



ASX ANNOUNCEMENT/MEDIA RELEASE

10th December 2010

Agreement to Pursue Gold Acquisition

Highlights

- Golden West Resources Limited (“GWR”), and its subsidiary, Aureus Gold Limited (“Aureus”) have entered into a heads of agreement with Silvrex Limited (“Silvrex”), a private UK Company, to seek to implement a merger of Aureus and Silvrex.
- Silvrex’s principal asset is the right to acquire a majority interest in a 636 sq km tenement in the highly gold-prospective West African country of Senegal.
- As part of the proposed acquisition two very experienced and well respected Silvrex personnel will become executives of Aureus.
- The acquisition will form part of the Aureus IPO that GWR is seeking to complete by April 2011.

Details

Golden West Resources Limited (‘GWR’) is pleased to announce the signing of a Heads of Agreement (“HOA”) by GWR and its subsidiary, Aureus Gold Limited (“Aureus”), with a private U.K company Silvrex Limited (“Silvrex”) to seek to implement a merger of Aureus and Silvrex.

As approved by GWR shareholders at its 2010 AGM, GWR proposes to transfer its Wiluna West gold assets to Aureus and complete an in-specie distribution of shares in Aureus to all shareholders of GWR as part of the Aureus IPO.

The Wiluna West assets, comprising a number of gold deposits, contain a combined (Inferred and Indicated) gold Resource of 3.48Mt @2.3g/t for 258,000 oz (comprised of indicated 46,000 t @ 3.54g/t Au and inferred 3,432,000 t @ 2.29 g/t Au).

Silvrex’s principal asset is the right to acquire a majority interest in the 636 km² Dalafin Senegal gold project which is within the West African Birimian greenstone belt that already contains several multi-million ounce gold resources, including the Sabadola gold mine opened in 2009.

This project is considered to be highly prospective for gold mineralisation and interpretation of airborne geophysics and geological mapping show a number of north east trending structures that are regionally known to host gold mineralisation.

Three soil and termite-mound geochemical sample grids have been completed and the results confirm anomalies along structural trends. In addition, artisanal gold workings are present along many of the trends. Silvrex has generated five targets that warrant further detailed field sampling and analysis leading to the definition of further exploratory drilling targets.

The transaction will bring to Aureus two highly experienced and well-respected mining sector executives, John Cole-Baker and Ed Slowey that will not only enhance the development of the Dalafin project but also provide access to additional West African assets in Senegal and other countries in the region, such as Mali and Mauritania.

Mr John Cole-Baker, Chairman of Silvrex commented, "For some time Silvrex has been searching globally for a suitable partner to assist in the development of our prized asset in Senegal. We believe that the merger with Aureus and the strategy of using cash from gold production at Wiluna West will enable the rapid exploration and development of Dalafin. We are also looking forward to generating further projects in the West African region based upon our knowledge, experience and contacts in the area."

Under the Heads of Agreement, the parties have agreed to work together to seek to implement a merger by way of Aureus acquiring all of the securities on issue in Silvrex from the shareholders of Silvrex by way of a share purchase agreement or such other mechanism as agreed. The final structure of the merger will be determined by the outcome of due diligence by the parties and further advice relating to the optimal transaction structure.

The proposed merger is subject to various conditions including the completion by each party of due diligence on the other party's assets, the terms and conditions of the proposed share purchase agreement being satisfactory to all parties, Aureus acquiring 100% of Silvrex pursuant to the transaction, and ASX granting approval for Aureus shares to be admitted to trading on the ASX.

The key proposed commercial terms are as follows:

- Aureus will offer consideration to Silvrex shareholders in the form of Aureus shares such that Silvrex shareholders will have beneficial ownership in 35% of Aureus not including shares issued pursuant to the IPO prospectus or any shares issued in relation to any pre IPO funding.
- A separate offer for options in Silvrex will be made which is likely to constitute an offer of options in Aureus.
- Various loans owed by Silvrex to directors will be repaid at the time of listing of Aureus with a maximum of 50% repayable in cash and the balance to be repayable in Aureus shares at the IPO price.
- GWR will provide Aureus IPO funding and Aureus in turn will provide Silvrex a loan of \$360,000.00 in the form of a drawdown facility of \$90,000.00 per month which in the event that the IPO does not proceed will be converted into shares in Silvrex.

Competent Persons Statement

The information in this release 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 Al 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 contact in which it appears.

- ENDS -

Please direct enquiries to:

Golden West Resources

Richard Taylor

Riley Mathewson Public Relations

Tel: +61 (0)8 9381 2144

Mob: +61 (0)451 471 006