



COMPANY UPDATE

24th July 2009

The Company is pleased to provide the following further update in relation to its activities.

Strategic Review

KPMG has completed its strategic review of the Company's business. The Board is in the process of implementing a number of the recommendations made by KPMG and is currently formulating a detailed business plan for the next 12 months in conjunction with the Company's annual budget process.

Wiluna West Project

Optiro is continuing to work on the resource update at the Wiluna West Iron Ore Project as previously announced. The Company believes it is appropriate to wait until the update in relation to all of the deposits comprising the project is completed to announce the results of the update. It is anticipated that the update will be completed within the September 2009 quarter.

The Company is continuing a dialogue with all key participants in the proposed mid-west infrastructure solution including the port of Oakajee and rail link between Oakajee and Weld Range and remains confident that these projects can provide a complete infrastructure solution for the Company.

Demerger of non-iron assets

As part of the process arising out of the KPMG strategic review the Board has resolved to seek shareholder approval for the demerger of the Company's non-iron assets by way of a pro-rata in specie distribution of shares in a new company which will own the non-iron assets currently owned by the Company. As part of the process the new company would issue a Prospectus and apply for ASX listing. In addition to receiving shares in the new company pursuant to the in specie distribution, it is proposed that existing shareholders in the Company will receive a priority entitlement to subscribe for additional shares pursuant to the Prospectus.

The Company's non-iron assets include a combined Indicated and Measured gold resource of 788,000 tonnes at 3.5g/t for an estimated 87,000 ounces of gold at the Company's Wiluna West tenements. The Company is also actively investigating other opportunities in the gold sector with the possibility that the new company may acquire additional assets at the time of listing.

The rationale for the demerger is to enable shareholders in the Company to have an interest in two companies, one which will continue to pursue the development of the Wiluna West Iron Ore Project and the other which will operate as a stand alone entity focused on developing the non-iron assets. The Board recognises the fact that a significant number of the Company's foundation shareholders retain shares in the Company which they acquired at the time of original listing when the Company's activities were focused on gold exploration. Given the subsequent discovery and development of the Wiluna West Iron Project, it is apparent that the Company's share price does not recognise the intrinsic value of the Company's non-iron assets.

It is proposed that the initial Board of the demerged company will include Mr Con Markopoulos, Mr Mick Wilson and Mr John Lester as well as appropriate independent directors with expertise in the gold sector.

Board and management changes

With the departure of Mr David Rose as the Company's CEO earlier in the year, the Company's Executive Chairman has been required to spend a very significant amount of time travelling to Perth and elsewhere including Hong Kong and China. The Board recognises that given the Company's focus in Western Australia it is appropriate for the Company's Chief Executive Officer to be based in Perth. The Board has therefore resolved to appoint Mr John Lester, the Company's Perth based Executive Director for Corporate Strategy, as Managing Director and requested the Executive Chairman to step down from his executive position.

An summary of Mr Lester's contract with the Company (which has not changed as a result of his new role) is attached as Appendix A.

In light of the above and other planned changes to the Board, Mr Markopoulos has decided to relinquish his directorship in the Company but will continue to provide services to the Company from Melbourne where his duties will include provision of ongoing strategic input into the operation of the Company, investor relations and contract management. Mr Markopoulos will also be involved in overseeing the demerger process on behalf of the Company.

The Board and shareholders congratulate Mr Markopoulos for being an outstanding leader in some very difficult circumstances for the Company and are delighted that he will continue to be involved with the Company.

As a result of Mr Markopoulos' change of role and the recent resignation of Mr Rudd from the Board, the Board has appointed two new non-executive directors to take their place, namely Mr Vaughan Webber and Mr John Douch.

Mr Webber is an experienced finance professional with a background in chartered accounting at a major international accountancy firm and more recently in corporate finance servicing the Australian capital markets. Mr Webber's specialty is the equity capital markets for small to mid-capitalised listed companies and for the previous six years ran the Melbourne Corporate Finance department for a large stockbroker. In this role Mr Webber managed many Initial Public Offerings on the ASX, raised significant equity capital for listed companies and advised numerous listed companies across many sectors on strategic and corporate matters. The Board considers that Mr Webber's experience will bring valuable skills to the Board both in relation to the Wiluna West Iron Project and also the demerger of the non-iron ore assets.

Mr Douch has been appointed on an interim basis pending the appointment of a non-executive director with direct experience in the iron ore industry. The Company intends to undergo a rigorous selection process to identify appropriate candidates for this role over the coming months.

Founding director Mr Mick Wilson has assumed the position as Interim Chairman of the Company. It is anticipated that when the Company has identified a new non-executive director with iron ore experience this director will also be invited to take on the role of non-executive Chairman.

About the Company

Golden West Resources was listed on the ASX in 2004. The company has tenements south-west of Wiluna in Western Australia's Northern Goldfields. The Wiluna West Iron Ore Project is our key asset, with a JORC compliant Inferred Resource of 126Mt.

Competent Persons Statement

The information in this report which relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Allen Maynard, who is a Member of the Australian Institute of Geosciences ("AIG"), a Corporate Member of the Australasian Institute of Mining & Metallurgy ("AusIMM") and independent consultant to the Company. Mr Maynard is the principal of AI Maynard & Associates Pty Ltd and has over 30 years of exploration and mining experience in a variety of mineral deposit styles. Mr Maynard 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 Maynard 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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APPENDIX A

Term

Mr Lester's employment is for an initial period up until 21 August 2011.

Duties

The duties of Mr Lester will be those that are normally expected of a Managing Director.

Remuneration

Mr Lester's remuneration consists of a base fee of \$305,200 per annum (inclusive of superannuation), a vehicle allowance of \$3,000 per annum and costs associated with a fully maintained mobile phone.

As previously announced on 30 September 2009 the Company awarded Mr Lester 500,000 options exercisable at \$2.00 on or before 31 December 2010 and 500,000 options exercisable at \$3.00 on or before 31 December 2011.

Mr Lester has no entitlement to shares in the Company nor does his remuneration contain any performance based incentives.