,446,038	30,672
Exploration & evaluation expenditure written off	-	154,878
Loss on disposal of plant and equipment	572	34,434
Impairment loss of available-for-sale share investments	542,909	-

#### Movements in assets and liabilities

(Increase)/decrease in trade and other receivables	393,427	(547,558)
Increase/(decrease) in trade and other payables	(285,265)	60,720
Increase/(decrease) in provisions	27,428	42,999
Net cash used in operating activities	<u>(1,204,566)</u>	<u>(3,769,158)</u>

#### (b) Non-cash financing and investing activities

Share based payments (note 26)	<u>2,446,038</u>	<u>30,672</u>
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### Note 24: Related party disclosure

#### (a) Subsidiaries

	Country of incorporation	Equity interest	
		2012 %	2011 %
Iron West Resources Pty Ltd (formerly Golden West Energy Pty Ltd)	Australia	100	100
Western Gold Resources Limited (formerly Aureus Gold Ltd and Triple Eight Resources Ltd)	Australia	100	100
Wiluna West Gold Pty Ltd (formerly Iron West Resources Pty Ltd)	Australia	100	100

#### (b) Ultimate parent

Golden West Resources Limited is the ultimate parent of the Group.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

### (c) Associates/investments

During the year, the Company via its subsidiary Western Gold Resources Limited ('WGR') held 28,848,242 ordinary shares equivalent to 17% interests in Silvrex Limited (a private company incorporated in UK). Pursuant to takeover offer made by Stratex International Plc ('Stratex'), an AIM-quoted exploration and development company focussed in Turkey and Africa, WGR received 1,795,803 Stratex ordinary shares on 9 January 2012 as consideration for its share holding in Silvrex. In addition, Stratex also repaid WGR the outstanding Convertible Notes plus interests owing on behalf of Silvrex in early February 2012. At the balance date, the Group valued its equity investments based on market valuation method and recorded impairment of loss \$542,909 on the investments in Stratex.

During the year, the Company paid various corporate expenses and or exploration costs on behalf of Iron West Resources Pty Ltd, Wiluna West Gold Pty Ltd and Western Gold Resources Limited and to the total value of \$365,306 (2011: \$800,114).

### (d) Terms and conditions of transactions with related parties

Outstanding balances at year-end are interest free and have no fixed repayment terms.

### (e) Joint venture

The Company via its subsidiary Iron West Resources Pty Ltd entered in a joint venture agreement with ASX listed Company Nemex Resources Limited ("Nemex") for Nemex's Woodley iron project. Main terms of the agreement include that the Company must spend on a minimum of \$300,000 on exploration within 12 months of signing the agreement after which time it may elect to withdraw; upon the Company spending a total of \$1,000,000 on exploration it will have earned an interest of 85% (Nemex 15%); Nemex will be free carried to completion of a bankable feasibility study; should the Company identify an iron resource of at least 10Mt at greater than or equal to 55% Fe or a gold resource of greater than 500,000 ounces of gold at a grade of 2g/t then Nemex shall be entitled to be issued up to 1,000,000 shares in the Company with the number of shares capped at \$600,000 maximum value.

### (f) Key management personnel

During the year, a company car was sold to Mr Michael Wilson, the proceeds of the sale \$23,444 was offset against his salary.

The Company via its subsidiary Western Gold Resources the Company acquired 1,400,000 Silvrex shares from Mr Vaughan Webber for cash consideration of \$38,980.

More details relating to key management personnel are included in Note 25.

### (g) Transactions with related parties

During the year, the Company made cash payment of \$50,000 for acquisition of mining information associated with an Iron Manganese project from a third party via its subsidiary Iron West Resources Pty Ltd.

## Note 25: Key management personnel disclosures

### (a) Compensation for key management personnel

	Consolidated	
	2012 \$	2011 \$
<b>Compensation by category</b>		
Short-term	1,384,201	1,859,457
Post employment	80,930	95,475
Long-term	8,855	10,405
Termination	88,634	15,330
Share-based payments	2,188,154	-
	<u>3,750,774</u>	<u>1,980,667</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

### (b) Option holdings for key management personnel (consolidated)

Options for shares in Golden West Resources Limited (number)

Listed options	Balance 01/07/11	Granted as remuneration	Options exercised	Net change other <sup>1</sup>	Balance 30/06/12	Vested & exercisable	Unvested
<b>Non-executive directors</b>							
CA Lau	-	-	-	-	-	-	-
TS Law	-	-	-	-	-	-	-
KL Lee	-	-	-	-	-	-	-
J Lester	-	-	-	-	-	-	-
G Lyons	-	-	-	-	-	-	-
D Sanders	-	-	-	-	-	-	-
J Wang	-	-	-	-	-	-	-
<b>Executive directors</b>							
M Wilson	-	-	-	-	-	-	-
<b>Other executives</b>							
C Ferrier	-	-	-	-	-	-	-
S Raven	-	-	-	-	-	-	-
A Begovich	-	-	-	-	-	-	-
V Webber	-	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	-	-	-

Listed options	Balance 01/07/10	Granted as remuneration	Options exercised	Net change other <sup>1</sup>	Balance 30/06/11	Vested & exercisable	Unvested
<b>Non-executive directors</b>							
CA Lau	-	-	-	-	-	-	-
TS Law	-	-	-	-	-	-	-
KL Lee	-	-	-	-	-	-	-
J Lester	500,000	-	-	(500,000)	-	-	-
G Lyons	-	-	-	-	-	-	-
D Sanders	-	-	-	-	-	-	-
J Wang	-	-	-	-	-	-	-
<b>Executive directors</b>							
M Wilson	1,500,000	-	-	(1,500,000)	-	-	-
<b>Other executives</b>							
A Begovich	-	-	-	-	-	-	-
M Hine	-	-	-	-	-	-	-
V Webber	-	-	-	-	-	-	-
<b>Total</b>	2,000,000	-	-	(2,000,000)	-	-	-

<sup>1</sup> Refers to lapsed options and includes options held by key management personnel at date of resignation.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

Unlisted options	Balance 01/07/11	Granted as remuneration	Options exercised	Net change other <sup>1</sup>	Balance 30/06/12	Vested & exercisable	Unvested
<b>Non-executive directors</b>							
CA Lau	-	4,000,000	-	-	4,000,000	4,000,000	-
TS Law	-	4,000,000	-	-	4,000,000	4,000,000	-
KL Lee	-	4,000,000	-	-	4,000,000	4,000,000	-
J Lester	500,000	500,000	-	(500,000)	500,000	500,000	-
G Lyons	-	4,000,000	-	-	4,000,000	4,000,000	-
D Sanders	-	1,000,000	-	-	1,000,000	1,000,000	-
J Wang	-	-	-	-	-	-	-
<b>Executive directors</b>							
M Wilson	1,500,000	4,000,000	-	(1,500,000)	4,000,000	4,000,000	-
<b>Other executives</b>							
C Ferrier	-	1,000,000	-	-	1,000,000	1,000,000	-
S Raven	-	-	-	-	-	-	-
A Begovich	-	-	-	-	-	-	-
M Hine	-	-	-	-	-	-	-
V Webber	-	-	-	-	-	-	-
<b>Total</b>	2,000,000	22,500,000	-	(2,000,000)	22,500,000	22,500,000	-

Unlisted options	Balance 01/07/10	Granted as remuneration	Options exercised	Net change other <sup>1</sup>	Balance 30/06/11	Vested & exercisable	Unvested
<b>Non-executive directors</b>							
CA Lau	-	-	-	-	-	-	-
TS Law	-	-	-	-	-	-	-
KL Lee	-	-	-	-	-	-	-
J Lester	500,000	-	-	-	500,000	500,000	-
G Lyons	-	-	-	-	-	-	-
D Sanders	-	-	-	-	-	-	-
J Wang	-	-	-	-	-	-	-
<b>Executive directors</b>							
M Wilson	1,500,000	-	-	-	1,500,000	1,500,000	-
<b>Other executives</b>							
A Begovich	-	-	-	-	-	-	-
M Hine	-	-	-	-	-	-	-
V Webber	-	-	-	-	-	-	-
<b>Total</b>	2,000,000	-	-	-	2,000,000	2,000,000	-

<sup>1</sup> Includes options held by key management personnel at date of resignation.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

### (c) Shareholdings of key management personnel (consolidated)

Shares held in Golden West Resources Limited (number)

	Balance 01/07/11	Granted as remuneration	On exercise of options	Net change other <sup>1</sup>	Balance 30/06/12
<b>Non-executive directors</b>					
CA Lau	195,000	-	-	-	195,000
TS Law	21,489,114	-	-	-	21,489,114
KL Lee	-	-	-	-	-
J Lester	-	-	-	-	-
G Lyons	-	-	-	-	-
D Sanders	27,050	-	-	-	27,050
J Wang	-	-	-	-	-
<b>Executive directors</b>					
M Wilson	2,084,438	-	-	-	2,084,438
<b>Other executives</b>					
C Ferrier	-	-	-	-	-
S Raven	-	-	-	-	-
A Begovich	-	-	-	-	-
V Webber	-	-	-	-	-
<b>Total</b>	<b>23,795,602</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>23,795,602</b>

	Balance 01/07/10	Granted as remuneration	On exercise of options	Net change other <sup>1</sup>	Balance 30/06/11
<b>Non-executive directors</b>					
CA Lau	-	-	-	195,000	195,000
TS Law	-	-	-	21,489,114	21,489,114
KL Lee	-	-	-	-	-
J Lester	-	-	-	-	-
G Lyons	-	-	-	-	-
D Sanders	8,300	-	-	18,750	27,050
J Wang	-	-	-	-	-
<b>Executive directors</b>					
M Wilson	2,199,438	-	-	(115,000)	2,084,438
<b>Other executives</b>					
A Begovich	-	-	-	-	-
M Hine	-	-	-	-	-
V Webber	-	-	-	-	-
<b>Total</b>	<b>2,207,738</b>	<b>-</b>	<b>-</b>	<b>21,587,864</b>	<b>23,795,602</b>

<sup>1</sup> Includes shares held by key management personnel at date of appointment and date of resignation.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

### Note 26: Share based payments

#### Recognised share based payment costs

	Consolidated	
	2012 \$	2011 \$
Equity-settled share based payment transactions:		
Shares	2,446,038	30,672
	<u>2,446,038</u>	<u>30,672</u>

#### Equity-settled share based payment transactions

##### (a) Options

##### Types of share-based payment plans

The Company has a formal Employee Option Incentive Scheme ('the Scheme') for employees and directors. The purpose of the scheme is designed to align participant's interests with those of shareholders by increasing the value in the Company's shares and well as reward, incentivise and retain employees and directors.

Under the Scheme, options will only be issued to an Eligible Person who is also a Related Party of the Company after the members of the Company have approved by resolution the proposed issue, if such approval is required by the Listing Rules of the Corporations Act or both. The exercise price for options is determined with reference to the market value of the Company's shares at the time of resolving to make the offer. The options will be issued with no vesting conditions. On exercise, each option is convertible to one ordinary share within 10 business days of the receipt of the exercise notice and payment of the exercise price in Australian dollars. Options are to be for a term not exceeding five years from the date of issued, or such longer term as the members in general meeting approve. If an eligible person ceases to be an eligible person any options held by them will automatically lapse except if the person ceases to be an eligible person by reason of retirement at age 55 or over after not less than five years service as an employee, permanent disability, or death, in which case options may be exercised within three months of that event happening and if not exercised in that period options shall lapse. The options issued under the scheme carry no dividend or voting rights.

The Board decides which employee or director is eligible to receive the options and the number of options. The Board may, subject to applicable laws, impose any conditions on the exercise of options such as vesting conditions and performance conditions.

Under the Scheme, the exercise price must be at least the weighted average market price of a Share on the ASX over the last five trading days preceding the date of the of the relevant offer. The contractual life of each option is five years or such other time as shareholders approve in a general meeting.

##### Summaries of options granted

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of, and movements in, share options issued during the year:

	2012 No.	2012 WAEP	2011 No.	2011 WAEP
Outstanding at beginning of year	10,250,000	\$2.1612	23,575,000	\$2.1612
Granted during the year	24,600,000	\$0.58	-	-
Lapsed during the year	(10,250,000)	\$2.1612	(13,325,000)	\$2.1612
Exercised during the year <sup>1</sup>	-	-	-	-
Outstanding at end of year	<u>24,600,000</u>	<u>\$2.1612</u>	<u>10,250,000</u>	<u>\$2.1612</u>
Exercisable at end of year	24,600,000	\$0.58	10,250,000	\$2.1612

<sup>1</sup> No options were exercised during the year (2011: Nil)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

The outstanding balances as at 30 June 2012 are represented by:

Grant date	Exercise date	Expiry date	Exercise price	Number
21 November 2011	21 November 2011	22 November 2015	\$0.58	21,500,000
21 November 2011	21 November 2011	04 January 2016	\$0.58	700,000
11 January 2012	11 January 2012	22 February 2016	\$0.58	1,400,000
12 March 2012	12 March 2012	22 March 2012	\$0.58	1,000,000
<b>Total</b>				<b>24,600,000</b>

### Weighted average remaining contractual life

The weighted average remaining contractual life for the share options outstanding as at 30 June 2012 is 3.43 years (2011: 0.5 years).

### Range of exercise price

The range of exercise prices for options outstanding at the end of the year was \$0.58 (2011: \$3.00).

### Weighted average fair value

The weighted average fair value of options granted during the year was \$0.0986 (2011: \$Nil).

### Option pricing model

The fair value of the equity-settled share options granted is estimated at the date of the grant using a Black-Scholes model taking into account the terms and conditions upon which the options were granted.

The following table lists the inputs to the models used for the year ended 30 June 2012;

Grant date	21 November 2011	11 January 2012	22 March 2012
Expected volatility (%)	48.53	59.28	64.17
Risk-free interest rate (%)	3.36	3.30	3.59
Expected life of option (years)	4	4	4
Option exercise price (\$)	0.58	0.58	0.58
Share price at grant date (\$)	0.40	0.40	0.38

There were no options issued for the year ended 30 June 2011.

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

## (b) Shares

### Types of share-based payment plans

#### *Tax Discount Employee Share Ownership Plan (ESOP)*

Shares were granted to employees with more than 12 months' service, and or pro-rata to employees with more than 3 months' services. The ESOP was designed to recognise the efforts all employees' contribution to the Company's success and enhance the loyalty and relationships already formed between the Company and its employees.

The value of Shares offered to each employee under the ESOP is limited to \$1,000 per annum and the share price is based on the market price at the time when the shares are issued.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

### Note 27: Remuneration of auditors

	Consolidated	
	2012	2011
	\$	\$
Amount paid or due and payable to Stantons International for:		
Audit services	39,039	45,539
Other services	1,300	31,433
	40,339	76,972

The Auditors did not receive any other benefit during the year.

### Note 28: Commitments for expenditure

#### Tenement expenditure commitments

In order to maintain current rights of tenure to mining tenements, the Consolidated and Parent have minimum tenement expenditure requirements and lease rentals. Assuming the Consolidated and Parent wish to maintain the rights to tenure for these tenements in accordance with the terms of the agreements as at balance date the obligations, which are not provided for in the accounts, are as follows:

Less than one year	1,898,100	1,585,100
Between one and five years	8,158,500	7,255,500
More than five years	16,943,300	19,427,200
	26,999,900	28,267,800

#### Office rental commitments

Less than one year	138,793	135,807
Between one and five years	133,436	278,095
More than five years	-	-
	272,229	413,902

#### Key management personnel contract commitments

Less than one year	45,655	97,219
Between one and five years	-	-
More than five years	-	-
	45,655	97,219

#### Commitments relating to joint venture project

At 30 June 2012, the Company via its subsidiary Iron West Resources Pty Ltd has commitments of solely spending minimum exploration costs of \$300,000 within 12 months of signing the agreement on its joint venture Woodley project with Nemex.

### Note 29: Contingencies

The Group is not aware of any significant contingencies as at the end of the financial year other than disclosed at Note 24 (e) regarding the Joint Venture with Nemex Resources.

### Note 30: Events after balance date

There have been no significant events since balance date.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

#### Note 31: Parent entity disclosures

<b>(a) Financial position</b>	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
<b>Assets</b>		
Current assets	25,367,294	32,450,532
Non-current assets	94,450,195	89,119,486
<b>Total assets</b>	<b>119,817,489</b>	<b>121,570,018</b>
<b>Liabilities</b>		
Current liabilities	715,960	877,203
Non-current liabilities	290,393	270,690
<b>Total liabilities</b>	<b>1,006,353</b>	<b>1,147,893</b>
<b>Equity</b>		
Contributed equity	147,021,501	147,001,501
Accumulated losses	(54,519,977)	(50,462,950)
<b>Reserves</b>		
Option Reserves	26,309,612	23,883,574
<b>Total equity</b>	<b>118,811,136</b>	<b>120,422,125</b>
<b>(b) Financial performance</b>		
Profit/(loss) for the year <sup>1</sup>	(4,057,027)	5,724,532
Other comprehensive income	-	-
<b>Total comprehensive income</b>	<b>(4,057,027)</b>	<b>5,724,532</b>
<b>(c) Guarantees entered into by the parent entity in relation to the debts of its subsidiaries</b>		
Guarantee provided under the deed of cross guarantee	-	-
Other comprehensive income	-	-
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>

<sup>1</sup> The comparative amount included the profit \$ 8,778,630 on sale of gold rights by the Parent company (Golden West Resources Limited) to its wholly owned subsidiary (Wiluna West Gold Pty Ltd), via Western Gold Resources Limited in May 2011.

## DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Golden West Resources Limited, I state that:

1. In the opinion of the directors:
  - (a) The financial statements and notes of Golden West Resources Limited for the financial year ended 30 June 2012 are in accordance with the Corporations Act 2001, including:
    - (i) Giving a true and fair view of its financial position as at 30 June 2012 and performance
    - (ii) Complying with Accounting Standards (including the Australian Accounting Interpretations) and Corporations Regulations 2001
  - (b) The financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2b.
  - (c) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. This declaration has been made after receiving the declarations 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.

On behalf of the Directors



Gary Lyons

**Director**

Perth, 25 September 2012

# INDEPENDENT AUDITOR'S REPORT

Stantons International Audit and Consulting Pty Ltd  
trading as

**Stantons International**

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## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GOLDEN WEST RESOURCES LIMITED

### Report on the Financial Report

We have audited the accompanying financial report of Golden West Resources Limited Limited, 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 of the consolidated entity comprising 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error. In note 2(b), the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply 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 company's preparation of the financial report that gives a true and fair view 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 company'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.

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### Stantons International

#### *Independence*

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

#### *Opinion*

In our opinion:

- (a) the financial report of Golden West 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.
- (b) the consolidated financial report also complies with International Financial Reporting Standards as disclosed in note 2(b).

#### *Emphasis of Matter regarding the Recoverability of Capitalised Exploration Expenditure Assets*

Without qualification to our audit opinion expressed above, attention is drawn to the following matter:

The Company has recorded a non-current capitalised exploration expenditure asset totalling \$82,268,276. This asset has been recognised over a number of years in accordance with the consistent application of the Company's accounting policies as set out in note 2(k). The ability to realise and ultimately recover the capitalised exploration expenditure in full is dependent on the Company, and its subsidiaries, successfully exploiting and commercialising the asset by undertaking mining operations, or through the sale of the relevant mineral interests.

If the consolidated entity is not successful in the aforementioned activities, the realisable value of the consolidated entity's non-current exploration expenditure may be significantly less than its current carrying value.

#### **Report on the Remuneration Report**

We have audited the remuneration report included in pages 10 to 18 of 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

#### *Opinion*

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

**STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD**  
**(Trading as Stantons International)**  
**(An Authorised Audit Company)**

*Stantons International Audit & Consulting Pty Ltd*



**Martin Michalik**  
Director

West Perth, Western Australia  
25 September 2012

## ADDITIONAL INFORMATION

### SECURITY HOLDER INFORMATION AS AT 25 SEPTEMBER 2012

#### Distribution schedule and number of holders of equity securities

Category	1 - 1,000	1,001 - 5,000	5,001 - 10,000	10,001 - 100,000	100,001+	Total
Listed shares	534	665	263	447	95	<b>2004</b>
Director options	-	-	-	-	7	<b>7</b>
Staff options	-	-	-	-	5	<b>5</b>
Consultant options	-	-	-	-	1	<b>1</b>

Number of holders holding less than a marketable parcel of fully paid ordinary shares is 843.

#### 20 largest holders of quoted equity securities

##### Ordinary shares (GWR)

Name	No. of ordinary fully paid shares held	Percentage of issued shares held
1. Nefco Nominees Pty Ltd	37,579,993	19.56%
2. HSBC Custody Nominees Aust Ltd*	27,869,643	14.50%
3. Cliffs Asia Pacific Iron	24,276,852	12.63%
4. Hunan Valin Steel Co Ltd	14,400,000	7.49%
5. Walthamstow Pty Ltd	13,500,000	7.03%
6. Aust Conglin Intl Inv Gr	7,213,099	3.75%
7. Citicorp Nominees Pty Ltd	5,264,658	2.74%
8. Rubicon Nominees Pty Ltd	4,646,849	2.42%
9. National Nominees Limited	3,454,460	1.80%
10. Phillip Securities (Hong Kong) Ltd	2,140,870	1.11%
11. Wilson Michael Reginald	2,084,438	1.08%
12. Bonaccorso Garry	1,685,000	0.88%
13. JP Morgan Nominees Aust Ltd	1,656,347	0.86%
14. Yijian Investment Co Ltd	1,600,000	0.83%
15. Goldlaw Pty Ltd	1,500,000	0.78%
16. Rudd Alan Paul	1,400,000	0.73%
17. Uob Kay Hian Private Ltd	1,085,509	0.56%
18. Shashua PL	990,000	0.52%
19. Douth Malcolm James	907,615	0.47%
20. Joseph Neville	845,504	0.44%
	<b>154,100,837</b>	<b>80.18%</b>

\*The registered holding HSBC Custody Nominees Aust Ltd includes 21,470,364 shares beneficially owned by Wynnes Investment Holding Ltd a related entity of director, Tan Sri Dato' Tien Seng Law. Refer to Substantial Shareholders information set out below.

#### Voting rights

Articles 15 of the Constitution specify that on a show of hands every member present in person, by attorney or by proxy shall have:

(a) for every fully paid share held by him one vote

(b) for every share which is not fully paid a fraction of the vote equal to the amount paid up on the share over the nominal value of the shares.

## ADDITIONAL INFORMATION

### SECURITY HOLDER INFORMATION AS AT 25 SEPTEMBER 2012 (CONTINUED)

#### Substantial shareholders

The following substantial shareholders are recorded with the most recent notifications lodged:

Name	Ordinary shares no.	%
Cliffs Asia Pacific Iron	24,276,852	12.63%
Fairstar Resources Ltd	23,297,958	12.12%
Wynnes Investment Holding Ltd	21,470,364	11.12%
Joyful Winner Holding Ltd	20,677,910	10.76%
Hunan Valin Steel Co Ltd	14,400,000	7.49%

#### On-market buy back

There is no current on-market buy back.

#### Restricted securities

The Company has no restricted securities on issue.

#### Options exercisable

The Company has no listed options exercisable.

#### Unquoted securities on issue

Unquoted securities	Number on issue	Exercise price	Expiry date
Director options	21,500,000	\$0.58	22/11/2015
Staff options	1,700,000	\$0.58	04/01/2016 – 22/03/2016
Consultant options	1,400,000	\$0.58	22/02/2016

Names of persons holding more than 20% of a given class of unquoted securities (other than employee options):

Securities	Name	Number of Securities
Consultant options	Septimus Investments Pty Ltd	1,400,000

#### Voting rights

Holders of options are not entitled to vote at a General Meeting of Members in person, by proxy or upon a poll, in respect of their option holding.

## ADDITIONAL INFORMATION

### TENEMENT INTERESTS AS AT 25 SEPTEMBER 2012

#### Schedule of interests in mining tenements

<b>Location</b>	<b>Tenement</b>	<b>Percentage held</b>
Wiluna West	E53/1089-I	80%
Wiluna West	E53/1116-I	100%
Wiluna West	E53/1491-I	100%
Wiluna West	E53/1513-I	100%
Wiluna West	L53/115	100%
Wiluna West	L53/146	100%
Wiluna West	L53/147	100%
Wiluna West	L53/148	100%
Wiluna West	L53/154	100%
Wiluna West	LA53/176	100%
Wiluna West	LA53/177	100%
Wiluna West	LA53/178	100%
Wiluna West	LA53/179	100%
Wiluna West	M53/971-I	100%
Wiluna West	M53/972-I	100%
Wiluna West	M53-1016-I	100%
Wiluna West	M53-1017-I	100%
Wiluna West	M53-1018-I	100%
Wiluna West	M53/1078-I	80%
Wiluna West	M53/1087-I	100%
Doherty's	M57/619	100%
Depot Springs	E57/799-I	100%
Earaheedy	ELA69/2936	100%
Earaheedy	ELA69/3020	100%
Earaheedy	E69/3022-I	100%
Earaheedy	E69/3026	100%
Earaheedy	E69/3037-I	100%
Woodley JV	E57/632-I	0%
Woodley JV	E57/634-I	0%



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