



10 March 2009

Dear Shareholder

## Company Update

I am taking the opportunity to write to all shareholders to provide you with a further update in relation to the Company and the development of the Company's Wiluna West Iron Ore Project in the period since my address to shareholders at the 2008 AGM.

### Exploration

As outlined at the 2008 AGM the Company is working towards converting the Company's inferred resource to indicated status, while maintaining sufficient tonnage to support the proposed 15 year mine schedule. Despite the current uncertainties relating to global economic conditions, your Board believes that the medium to long term demand for high quality direct shipping ore products is positive. Because of this, your Company is taking a medium to long term position and will continue to conduct resource definition drilling and prefeasibility studies for its Wiluna West Iron Ore Project.

During the December quarter exploration concentrated on defining additional inferred resources at the C2, C3 and C4 prospects whilst indicated resource drilling commenced at the Bowerbird prospect. The Company recommenced RC drilling in early February 2009 focusing on unit C to test for new or the strike extensions of known deposits.

The Wiluna West Iron Ore Project currently hosts some **126Mt of Inferred Direct Shipping Ore (DSO) hematite ore at 59% Fe** contained within two iron ore ridges, Unit B and Unit C and collectively within nine ore bodies.

An independent geological potential review (ASX release "Wiluna West Iron Ore Project Target", dated 24 September 2008) has determined that, combined with the above JORC compliant Inferred Resource, a conceptual project iron ore target of between **320 and 470Mt ranging from 56% to 59% Fe exists.**

The potential project quantity and grade is conceptual in nature and there has been insufficient exploration to define a total potential mineral resource outside of the current JORC compliant Inferred Resource of 126 million tonnes and it is uncertain if further exploration will result in the determination of a mineral resource of that magnitude.

The Company continues to have a substantial backlog in outstanding assay samples, though I am now confident that this backlog is being overcome and will be largely resolved by the end of March. The results of these assays will be used by the Company together with the data already compiled and the information from the scoping study and pre-feasibility study to develop the Company's exploration strategy going forward.

The Company has completed an RC drilling program at its uranium prospect testing the possible strike extension of the Dawson-Hinkler deposit held by U308 Limited that has a reported inferred resource of 20.7 Mt (for 10.4 million pounds of contained U<sub>3</sub>O<sub>8</sub>) and is reviewing the results.

With the significant recent increase in the gold price the Company is also looking at options for exploiting its 87,000 ounce gold resource.

**Scoping study and prefeasibility study**

The scoping study completed by Engenium in the latter part of last year indicated that preliminary economics showed that the Wiluna West Iron Ore Project was viable and that further evaluation was warranted. The study also confirmed that the Geraldton/Oakajee port option was the preferred transport infrastructure option, with Esperance retained as a backup option. Following receipt of the scoping study Engenium was engaged to commence a prefeasibility study the results of which are expected by the end of May.

**Infrastructure**

As identified at the 2008 AGM the development of economically viable transport infrastructure remains critical for the future development of the Wiluna West Iron Ore Project. Together with other prospective Mid-West miners our Company is actively pursuing a transport infrastructure solution for the Mid-West with a view to securing rail infrastructure to carry the Company's ore to the proposed new port of Oakajee, as well as a possible interim solution that would allow the Company to export iron ore and generate early cash flow ahead of the commissioning of the proposed Oakajee port through the construction of a regional rail network to Oakajee but with a deviation to allow exports through Geraldton port until Oakajee is developed.

The Company is encouraged by the significant support for the Oakajee port project committed by the West Australian State Government and the foreshadowed support from the Commonwealth Government as part of its national infrastructure initiative.

**Strategic review**

As noted in my address at the 2008 AGM in looking forward your Company had refocused its corporate strategy to ensure that the Company adapts its plans to prevailing economic conditions. Due to the ongoing global uncertainty both on financial and commodity markets your Board continues to review its corporate strategy to ensure it remains focused and relevant. To this end your Company has recently appointed KPMG to undertake a strategic review of the Company's business for consideration by the Board prior to the end of June. The Company is pleased to engage a global organisation with the reputation and resources of KPMG and looks forward to working with the KPMG team for the benefit of all shareholders. Pending the outcome of the KPMG strategic review and the completion of the Engenium prefeasibility study the Company will continue its exploration program as outlined above. Until the completion of the strategic review and pre-feasibility study, and until a clearer picture emerges in relation to the Mid-West transport infrastructure proposal, the Company will not be advancing the previously foreshadowed shift in focus from expanding resources to defining high quality marketable iron ore products.

**Financial position**

As a result of the Company's successful fundraising activities in 2007 and 2008 your Company remains well funded to enable it to continue to pursue the development of the Wiluna West Iron Ore Project in an economically prudent manner with current cash reserves of \$29.7m. The Company is aware that the generation and preservation of funds is a critical factor in the performance of the Company going forward.

**Opportunities**

I am pleased to confirm that the Company continues to receive expressions of interest from a range of iron ore industry participants including companies from China, Korea and Japan and your Board is continuing to explore all prospective opportunities in terms of advancement of the Wiluna West Iron Ore Project with both potential customers and potential investors at either the Company or project level.

Your Board is also continuing to evaluate opportunities as they arise to invest in other areas that may be complementary to the Company's existing focus on the Wiluna West Iron Ore Project as well as its gold and uranium assets.

Yours faithfully



Con Markopoulos  
Executive Chairman

**Competent Person's Statement**

*The information in this Public Report that relates to Exploration Results and Mineral Resources is based on, and accurately reflects, the information compiled by Mr Alan Rudd who is a Director of Golden West Resources Limited and a member of the Australian Institute of Geoscientists.*

*Mr Rudd has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activities undertaken to qualify as Competent Persons as defined in the 2004 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Rudd consents to the inclusion in this report of the matters based on the information in the form and context in which it appears.*