



ACN 122 301 848

RENOUNCEABLE RIGHTS ISSUE OFFER MEMORANDUM

17 November 2009

Fully underwritten pro-rata renounceable one (1) for five (5) rights issue of up to 20,825,019 New Shares at an issue price of A\$0.40 per New Share to raise up to approximately A\$8.33 million

LEAD MANAGER AND UNDERWRITER – PATERSONS SECURITIES LIMITED

CLOSING DATE: 5.00pm Adelaide time on Monday, 14 December 2009

THIS IS AN IMPORTANT DOCUMENT. IF YOU DO NOT UNDERSTAND IT, OR ARE IN DOUBT AS TO HOW TO ACT, YOU SHOULD CONSULT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER.

CORPORATE DIRECTORY

Directors Michael Robert Billing (Non-executive Chairman)
Norman Wayne Gardner (Managing Director)
Graham John Bubner (Non-Executive Director)
David John Cloke (Non-Executive Director)
Michael Kevin Ashton (Non-Executive Director)

Company Secretary Laurie Ackroyd

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Lead Manager and Underwriter Patersons Securities Limited
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2 The Esplanade
Perth WA 6000
Australia

Share Registry Computershare Investor Services Pty Ltd
Level 5, 115 Grenfell Street
Adelaide SA 5000
Australia

Lawyers Watsons Lawyers
Ground Floor
60 Hindmarsh Square
Adelaide SA 5000
Australia

Website www.westerndesertresources.com.au

IMPORTANT NOTICES

This Offer Memorandum includes forward looking statements that have been based on current expectations about future acts, events and circumstances. These forward looking statements are, however, subject to risks, uncertainties and assumptions that could cause those acts, events and circumstances to differ materially from the expectations described in such forward looking statements. These factors include, among other things, commercial and other risks associated with the meeting of objectives and other investment considerations, as well as other matters not yet known to the Company or not currently considered material by the Company.

No offer is made by this Offer Memorandum in any jurisdiction outside of Australia and New Zealand. The distribution of this Offer Memorandum within jurisdictions outside Australia and New Zealand may be restricted by law and persons into whose possession this Offer Memorandum comes should inform themselves about and observe any such restrictions.

CHAIRMAN'S LETTER

17 November 2009

Dear Shareholder

On behalf of the directors of Western Desert Resources Ltd (**WDR** or **Western Desert Resources**) I am pleased to present an opportunity to participate in a pro-rata renounceable rights issue of up to 20,825,019 New Shares in total (based on WDR's undiluted share capital as at 16 November 2009, without taking into account the impact of rounding) to raise approximately A\$8.33 million (before costs and expenses of the rights issue).

The rights issue offers you the right to take up one New Share for every five Shares you hold as at 5.00pm Adelaide time on Wednesday, 25 November 2009 at an issue price of A\$0.40 per New Share.

The Offer provides you with an opportunity to increase your investment in WDR at an attractive price. The issue price of the New Shares represents a discount of approximately 32% to the volume weighted average price of WDR Shares during the 5 trading day period to, and including, Wednesday, 4 November 2009 (being the last day on which WDR Shares were traded on ASX prior to the preliminary announcement of the rights issue on 9 November 2009).

The rights issue is renounceable. This means that Shareholders who do not wish to accept all or part of their Entitlement under the rights issue may sell that part of their Entitlement that they do not wish to accept either on ASX or off-market during the Rights Trading Period, and may sell their Entitlement to a third party who need not be another Shareholder of WDR.

The Offer will be conducted without a prospectus in accordance with the new streamlined offering provisions of the Corporations Act.

Patersons Securities Limited has agreed to fully underwrite the rights issue.

After payment of the costs and expenses of the rights issue, the proceeds from the rights issue will be applied towards:

- exploration of WDR's 100% owned Mountain Creek Iron Ore Project, adjacent to WDR's Roper Bar Iron Ore Project;
- further exploration of the Rover Gold/Copper Project, a joint venture with TNG Ltd located south of Tennant Creek in the Northern Territory. WDR is currently earning a 51% interest in this project and has the option to earn 80%;
- evaluation and assessment of the Roper Bar Iron Ore Project, a joint venture with the ITOCHU subsidiary, IMEA Exploration and Development of Australia Pty Ltd (**IEDA**). IEDA holds a 20% interest in this project and has the right to earn up to 51%;
- additional exploration of WDR's other existing gold, uranium and base metals projects;
- the potential expansion of WDR's iron ore and base metals asset portfolio; and
- general working capital requirements.

Western Desert Resources has made substantial progress during 2009, in particular with its Roper Bar Iron Ore Project with the publication on 20 October 2009 of an initial 90 million tonne Inferred Mineral Resource¹ for Area "D" within the Project area. It is expected that further resource statements for other areas of the Project will be published before the end of 2009. In addition the Company expects to commence a drilling program at its Rover Gold/Copper project, in joint venture with TNG Limited, in January 2010, and a substantial drilling program at its Mountain Creek Iron Ore Project in 2010 as soon as seasonal conditions allow.

The directors of Western Desert Resources are pleased to offer Shareholders the opportunity to participate in this capital raising to fund the continuation of an aggressive exploration program in these exciting projects, and recommend this Offer to you as an opportunity to participate further in its future. Each of the directors intends to participate in the Offer under their respective Entitlements.

You are encouraged to read this Offer Memorandum and the accompanying Entitlement and Acceptance Form fully. If you have any queries about the Offer, you should consult your stockbroker or other professional adviser.

Yours sincerely



Mick Billing
Chairman

¹ *This is a summary only of the Inferred Mineral Resource. Please refer to the JORC Compliant ASX announcement dated 20 October 2009 for full details of the Inferred Mineral Resource. A copy of the announcement can be found at www.asx.com.au or on the Company's website at www.westerndesertresources.com.au.*

KEY DATES

The indicative timetable for the rights issue is as follows:

EVENT	DATE
Announcement of rights issue – announcement of rights issue, Offer Memorandum and ASX Appendix 3B lodged with ASX	Tuesday, 17 November 2009
Notice to Shareholders – notice sent to Shareholders containing information required by Appendix 3B	Wednesday, 18 November 2009
Ex date and Rights trading commences – the date on which Shares commence trading without the entitlement to participate in the Offer and Rights trading commences	Thursday, 19 November 2009
Record date – the date for determining entitlements of Shareholders to participate in the Offer	Wednesday, 25 November 2009
Offer Memorandum sent to Shareholders – dispatch of Offer Memorandum and Entitlement and Acceptance Forms, and lodgement of cleansing notice – Offer opens for acceptances	Monday, 30 November 2009
Last day of Rights trading	Monday, 7 December 2009
Securities quoted on a deferred settlement basis	Tuesday, 8 December 2009
Closing Date – The last day for receipt of acceptance forms (5.00pm Adelaide time)	Monday, 14 December 2009
Shortfall notification date	No later than Thursday, 17 December 2009
Despatch date – Allotment of New Shares. Deferred settlement trading ends	No later than noon (Adelaide time) on Tuesday, 22 December 2009
Expected commencement of normal trading in New Shares on ASX	Wednesday, 23 December 2009
Despatch of holding statements to persons who accepted the Offer	Tuesday, 29 December 2009

Subject to the ASX Listing Rules and the terms of the Underwriting Agreement, the Directors reserve the right to vary the dates for the Offer at their discretion. Should this occur, then the extension will have a consequential effect on the anticipated date of issue and normal trading of New Shares.

SECTION 1: DETAILS OF THE OFFER

1. Offer

WDR offers each of its Shareholders New Shares in WDR under a pro-rata renounceable rights issue. Each Shareholder is entitled to subscribe for one (1) New Share for every five (5) Shares held by that Shareholder as at the Record Date at an issue price of A\$0.40 per New Share.

The issue price of the New Shares represents a discount of approximately 32% to the volume weighted average price of WDR shares during the 5 trading day period up to, and including, Wednesday, 4 November 2009 (being the last day on which WDR Shares were traded on ASX prior to preliminary announcement of the rights issue on 9 November 2009).

If a Shareholder becomes entitled to a fraction of a Share, the entitlement will be rounded up to the nearest whole number.

The New Shares will be fully paid and will rank equally in all respects with WDR's existing Shares on issue.

2. What is my Entitlement?

The number of New Shares to which you are entitled to subscribe for under the Offer is shown in the accompanying Entitlement and Acceptance Form (**Entitlement**).

Eligible Shareholders may:

- subscribe for all or part of their Entitlement;
- sell all or part of their Entitlement on ASX;
- sell all or part of their Entitlement other than on ASX;
- allow all or part of their Entitlement to lapse; or
- do any combination of the above options.

If you choose not to accept all of your Entitlement under the rights issue your shareholding in WDR will be diluted.

Detailed instructions on how to accept and/or sell all or part of your Entitlement are set out in Section 3 of this Offer Memorandum.

Excluded Shareholders may not take any of the steps discussed above. Refer to paragraphs 6 and 7 of this Section 1 for information relating to Excluded Shareholders.

If you have bought Rights on ASX or otherwise, you need to consult with your stockbroker about how you can take up those Rights.

3. Shortfall Shares

In addition to being able to apply for New Shares in the manner described in paragraph 2 above, Shareholders who subscribe for their full Entitlement will also have the opportunity to apply for additional New Shares that are not subscribed for under the Offer, subject to the limitations set out in Section 4.

4. Opening and closing dates

The Offer opens for receipt of acceptances on Monday, 30 November 2009. The closing date and time for acceptances and payments is 5.00pm Adelaide time on Monday, 14 December 2009, subject to the Directors varying the closing date in accordance with the Listing Rules and the terms of the Underwriting Agreement.

5. Who is entitled to participate in the Offer?

Each Shareholder with a registered address in Australia or New Zealand, who is registered as the holder of Shares at 6.30pm Adelaide time on Wednesday, 25 November 2009 is entitled to participate in the Offer in respect of the number of Shares of which that person is then registered as the holder.

Existing option holders may only participate in the rights issue in respect of the Shares to be issued on exercise of the options held by them if they exercise their options and are registered as the holder of the underlying Shares before the Record Date.

6. Offer not made to Excluded Shareholders

WDR has decided that it is unreasonable to make the Offer to shareholders who have a registered address in a country outside of Australia or New Zealand having regard to the number of shareholders in such places, the number and value of the New Shares they would be offered and the substantial costs of complying with the legal and regulatory requirements in those jurisdictions. The number of Shares held by shareholders who have registered addresses in countries outside of Australia and New Zealand as at close of trading on Friday, 13 November 2009 was 354,832 Shares.

This Offer Memorandum does not constitute an offer to Excluded Shareholders and the Offer Memorandum will not be sent to Excluded Shareholders.

This Offer Memorandum and accompanying Entitlement and Acceptance Form do not constitute an offer for securities in any place in which, or to any person to whom, it would not be lawful to make such an offer. Shareholders holding Shares on behalf of persons who are resident outside of Australia or New Zealand are responsible for ensuring that subscribing for the New Shares under the rights issue does not breach regulations in the relevant overseas jurisdiction. Return of a duly completed Entitlement and Acceptance Form will constitute a representation that there has been no breach of such regulations. Where the Offer Memorandum has been dispatched to Shareholders domiciled in a country outside Australia or New Zealand and where that country's securities code or legislation prohibits or restricts in any way the making of the Offer, the Offer Memorandum and accompanying Entitlement and Acceptance Form are provided for information purposes only.

7. Nominee to sell Rights of Excluded Shareholders

The Company has appointed Patersons Securities Limited, on normal commercial terms, as nominee to sell the Rights which would have been offered to Excluded Shareholders had they been eligible to participate in the Offer. The nominee will have the absolute and sole discretion to determine the timing, price and manner of sale of the Rights. The net proceeds (if any) of the sale (in Australian dollars) of the Rights will be distributed to the Excluded Shareholders pro rata in proportion to their respective shareholdings as at the Record Date (after deducting the costs of the sale and the costs of distributing the proceeds). There is no guarantee that the nominee will be able to sell the Rights and Excluded Shareholders may receive no value for the Rights. Neither the Company nor the nominee will be subject to any liability for failure to sell the Rights or to sell them at a particular price.

If, in the nominee's reasonable opinion, there is not a viable market for the Rights that would have been offered to the Excluded Shareholders were they eligible to participate in the Offer, or a surplus over the expenses of the sale and cannot be obtained for the Rights, then the Rights will be allowed to lapse and they will form part of the Shortfall.

8. Renounceability and Rights trading

The Offer is renounceable. This means that your right to subscribe for New Shares under the Offer may be traded on ASX or otherwise sold during the Rights Trading Period should you choose not to accept all or part of your Entitlement, and may be transferred to a third party who need not be another Shareholder. Any Entitlements not taken up by Shareholders will form part of the Shortfall and be dealt with in accordance with Section 4 of this Offer Memorandum.

Trading of Rights will commence on ASX at 9.30am Adelaide time on Thursday, 19 November 2009 and will cease at 3.30pm Adelaide time on Monday, 7 December 2009.

All or some of a Shareholder's Rights may be traded on ASX or otherwise sold during the Rights Trading Period should the Shareholder choose not to take up all or part of their Entitlement. There is no guarantee that a Shareholder will be able to sell any or all of their Rights or that any particular price will be paid for the Rights.

9. Underwriting

The Offer is fully underwritten by Patersons Securities Limited. Accordingly, the Offer will raise the maximum amount that can be raised under the Offer, being A\$8.33 million (before costs and expenses of the Offer), subject to the terms of the Underwriting Agreement.

Further details of the underwriting, including a summary of the material terms of the Underwriting Agreement, are set out in Section 5 of this Offer Memorandum.

10. Effect on share capital

The effect of the Offer on the capital structure of WDR will be as follows:

Shares	Number
Number on issue at Monday, 16 November 2009 (the trading day immediately prior to announcement of the Offer)	104,125,091
Maximum number to be issued under the Offer	20,825,019
Maximum number on issue following the Offer	124,950,110

The figures in the table above are based on the undiluted share capital of WDR and, in the case of the maximum number of Shares on issue following the Offer, assume the Underwriting Agreement is not terminated and the Offer is fully underwritten. The figures are also approximate as individual Entitlements will be rounded up to the nearest whole figure.

There are 15,746,254 listed and unlisted options to subscribe for Shares currently on issue. If any of these options are exercised prior to the Record Date this will also impact the maximum number of New Shares to be issued under the Offer.

11. Potential effect on control

The potential effect the rights issue will have on the control of WDR's undiluted share capital will depend on the extent Shareholders take up their Entitlements. If all Shareholders take up their Entitlements the Offer will have no effect on the control of WDR.

The maximum effect the Offer could have on the control of WDR is an increase in the percentage of the total issued share capital of WDR held by the Underwriter, from 0% to a maximum of 16.67%. This increase in voting power would only occur in the unlikely circumstances that all Shareholders decide not to take up their Entitlement, all sub-underwriters to the rights issue renege on their obligations to subscribe for the Shortfall and the Underwriting Agreement is not terminated.

The consequences of the potential effect on control of WDR referred to above will be an increase in the voting power of the Underwriter by an amount equal to the percentage increase in its control of WDR's undiluted share capital. The maximum voting power that the Underwriter could have post the Offer is 16.67%.

12. Issue of New Shares

WDR expects that the New Shares will be issued and allotted by no later than Tuesday, 22 December 2009. The issue of New Shares will only be made after permission for their quotation on ASX has been granted. New Shares to be issued to the Underwriter will be issued in accordance with the Underwriting Agreement and, in any event, within 15 Business Days after the Closing Date in accordance with the Listing Rules.

SECTION 2: PURPOSE OF THE OFFER

After payment of the costs and expenses of the rights issue, the proceeds from the rights issue will be applied towards:

- exploration of WDR's 100% owned Mountain Creek Iron Ore Project, which is adjacent to WDR's Roper Bar Iron Ore Project including a substantial drilling program in 2010 as soon as seasonal conditions allow;
- further exploration of the Rover Gold/Copper Project, which is a joint venture between WDR and TNG Ltd over two granted exploration licences (EL24471 and EL25581) located south of Tennant Creek in the Northern Territory. WDR is currently earning a 51% interest in the project and has the option to earn 80%. WDR expects to commence a drilling program at the Rover Project in January 2010;
- internal assessments of the Roper Bar Iron Ore Project, which is a joint venture between WDR (80%) and the ITOCHU subsidiary, IMEA Exploration and Development of Australia Pty Ltd (20%);
- the additional exploration of WDR's other existing gold, uranium and base metals projects;
- the potential expansion of WDR's iron ore and base metals asset portfolio; and
- general working capital requirements.

SECTION 3: HOW TO ACCEPT THE OFFER AND SELL YOUR RIGHTS

1. How to take up all or part of your Entitlement

To subscribe for all or part of your Entitlement, please:

- complete the accompanying Entitlement and Acceptance Form in respect of that part of your Entitlement you wish to accept according to the instructions on that form; and
- forward the completed form together with payment for the appropriate application monies (at A\$0.40 per New Share subscribed) to the Company's Share Registry in the manner provided in paragraph 7 of this Section 3 **by no later than 5.00pm Adelaide time on Monday, 14 December 2009** (or such later date as the Directors advise).

Acceptances will not be valid if they are received after the Closing Date.

2. How to sell all or part of your Entitlement on ASX

Shareholders may sell all or part of their Entitlement on ASX.

If you decide to sell all or part of your Entitlement on ASX you will need to instruct your stockbroker as soon as possible and follow their instructions.

If you sell **all** your Entitlement on ASX do not return the accompanying Entitlement and Acceptance Form to the Company's Share Registry.

Rights trading will commence on ASX at 9.30am Adelaide time on Thursday, 19 November 2009 and will cease at 3.30pm Adelaide time on Monday, 7 December 2009.

3. How to sell all or part of your Entitlement other than on ASX

Shareholders may elect to transfer all or part of their Entitlement to another person or party other than on ASX. Shareholders may only sell all or part of their Entitlement during the Rights Trading Period.

If you choose to transfer all or part of your Entitlement to another person or party other than on ASX, then you must forward:

- a completed standard renunciation and transfer form (obtainable from your stockbroker or the Company's Share Registry) to the Company's Share Registry at one of the addresses set out in paragraph 7 of this Section 3 by **no later than 5.00pm Adelaide time on Monday, 7 December 2009**; and
- Entitlement and Acceptance Form completed by the transferee, together with payment of the appropriate application monies (at \$0.40 per New Share subscribed) to the Company's Share Registry in the manner provided in paragraph 7 of this Section 3 by **no later than 5.00pm Adelaide time on Monday, 14 December 2009** (or such later date as the Directors advise).

4. How to sell part of your Entitlement and accept for the balance

If you decide to sell part of your Entitlement and accept the balance of your Entitlement you will need to:

- if selling part of your Entitlement on ASX, instruct your stockbroker as soon as possible and follow their instructions; or
- if selling part of your Entitlement other than on ASX, follow the instructions set out in paragraph 3 of this Section 3; and
- complete the accompanying Entitlement and Acceptance Form in respect of that part of your Entitlement you wish to accept and forward the completed form together with payment of the appropriate application monies (at \$0.40 per New Share subscribed) to the Company's Share Registry in the manner provided in paragraph 7 of this Section 3, by **no later than 5.00pm Adelaide time on Monday, 14 December 2009** (or such later date as the Directors advise).

You may only sell part of your Entitlement during the Rights Trading Period.

Acceptances will not be valid if they are received after the Closing Date.

5. Lapse of rights

Shareholders should be aware that their Rights may have value. Rights are renounceable, which enables Shareholders who decide not take up part or all of their Entitlement to seek to sell or trade all or some of their Rights on ASX or off-market.

If you decide not to accept all or part of your Entitlement or fail to do so by the Closing Date, your Entitlement will lapse and will form part of the Shortfall.

6. How to apply for Shortfall Shares

If you decide to accept your Entitlement in full and apply for Shortfall Shares, complete the Entitlement and Acceptance Form and also fill in the number of Shortfall Shares you wish to apply for in the space provided on the Entitlement and Acceptance Form. You must make payment for the appropriate application monies (at A\$0.40 per New Share subscribed) as provided in paragraph 7 of this Section 3.

Applications for Shortfall Shares will be subject to the limitations set out in Section 4.

7. Payment

Payments must be made **by 5.00pm Adelaide time on Monday, 14 December 2009**, or such later date as the Directors advise, and must be in Australian currency and by:

- (a) cheque drawn on and payable at any Australian bank;
- (b) bank draft drawn on and payable at any Australian bank;
- (c) money order drawn in Australian currency; or
- (d) BPay.

Entitlement and Acceptance Forms, together with cheque or bank draft for the appropriate application monies (at \$0.40 per New Share subscribed) must be sent to WDR's Share Registry, Computershare Investor Services Pty Ltd, at:

By Post:

Western Desert Resources Limited
Computershare Investor Services Pty
Limited
GPO Box 2987
Adelaide SA 5000

By Delivery:

Western Desert Resources Limited
Computershare Investor Services Pty
Limited
Level 5, 115 Grenfell Street
Adelaide SA 5000

so that they reach the registry **by no later than 5.00pm Adelaide time on Monday, 14 December 2009**, or such later date as the Directors advise.

If you wish to pay by BPay, you do not need to return the Entitlement and Acceptance Form, you simply need to follow the instructions on the Entitlement and Acceptance Form. Different financial institutions may implement earlier cut off times with regards to electronic payment, so please take this into consideration when making payment. It is your responsibility to ensure that funds submitted through BPay are received by the Closing Date.

Acceptances will not be valid if they are received after the Closing Date.

Cheques, money orders or bank drafts must be made payable to 'Western Desert Resources Limited Rights Issue' and crossed 'Not Negotiable'. Cash payments will not be accepted and receipts for payment will not be provided.

SECTION 4: SUBSCRIPTION SHORTFALL

In accordance with the terms of the Underwriting Agreement, any Shortfall Shares will be allocated at the discretion of the Underwriter in consultation with the Directors and in accordance with the provisions of the Underwriting Agreement. This discretion includes issuing Shortfall Shares to any Shareholder who has accepted for more than their Entitlement, subject to the Underwriter's agreements with sub-underwriters to sub-underwrite the Offer. Neither the Company nor the Underwriter guarantee that any Shareholder who validly applies for Shortfall Shares will receive any Shortfall Shares.

If the Underwriting Agreement is, for whatever reason, terminated, the Directors reserve the right to issue the Shortfall Shares in their absolute and sole discretion. Any Shortfall Shares so issued will, in accordance with the Listing Rules, be issued within 3 months after the Closing Date and will, in the case of persons who apply for Shortfall Shares in accordance with this Offer Memorandum, be issued at the same issue price as the New Shares under the Offer and otherwise at a price that is not less than the issue price of the New Shares under the Offer.

Shortfall Shares will only be issued if the Offer is undersubscribed and will only be issued to the extent necessary to make up any shortfall in subscriptions.

Application monies received but not applied towards subscriptions for Shortfall Shares will be refunded as soon as practicable. No interest will be paid on application monies held and returned.

WDR will not issue Shortfall Shares where to do so would result in a breach of the Corporations Act, the Listing Rules or any other relevant legislation or law.

SECTION 5: UNDERWRITING

1. Underwriting Agreement

Pursuant to an Underwriting Agreement dated 16 November 2009 between the Company and the Underwriter, the Underwriter has agreed to fully underwrite the Offer, thereby guaranteeing the Offer will raise approximately A\$8.33 million in total (before costs and expenses of the Offer and subject to the terms of the Underwriting Agreement).

Under the terms of the Underwriting Agreement, the Underwriter will receive a fee for providing the underwriting service, for a cash amount equal to 5% of the total amount underwritten by the Underwriter. As the Offer is fully underwritten, the Underwriter will be paid a fee of approximately A\$416,500 (plus GST). In addition, the Company must pay and indemnify the Underwriter for all costs and expenses incurred by the Underwriter in connection with the Offer, including legal fees and disbursements, reasonable accommodation and travelling expenses and reasonable marketing and promotional expenditure.

The Company has given warranties, covenants and indemnities in favour of the Underwriter which are usual for agreements of this kind.

The Underwriter may terminate its obligations under the Underwriting Agreement if any of the following events occur:

- (a) **(Indices fall)** the S&P/ASX 200 Index as published by ASX is at any time after the date of the Underwriting Agreement 10% or more below its respective level as at the close of business on the Business Day prior to the date of the Underwriting Agreement;
- (b) **(Announcement)** the Company does not lodge an announcement to the ASX and an Appendix 3B by 17 November 2009 (or such later date as the Underwriter and Company agree);
- (c) **(Share Price)** the Shares of the Company finish trading on the ASX under the ASX code of "WDR" on 2 consecutive trading days with a closing price less than the issue price of the New Shares;
- (d) **(No Official Quotation)** Official Quotation has not been granted by 16 December 2009 (or such later date as the Underwriter and Company agree) or, having been granted, is subsequently withdrawn, withheld or qualified;
- (e) **(Misleading Rights Issue Documentation)** it transpires that there is a statement in the issue documentation that is misleading or deceptive or likely to mislead or deceive, or that there is a material omission from the rights issue documentation or if any statement in the rights issue documentation becomes misleading or deceptive or likely to mislead or deceive or if the issue of the rights issue documentation is or becomes misleading or deceptive or likely to mislead or deceive;
- (f) **(Restriction on allotment)** the Company is prevented from allotting the New Shares within the time required by the Underwriting Agreement, the Corporations Act, the Listing Rules, any statute, regulation or order of a court of competent jurisdiction by ASIC, ASX or any court of competent jurisdiction or any governmental or semi governmental agency or authority;
- (g) **(ASIC or other prosecution)** ASIC gives notice of any deficiency in the rights issue documentation or related documents or ASIC gives notice of an intention to hold a hearing, examination or investigation, or it requires information to be disclosed in connection with the Offer or the Company;
- (h) **(Hostilities)** there is an outbreak of hostilities or a material escalation of hostilities (whether or not war has been declared) after the date of the Underwriting Agreement involving Australia and any one or more of New Zealand, Indonesia, Japan, Russia, the United Kingdom, the United States of America, India, Pakistan, or the Peoples Republic of China, Israel or any member of the European Union, or a terrorist act is perpetrated on any of those countries or any diplomatic, military, commercial or political establishment of any of those countries anywhere in the world, provided that such circumstance is not existing at the date of the Underwriting Agreement which has or is reasonably likely to have a Material Adverse Effect;

- (i) **(Authorisation)** any authorisation which is material to anything referred to in the rights issue documentation is repealed, revoked or terminated or expires, or is modified or amended in a manner unacceptable to the Underwriter (acting reasonably);
- (j) **(Indictable Offence)** a director or senior manager of the Company or any of its subsidiaries is charged with an indictable offence;
- (k) **(Sub-Underwriters)** any of the Sub-Underwriters that are introduced by the Company do not comply with their respective obligations under the sub-underwriting agreements or threaten to not comply with its respective obligations under the sub-underwriting agreements;
- (l) **(Termination Events)** any of the following Termination Events occur:
 - i. **(Default)** default or breach by the Company under the Underwriting Agreement of any terms, condition, covenant or undertaking (other than breach which is capable of remedy and which is remedied by the Company promptly following request by the Underwriter);
 - ii. **(Incorrect or untrue representation)** any representation, warranty or undertaking given by the Company in the Underwriting Agreement is or becomes untrue or incorrect;
 - iii. **(Contravention of Constitution or Act)** a contravention by the Company or any of its subsidiaries of any provision of its constitution, the Corporations Act, the Listing Rules or any other applicable legislation or any policy or requirement of ASIC or ASX;
 - iv. **(Adverse Change)** an event occurs which gives rise to a Material Adverse Effect or any adverse change or any development including a prospective adverse change which is reasonably likely to occur after the date of the Underwriting Agreement in the assets, liabilities, financial position, trading results, profits, forecasts, losses, prospects, business or operations of the Company or its subsidiaries.
 - v. **(Public Statements)** without the prior approval of the Underwriter a public statement is made by the Company in relation to the Offer;
 - vi. **(Misleading information)** any information supplied at any time by the Company or any person on its behalf to the Underwriter in respect of any aspect of the Offer or the issue of New Shares pursuant to the Offer or the affairs of the Company or any of its subsidiaries is, or becomes, misleading or deceptive or likely to mislead or deceive;
 - vii. **(Official Quotation qualified)** the Official Quotation of all of the New Shares is qualified or conditional (other than conditional on the allotment of the New Shares);
 - viii. **(Change in Act or policy)** there is introduced, or there is a public announcement of a proposal to introduce, into the Parliament of Australia or any of its States or Territories any Act or prospective Act or budget or the Reserve Bank of Australia or any Commonwealth or State authority adopts or announces a proposal to adopt any new, or any major change in, existing, monetary, taxation, exchange or fiscal policy;

- ix. **(Prescribed Occurrence)** any of the following occurs:
 - a. the Company or any of its subsidiaries converts all or any of its shares into a larger or smaller number of shares;
 - b. the Company or any of its subsidiaries resolve to reduce its share capital in any way;
 - c. the Company or any of its subsidiaries:
 - A. enter into a buy back agreement or;
 - B. resolve to approve the terms of a buy back agreement under section 257C or 257D of the Corporations Act;
 - d. the Company or any of its subsidiaries make an issue of, or grant an option to subscribe for, any of its shares, or agrees to make such an issue or grant such an option, other than an issue or agreement to issue in accordance with the Offer or the terms of the Underwriting Agreement;
 - e. the Company or any of its subsidiaries issue, or agree to issue, convertible notes;
 - f. the Company or any of its subsidiaries dispose, or agree to dispose, of the whole, or a substantial part, of its business or property;
 - g. the Company or any of its subsidiaries charge or agree to charge, the whole, or a substantial part, of its business or property;
 - h. the Company or any of its subsidiaries resolve that it be wound up;
 - i. the appointment of a liquidator or provisional liquidator to the Company or any of its subsidiaries;
 - j. the making of an order by a court for the winding up of the Company or any of its subsidiaries;
 - k. an administrator of the Company or any of its subsidiaries, being appointed under section 436A, 436B or 436C of the Corporations Act;
 - l. the Company or any of its subsidiaries execute a deed of company arrangement; or
 - m. the appointment of a receiver, or a receiver and manager, in relation to the whole, or a substantial part, of the property of the Company or any of its subsidiaries;
- x. **(Event of Insolvency)** an Event of Insolvency occurs in respect of the Company or any of its subsidiaries;
- xi. **(Judgment)** a judgment in an amount exceeding \$100,000 million is obtained against the Company or any of its subsidiaries and is not set aside or satisfied within 7 days;
- xii. **(Litigation)** litigation, arbitration, administrative or industrial proceedings are after the date of the Underwriting Agreement commenced or threatened against the Company or any of its subsidiaries, which have real prospects of resulting in a judgment against the Company or any of its subsidiaries, other than any claims foreshadowed in the rights issue documentation;
- xiii. **(Change in shareholdings)** there is a material change in the major or controlling shareholdings of the Company or any of its subsidiaries or a takeover offer or scheme of arrangement pursuant to Chapter 5 or 6 of the Corporations Act is publicly announced in relation to the Company or any of its subsidiaries;

- xiv. **(Timetable)** there is a delay in any specified date in the timetable set out in the Underwriting Agreement (as varied by agreement between the Company and the Underwriter) which is greater than 3 Business Days and the Underwriter has not given its prior written consent agreeing to a delay exceeding 3 Business Days;
- xv. **(Force Majeure)** a force majeure affecting the Company's business or any obligation under the Underwriting Agreement lasting in excess of 7 days occurs;
- xvi. **(Certain resolutions passed)** the Company or any of its subsidiaries passes or takes any steps to pass a resolution under section 254N, section 257A or section 260B of the Corporations Act or a resolution to amend its constitution without the prior written consent of the Underwriter;
- xvii. **(Capital Structure)** the Company or any of its subsidiaries alters its capital structure in any manner not contemplated by the Offer;
- xviii. **(Investigation)** any person is appointed under any legislation in respect of companies to investigate the affairs of the Company or any of its subsidiaries;
- xix. **(Market Conditions)** a suspension or material limitation in trading generally on ASX occurs; or
- xx. **(Suspension)** the Company is removed from the Official List or the Shares become suspended from Official Quotation and that suspension is not lifted within 24 hours following such suspension.

Under the Underwriting Agreement, the Underwriter may not exercise its right to terminate the Underwriting Agreement under paragraph (l) above unless, in the reasonable opinion of the Underwriter reached in good faith, the occurrence of Termination Event or the occurrence of two or more Termination Events together:

- (a) has or have or are reasonably likely to have a Material Adverse Effect; or
- (b) could reasonably be expected to give rise to a liability of the Underwriter under the Corporations Act or otherwise.

In this paragraph 1 of Section 5, the following terms have the following meanings as defined in the Underwriting Agreement:

“Event of Insolvency”

- (a) a receiver, manager, receiver and manager, trustee, administrator, Controller or similar officer is appointed in respect of a person or any asset of a person;
- (b) a liquidator or provisional liquidator is appointed in respect of a corporation;
- (c) any application (not being an application withdrawn or dismissed within 7 days) is made to a court for an order, or an order is made, or a meeting is convened, or a resolution is passed, for the purpose of:
 - (i) appointing a person referred to in paragraphs (a) or (b);
 - (ii) winding up a corporation; or

- (iii) proposing or implementing a scheme of arrangement;
- (d) any event or conduct occurs which would enable a court to grant a petition, or an order is made, for the bankruptcy of an individual or his estate under any insolvency provision;
- (e) a moratorium of any debts of a person, or an official assignment, or a composition, or an arrangement (formal or informal) with a person's creditors, or any similar proceeding or arrangement by which the assets of a person are subjected conditionally or unconditionally to the control of that person's creditors or a trustee, is ordered, declared, or agreed to, or is applied for and the application is not withdrawn or dismissed within 7 days;
- (f) a person becomes, or admits in writing that it is, is declared to be, or is deemed under any applicable Act to be, insolvent or unable to pay its debts; or
- (g) any writ of execution, garnishee order, mareva injunction or similar order, attachment, distress or other process is made, levied or issued against or in relation to any asset of a person.

“Material Adverse Effect”

- (a) a material adverse effect on the outcome of the Offer or on the subsequent market for the New Shares (including, without limitation, matters likely to have a material adverse effect on a decision of an investor to invest in New Shares); or
- (b) a material adverse effect on the assets, condition, trading or financial position, performance, profits and losses, results, prospects, business, or operations or tax position of the Company or any of its subsidiaries either individually or taken as a whole; or
- (c) the Underwriter's obligations under the Underwriting Agreement becoming materially more onerous than those which exist at the date of the Underwriting Agreement.

“Official Quotation” means the grant by ASX of “Official Quotation” (as that term is defined in the Listing Rules) of all the Rights Shares when allotted which if conditional may only be conditional on allotment of the Rights Shares.

2. Sub-underwriting

The Underwriter has entered into sub-underwriting agreements with a number of sub-underwriters to fully sub-underwrite the rights issue. The Underwriter will be responsible for payment of the sub-underwriting fees to the sub-underwriters out of the underwriting fee payable to it by WDR.

SECTION 6: FURTHER INFORMATION

1. Reliance on Offer Memorandum

This Offer Memorandum has been prepared in accordance with section 708AA of the Corporations Act. In general terms, section 708AA relates to rights issues by certain companies that do not require the provision of a prospectus or other disclosure document. Accordingly, the level of disclosure in this Offer Memorandum is considerably less than the level of disclosure required in a prospectus.

In deciding whether or not to accept the Offer, you should rely on your own knowledge of WDR, refer to disclosures made by WDR to ASX (which are available for inspection on the ASX website at www.asx.com.au and on WDR's website at www.westerndesertresources.com.au) and seek the advice of your professional adviser.

2. Further information

If you have any questions about your entitlement to New Shares, please contact either:

- (a) WDR's share registry, Computershare Investor Services Pty Ltd, on 1300 651 474 (within Australia) or + 61 3 9415 4000 (outside Australia); or
- (b) your stockbroker or professional adviser.

SECTION 7: DEFINED TERMS

In this Offer Memorandum, the following words have the following meanings unless the context requires otherwise:

ASX	ASX Limited or the securities exchange operated by ASX Limited (as the context requires).
Business Day	has the same meaning as in the Listing Rules.
Closing Date	the last date for accepting the Offer, being 5.00pm Adelaide time on Monday, 14 December 2009, or such later date as the Directors advise.
Corporations Act	<i>Corporations Act 2001</i> (Cth).
Directors	the directors of WDR.
Entitlement	is defined in paragraph 2 of Section 1.
Entitlement and Acceptance Form	the personalised form accompanying this Offer Memorandum.
Excluded Shareholder	a registered holder of Shares on the Record Date with a registered address in a country outside of either Australia or New Zealand.

Listing Rules	the official listing rules of ASX.
WDR or Company	Western Desert Resources Ltd (ACN 122 301 848).
New Share	a Share to be issued pursuant to this Offer Memorandum at A\$0.40 per Share.
Offer	the offer made under this Offer Memorandum of one New Share for every five Shares held by a Shareholder on the Record Date.
Offer Memorandum	this memorandum under which the Offer is being made.
Record Date	6.30pm Adelaide time on Wednesday, 25 November 2009.
Rights Trading Period	the period during which Rights may be traded, being 9.30am Adelaide time on Thursday, 19 November 2009 to 3.30pm Adelaide time on Monday, 7 December 2009.
Rights	the right to subscribe for New Shares pursuant to the Offer.
Share	a fully paid ordinary share in the capital of WDR.
Shareholder	a registered holder of Shares with a registered address in either Australia or New Zealand.
Shortfall Shares	means those New Shares forming Entitlements or part of Entitlements not accepted under the Offer.
Underwriter	Patersons Securities Limited (ACN 008 896 311)
Underwriting Agreement	The agreement of that name made between the Company and the Underwriter dated 16 November 2009.