GoldenWest
RESOURCES LIMITED

ABN 54 102 622 051

30 September 2010

Company Announcements Office
Australian Securities Exchange
20 Bridge Street
SYDNEY NSW 2000

Dear Sir/Madam,

**2010 Annual report**

Please find following the Annual report of Golden West Resources Limited for the year ending 30 June 2010.

The 2010 Annual report will be available on our website www.goldenwestresources.com following this release under the heading 'Investor'.

Yours sincerely,

**ANTHONY BEGOVICH**
**CFO/Company Secretary**

Golden West
RESOURCES LIMITED

# AR 2010

ANNUAL REPORT

ABN 54 102 622 051

## Corporate directory

### Board of Directors:
David Sanders (*Non-executive chairman*)
John Lester (*Executive director*)
Mick Wilson (*Executive director*)
Chin An Lau (*Alternate for T S Law*)
Tien Seng Law (*Non-executive director*)
Gary Lyons (*Non-executive director*)
Jun Wang (*Non-executive director*)
Xiang Hong Yang (*Alternate for J Wang*)

### Chief executive officer:
Mark Hine

### Company secretary/Chief financial officer:
Anthony Begovich

### 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

### Website & Email
**Email:** admin@goldenwestresources.com
**Website:** www.goldenwestresources.com

### Issued capital:
| | |
|---|---|
| Fully paid ordinary shares: | 164,606,127 |
| Options expiring 31/12/2010 at $2.00: | 18,013,879 |
| Options expiring 31/12/2011 at $3.00: | 10,250,000 |

### Auditors:
Stantons International
Level 1, 1 Havelock Street
WEST PERTH, WESTERN AUSTRALIA 6005
Telephone: +61 8 9481 3188
Facsimile: +61 8 9321 1204

### Bankers:
National Australia Bank Limited
Suite 7, 51-53 Kewdale Road
WELSHPOOL, WESTERN AUSTRALIA 6106

### 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:
Lavan Legal
Level 19, 1 William Street
PERTH, WESTERN AUSTRALIA 6000
Telephone: +61 8 9288 6000
Facsimile: +61 8 9288 6001

### Stock exchange:
Australian Securities Exchange Limited
( *Company code:* GWR )

## Contents



## Competent person's 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 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 context in which it appears.

# Chairman's Letter

The 2009 – 2010 financial year has been one of consolidation for Golden West Resources as the Company heads toward production.

Completion of a strategic review by the Company's corporate consultants confirmed the commercial viability of the Company's Wiluna West Hematite Project, while emphasising transport infrastructure as critical.

Your Company is fortunate to have access to the fully sealed Goldfields Highway through to a rail siding at Leonora. The rail system goes through the transport hub of Kalgoorlie and to the south coast iron ore export port of Esperance. Discussions with the transport providers and other stakeholders for export of Wiluna West ore through Esperance were initiated in the financial year. Equally important is the progress being made on development of the Oakajee Port and Rail project in delivering infrastructure needed to ensure the success of the iron ore industry in the Mid West.

As set out in the CEO's Review of Operations our iron ore resource base continues to grow and the Company also recently announced a significant increase in its gold resources at Wiluna West.

Our financial position is very sound, having attracted at the end of the financial year a $17.2 million investment at $0.80 per share from Wynnes Investment Holding Ltd, a family company owned by Mr David Law Tien Seng. Mr Law was previously the Deputy Chairman and major shareholder of Midwest Corporation Limited.

As a consequence of the placement being completed at a significant premium to the market price your Board has decided to postpone the proposed Share Purchase Plan until the time of its next capital raising and will seek shareholder approval for a further capital raising at its 2010 AGM.

Our Board was further strengthened by the appointment of non-executive Directors Mr David Law and experienced businessman Mr Gary Lyons the Managing Director of the Heiniger Group's Australasian operations.

This has been an important year for our committed staff both on location at Wiluna and at our Perth headquarters and the Board is most grateful to the professional and enthusiastic manner our team have approached their many and varied tasks. I would also wish to thank my fellow Board members and in particular our CEO, Mr Mark Hine, who have contributed greatly to a successful year.

Of equal importance is the finalisation with the Tarlpa Native Title Claimants on the terms for an Agreement at the Wiluna West project at a signing ceremony in July. This major Company milestone was reached through the sincere and open way the Martu People have approached this agreement and has demonstrated the friendship and trust between the Martu and Golden West Resources.

Finally I would like to thank you as shareholders for your continuing support and we believe your patience and loyalty will be rewarded over the coming year and years.

Regards

**David Sanders**
*Chairman*


Project Location - Mid west

## Overview

For some time, the Wiluna West Project has demonstrated the quality of ore within the resource; it is an outstanding high-grade, low-impurity hematite direct shipping ore. The confirmation of the economics of the project, provided the appropriate infrastructure is in place, has seen considerable focus on discussions that will lead to access to existing infrastructure.

Following my appointment as Chief Executive Officer in January 2010, substantial progress has been made in transitioning Golden West Resources from a junior exploration company to an emerging iron ore exporter. The development and implementation of a three stage strategy for the Wiluna West Iron Ore Project now positions Golden West Resources to capitalise on the continued growth in the global iron ore market.

Discussions have commenced with the Esperance Port Authority, Westnet and QR National in respect to transporting and exporting ore initially through Esperance.

There will be further discussions with these organisation as well as with the State Government, the community and other current users to progress access for our product through the iron ore port of Esperance.

Of equal importance and significant for our longer-term aspirations to mine 10Mtpa from our Wiluna West Iron Ore Project is the successful development of the Oakajee Port and Rail (OPR) system running from just north of Geraldton through to the Mid-West resources.

The announcement in April 2010 of OPR's increased port and rail capacity from 35 to 45Mtpa is a significant step in delivering the infrastructure needed to ensure the success of the iron ore industry in the Mid West.

While progressing the development of the high quality Wiluna West Iron Ore resource throughout the year, pleasing progress was also made in relation to GWR's gold assets. Remodelling of the known gold resources within the Wiluna west tenements resulted in a 230% increase in the previous reported Gold Resource. This increase in the resource provides further momentum to the planned spin out of GWR's non iron ore assets into Aureus Gold Ltd.

## Location

The Company's 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).

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

## Iron Ore

Golden West Resources is the second largest direct shipping hematite iron ore project in the Mid West with a total JORC Code compliant Resource of 147.7Mt @ 59% Fe, comprising of Measured 1.2Mt @ 61.9% Fe, Indicated 49.2Mt @ 60.5% Fe and Inferred 97.3Mt @ 58.4% Fe.

This resource is within two mineralised units described as Units B and C. Units B and C are interpreted from magnetic survey data to extend the entire 45km length of the tenements. Exploration has been concentrated on the northern, more exposed section of Units B and C.

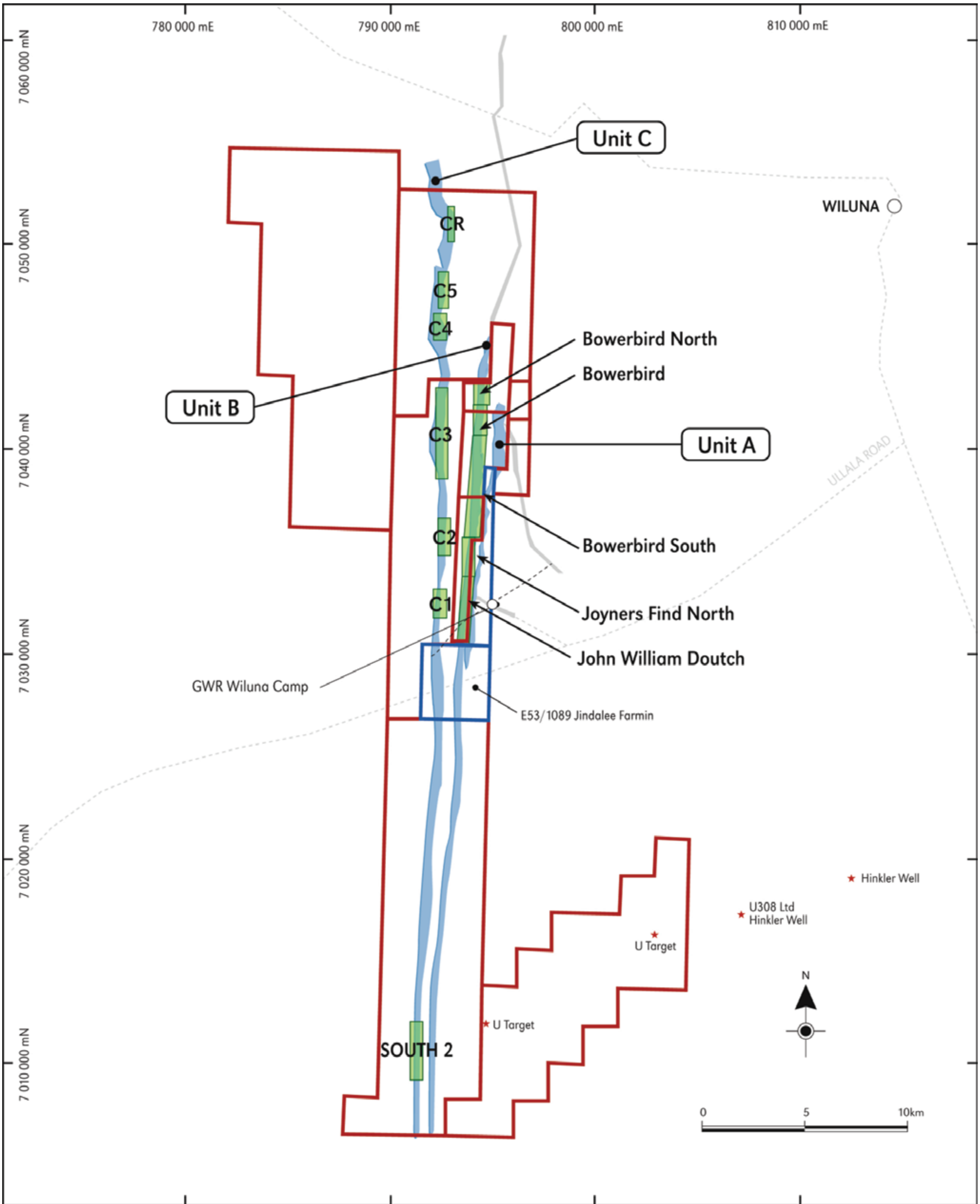
## Strategic Directions

The Board has approved a development strategy involving three stages that will see Golden West Resources head for early production; a strategy that has been endorsed by the Company's corporate consultants.

The strategy recognises the need for flexibility in the Company's marketing approach, and is targeting using the existing port of Esperance and the yet to be constructed port of Oakajee.

Esperance already moves some eight million tonnes of iron ore a year through its port facilities, and is the deepest port in southern Australia, capable of handling Cape Class vessels up to 200,000 tonnes.

The port is linked by rail through Kalgoorlie to Leonora. Trucking operations would then use the fully sealed Goldfields Highway from Wiluna to Leonora.



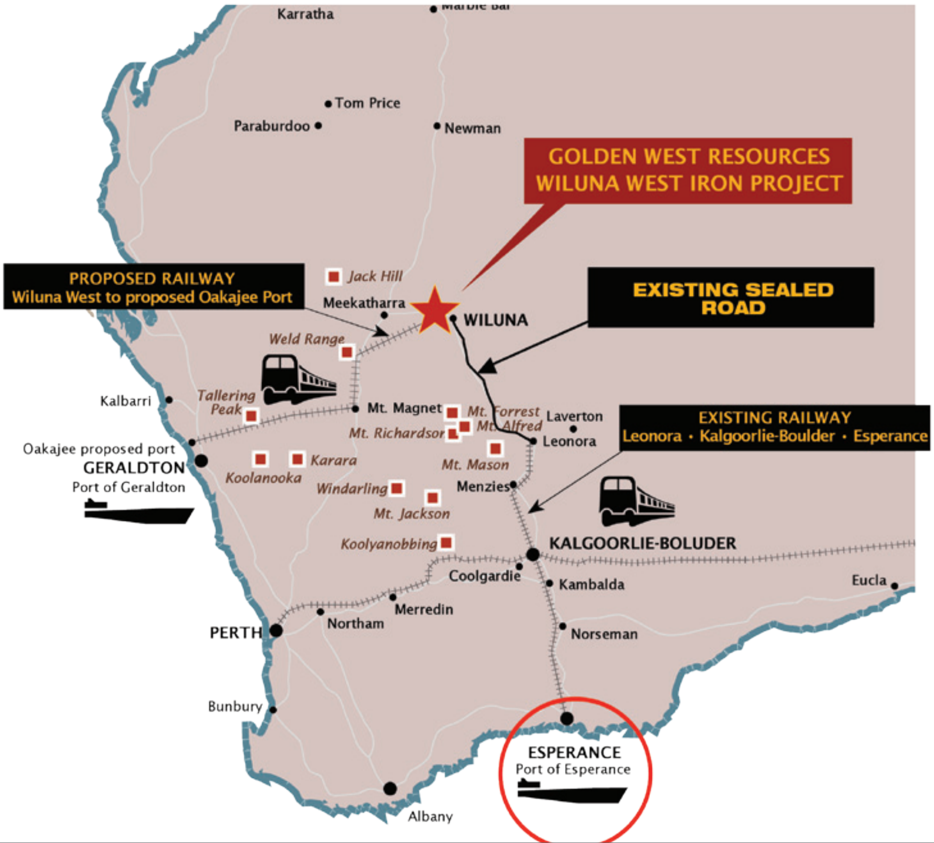

Project Geology - Iron Ore Occurences

## *Stage I*

The short-term Stage I strategy will:

- Mine 1mtpa high-grade DSO from the JWD deposit over 2-3 years.
- Demonstrate robustness of the project and quality of the Resource
- Truck to Leonora and rail to Esperance Port.
- Scoping studies were completed at the end of 2009.
- Utilise existing facilities at Esperance Port (or establish railcar dumper and storage facilities with other parties).

The product from the JWD Deposit is very high-grade and low-impurity, particularly low in phosphorous.  This makes it an excellent blending product and will be keenly sought in the marketplace.




Project  Location - Infastructure Options

## *Stage II*

The Stage II development enhances the project economics and cash flows while the longer-term infrastructure solution is being built.  The core elements of this stage are:

- Upgrade existing rail and port infrastructure to accommodate an additional 5-7mtpa of shared throughput at Esperance.
- Develop agreement with other potential and existing users to share upgrades and other infrastructure costs to allow for the expanded tonnage.
- Mine expanded from 1mtpa to 3mtpa.

Prefeasibility engineering studies for Stage I and Stage II  has been completed, and GWR believes suitable commercial arrangements can be negotiated to access the infrastructure.

| Port Options | | | |
|---|---|---|---|
| Port | Spur or Road (km) | Public Rail (km) | Total (km) |
| Oakajee | 230 | 400 | 630 |
| Esperance | 320 | 650 | 970 |

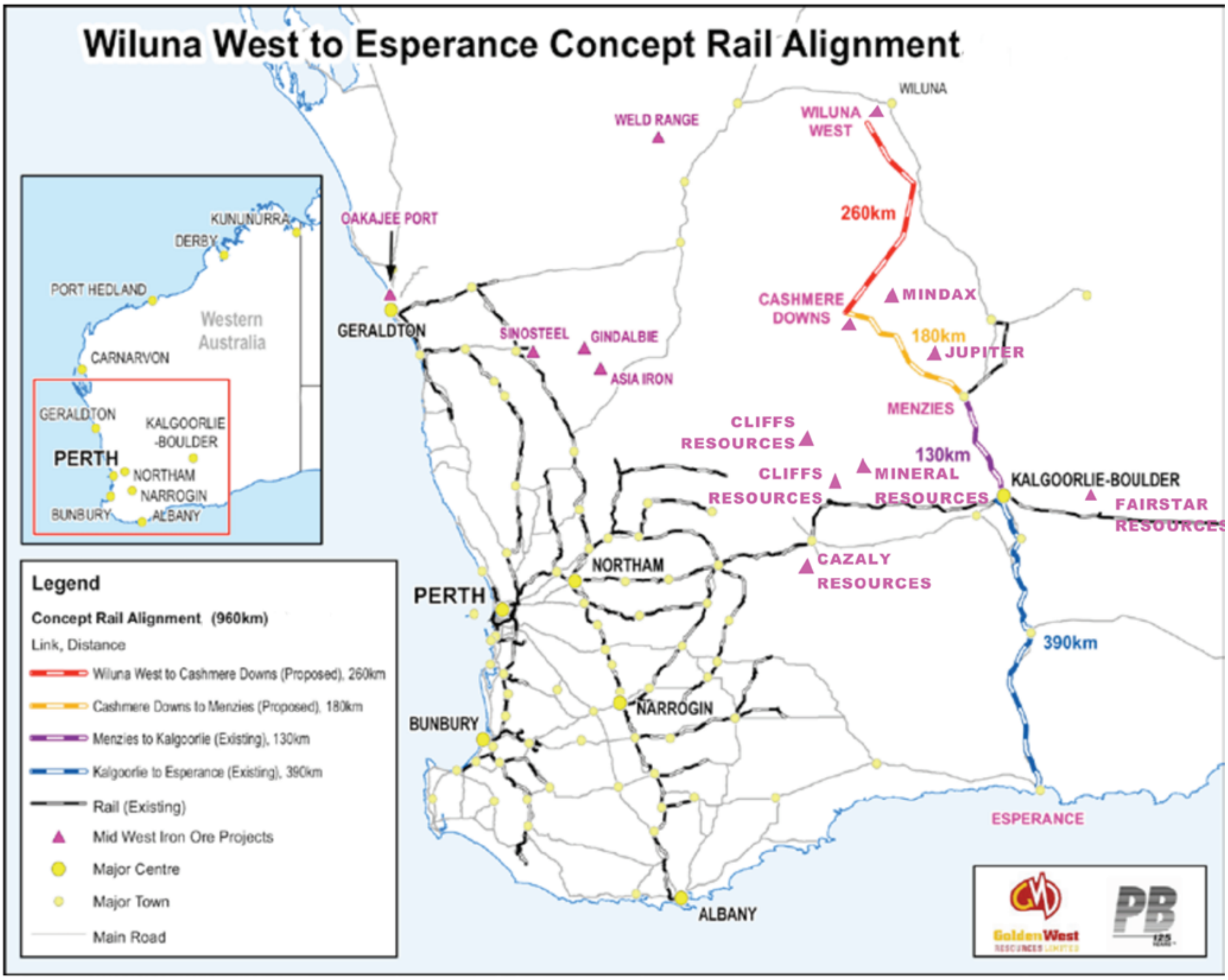
### *Stage III*

The Stage III option is centered on the soon to be constructed port of Oakajee. The key elements of this stage are:

- Oakajee Phase I – Port 45Mtpa, Rail 75Mtpa
- Dependent on new Oakajee Port and Rail being developed to Weld Range
- Requires 230kms of new rail/haulroad from Wiluna West to Weld Range.
- Potential for GWR to blend with others.
- Planned to be operational by 2014.
- Complete Wiluna West (Major Project) DFS Q4, 2011.
- Wiluna West expanded to 10mtpa DSO.

Golden West is in a good strategic position, sharing both east-west and north-south iron ore development corridors. If there were to be any long-term development issues with the Oakajee Development, GWR has the option of entering into discussions with projects located in the Wiluna to Kalgoorlie corridor. These would see:

- Approximately 400km of new rail from Wiluna West to Menzies.
- Link in emerging producers (Cashmere Iron, Mindax, JMS)
- Upgrade existing Menzies to Esperance railway to allow – 35mtpa combined capacity.
- Expand Esperance Port to handle 35Mtpa.
- Infrastructure costs to be shared with existing and emerging DSO operations along the line.




Conceptual Rail alignment to Esperance - Stage III

## Resources

Over the FY 2009-2010, Golden West Resources has increased its base from an Inferred JORC Code compliant Resource of 126Mt @ 59% Fe to a total JORC resource of 147.7Mt, comprising of Measured 1.2Mt @ 61.9% Fe, Indicated 49.2Mt @ 60.5% Fe and Inferred 97.3Mt @ 58.4% Fe.

TABLE 1
Golden West Resources Limited
Wiluna West Hematite Project Mineral Resource
Reported above a 50% cut-off

| Classification | Tonnes (Mt) | Fe % | SIO2 % | Al2O3 % | P % | LOI % |
|---|---|---|---|---|---|---|
| Measured | 1.2 | 61.9 | 6.5 | 2.9 | 0.04 | 1.7 |
| Indicated | 49.2 | 60.5 | 7.2 | 2.6 | 0.05 | 3.3 |
| Inferred | 97.3 | 58.4 | 8.9 | 2.8 | 0.06 | 4.1 |
| **TOTAL** | **147.7** | **59.1** | **8.3** | **2.7** | **0.06** | **3.8** |

Work continues at pace to prepare the exceptionally high-grade low-impurity hematite ore, averaging 64.6% Fe, of the Stage I John William Doutch (JWD) deposit for mining.

An optimised pit has been designed incorporating 3 years of production at 1Mtpa entirely within the 100% GWR owned JWD deposit. The iron mineralisation is contained within 4 sub-parallel lodes defined as lode 100, 200, 300 and 400 containing a total of 3.19Mt at an average grade of 64.6% Fe of which 3.04Mt is in the Indicated category see below (Table 2). The final design has a low stripping ratio of 3.2:1.

TABLE 2
Golden West Resources Limited
John William Doutch Deposit
In Pit Resources 1Mt/Annum Pit

| Classification | Lode | Tonnes | Fe % | SIO2 % | Al2O3 % | P % | LOI % |
|---|---|---|---|---|---|---|---|
| Indicated | 100 | 1,728,000 | 63.55 | 3.17 | 1.82 | 0.032 | 3.63 |
| Indicated | 200 | 1,315,000 | 66.00 | 1.95 | 1.44 | 0.014 | 1.43 |
| Inferred | 300 | 97,000 | 63.08 | 5.77 | 1.40 | 0.028 | 2.02 |
| Inferred | 400 | 45,000 | 65.98 | 2.45 | 1.07 | 0.009 | 1.36 |
| **Totals** | | **3,185,000** | **64.60** | **2.70** | **1.60** | **0.02** | **2.60** |

The quality of the iron mineralisation compares very favourably with existing specifications of some of the world's leading iron exporters as summarised in Table 3 below. Of particular interest is the very low amount of contained phosphorous (P) which makes it suitable to be considered as a blending product for other higher phosphorous ores.

DSO Hematite Unit B

| TABLE 3<br>Golden West Resources Limited<br>John William Doutch Deposit Comparison of Ore Quality | | | | |
|---|---|---|---|---|
| | John William Doutch Deposit | BHP Lump Ore Mt Newman | Vale Standard Sinter Feed Tubarao | Samarco Medium Silica Pellet Feed |
| **Fe** | 64.6 | 63.9 | 65.00 | 66.79 |
| **SIO2** | 2.7 | 3.8 | 4.40 | 1.54 |
| **Al2O3** | 1.6 | 1.5 | 0.90 | 0.32 |
| **P** | 0.020 | 0.069 | 0.049 | 0.045 |
| **LOI** | 2.6 | 2.90 | 1.60 | 2.43 |

At the same time as progressing the Stage I operation, the Company continues to progress towards the larger 3Mtpa and 10Mtpa mining targets which will utilise the total JORC compliant resource for Wiluna West which currently stands at 147.7Mt @ 59% Fe including 50.4Mt in the Indicated and Measured categories, as shown above (Table 1).

For Stages II and III, at least three deposits are expected to be mined concurrently to produce a blended product for consistent quantity and quality of ore. Initially this will be the C3, C4 and Bowerbird deposits which are the subject of the ongoing RC definition drilling.

## Drilling Programs

### *RC Drilling*

| Golden West Resources Limited<br>Summary of RC drilling completed by deposit FY 2009-2010 | | |
|---|---|---|
| Prospect | Holes | Metres |
| C1 | 1 | 92 |
| C1 South | 3 | 360 |
| C2 | 2 | 185 |
| C3 | 175 | 13,383 |
| C4 | 60 | 4,471 |
| Bowerbird | 6 | 450 |
| Bowerbird north | 9 | 846 |
| CR | 19 | 1,573 |
| JWD | 39 | 3,943 |
| **Total** | **314** | **25,303** |

Some exploration drilling was undertaken at the beginning of this financial year, with some promising results that will be followed up. The exploration drilling confirmed several wide zones of mineralisation outside the current Resources envelope.

The Company's drilling contractor - Denarda

The remainder of the drilling over the year was largely infill drilling to firm current resources from inferred to indicated and measured.

## *Metallurgical Diamond Drilling*

| Golden West Resources Limited<br>Summary of PQ diamond drilling completed by deposit FY 2009-2010 | | |
|---|---|---|
| **Prospect** | **Holes** | **Metres** |
| C3 | 3 | 187 |
| C4 | 4 | 370 |
| Bowerbird | 7 | 406 |
| JWD | 3 | 129 |
| **Total** | **17** | **1089** |

A total of 17 PQ (85mm core size) diamond drill holes for 1,089 m were completed to provide metallurgical samples and a twin holes for existing RC drill holes.

## Native Title Mining Agreement

In June 2010, the Company announced it had reached an in principle agreement with the Tarlpa Native Title Claimants on the terms for an Agreement at the Wiluna West Project. This Native Title Mining Agreement was ratified in July with the signing of that agreement.

This Agreement respects the traditional rights and customs of the Martu People, in particular the Tarlpa and Wiluna Native Title Claimants who are the traditional owners and custodians of the land under tenements which constitute the Wiluna West Project.

A signing ceremony was held at the Company's exploration camp near Wiluna, where Chairman Mr David Sanders commented:

"*A Native Title Agreement is about the relationship between the parties, one entrenched in mutual trust and respect. These are the fundamental building blocks of friendship and the sincere and open way the Martu People have approached this agreement has demonstrated that friendship.*"

The Native Title Mining Agreement for Golden West Resources' Wiluna West hematite iron ore project being signed in Wiluna.
From left, GWR Directors Gary Lyons, Mick Wilson, John Lester and David Sanders with Tarlpa Native Title Claimants James Calyun, Norman Thompson and Lizzie Wonyabong.

The agreement represents a major milestone for the Company in its endeavours to bring the Wiluna West iron ore project to production.

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

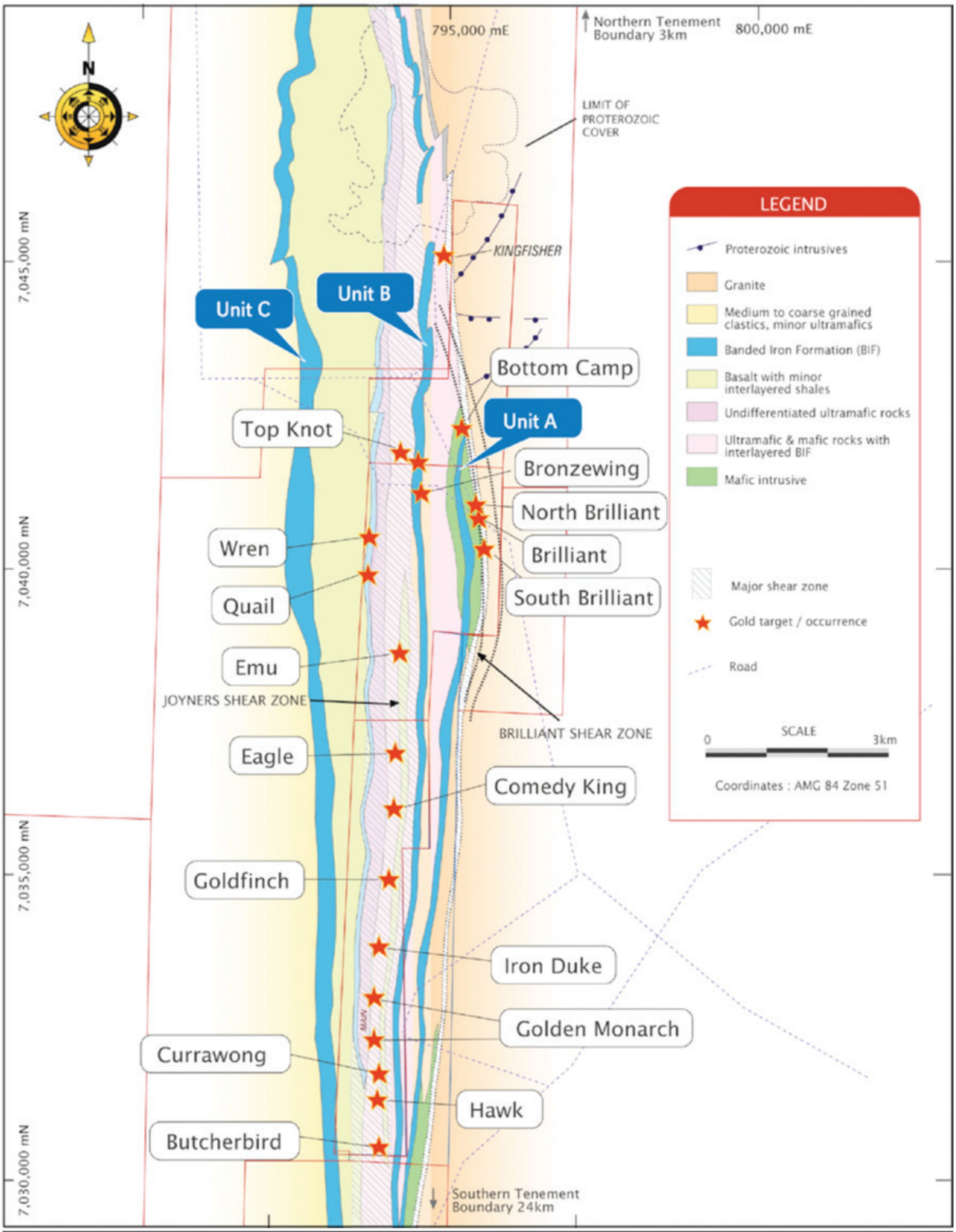
Golden West Resources' site-based workforce is already largely indigenous, and the Company intends to work with the wider community to encourage indigenous business initiatives able to provide goods and services to the Company into the future.

The Company employs a Community Liaison Officer from the community to ensure all heritage and cultural issues are dealt with in accordance with Aboriginal Culture.

## Gold

When the financial year began, on 1 July 2009, gold was priced at US$930 an ounce and 12 months later it was around US$1240 a 33.3% increase.

Golden West Resources had a gold resource of 788,000tonnes @ 3.5g/t for 87,000oz at the beginning of the Financial Year and 12 months later, has 3,478,000 tonnes @ 2.3 g/t Au for a contained 258,000oz, a 230% increase.



Project Geology - Gold Occurences

As a consequence of the strong gold price, GWR began investigating the viability of short-term gold production from their known deposits at the Wiluna West Project.

In March 2010, as part of this ongoing assessment, GWR commissioned CSA Global Pty Ltd (CSA) to undertake a resource review and update of the Iron Duke, NWBIF and Iron Monarch deposits. The review resulted in upgrading the known resource base to 1,119,000 tonnes @ 3.07 g/t Au for a contained 110,400oz a rise of over 25%.

The consultants suggested the three deposits are actually part of a single larger system which was renamed the Golden Monarch.

The Company commissioned CSA Global to undertake a further review of the known Wiluna West gold deposits, other than those reported in March 2010, which led to the significant increase of 258,000oz of gold, with CSA Global believing there is potential for additional discoveries.

Golden West Resources, through its wholly owned subsidiary Aureus Gold Limited, plans to progress the development of a gold mining operation initially focussing on the Golden Monarch deposit.

| Mineral Resource Estimate | Class | Tonnes | Au g/t | Ounces |
|---|---|---|---|---|
| February 2010 Golden Monarch | Indicated | 46,000 | 3.54 | 5,200 |
| | Inferred | 568,000 | 2.39 | 43,600 |
| June 2010 | Inferred | 2,864,000 | 2.27 | 209,400 |
| **Total** | | **3,478,000** | **2.31** | **258,200** |

**Note:** Tonnes and grade based on a 1.0 Au cut off. Differences may occur due to rounding

Discussions with nearby potential milling facilities are under way, while an infill RC drilling program is planned for the Golden Monarch and Eagle deposits, for metallurgical test work and aiming to upgrade some of the Inferred Resources to Indicated status.

At the beginning of the Financial Year, GWR announced the strategic intention to consider the demerger of the non-iron ore assets, believing shareholder value will be enhanced by having these gold assets in production, and allowing GWR to maintain its full focus on its iron assets.

## Community

Golden West Resources acknowledges the Martu people as the traditional owners of the land at Wiluna West on which we operate and we recognise that the Martu people have the right to derive social and economic benefits from our activities on their land.

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.

Golden West Resources 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.


Miranda Long

## Indigenous employment

The Company is committed to working with the Martu people to identify and create opportunities to maximise Martu employment and training opportunities.

As at 30 June 2010 Golden West Resources had 11 Aboriginal employees, 10 of whom are local Martu or Yamatji people. In addition 50% of the field employees at the Wiluna West Project are Aboriginal.

## 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 RPA program has set up eight trial sites across Australia as a collaborative partnership to address a wide scope of social, economic and cultural development needs in local government areas.

The RPA program works together with Indigenous people to build sustainable, prosperous communities in which individuals can create and take up social, employment and business opportunities.

## Scholarship programs

Golden West Resources have a commitment to the youth of Wiluna who represent the building blocks for the community's long-term strength.

GWR have in place scholarships to the Clontarf Football Academy and are investigating establishing scholarships and opportunities for the girls of Wiluna.

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.

Scholarship winners Duran Patch, Leslee Gilbert, and Gevaris Ashwin, meeting Company Secretary, ex-Eagles player Anthony Begovich while Adam Wiringi of the Wiluna Police looks on.

## 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 2010.

The Wiluna Junior Football Club, the Martu Eagles, hosted players, parents, coaches and committee members of the Dalkeith Nedlands Junior Football Club who travelled to Wiluna to play a game of Australian Rules football.

This was the second year the under 16s of the two clubs gathered for a social game of football, with the inaugural match played 12 months earlier when the Martu Eagles travelled to play at the DNJFC grounds in Nedlands in Perth.

The weekend at Wiluna was an outstanding success and of course a lot more than just a game of football. All members of the Wiluna RPA participated in the event, with air travel provided by BHP Billiton's Nickel West and Yeelirie operations on their daily flights to Mt Keith south of Wiluna.

Golden West Resources provided accommodation for the DNJFC at its exploration camp, while other companies provided meals and site tours of their mining operations.

Elders and community members provided a traditional "Bush Tucker" lunch on the Saturday prior to the Sunday game as well as organising a number of 'ice-breaker' games to allow the two teams to re-acquaint themselves with one-another.

Guest coach and motivational speaker for the Martu Eagles was ex-world boxing champion "Aussie Joe Bugner" who thrilled both teams when he showed his legendary fights with Mohammed Ali and Joe Frazier.

A community lunch hosted by Magellan Metals followed the game with both teams committing to a further rematch in Perth in 2011.


Wiluna Martu Eagles and Dalkeith Nedlands Junior Football Clubs

## Back to country

Golden West Resources has contributed and is fully supportive of the 'Back to Country' Program for the past two years. This program is run by the Central Desert Native Title Services.

The immediate return from this project is about Martu cultural well-being, maintenance and connection to homelands, and the recording of oral histories (film, photographic and word).

The longer term return will be about Martu economic development linked to land use, land care and tourism.

## Other

The Company also assisted with a schools lunch program for the Wiluna Remote Community School, helping ensure nutrition levels would not impact the students' ability to participate in learning activities.

Another beneficiary of Golden West Resources' support program is the Wiluna AMS (Medical Centre). They are contracted to supply services for the Company's operations and this engagement has beneficial outcomes in the levels of service able to be provided by the medical centre to the wider community.

## Environmental

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

Golden West'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.

Progressive rehabilitation of access tracks and drill pads used during recent exploration activities is currently being undertaken. This involves removing all the "evidence" of our presence and undertaking land sculpting to allow adjacent native vegetation to re-grow.

Detailed flora and fauna surveys have been undertaken as part of the Company's Wiluna West DSO Hematite Iron Ore project, and no endangered or threatened species have been identified.

## Safety

Golden West Resources 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). To date GWR has had no LTI's. This is a highly commendable result, particularly considering that the Project has been LTI free since reporting to the Mines Department first commenced in 2005.

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 systems based approach to HSE has been the highly successful PASS programme which is 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.

Mark Hine

**Mark Hine**

*Chief executive officer*

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 2010.

## 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

**David Sanders, B.Juris, LLB, BComm – Non-executive chairman**

Mr Sanders is a lawyer with over 15 years experience in corporate and resources law. He holds a Bachelor of Jurisprudence, Bachelor of Law and Bachelor of Commerce degrees from the University of Western Australia and a Graduate Diploma of Applied Finance and Investments from the Securities Institute of Australia.

Mr Sanders advises numerous ASX listed companies, including companies in the resources sector, on capital raising, mergers and acquisitions, Corporations Act and ASX Listing Rules compliance and corporate governance.

***Present directorships:*** Marenica Energy Limited

***Previous directorships (last 3 years):*** Acuvax Limited

**John Lester – Executive director**

Mr Lester has extensive international experience as a stockbroker and corporate adviser. Mr Lester graduated from Oxford University with an honours degree in Natural Science before joining Joseph Sebag and Company Stockbrokers in London. His time there included a period on secondment to the investment team at Consolidated Goldfields Limited. He was manager of Sebag's Perth and Melbourne offices. Mr Lester then joined Jardine Fleming and Company as chief securities dealer and was made a member of the main board. He later joined Peter Hains and Company Stockbrokers in Sydney and Pembroke Securities Limited as head of Corporate Finance.

More recently, Mr Lester spent a number of years in Indonesia where he advised mining companies on capital raisings and their relations with stock market investors. He later set up and owned a number of companies specializing in the provision of services to the mining and oil industries in Indonesia. Since returning to Australia he has acted as a consultant, providing corporate and financial services to a number of mining companies.

***Present directorships:*** Nil

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

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

Mr Wilson is an exploration geologist with more than 20 years experience within Australia and South East Asia. He was actively involved in the discovery of the Bullabulling gold deposits in Western Australia and the development of the Longos gold deposit in the Philippines.

***Present directorships:*** Nil

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

**Chin An Lau – Alternate director for Mr Law** (appointed 21 July 2010)

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.

***Present directorships:*** Nil

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

**Tien Seng Law – Non-executive director** (appointed 21 July 2010)

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, covering property ownership, property development, hotel and mining.

Mr Law is currently the executive Chairman of T.S. Law Holding Sdn Bhd, an investment holding company in Malaysia. Mr Law owns a group of companies in Malaysia covering a diverse range of industries. These companies include those with activities in property investment and development, television and video production, 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 a manufacturing of steel pipes.

***Present directorships:*** Nil

***Previous directorships (last 3 years):*** Midwest Corporation Limited

**Gary Lyons – Non-executive director**

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. He is also Chairman of Stallion Station one of the largest equine breeding establishments in the southern hemisphere and Non Executive Director of Biological Woolharvesting Holdings Company Limited.

***Present directorships:*** Fairstar Resources Limited

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

**Jun Wang – Non executive director**

Mr Wang was previously Chief of Sales Department, Chief of Finance Department, Deputy Director of the Reform Office at Hengyang Steel Tube Mill and Assistant Manager, Deputy Manager & Manager of Securities Department at Hunan Valin Steel Company Limited, and currently is a Director, Vice President & Board Secretary of Hunan Valin Steel Company, Limited.

Mr Wang was born in Hunan Province of China in April 1970. He is Senior Economist with a Master's Degree, and he is experienced in Capital Operating.

***Present directorships:*** Hunan Valin Steel Company, Limited.

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

**Xiang Hong Yang – Alternate Director for Mr Wang** (appointed 23 September 2010)

Mr Yang is the Chief economist of Hunan Valin Steel Co. Limited previously he was Director of HR Department of HQ and Director of Securities Department.

Mr Yang was also GM office's Deputy Director, Director of Party Committee office, Director of GM office and Director of Archive Management Department for Hengyang Valin Steel Tube Co. Limited, one of the main subsidiaries of Valin.

***Present directorships:*** Nil

***Previous directorships:*** Nil

**Former directors**

John Wallace Doutch - Non-executive director, resigned 26 November 2009.

Constantino Markopoulos - Executive chairman, resigned 23 July 2009.

Vaughan Webber - Non-executive director, resigned 26 November 2009.

## 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:

| | Ordinary shares | Options (listed) | Options (unlisted) |
|---|---|---|---|
| D Sanders | 8,300 | - | - |
| J Lester | - | 500,000 | 500,000 |
| M Wilson | 2,184,438 | 1,500,000 | 1,500,000 |
| C A Lau[2] | 95,000 | - | - |
| T S Law[1] | 21,470,364 | - | - |
| G Lyons | - | - | - |
| J Wang | - | - | - |
| X H Yang | - | - | - |

[1] Indirect interest via Wynnes Investment Holding Ltd. Tien Seng Law controls more than 20% of the voting power of the issued and paid up share capital of Wynnes Investment Holding Ltd and his wife Geok Ngor, Saw controls more than 20% of the voting power of the issued and paid up capital of Wynnes Investment Holding Ltd.

[2] Indirect interest via spouse

## Company secretary

**Anthony Begovich, BBus, CA**

Mr Begovich has over six years experience working as a company secretary for Australian listed companies and is a chartered accountant with over five years experience in the financial management of listed resource companies.

## 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 2010.

## Principal activities

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

## Operating and financial review

### Group overview

Golden West Resources Limited was formed on 18 November 2002 and listed on the Australian Securities Exchange on 24 December 2004.

### Iron ore

The Company's principal asset is the Wiluna West iron ore project comprising of 440km² of tenements at Wiluna West, 30km south of Wiluna, covering a 45km strike of the Joyners Find Greenstone Belt. The Company has a 100% interest in the Wiluna West tenements except for the Joyner Find North deposit which is 80% owned.

During the year the Company commenced resource definition drilling with the aim of achieving an overall Reserve of at least 60 million tonnes and to underpin a small scale mining operation at John William Doutch ('JWD') deposit. Approximately 27,000 metres were completed during the year at the C3, C4 and JWD & Joyners Find ('JF') deposits.

Assay results were received for the drilling at C3, C4 and JWD and JF.

As a result of the above, but excluding some of the results from C3, the Company announced a total JORC Hematite Resource of 147.7Mt, comprising of Measured 1.2Mt @ 61.9% Fe, Indicated 49.2Mt @ 60.5% Fe and Inferred 97.3Mt @ 58.4% Fe, making it the second largest DSO resource in the Midwest Iron Ore province.

A metallurgical diamond drilling program was also completed during the year to define product quality for the iron ore.

The Company submitted a mining proposal for a small scale mining operation at JWD on 19 May 2010.

The Company continued to work with Oakajee Port and Rail (OPR) during the year in respect of the proposed port and rail development infrastructure solution through the yet to be constructed Port of Oakajee. In addition the Company also held discussions with Esperance Ports Sea and Land (EPSL), Westnet and QR National to progress the infrastructure solution through the port of Esperance.

Significant progress was also made during the year with regards to finalising an Agreement with the Tarlpa Native Title Claimants at the Company's Wiluna West Project.

### Gold

The Company's gold assets consist of the Wiluna West and Doherty's gold projects.

The Wiluna West gold project refers to the gold located on the Wiluna West tenements.

During the year the Company commissioned an independent consultant to perform a review of all the known gold deposits on the Wiluna West tenements. As a result of the review the Company's total gold Resource Estimate was raised to 3,478,000 tonnes @ 2.3g/t for a contained 258,000 oz at a 1g/t cut off which was announced to the market on 14 July 2010. In addition the Company also made progress regarding its strategic intention to divest its Wiluna West gold project.

The Doherty's gold project 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. Under this Agreement Classic must spend $200,000 over three years and pay the Company $80,000 in order to earn a 90% interest in the project.

During the year Classic conducted exploration drilling in accordance with the Joint Venture Agreement at the project and the results of this drilling is expected in the 2010/11 financial year.

### Uranium

The Company's Wiluna West uranium project has tenure over an area located in the south east of the Wiluna West tenements which is highly prospective for calcrete style uranium deposits, and our tenement is upstream from the known Dawson Well, Hinkler Well, Centipede and Lake Way uranium deposits.

The Company is in discussions with third parties regarding the sale of its Wiluna West uranium project.

### Corporate

During the period the Company appointed David Sanders as Non-executive chairman and Gary Lyons as a Non-executive director to replace Non-executive directors, John Doutch and Vaughan Webber who resigned.

## Operating results for the year

The consolidated loss for the year after income tax was $4,102,847 (2009: loss of $18,350,419).

The result includes non-cash costs of $327,403 (2009: $13,458,752) relating to the write-off and impairment of capitalised exploration and evaluation expenditure (2009: Nil).

After excluding the abovementioned non cash costs the result for the year was $3,775,444 (2009: $4,891,667) a 23% improvement, on a like for like basis, from the prior year.

## Share holders returns

| | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|
| Net profit/(loss) ($000) | (4,103) | (18,350) | (9,833) | (20,847) | (2,271) |
| Basic EPS (cents | (2.9) | (13.5) | (10.7) | (34.3) | (4.8) |
| Return on assets (%) | (5.2) | (22.2) | (19.4) | (104.3) | (43.8) |
| Return on equity (%) | (5.3) | (22.6) | (20.0) | (109.8) | (45.9) |
| Net debt/equity ratio (%) | (10.6) | (23.6) | (23.6) | (34.8) | (28.3) |

## Review of financial condition

### Liquidity and capital resources

The group's principal source of liquidity as at 30 June 2010 is cash and cash equivalents of $9,119,673 (2009: $20,382,799) of which $8,700,000 has been placed on short term deposit.

The principal sources of cash during the year were loan repayments from other entities and interest received from term deposits. In prior years, cash was derived from capital raisings and the exercise of options.

## Asset and capital structure

| | 2010 $000 | 2009 $000 |
|---|---|---|
| Debts:<br>Trade and other payables | 910 | 1,154 |
| Interest bearing liabilities | 19 | 54 |
| Cash and short term deposits | (9,120) | (20,383) |
| Net debt/(cash) | (8,191) | (19,175) |
| Total equity | 77,053 | 81,156 |
| Total capital employed | **68,862** | **61,981** |
| **Gearing** | **(11.9)%** | **(30.9)%** |

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

There were no new shares issued during the year.

# Risk management

The Board reviews and approves the Group's Risk management policy.

In accordance with the Risk management policy:

- Senior management is responsible for efficient and effective risk management across the activities of the Group.
- The Chief Executive Officer is responsible for ensuring the process for managing risk is integrated within divisional business planning and management activities.
- Reports on risk management are provided to the Board who are responsible for monitoring the risk management process within the Group.

# 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

## Share placement

The Company announced on 1 July 2010 the completion of the share placement that was initially announced to the market on 30 June 2010. The share placement involved the issue of 21,470,364 ordinary shares at $0.80 a share resulting in net proceeds of $16,295,938. Post the Placement, GWR will have total cash reserves in excess of $25 million.

## Board changes

On 21 July 2010 the Company announced the appointment of Mr T Law as a non-executive director and Mr C Lau as his alternate.

## Gold resource upgrade

The Company announced a 230% increase in the previously reported gold resource estimates on 14 July 2010.

The combined Inferred and Indicated Resources for the Wiluna West project are now 3,478,000 tonnes @ 2.3g/t for a contained 258,000 oz, based upon a 1g/t cut off.

## Native title agreement signed

On the 28 July 2010 the Company announced the signing of a Mining Agreement with the Tarlpa Native Title Claimants at the Company's Wiluna West Project. This represents a major milestone for the Company in its endeavours to bring the Wiluna West iron ore project to production and respects the traditional rights and customs of the Martu People, in particular the Tarlpa and Wiluna Native Title claimants who are the traditional owners and custodians of the land.

## Likely developments and expected results

The Company intends to continue the development of its Wiluna West Hematite Project and progress the spin out of its gold assets through its wholly owned subsidiary Aureus Gold Limited.

## 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 breaches of the environmental regulations to which the Group is subject.

## Share options

At the date of this report, there were 28,263,879 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.

## 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, 10 board meetings, 3 audit and risk management committee meetings were held.

| | Board meetings | | Audit & Risk Management committee meetings | |
|---|---|---|---|---|
| | Number Eligible to attend | Number Attended | Number Eligible to attend | Number Attended |
| D Sanders[1] | 7 | 7 | 2 | 2 |
| J Lester[2] | 10 | 10 | 3 | 3 |
| M Wilson | 10 | 10 | 3 | 3 |
| J Doutch[3] | 4 | 4 | - | - |
| G Lyons[4] | 1 | 1 | - | - |
| C Markopoulos[5] | 1 | 1 | - | - |
| J Wang | 10 | 4 | - | - |
| V Webber[3] | 4 | 4 | 1 | 1 |

[1] Mr Sanders was appointed on 27 November 2009.

[2] Mr Lester was appointed on 23 July 2009

[3] Mr Doutch and Mr Webber were appointed on 23 July 2009 and resigned on the 26 November 2009. Mr Webber was Chairman of the Committee during his appointment

[4] Mr Lyons was appointed on 2 June 2010 and became Chairman of the Committee on 22 July 2010.

[5] Mr Markopoulos resigned on 23 July 2009.

## 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

ABN 41 103 088 697

LEVEL 1, 1 HAVELOCK STREET
WEST PERTH WA 6005, AUSTRALIA
PH: 61 8 9481 3188 • FAX: 61 8 9321 1204
www.stantons.com.au

30 September 2010

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 2010, 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 sincerely
**STANTONS INTERNATIONAL**
**(Authorised Audit Company)**

**Keith Lingard**
**Director**

*Limited Liability by a scheme approved under Professional Standards Legislation*

Member of Russell Bedford International

Russell Bedford

## 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.

## Remuneration report (audited)

This remuneration report for the year ended 30 June 2010 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 | appointed 27 November 2009 |
| J Doutch | appointed 23 July 2009 and resigned 26 November 2009 |
| G Lyons | appointed 2 June 2010 |
| J Wang | |
| V Webber | appointed 23 July 2009 and resigned 26 November 2009 |

### *Executive directors*

| | |
|---|---|
| J Lester | |
| C Markopoulos | resigned 23 July 2009 |
| M Wilson | |

### *Other executives*

| | |
|---|---|
| A Begovich | Chief financial officer & Company secretary |
| M Hine | Chief executive officer - appointed 13 January 2010 |
| P Leidich | Study manager |

### Remuneration committee

The Board as a whole is responsible for determining and reviewing remuneration arrangements for the directors and executives at it believes the Company is not of a size to justify having a separate Remuneration Committee.

The Board assesses the appropriateness of the nature and amount of remuneration of executives 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.

No director may be involved in setting their own remuneration or terms and conditions and in such a case relevant directors are required to be absent from the full Board discussion.

### 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; and
- 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 26 November 2009 when shareholders voted to retain the existing aggregate remuneration of $250,000 per year.

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.

Non-executive directors are encouraged by the Board to hold shares in the Company. In addition long term equity incentives may be awarded to non-executive directors, subject to shareholder approval, in a manner which aligns this element of remuneration with the creation of shareholder wealth.

The Company has taken into account the guidelines for non executive director remuneration as set out in Box 8.2 of the ASX Corporate Governance Council's second edition of the Corporate Governance Principles and Recommendations ('Guidelines'). Item 2 of the Guidelines set out in Box 8.2 states that non-executive directors should not receive options or bonus payments.

The Company considers the issue of equity incentives and bonus payments to non-executive directors is appropriate in certain circumstances where the quantum of cash fees that the Company believes it is prudent to pay does not represent an adequate reward and does not provide an adequate incentive to enable the Company to attract and retain non-executive directors of the requisite level of experience and qualifications to assist with the development of the Company. The Company did not issue any erquity incentives or pay any cash - bonuses payments to Non-executive directors during the year (2009: $100,000)

The remuneration of non-executive directors for the reporting periods ending 30 June 2010 and 30 June 2009 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 Board 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.

## *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 Board 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 Board'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 Board.

For the year ending 30 June 2010 a cash bonus of $45,000 (2009: $240,000) was awarded and paid in full to executives.

## *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 have previously been delivered in the form of share options but the Group has recently adopted a performance rights plan for future LTI grants.

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

## Employment contracts

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

**Anthony Begovich**

Mr Begovich was employed by the Company on 23 March 2009 as Chief financial officer and Company secretary in accordance with the terms of the agreement.

Under the agreement the Company is to pay Mr Begovich a base annual salary of $220,183 plus statutory superannuation.

The Company may terminate the agreement by giving 3 months notice and Mr Begovich is not entitled to any retirement benefits pursuant to his agreement.

**Mark Hine**

Mr Hine was engaged by the Company as Chief Executive Officer on 20 January 2010 and gave 6 months notice of his resignation on the 3rd September 2010.

Under the agreement, the Company is to pay Mr Hine a base annual salary of $350,000 inclusive of superannuation and vehicle allowance.

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

**Paul Leidich**

Mr Leidich was employed by the Company on 28 June 2007 as a consultant in accordance with the terms of the consultancy agreement. Under the agreement the Company is to pay Mr Leidich at the rate of $1,250 per day.

The Company may terminate the agreement by giving 30 days notice and Mr Leidich is not entitled to any retirement benefits pursuant to his agreement.

**John Lester**

Lester was engaged by the Company as Executive Director on 21 August 2008 for an initial three year period in accordance with the terms of the agreement.

Under the agreement, the Company is to pay Mr Lester a base annual salary of $305,200 plus a car allowance of $3,000 per month. In addition Mr Lester received 500,000 options exercisable at $2.00 each, expiring 31 December 2010 and 500,000 options exercisable at $3.00 each, expiring 31 December 2011, in the Company.

The Company may terminate the agreement immediately in the usual circumstances. If the Company terminates the agreement before the end of the initial three year term or before the end of any subsequent extension the Company shall pay Mr Lester an amount equivalent to the balance of the term. Mr Lester is not entitled to any retirement benefits pursuant to his agreement.

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

**Con Markopoulos**

Mr Markopoulos was engaged by the Company as Executive Chairman on 14 August 2008 for a three year period.

Mr Markopoulos stepped down as Executive Chairman on the 23 July 2009 and ceased employment as an executive on 30 November 2009.

Under the agreement, the Company was required to pay Mr Markopoulos a base annual salary of $320,000, plus statutory superannuation and a car allowance of $3,000 per month. The agreement was required to be reviewed annually by the Company .

On termination of the agreement before the end of the initial three year term the Company paid Mr Markopoulos an amount equivalent to the balance of the term.

**Michael Wilson**

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

On the 14 August 2008 Mr Wilson's employment was extended for a 3 year period.

Under the agreement, the Company is to pay Mr Wilson a base annual salary of $280,000, plus statutory superannuation and the Company is also required to provide Mr Wilson with a fully maintained commercial motor vehicle or a car allowance of $3,000 per month. The agreement is reviewed annually by the Company provided the base annual salary cannot be reduced as a result of the review.

The Company may terminate the agreement immediately in the usual circumstances. If the Company terminates the agreement before the end of the initial term or before the end of any subsequent extension the Company shall pay Mr Wilson an amount equivalent to the balance of the term. In addition, either the Company or Mr Wilson may terminate the agreement with three month's notice 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 12 month's salary.

Apart from that stated above Mr Wilson is not entitled to any retirement benefits pursuant to his agreement.

## Remuneration of key management personnel and the five highest paid executives of the Company and Group

**Table 1:** Remuneration for the year ended 30 June 2010

| | Short-term | | | | Post employment | | Share-based payments | Termination benefits | Total | Performance related[2] | Options |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Salary & fees[1] | Cash bonus | Non Monetary Benefit | Other | Super | Long Service Leave | Options | | | | |
| 30 June 2010 | $ | $ | $ | | $ | $ | $ | $ | $ | % | % |
| **Non-executive directors** | | | | | | | | | | | |
| J W Doutch[3] | 12,727 | - | - | - | - | - | - | - | 12,727 | - | - |
| G Lyons[5] | 4,167 | - | - | - | 375 | - | - | - | 4,542 | - | - |
| D Sanders[4] | 40,958 | - | - | - | 3,686 | - | - | - | 44,644 | - | - |
| J Wang | 75,000 | - | - | - | - | - | - | - | 75,000 | - | - |
| V Webber[3] | 30,519 | - | - | - | 2,747 | - | - | - | 33,266 | - | - |
| **Sub total** | **163,371** | **-** | **-** | **-** | **6,808** | **-** | **-** | **-** | **170,179** | | |
| **Executive directors** | | | | | | | | | | | |
| J Lester | 341,200 | - | - | - | - | - | - | - | 341,200 | - | - |
| C Markopoulos[6] | 22,011 | - | - | - | 1,781 | - | - | - | 23,792 | - | - |
| M Wilson[7] | 285,718 | - | 26,845 | 23,156 | 25,200 | (8,830) | - | 25,433 | 377,522 | 6.1% | - |
| **Other executives** | | | | | | | | | | | |
| A Begovich | 218,767 | 40,000 | - | - | 19,817 | 1,087 | - | - | 279,671 | 14.3% | - |
| M Hine[8] | 155,139 | - | - | - | 11,569 | 1,023 | - | - | 167,731 | - | - |
| P Leidich | 273,035 | 5,000 | - | - | - | - | - | - | 278,035 | 1.8% | - |
| C Markopoulos[6] | 540,498 | - | - | - | 30,619 | (4,997) | - | 259,664 | 825,784 | - | - |
| **Sub total** | **1,836,368** | **45,000** | **26,845** | **23,156** | **88,986** | **(11,717)** | **-** | **285,097** | **2,293,735** | | |
| **Total** | **1,999,739** | **45,000** | **26,845** | **23,156** | **95,794** | **(11,717)** | **-** | **285,097** | **2,463,914** | | |

1 Salary and fees includes movements in annual leave entitlement provisions
2 Performance related refers to the percentage of total remuneration that is performance related
3 Mr Doutch and Mr Webber were appointed on 23 July 2009 and resigned on 26 November 2009.
4 Mr Sanders was appointed as Non-executive chairman on 27 November 2009.
5 Mr Lyons was appointed as Non-executive director on 2 June 2010.
6 Mr Markopoulos resigned as a director on 23 July 2009 but remained employed by the Company as a consultant until 30 November 2009.
7 Mr Wilson remuneration includes movements in termination benefit entitlements provision in accordance with his employment contract.
8 Mr Hine was appointed as Chief executive officer on 13 January 2010.

## Remuneration of key management personnel and the five highest paid executives of the Company and Group

**Table 2:** Remuneration for the year ended 30 June 2009

| | Short-term | | | | Post employment | | Share-based payments[9] | Termination benefits | Total | Performance related[2] | Options[10] |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Salary & fees[1] | Cash bonus | Non Monetary Benefit | Other[8] | Super | Long Service Leave | Options | | | | |
| 30 June 2009 | $ | $ | $ | | $ | $ | $ | $ | $ | % | % |
| **Non-executive directors** | | | | | | | | | | | |
| M Bennett | - | - | - | - | - | - | - | - | - | - | - |
| J Doutch | - | - | - | 104,643 | - | - | - | - | 104,643 | - | - |
| J Lester[11] | 18,750 | - | - | 31,200 | 1,688 | - | - | - | 51,638 | - | - |
| A Rudd | 72,482 | 100,000 | - | 8,000 | - | - | - | - | 180,482 | - | - |
| D Sanders | - | - | - | - | - | - | - | - | - | | |
| J Wang | 23,333 | - | - | - | - | - | - | - | 23,333 | - | - |
| **Sub total** | **114,565** | **100,000** | **-** | **143,843** | **1,688** | **-** | **-** | **-** | **360,096** | | |
| **Executive directors** | | | | | | | | | | | |
| J Lester[11] | 294,595 | 100,000 | - | - | - | - | 482,450 | - | 877,045 | 11.4% | 55% |
| C Markopoulos | 416,897 | 40,000 | - | - | 27,600 | 4,997 | - | - | 489,494 | - | - |
| M Wilson[7] | 343,635 | 100,000 | - | - | 25,138 | 12,382 | - | 46,770 | 527,925 | 21.3% | - |
| **Other executives** | | | | | | | | | | | |
| A Begovich | 66,255 | - | - | - | 5,488 | 1,064 | - | - | 72,807 | - | - |
| P Leidich | 274,502 | - | - | - | - | - | - | - | 274,502 | - | - |
| D Rose | 176,513 | - | - | - | 38,786 | - | 1,000,000 | 386,000 | 1,601,299 | - | 62% |
| **Sub total** | **1,572,397** | **240,000** | **-** | **-** | **97,012** | **18,443** | **1,482,450** | **432,770** | **3,843,072** | | |
| **Total** | **1,686,962** | **340,000** | **-** | **143,843** | **98,700** | **18,443** | **1,482,450** | **432,770** | **4,203,168** | | |

7 Mr Wilson remuneration includes movements in termination benefit entitlements provision in accordance with his employment contract.

8 Other refers to fees paid for consultancy work performed for the Company

9 Share based payments refers to the fair value of options granted during the year

10 Options refers to the value of options as granted during the year as a proportion of total remuneration

11 Mr Lester became an executive director of the Company on 21 August 2008

## Options granted and vested during the past two years (Consolidated)

**Table 3:** Options granted and vested for the years ended 30 June 2010 and 30 June 2009

| | Terms and conditions for each grant | | | | | | | Vested | |
|---|---|---|---|---|---|---|---|---|---|
| | Granted | | Fair value | Exercise price | Expiry date | Exercise date | | | |
| **30 June 2010** | No. | Date | $ | $ | | First | Last | No. | % |
| **Executive directors** | - | - | - | - | - | - | - | - | - |
| | | | | | | | | | |
| **Other executive** | - | - | - | - | - | - | - | - | - |
| **Total** | - | - | - | - | - | - | - | - | - |
| | | | | | | | | | |
| **30 June 2010** | | | | | | | | | |
| **Executive directors** | | | | | | | | | |
| J Lester[11] | 500,000 | 27/8/2008 | $0.5176 | $2.00 | 31/12/2010 | 27/8/2008 | 31/12/2010 | 500,000 | 100 |
| | 500,000 | 27/8/2008 | $0.4473 | $3.00 | 31/12/2011 | 27/8/2008 | 31/12/2011 | 500,000 | 100 |
| | | | | | | | | | |
| **Other executives** | | | | | | | | | |
| D Rose | 1,000,000 | 28/8/2008 | $0.5365 | $2.00 | 31/12/2010 | 28/8/2008 | 31/12/2010 | 1,000,000 | 100 |
| | 1,000,000 | 28/8/2008 | $0.4635 | $3.00 | 31/12/2011 | 28/8/2008 | 31/12/2011 | 1,000,000 | 100 |
| **Total** | **3,000,000** | | | | | | | **3,000,000** | |

### Value of options granted, exercised and lapsed during the year

There were no options granted, exercised or lapsed to key management personnel during the year.

### Shares issued on exercise of options (Consolidated)

There were no shares issued on the exercise of options to key management personnel during the year.

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

**JOHN LESTER**
*Director*

Perth, 30 September 2010

## Statement

Golden West Resources Limited ('the Company') has made it a priority to adopt systems of control and accountability as the basis for the administration of corporate governance. Some of these policies and procedures are summarised in this statement.

Commensurate with the spirit of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations ('Principles & Recommendations'), the Company has followed each recommendation where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices.

Where the Company's corporate governance practices follow a recommendation, the Board has made appropriate statements reporting on the adoption of the recommendation. Where, after due consideration, the Company's corporate governance practices depart from a recommendation, the Board has offered full disclosure and reason for the adoption of its own practice, in compliance with the "if not, why not" regime.

## Disclosure of corporate governance practices

Summary statement

| | ASX P & R[1] | If not, why not[2] | | ASX P & R[1] | If not, why not[2] |
|---|---|---|---|---|---|
| Recommendation 1.1 | ✔ | | Recommendation 4.3 | ✔ | |
| Recommendation 1.2 | ✔ | | Recommendation 4.4[3] | n/a | n/a |
| Recommendation 1.3[3] | n/a | n/a | Recommendation 5.1 | ✔ | |
| Recommendation 2.1 | | ✔ | Recommendation 5.2[3] | n/a | n/a |
| Recommendation 2.2 | | ✔ | Recommendation 6.1 | ✔ | |
| Recommendation 2.3 | | ✔ | Recommendation 6.2[3] | n/a | n/a |
| Recommendation 2.4 | | ✔ | Recommendation 7.1 | | ✔ |
| Recommendation 2.5 | ✔ | | Recommendation 7.2 | ✔ | |
| Recommendation 2.6[3] | n/a | n/a | Recommendation 7.3 | ✔ | |
| Recommendation 3.1 | ✔ | | Recommendation 7.4[3] | n/a | n/a |
| Recommendation 3.2 | ✔ | | Recommendation 8.1 | | ✔ |
| Recommendation 3.3[3] | n/a | n/a | Recommendation 8.2 | ✔ | |
| Recommendation 4.1 | ✔ | | Recommendation 8.3[3] | n/a | n/a |
| Recommendation 4.2 | | | | | |

1 Indicates where the Company has followed the Principles & Recommendations.

2 Indicates where the Company has provided "if not, why not" disclosure.

3 Indicates an information based recommendation. Information based recommendations are not adopted or reported against using "if not, why not" disclosure - information required is either provided or it is not.

## Website disclosures

Further information about the Company's charters, policies and procedures may be found at the Company's website at www.goldenwestresources.com, under the section marked Corporate Governance. A list of the charters, policies and procedures which are referred to in this Corporate Governance Statement, together with the Recommendations to which they relate, are set out below.

| Charters | Recommendation(s) |
|---|---|
| Audit & Risk Management Committee Charter | 4.4 |
| Policies and Procedures | |
| Code of Conduct | 3.1, 3.3 |
| Policy for Trading in Company Securities | 3.2, 3.3 |
| Disclosure Policy | 5.1, 5.2 |
| GWR Corporate Governance Statement | 1.3, 2.6, 6.1, 6.2, 7.1, 7.4 and 8.3 |

## Disclosure - Principles & Recommendations

The Company reports below on how it has followed (or otherwise departed from) each of the Principles & Recommendations during the 2009/2010 financial year ('Reporting Period').

## Principle 1 - Lay solid foundations for management and oversight

### Recommendation 1.1:

Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.

***Disclosure:***

The Company has established the functions reserved to the Board and has set out these functions in its Corporate Governance Statement. These functions are:

The Board is responsible for the following matters:

- ensuring the Company's conduct and activities are ethical and carried out for the benefit of all its stakeholders;
- setting the strategic direction of the Company and monitoring the Company's performance against its stated objectives;
- providing input into and final approval of corporate strategy and monitoring implementation of corporate strategy, business plans and performance objectives;
- setting the risk profile for the Company and reviewing, ratifying and monitoring systems of risk management;
- reviewing and monitoring codes of conduct, and legal and regulatory compliance;
- the appointment of the Company's Chief Executive Officer or equivalent, a right of veto in relation to the appointment of the Chief Financial Officer, Company Secretary and other senior executives, and monitoring senior executives' performance and implementation of strategy;
- determining appropriate remuneration policies;
- allocating resources and ensuring appropriate resources are available to management;
- approving and monitoring the annual budget, progress of major capital expenditure, capital management, and acquisitions and divestitures; and
- approving and monitoring financial and other reporting.

The Company has established the functions delegated to senior executives and has set out these functions in its Corporate Governance Statement.

Senior executives are responsible for supporting the Chief Executive Officer or equivalent ('Chief Executive Officer') and assisting the Chief Executive Officer in implementing the running of the general operations and financial business of the Company, in accordance with the delegated authority of the Board. Senior executives are also responsible for reporting all matters which are deemed necessary at first instance to the Chief Executive Officer or, if the matter concerns the Chief Executive Officer, then directly to the Chair, as appropriate.

### Recommendation 1.2:

Companies should disclose the process for evaluating the performance of senior executives.

***Disclosure:***

The Chief Executive Officer is responsible for reviewing the performance of executive management at least once every calendar year with reference to the terms of their employment contract and/or Annual plans.

### Recommendation 1.3:

Companies should provide the information indicated in the Guide to reporting on Principle 1.

***Disclosure:***

During the Reporting Period performance evaluations for senior executives did occur. The evaluations were performed in accordance with the process disclosed above in Recommendation 1.2.

## Principle 2 - Structure the board to add value

### Recommendation 2.1:

A majority of the Board should be independent directors.

**Notification of departure:**

The Board does not have a majority of independent directors.

***Explanation for departure:***

During the Reporting Period the Board did not have a majority of independent directors. From 20 October 2009 onwards the Board had one independent director, initially by Mr Webber and following his resignation on 26 November 2009, Mr Sanders. The Board was of the view that the Company's size and composition was the best structure for its objectives during that time.

### Recommendation 2.2:

The Chair should be an independent director.

**Notification of departure:**

For part of the Reporting Period the Chairman of the Board was not independent.

***Explanation for departure:***

Mr Markopoulos and following his resignation Mr Wilson were the interim Chairman of the Board whilst the Company was seeking to appoint a Non executive independent Chair. The Board believed that Mr Markopoulos and Mr Wilson were the best suited persons to fill the position of Chairman whilst the Company was seeking an independent Chairman. Mr Webber was appointed as the Company's Non executive independent Chairman on 20 October 2009 and following his resignation on 26 November 2009, Mr Sanders assumed the role.

### Recommendation 2.3:

The roles of the Chair and Chief Executive Officer should not be exercised by the same individual.

**Notification of departure:**

For part of the Reporting Period the roles of Chair and Chief Executive Officer were exercised by the same individual.

***Explanation for departure:***

Mr Markopoulos was both the interim Chair and the interim Chief Executive Officer of the Company for the period 1 July 2009 to 24 July 2009. The Board believed that Mr Markopoulos was the best suited person to take on these interim positions. Since 25 July 2010 following the resignation of Mr Markopoulos, the roles of Chair and Chief Executive Officer were not exercised by the same individual. Mr Lester assumed the role of Chief Executive Officer on 24 July 2010 until Mr Hine was appointed on 20 January 2010. Both Mr Lester and Mr Hine were not Chair of the Board.

### Recommendation 2.4:

The Board should establish a Nomination Committee.

**Notification of departure:**

The Company has not established a separate Nomination Committee.

***Explanation for departure:***

Given the current size and composition of the Company, the Board believes that there would be no efficiencies gained by establishing a separate Nomination Committee. Accordingly, the Board performs the role of Nomination Committee. Items that are usually required to be discussed by a Nomination Committee are marked as separate agenda items at Board meetings when required. The Board deals with any conflicts of interest that may occur when convening in the capacity of Nomination Committee by ensuring the director with conflicting interests is not party to the relevant discussions. Further the Company seeks advice and assistance from external consultants when discussing nomination related matters.

### Recommendation 2.5:

Companies should disclose the process for evaluating the performance of the Board, its committees and individual directors.

*Disclosure:*

The Chair is responsible for reviewing the performance of the Board, Chief Executive Officer and individual directors at least once every calendar year. Performance evaluations of the Board are undertaken by way of confidential customised questionnaires to self-assess performance. Performance evaluations of the Chief Executive Officer are by way of formal interviews utilising KPI's approved by the Board. The Audit & Risk Management Committee (the only separate committee of the Board) self assesses and completes a performance review of itself before reporting to Board on the results of its self assessments.

## Recommendation 2.6:

Companies should provide the information indicated in the Guide to reporting on Principle 2.

***Disclosure:***

**Skills, experience, expertise and term of office of each director**

A profile of each director containing their skills, experience, expertise and term of office is set out in the Directors' Report.

**Identification of independent directors and materiality thresholds**

The independent director of the Company is Mr Sanders. Mr Webber (who resigned from the Company during the Reporting Period), was also an independent director of the Board. These directors are independent as they are non-executive directors who are not members of management and who are free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgment.

Independence is measured having regard to the relationships listed in Box 2.1 of the Principles & Recommendations. The Company did not measure independence against set materiality thresholds due to the fact that during the Reporting Period the Company had not determined its materiality thresholds. However, when considering materiality the Company would consider the key factors of financial impact and market perception. The Company intends to implement formal guidelines and set its materiality thresholds in the forthcoming reporting period.

**Statement concerning availability of independent professional advice**

To facilitate independent decision making, the Board and any committees it convenes from time to time may seek advice from independent experts whenever it is considered appropriate. With the consent of the Chairperson, individual directors may seek independent professional advice, at the expense of the Company, on any matter connected with the discharge of their responsibilities.

**Nomination matters**

The full Board carries out the role of the Nomination Committee. The full Board did not officially convene as a Nomination Committee during the Reporting Period however the Board discussed nomination-related matters from time to time during the year as required.

The explanation for departure set out under Recommendation 2.4 above explains how the functions of the Nomination Committee are performed.

**Performance evaluation**

During the Reporting Period no performance evaluations were undertaken.

**Selection and (re) appointment of directors**

If any vacancies arise on the Board, all directors are involved in the search and recruitment of a replacement. The Board believes corporate performance is enhanced when the Board has an appropriate mix of skills and experience.

In support of their candidature for directorship or re-election, Non executive directors are expected to provide the Board with details of other commitments and an indication of time available for the Company. Prior to appointment or being submitted for re-election Non executive directors are expected to specifically acknowledge to the Company that they will have sufficient time to meet what is expected of them. The Board recognises that Board renewal is critical to performance and the impact of Board tenure on succession planning.

Under the Company's Constitution, no director (except the Managing Director) may hold office without retiring and submitting themselves for re-election past the third annual general meeting following that director's appointment or 3 years, whichever is longer. Any director appointed by the Board may retire at the next general meeting (or if not, must retire at the next annual general meeting) following their appointment and may submit themselves for re-election. Re-appointment of directors is not automatic.

## Principle 3 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 and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

***Disclosure:***

The Board has adopted a Code of Conduct which promotes ethical and responsible decision making by directors, management and employees. The Code embraces the values of honesty, integrity, enterprise, excellence, accountability, justice, independence and equality of stakeholder opportunity.

The Chief Executive Officer is responsible for ensuring that training on the Code of Conduct is provided to staff and officers of the Company. The Chief Executive Officer and the Company Secretary are responsible for making advisers, consultants and contractors aware of and accountable to the Company's expectations set out in its Code of Conduct.

### Recommendation 3.2:

Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.

***Disclosure:***

The Board has adopted a policy on trading in the Company's securities by directors, senior executives and employees. The Chief Executive Officer and Company Secretary are responsible for ensuring that the policy is brought to the attention of all affected persons and for monitoring compliance with the policy.

### Recommendation 3.3:

Companies should provide the information indicated in the Guide to reporting on Principle 3.

***Disclosure:***

Please refer to the section above marked Website Disclosures.

## Principle 4 - Safeguard integrity in financial reporting

### Recommendation 4.1:

The Board should establish an Audit Committee.

***Disclosure:***

The Company has established an Audit & Risk Management 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.

***Notification of departure:***

The Audit & Risk Management Committee is not structured in accordance with Recommendation 4.2.

***Explanation for departure:***

During the Reporting Period the Audit & Risk Management Committee included Mr Wilson and Mr Lester who are both Executive directors. Given the current size and composition of the Board, the Company is unable to comply with this Recommendation.

Since the end of the Reporting Period, however, Mr Wilson has been replaced by Mr Lyons who is a Non executive director. Mr Lyons has been appointed as Chair of the Audit & Risk Management Committee.

### Recommendation 4.3:

The Audit Committee should have a formal charter.

***Disclosure:***

The Company has adopted an Audit & Risk Management Committee Charter.

## Recommendation 4.4:

Companies should provide the information indicated in the Guide to reporting on Principle 4.

***Disclosure:***

The Audit & Risk Management Committee held three meetings during the Reporting Period. The following table identifies those directors who are members of the Audit & Risk Management Committee and shows their attendance at Committee meetings:

| Name | No. of meetings attended |
|---|---|
| D Sanders | 2 |
| J Lester | 3 |
| G Lyons | - |
| M Wilson | 3 |
| V Webber | 1 |

Details of each of the director's qualifications are set out in the Directors' Report.

All members of the Audit & Risk management Committee consider themselves to be financially literate and have industry experience.

The Company has established procedures for the selection, appointment and rotation of its external auditor. These procedures form part of the responsibilities of the Audit & Risk Management Committee and comprise:

- reviewing and overseeing the planning process for external audits;
- reviewing the overall conduct of the external audit process including the independence of all parties to the process;
- reviewing the performance of the external auditors;
- considering the reappointment and proposed fees of the external auditor; and
- where appropriate, seeking tenders for the audit and where a change of external auditor is recommended, reporting this to the Board.

## Principle 5 - Make timely and balanced disclosure

## 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.

***Disclosure:***

The Company has established written policies designed to ensure compliance with ASX Listing Rule disclosure and accountability at a senior executive level for that compliance.

## Recommendation 5.2:

Companies should provide the information indicated in the Guide to reporting on Principle 5

***Disclosure:***

Please refer to the section above marked Website Disclosures.

## Principle 6 Respect the rights of shareholders

## 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.

***Disclosure:***

The Company has designed a communications policy for promoting effective communication with shareholders and encouraging shareholder participation at general meetings.

## Recommendation 6.2:

Companies should provide the information indicated in the Guide to reporting on Principle 6.

***Disclosure:***

Please refer to the section above marked Website Disclosures.

## Principle 7 Recognise and manage risk

## Recommendation 7.1:

Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.

***Notification of departure:***

For part of the Reporting Period the Company had not formally established policies for the oversight and management of material business risks.

***Explanation for departure:***

The Company formally established a Risk Management policy on 27 May 2010, before then the Company had established a number of guidelines, as well as a risk profile, in its Corporate Governance Statement that it was required to follow when dealing with risk related issues.

The Risk Management policy sets out the Company's risk management framework which includes its approach to risk, the Company's risk profile and register, the responsibilities of the Board, management and others in relation to risk management, the Company existing risk management structures and its annual program of risk management activities.

Under the Policy, the Board 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 delegates day-to-day management of risk to the Chief Executive Officer, who is responsible for identifying, assessing, monitoring and managing risks. The Chief Executive Officer is also responsible for updating the Company's material business risks to reflect any material changes, with the approval of the Board.

The Board has established a separate Audit and Risk Management Committee to monitor and review the integrity of financial reporting and the Company's internal financial control systems and risk management systems.

In addition, the following risk management structures have been adopted by the Board to manage the Company's material business risks:

- Regular budgeting and financial reporting to the Board in respect of operations and the financial position of the Company and ensuring all legal, reporting, compliance matters and other obligations are met.
- the Board has established authority limits for management which, if exceeded, will require prior Board approval; and
- the Board has adopted a compliance procedure for the purpose of ensuring compliance with the Company's continuous disclosure obligations.

The Company's Risk profile is comprised of the following categories:

- environmental;
- sustainability;
- compliance;
- strategic;
- ethical conduct;
- reputation or brand;
- technological;
- product or service quality;
- human capital;
- financial reporting;
- market-related risks.

The individual risks which fall within the Risk profile are included in the Company's Risk register. The management of individual risks are allocated to senior management and individuals within the organisation and noted in the Risk register.

All risks identified in the Risk register are reviewed and assessed by management and the Board at least annually.

## 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.

***Disclosure:***

The Board has required management to design, implement and maintain risk management and internal control systems to manage the Company's material business risks. The Board also requires management to report to it confirming that those risks are being managed effectively. Further, the Board has received a report from management 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.

***Disclosure:***

The Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) have provided a declaration to the Board in accordance with section 295A of the Corporations Act and have assured the Board that such declaration 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 risk.

## Recommendation 7.4:

Companies should provide the information indicated in the Guide to reporting on Principle 7.

***Disclosure:***

The Board has received the report from management under Recommendation 7.2. The Board has received the assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) under Recommendation 7.3.

## Principle 8 - Remunerate fairly and responsibly

## Recommendation 8.1:

The Board should establish a Remuneration Committee.

***Notification of departure:***

The Company has not established a separate Remuneration Committee.

***Explanation for departure:***

Given the current size and composition of the Company, the Board believes that there would be no efficiencies gained by establishing a separate Remuneration Committee. Accordingly, the Board performs the role of Remuneration Committee. Items that are usually required to be discussed by a Remuneration Committee are marked as separate agenda items at Board meetings when required.

The Board deals with any conflicts of interest that may occur when convening in the capacity of Remuneration Committee by ensuring the director with conflicting interests is not party to the relevant discussions. Further, the Company seeks advice and assistance from external consultants when discussing remuneration related matters.

## Recommendation 8.2:

Companies should clearly distinguish the structure of Non executive directors' remuneration from that of executive directors and senior executives.

***Disclosure:***

The Company's remuneration policy is structured for the purpose of:

- motivating senior executives to pursue the long-term growth and success of the Company; and
- demonstrating a clear relationship between senior executives' performance and remuneration.

The Board's responsibility is to set the level and structure of remuneration for officers (including but not limited to directors and secretaries) and executives, for the purpose of balancing the Company's competing interests of:

- attracting and retaining senior executives and directors; and
- not paying excessive remuneration.

Executive directors' and senior executives' remuneration packages should involve a balance between fixed and incentive pay, reflecting short and long-term performance objectives appropriate to the Company's circumstances and goals.

Non-executive directors' remuneration should be formulated with regard to the following guidelines:

- Non executive directors should normally be remunerated by way of fees, in the form of cash, non-cash benefits, superannuation contributions or equity, without participating in schemes designed for the remuneration of executives;
- Non executive directors should not be provided with retirement benefits other than superannuation.

No director may be involved in setting their own remuneration or terms and conditions and in such a case relevant directors are required to be absent from the full Board discussion.

Shareholder approval will be sought in the event that it is required pursuant to the Corporations Act, the ASX Listing Rules or the Company's Constitution for any aspect of director or senior executive remuneration.

## Recommendation 8.3:

Companies should provide the information indicated in the Guide to reporting on Principle 8.

***Disclosure:***

Details of remuneration, including the Company's policy on remuneration, are contained in the "Remuneration Report" which forms part of the Directors' Report.

The full Board carries out the role of the Remuneration Committee. The full Board did not officially convene as a Remuneration Committee during the Reporting Period however, the Board discussed remuneration-related matters from time to time during the year as required.

The explanation for departure set out under Recommendation 8.1 above explains how the functions of the Remuneration Committee are performed.

There are no termination or retirement benefits for Non executive directors (other than for superannuation).

During the Reporting Period the Company did not disclose its policy on prohibiting transactions in associated products which limit the risk of participating in unvested entitlements under any equity based remuneration schemes. However, the Company's position is that such transactions are prohibited.

## Consolidated statement of comprehensive income for the year ended 30 June 2010

| | Note | Consolidated | |
|---|---|---|---|
| | | 2010 | 2009 |
| | | $ | $ |
| Revenue | 6 | 900,313 | 1,966,036 |
| | | | |
| Employee expenses | 7(a) | (2,866,856) | (4,788,919) |
| Depreciation expense | | (368,835) | (394,914) |
| Finance expenses | 7(b) | - | (14,906) |
| Impairment loss | 15 | - | (11,760,000) |
| Other expenses | 7(c) | (1,767,469) | (3,357,716) |
| **Profit/(loss) before income tax** | | **(4,102,847)** | **(18,350,419)** |
| | | | |
| Income tax expense | 8 | - | - |
| | | | |
| **Profit/(loss) after income tax** | | **(4,102,847)** | **(18,350,419)** |
| **Profit/(loss) attributable to members of the Parent** | | **(4,102,847)** | **(18,350,419)** |
| **Other comprehensive income/(loss)** | | | |
| Other comprehensive income | | - | - |
| Other comprehensive income/(loss) after tax | | - | - |
| | | | |
| **Total comprehensive income/(loss) after tax** | 22 | **(4,102,847)** | **(18,350,419)** |
| Profit/(loss) attributable to members of the Parent | | **(4,102,847)** | **(18,350,419)** |
| Total comprehensive income/(loss) attributable to members of the Parent | | **(4,102,847)** | **(18,350,419)** |
| **Basic earnings/(loss) per share (cents per share)** | 9 | (2.87) | (13.48) |

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 at 30 June 2010

| | Note | Consolidated 2010 $ | Consolidated 2009 $ |
|---|---|---|---|
| **Current assets** | | | |
| Cash and cash equivalents | 10 | 9,119,673 | 20,382,799 |
| Trade and other receivables | 11 | 342,394 | 504,401 |
| Other financial assets | 12 | 226,783 | 2,209,353 |
| Exploration & evaluation expenditure | 14(a) | 200,000 | - |
| **Total current assets** | | **9,888,850** | **23,096,553** |
| **Non-current assets** | | | |
| Plant and equipment | 13 | 1,151,177 | 1,433,030 |
| Exploration & evaluation expenditure | 14(b) | 66,922,431 | 57,792,257 |
| Available-for-sale financial assets | 15 | - | - |
| Other financial assets | 16 | 341,903 | 428,778 |
| **Total non-current assets** | | **68,415,511** | **59,654,065** |
| **Total assets** | | **78,304,361** | **82,750,618** |
| **Current liabilities** | | | |
| Trade and other payables | 17 | 909,539 | 1,154,415 |
| Interest bearing liabilities | 18 | 19,147 | 53,818 |
| Provisions | 19(a) | 106,168 | 180,236 |
| **Total current liabilities** | | **1,034,854** | **1,388,469** |
| **Non-current liabilities** | | | |
| Provisions | 19(b) | 216,694 | 206,489 |
| **Total non-current liabilities** | | **216,694** | **206,489** |
| **Total liabilities** | | **1,251,548** | **1,594,958** |
| **Net assets** | | **77,052,813** | **81,155,660** |
| **Equity** | | | |
| Contributed equity | 20 | 109,356,721 | 109,356,721 |
| Reserves | 21 | 23,883,574 | 23,883,574 |
| Accumulated losses | 22 | (56,187,482) | (52,084,635) |
| **Total equity** | | **77,052,813** | **81,155,660** |

*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 2010

| | Ordinary share capital $ | Option reserve $ | Accumulated losses $ | Total $ |
|---|---|---|---|---|
| **Balance at 01/07/2008** | 60,593,477 | 22,396,924 | (33,734,220) | 49,256,181 |
| Shares issued during the year | 50,310,000 | - | - | 50,310,000 |
| Capital raising costs | (1,546,752) | - | - | (1,546,752) |
| Options issued during the year | - | 1,486,650 | - | 1,486,650 |
| Loss attributable to members of Parent | - | - | (18,350,419) | (18,350,419) |
| Rounding | (4) | - | 4 | - |
| **Balance at 30/06/2009** | **109,356,721** | **23,883,574** | **(52,084,635)** | **81,155,660** |
| **Balance at 01/07/2009** | 109,356,721 | 23,883,574 | (52,084,635) | 81,155,660 |
| Shares issued during the year | - | - | - | - |
| Capital raising costs | - | - | - | - |
| Options issued during the year | - | - | - | - |
| Loss attributable to members of Parent | - | - | (4,102,847) | (4,102,847) |
| Rounding | - | - | - | - |
| **Balance at 30/06/2010** | **109,356,721** | **23,883,574** | **(56,187,482)** | **77,052,813** |

*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 2010

| | Note | Consolidated 2010 $ | Consolidated 2009 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers | | - | 2,000 |
| Payments to suppliers & employees | | (4,691,950) | (5,912,112) |
| Interest received | | 978,583 | 2,096,104 |
| Interest paid | | - | (14,906) |
| **Net cash used in operating activities** | 23 | **(3,713,367)** | **(3,828,914)** |
| **Cash flows from investing activities** | | | |
| Payments for exploration & evaluation | | (9,478,488) | (23,704,748) |
| Payments for plant & equipment | | (99,672) | (656,383) |
| Proceeds from sale of plant & equipment | | 6,364 | 12,000 |
| Payments for security deposits/bonds | | (35,049) | (75,578) |
| Proceeds from security deposits/bonds | | 12,650 | 10,000 |
| Proceeds from held-to-maturity investments | | - | 10,000,000 |
| Loans to other entities | | - | (2,595,000) |
| Repayments from other entities | | 2,044,436 | 411,508 |
| **Net cash used in investing activities** | | **(7,549,759)** | **(16,598,201)** |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of shares and options | | - | 29,600,000 |
| Share and option issue costs | | - | (1,546,752) |
| **Net cash provided by financing activities** | | **-** | **28,053,248** |
| Net increase in cash and cash equivalents | | (11,263,126) | 7,626,133 |
| Cash and cash equivalents at the beginning of the financial year | | 20,382,799 | 12,756,666 |
| **Cash and cash equivalents at the end of the financial year** | 10 | **9,119,673** | **20,382,799** |

*The above consolidated statement of cash flows should be read in conjunction with the accompanying notes*

## 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 2010 was authorised for issue in accordance with a resolution of the directors on 30 September 2010.

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 have not been rounded.

**(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**

**(i) Adoption of new and revised Accounting Standards**

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the 'AASB') that are relevant to its operations and effective for the current annual reporting period. The adoption of these new and revised Standards and Interpretations has not resulted in any material changes to the Group's accounting policies.

*Presentation of Financial Statements*

AASB 101 prescribes the contents and structure of the financial statements. Changes reflected in this financial report include:

- The replacement of income statement with statement of comprehensive income. Items of income and expense not recognised in profit or loss are now disclosed as components of 'other comprehensive income'. In this regard, such items are no longer reflected as equity movements in the statement of changes in equity;
- The adoption of the single statement approach to the presentation of the statement of comprehensive income;
- Other financial statements are renamed in accordance with the Standard; and
- Presentation of a third statement of financial position as at the beginning of a comparative financial year where relevant amounts have been affected by a retrospective change in accounting policy of material reclassification of items.

*Operating Segments*

From 1 July 2009, operating segments are identified and segment information disclosed on the basis of internal reports that are regularly provided to, or reviewed by, the Groups' chief operating decision maker which, for the Group, is the Board of Directors. In this regard, such information is provided using similar measures to those used in preparing the statement of comprehensive income and statement of financial position.

*Business Combinations and Consolidation Procedures*

Revised AASB 3 is applicable prospectively from 1 July 2009. Changes introduced by this Standard, or as a consequence of amendments to other Standards relating to business combinations which are expected to affect the Group, include the following:

- *All business combinations, including those involving entities under common control, are accounted for by applying the acquisition method which prohibits the recognition of contingent liabilities of the acquiree at acquisition date that do not meet the definition of a liability. Costs incurred that relate to the business combination are expensed instead of comprising part of the goodwill acquired on consolidation. Changes in the fair value of contingent consideration payable are not regarded as measurement period adjustments and are recognised through profit or loss unless the change relates to circumstances which existed at acquisition date.*

- *Unrecognised deferred tax assets of the acquiree may be subsequently realised within 12 months of acquisition date on the basis of facts and circumstances existing at acquisition date with a consequential reduction in goodwill. All other deferred tax assets subsequently recognised are accounted for through profit or loss.*
- *The proportionate interest in losses attributable to non-controlling interests is assigned to non-controlling interests irrespective of whether this results in a deficit balance. Previously, losses causing a deficit to non-controlling interests were allocated to the parent entity.*
- *If the Group holds less than 100% of the equity interests in an acquiree and the business combination results in goodwill being recognised, the Group can elect to measure the non-controlling interest in the acquiree either at fair value ('full goodwill method') or at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets ('proportionate interest method'). The Group elects which method to adopt for each acquisition.*
- *Where control of a subsidiary is lost, the balance of the remaining investment account shall be remeasured to fair value at the date that control is lost.*

*AASB 127 Consolidated and Separate Financial Statements (as revised in 2008)*

The revisions to AASB 127(2008) principally affect the accounting for transactions or events that result in a change in the Group's interests in its subsidiaries.

AASB 127(2008) has been adopted for periods beginning on of after 1 July 2009 and has been applied retrospectively (subject to specified exceptions) in accordance with the relevant transitional provisions. The revised Standard has affected the Group's accounting policies regarding changes in ownership interests in its subsidiaries that do not result in a change in control. In prior years, in the absence of specific requirements in A-IFRS, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised where appropriate; for decreases in interests in existing subsidiaries that did not involve a loss of control, the difference between the consideration received and the carrying amount of the share of net assets disposed of was recognised in profit or loss. Under AASB 127(2008), all such increases or decreases are dealt with in equity, with no impact on goodwill or profit or loss.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the revised Standard requires that the Group derecognise all assets, liabilities and non-controlling interests at their carrying amount. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost, with the gain or loss arising recognised in profit or loss.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the revised Standard requires that the Group derecognise all assets, liabilities and non-controlling interests at their carrying amount. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost, with the gain or loss arising recognised in profit or loss.

**(ii) New Accounting Standards for Application in Future Periods**

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The Group has decided against early adoption of these standards. A discussion of those future requirements and their impact on the Group follows;

- AASB 9: Financial Instruments and AASB 2009-11; Amendments to Australian Accounting Standards arising from AASB 9 (AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 138, 139, 1023 & 1038 and Interpretations 10 & 121 (applicable for annual reporting periods commencing on or alter 1 January 2013).

These standards are applicable retrospectively and amend the classification and measurement of financial assets. The Group has not yet determined the potential impact on the financial statements.

The 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; and

– reclassifying financial assets 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.

- AASB 124: Related Party Disclosures (applicable for annual reporting periods commencing on or after 1 January 2011).

This standard removes the requirement for government related entities to disclose details of all transactions with the government and other government related entities and clarifies the definition of a related party to remove inconsistencies and simplify the structure of the standard. No changes are expected to materially affect the Group.

- AASB 2009-5; Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139] (applicable for annual reporting periods commencing from 1 January 2010).

These standards detail numerous non-urgent but necessary changes to accounting standards arising from the IASB's annual improvements project. No changes are expected to materially affect the Group.

- AASB 2009-8; Amendments to Australian Accounting Standards - Group Cash-settled Share-based Payment Transactions [AASB 2] (applicable for annual reporting periods commencing on or after 1 January 2010).

These amendments clarify the accounting for group cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when the entity has no obligation to settle the share-based payment transaction. The amendments incorporate the requirements previously included in Interpretation 8 and Interpretation 11 and as a consequence, these two Interpretations are superseded by the amendments. These amendments are not expected to impact the Group.

- AASB 2009-9: Amendments to Australian Accounting Standards - Additional Exemptions for First-time Adopters [AASB 1] (applicable for annual reporting periods commencing on or after 1 January 2010).

These amendments specify requirements for entities using the full cost method in place of the retrospective application of Australian Accounting Standards for oil and gas assets, and exempt entities with existing leasing contracts from reassessing the classification of those contracts in accordance with Interpretation 4 when the application of their previous accounting policies would have given the same outcome. These amendments are not expected to impact the Group.

- AASB 2009-10: Amendments to Australian Accounting Standards - Classification of Rights Issues] AASB 132] applicable for annual reporting periods commencing on or after 1 February 2010).

These amendments clarify that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro-rata to all existing owners of the same class of its own non-derivative equity instruments. These amendments are not expected to impact the Group.

- AASB 2009-12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011).

This standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of International Financial Reporting Standards by the IASB. The standard also amends AASB 8 to require entities to exercise judgment in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. These amendments are not expected to impact the Group.

- AASB 2009-13: Amendments to Australian Accounting Standards arising from Interpretation 19 [AASB 1] (applicable for annual reporting periods commencing on or after 1 July 2010).

This standard makes amendments to AASB 1 arising from the issue of Interpretation 19. The amendments allow a first-time adopter to apply the transitional provisions in Interpretation 19. This standard is not expected to impact the Group.

- AASB 2009-14: Amendments to Australian Interpretation - Prepayments of a Minimum Funding Requirement [AASB interpretation 14] (applicable for annual reporting periods commencing on or after 1 January 2011).

This standard amends Interpretation 14 to address unintended consequences that can arise from the previous accounting requirements when an entity prepays future contributions into a defined benefit pension plan. This standard will not impact the Group.

- AASB Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments (applicable for annual reporting periods commencing on or after 1 July 2010).

This Interpretation deals with how a debtor would account for the extinguishment of a liability through the issue of equity instruments. The Interpretation states that the issue of equity should be treated as the consideration paid to extinguish the liability, and the equity instruments issued should be recognised at their fair value unless fair value cannot be measured reliably in which case they shall be measured at the fair value of the liability extinguished. The Interpretation deals with situations where either partial or full settlement of the liability has occurred. This Interpretation is not expected to impact the Group.

The Group 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 2010 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**

As of 1 July 2009, the Group determines and presents operating segments based on the information internally provided to the CEO, who is the Group's chief operating decision maker. This change in accounts policy is due to the adoption of IFRS 9 *Operating Segments*. Previously operating segments were determined and presented in accordance with AASB 114 *Segment Reporting*. The new accounting policy in respect of segment operating disclosures is presented as follows.

Comparative segment information has been re-presented in conformity with the transitional requirements of such standard. Since the change in accounting policy only impacts presentation and disclosure aspects, there is not impact on earnings per share.

**(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.

**(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 on a straight-line basis over the estimated useful life of the assets as follows:

| | |
|---|---|
| Leasehold improvements | 20% |
| Motor vehicles | 25% |
| Plant and equipment | 7.50-40.00% |

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.

*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.

**(l) 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[2]. 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, that 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 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**

*(i) 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.

*(ii) 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.

**(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.

*(i) 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.

Notes to the financial statements for the year ended 30 June 2010

*(ii) 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**

*(i) 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').

The cost of these equity-settled transactions with directors, employees and consultants (for awards granted after 7 November 2002 that were unvested at 1 January 2005) is measured by reference to the fair value 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.

*(ii) 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.

## 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 exposure 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 | |
|---|---|---|
| | 2010 $ | 2009 $ |
| **Financial assets** | | |
| Cash and cash equivalents | 9,119,673 | 20,382,799 |
| Other financial assets (current) | 109,274 | - |
| Other financial assets (non-current) | 341,903 | 428,778 |
| | 9,570,850 | 20,811,577 |
| **Financial liabilities** | | |
| Interest bearing liabilities | 19,147 | 53,818 |
| **Net exposure** | **9,551,703** | **20,757,759** |

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.

*At 30 June 2010, 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) | |
|---|---|---|---|---|
| | 2010 $ | 2009 $ | 2010 $ | 2009 $ |
| **Consolidated** | | | | |
| +0.50% (50 basis points) | 47,759 | 103,789 | 47,759 | 103,789 |
| -0.25% (25 basis points) | (23,879) | (51,894) | (23,879) | (51,894) |

The sensitivity is slightly lower in 2010 than in 2009 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. However, at balance date the majority of cash and cash equivalents are held by one financial institution.

**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 | |
|---|---|---|
| | 2010<br>$ | 2009<br>$ |
| 1 month or less | 928,965 | 746,467 |
| 1 – 3 months | | 461,766 |
| Over 3 months | - | - |
| | **928,965** | **1,208,233** |

At balance date the Group had cash and cash equivalents of $9,119,673 for its immediate use.

**Fair value**

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

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

*(i) 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.

*(ii) 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

**Business and geographical segments:**

The operations and assets of Golden West Resources Limited and its controlled entities are predominantly employed in exploration and evaluation activities relating to minerals in Australia.

## Note 6: Revenue

| | Consolidated | |
|---|---|---|
| | 2010 $ | 2009 $ |
| **Revenue** | | |
| Interest received | 900,313 | 1,964,036 |
| Other income | - | 2,000 |
| | **900,313** | **1,966,036** |

## Note 7: Expenses

| | 2010 $ | 2009 $ |
|---|---|---|
| **(a) Employee expenses** | | |
| Salary and wages | 2,304,084 | 2,621,804 |
| Superannuation | 137,192 | 119,027 |
| Share based payments | - | 1,482,450 |
| Other employee expenses | 425,580 | 565,638 |
| | **2,866,856** | **4,788,919** |
| **(b) Finance expenses** | | |
| Interest | **-** | **14,906** |
| **(c) Other expenses** | | |
| Administration costs | 610,311 | 1,281,514 |
| Corporate costs | 147,912 | 896,521 |
| Consulting fees | 231,343 | 397,897 |
| Legal costs | 151,899 | 448,040 |
| Occupancy costs | 292,275 | 117,442 |
| Exploration & Evaluation expenditure written off (note 14b) | 111,374 | - |
| Loss on disposal of plant and equipment | 6,326 | 212,102 |
| Share based payments | - | 4,200 |
| Impairment - Exploration & Evaluation expenditure (note 14a) | 216,029 | - |
| | **1,767,469** | **3,357,716** |

## Note 8: Income tax

| | Consolidated | |
|---|---|---|
| | 2010 $ | 2009 $ |
| 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: | | |
| **Accounting loss before income tax** | **(4,102,847)** | **(18,350,419)** |
| At the statutory income tax rate of 30% (2009: 30%) | (1,230,854) | (5,505,126) |
| Non deductible expenditure | 4,549 | 457,302 |
| Tax loss and temporary differences not brought to account as a deferred tax asset | 1,517,498 | 5,391,146 |
| Temporary investment allowance | (1,120) | (25,588) |
| Capital raising costs | (290,073) | (317,734) |
| At the effective income tax rate of 0% (2009: 0%) | - | - |
| **Unrecognised deferred tax assets (liabilities)** | | |
| Deferred tax assets have not been recognised in respect of the following items: | | |
| Employee entitlements | 96,859 | 116,018 |
| Trade and other payables | 24,572 | 33,794 |
| Business related expenses | 850,908 | 1,205,842 |
| Allowance for impairment loss | 3,528,000 | 3,528,000 |
| Tax losses | 26,921,402 | 22,556,304 |
| Deferred tax assets: | 31,421,741 | 27,439,958 |
| Deferred tax liabilities have not been recognised in respect of the following items: | | |
| Accrued interest receivable | (23,853) | (99,600) |
| Plant and equipment | (3,490) | (2,953) |
| Capitalised exploration & evaluation expenditure | (20,136,729) | (17,337,677) |
| | (20,164,072) | (17,440,230) |
| **Net unrecognised deferred tax asset (liability)** | **11,257,669** | **9,999,728** |

**Tax losses**

The Group has tax losses that do not expire under current legislation. 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**

*Members of the tax consolidated group and the tax sharing arrangement*

The Company and its 100% owned controlled entities have formed a tax consolidated group. Members of the consolidated entity have not entered into a tax sharing or tax funding arrangement. The head entity of the tax consolidated group is Golden West Resources Limited.

*Tax effect accounting by members of the tax consolidated group*

As no tax funding arrangement has been entered into, the deferred tax balances have been recognised as equity adjustments. In this regard the head entity has assumed the benefit of tax losses from controlled entities of $437,598 (2008: $3,053) as of balance date.

## Note 9: Loss per share

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

| | Consolidated | |
|---|---|---|
| | 2010 | 2009 |
| | $ | $ |
| Loss used in calculating basic and diluted loss per share | (4,102,847) | (18,350,419) |

| | No. of shares | No. of shares |
|---|---|---|
| Weighted average number of ordinary shares used in calculating basic earnings per share: | 143,135,763 | 136,123,236 |

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

## Note 10: Cash and cash equivalents

| | Consolidated | |
|---|---|---|
| | 2010 | 2009 |
| | $ | $ |
| Cash on hand | 1,000 | 1,000 |
| Cash at bank | 418,673 | 953,877 |
| Term deposits | 8,700,000 | 19,427,922 |
| Total cash and cash equivalents | **9,119,673** | **20,382,799** |

## Note 11: Trade and other receivables

| | | |
|---|---|---|
| Trade receivables | 28,632 | - |
| Accrued interest | 79,510 | 332,000 |
| Goods and services tax | 173,666 | 127,563 |
| Other receivables | 8,336 | 7,839 |
| Prepayments | 52,250 | 36,999 |
| | **342,394** | **504,401** |

As of 30 June 2010 there were no trade and other receivables that are impaired or past due.

## Note 12: Other financial assets

| | | |
|---|---|---|
| Security deposits/bonds | 109,274 | - |
| Loans to third parties[1] | 117,509 | 2,209,353 |
| | **226,783** | **2,209,353** |

[1] The outstanding loan balance as at 30 June 2010 includes accrued interest and relates to funds advanced by the Company to various third parties at the rate of 8% (2009: 8% to 10%) per annum which are expected to be repaid within 12 months.

## Note 13: Plant and equipment

| | Consolidated | |
|---|---|---|
| | 2010 | 2009 |
| | $ | $ |
| Plant and equipment at cost | | |
| Less: accumulated depreciation | (918,347) | (659,654) |
| | 638,040 | 859,415 |
| | | |
| Motor vehicles at cost | 589,904 | 557,673 |
| Less: accumulated depreciation | (219,657) | (159,847) |
| | 370,247 | 397,826 |
| | | |
| Leasehold improvements at cost | 185,178 | 182,433 |
| Less: accumulated depreciation | (42,288) | (6,644) |
| | 142,890 | 175,789 |
| Total plant and equipment | **1,151,177** | **1,433,030** |

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

| | 2010 | 2009 |
|---|---|---|
| ***Plant and equipment*** | | |
| Carrying amount at beginning of year | 859,415 | 779,825 |
| Additions | 37,318 | 392,133 |
| Disposals | - | (23,024) |
| Depreciation expense | (258,693) | (289,519) |
| Carrying amount at end of year | 638,040 | 859,415 |
| | | |
| ***Motor vehicles*** | | |
| Carrying amount at beginning of year | 397,826 | 409,149 |
| Additions | 59,609 | 81,818 |
| Disposals | (12,690) | (15,062) |
| Depreciation expense | (74,498) | (78,079) |
| Carrying amount at end of year | 370,247 | 397,826 |
| | | |
| ***Leasehold improvements*** | | |
| Carrying amount at beginning of year | 175,789 | 205,597 |
| Additions | 2,745 | 182,432 |
| Disposals | - | (184,924) |
| Depreciation expense | (35,644) | (27,316) |
| Carrying amount at end of year | 142,890 | 175,789 |
| **Total carrying amount at end of year** | **1,151,177** | **1,433,030** |

## Note 14: Exploration and evaluation expenditure

| | Consolidated 2010 $ | Consolidated 2009 $ |
|---|---|---|
| **(a) Current** | | |
| Balance at beginning of year | - | - |
| Reclassified from non-current | 416,029 | - |
| Impairment (note 7c) | (216,029) | - |
| Balance at end of year | **200,000** | **-** |
| **(b) Non Current** | | |
| Balance at beginning of year | 57,792,257 | 25,152,378 |
| Expenditure incurred during the year | 9,657,577 | 32,639,879 |
| Expenditure expensed during the year (note 7c) | (111,374) | - |
| Reclassified to current | (416,029) | - |
| Balance at end of year | **66,922,431** | **57,792,257** |

The ultimate recoupment of exploration and evaluation expenditure carried forward is dependent on the successful development for commercial exploitation or sale of the respective mining projects.

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

| | 2010 | 2009 |
|---|---|---|
| At fair value | | |
| Shares - Australian unlisted | **-** | **-** |

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

*(i) Valuation assumptions*

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:

| | 2010 | 2009 |
|---|---|---|
| Opening balance | 11,760,000 | - |
| Additions | - | 11,760,000 |
| Sub total | 11,760,000 | 11,760,000 |
| Allowance for impairment loss | (11,760,000) | (11,760,000) |
| Closing balance | **-** | **-** |

## Note 16: Other financial assets

| | 2010 | 2009 |
|---|---|---|
| Security deposits/bonds | **341,903** | **428,778** |

## Note 17: Trade and other payables

| | Consolidated | |
|---|---|---|
| | 2010 | 2009 |
| | $ | $ |
| Trade payables | 202,108 | 175,625 |
| Other payables | | |
| Accruals | 448,823 | 572,466 |
| | **909,539** | **1,154,415** |

## Note 18: Interest bearing liabilities

| | | |
|---|---|---|
| Corporate credit cards[1] | **19,147** | **53,818** |

[1] Details regarding interest rate risk is disclosed in note 3

## Note 19: Provisions

| | | |
|---|---|---|
| **(a) Current** | | |
| Employee entitlements | **106,168** | **180,236** |
| **(b) Non Current** | | |
| Employee entitlements | **216,694** | **206,489** |

## Note 20: Contributed equity

| | | |
|---|---|---|
| **(a) Issued capital** | | |
| 143,135,763 Ordinary fully paid shares (2009: 143,135,763) | **109,356,721** | **109,356,721** |

| | Number | $ |
|---|---|---|
| *Movement in ordinary shares on issue* | | |
| At 1 July 2008 | 110,415,763 | 60,593,477 |
| Other share issues | 32,720,000 | 50,310,000 |
| Transaction costs | - | (1,546,756) |
| **At 30 June 2009** | 143,135,763 | 109,356,721 |
| Other share issues | - | - |
| **At 30 June 2010** | **143,135,763** | **109,356,721** |

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.

## Note 21: Reserves

| | Consolidated 2010 $ | 2009 $ |
|---|---|---|
| **(a) Options reserve** | | |
| 28,263,879 listed and unlisted options (2009: 28,263,879) | **23,883,574** | **23,883,574** |

| *Movement in options on issue* | Number listed | Number unlisted |
|---|---|---|
| At 1 July 2008 | 14,513,879 | 8,750,000 |
| Issue of option | 3,500,000 | 1,500,000 |
| At 30 June 2009 | 18,013,879 | 10,250,000 |
| Issue of options | - | - |
| At 30 June 2010 | **18,013,879** | **10,250,000** |

## Note 22: Accumulated losses

| | | |
|---|---|---|
| Balance at beginning of year | (52,084,635) | (33,734,220) |
| Loss attributable to members of the Parent | (4,102,847) | (18,350,419) |
| Rounding | - | 4 |
| Balance at end of year | **(56,187,482)** | **(52,084,635)** |

## Note 23: Cash flow statement reconciliation

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

| | Consolidated 2010 $ | 2009 $ |
|---|---|---|
| Loss after income tax | (4,102,847) | (18,350,419) |
| *Depreciation* | 368,835 | 394,914 |
| Share based payments | - | 1,486,650 |
| Exploration & evaluation expenditure written off | 111,374 | - |
| Loss on disposal of plant and equipment | 6,326 | 212,102 |
| Diminution in value of investment | - | 11,760,000 |
| Impairment of capitalised exploration & evaluation expenditure | 216,029 | - |
| *Movements in assets and liabilities:* | | |
| (Increase)/decrease in trade and other receivables | (12,212) | 420,897 |
| Increase/(decrease) in trade and other payables | (237,009) | 51,940 |
| Increase/(decrease) in provisions | (63,863) | 195,002 |
| Net cash used in operating activities | **(3,713,367)** | **(3,828,914)** |

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

| | | |
|---|---|---|
| Share based payments (note 26) | **-** | **20,710,000** |

## Note 24: Related party disclosure

### 1. Subsidiaries

| | Country of incorporation | Equity interest | |
|---|---|---|---|
| | | 2010 | 2009 |
| | | % | % |
| Aureus Gold Limited | Australia | 100% | - |
| Golden West Energy Pty Ltd | Australia | 100% | 100% |
| Iron West Resources Pty Ltd | Australia | 100% | 100% |

Aureus Gold Limited was incorporated on the 24 September 2009.

### 2. Ultimate parent

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

### 3. Key management personnel

Details relating to key management personnel are included in note 25

### 4. Transactions with related parties

During the year the Company paid a security deposit/bond relating to various tenements to the value of $8,000 (2009: $14,000) on behalf of Golden West Energy Pty Ltd.

The Company also transferred the carrying value of capitalised costs relating to its uranium projects to Golden West Energy Pty Ltd to the value of $416,029.

In addition, the Company paid various corporate expenses on behalf of Golden West Energy Pty Ltd, Iron West Resources Pty Ltd and Aureus Gold Limited to the value of $46,525 (2009: $915).

### 5. Terms and conditions

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

## Note 25: Key management personnel disclosures

| | Consolidated | |
|---|---|---|
| | 2010 | 2009 |
| | $ | $ |
| **(a) Compensation for key management personnel** | | |
| Compensation by category: | | |
| Short-term | 2,094,740 | 2,170,806 |
| Post employment | 95,794 | 98,700 |
| Long-term | (11,717) | 18,443 |
| Termination | 285,097 | 432,770 |
| Share-based payments | - | 1,482,450 |
| | **2,463,914** | **4,203,169** |

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

Options for shares in Golden West Resources Limited (number)

| *Listed options* | Balance 01/07/09 | Granted as remuneration | Options exercised | Net change other[1] | Balance 30/06/10 | Vested & exercisable | Unvested |
|---|---|---|---|---|---|---|---|
| **Non-executive directors** | | | | | | | |
| J Doutch | 2,159,700 | – | – | (2,159,700) | – | – | – |
| J Wang | – | – | – | – | – | – | – |
| V Webber | – | – | – | – | – | – | – |
| D Sanders | – | – | – | – | – | – | – |
| G Lyons | – | – | – | – | – | – | – |
| **Executive directors** | | | | | | | |
| J Lester | 500,000 | – | – | – | 500,000 | 500,000 | – |
| C Markopoulos | 500,000 | – | – | (500,000) | – | – | – |
| M Wilson | 1,500,000 | – | – | – | 1,500,000 | 1,500,000 | – |
| **Other executives** | | | | | | | |
| A Begovich | – | – | – | – | – | – | – |
| P Leidich | – | – | – | – | – | – | – |
| M Hine | – | – | – | – | – | – | – |
| **Total** | **4,659,700** | | | **(2,659,700)** | **2,000,000** | **2,000,000** | |

| | Balance 01/07/08 | Granted as remuneration | Options exercised | Net change other[1] | Balance 30/06/09 | Vested & exercisable | Unvested |
|---|---|---|---|---|---|---|---|
| **Non-executive directors** | | | | | | | |
| M Bennett | – | – | – | – | – | – | – |
| J Doutch | 2,159,700 | – | – | – | 2,159,700 | 2,159,700 | – |
| J Wang | – | – | – | – | – | – | – |
| J Lester | – | – | – | – | – | – | – |
| A Rudd | 1,000,000 | – | – | (1,000,000) | – | – | – |
| D Sanders | – | – | – | – | – | – | – |
| **Executive directors** | | | | | | | |
| J Lester | – | 500,000 | – | – | 500,000 | 500,000 | – |
| C Markopoulos | 500,000 | – | – | – | 500,000 | 500,000 | – |
| M Wilson | 1,500,000 | – | – | – | 1,500,000 | 1,500,000 | – |
| **Other executives** | | | | | | | |
| A Begovich | – | – | – | – | – | – | – |
| P Leidich | – | – | – | – | – | – | – |
| D Rose | – | 1,000,000 | – | (1,000,000) | – | 1,000,000 | – |
| **Total** | **5,159,700** | **1,500,000** | **-** | **(2,000,000)** | **4,659,700** | **5,659,700** | **-** |

[1] Includes options held by key management personnel at date of appointment and date of resignation.

| *Unlisted options* | Balance 01/07/09 | Granted as remuneration | Options exercised | Net change other[1] | Balance 30/06/09 | Vested & exercisable | Unvested |
|---|---|---|---|---|---|---|---|
| **Non-executive directors** | | | | | | | |
| J Doutch | 1,500,000 | – | – | (1,500,000) | – | – | – |
| J Wang | – | – | – | – | – | – | – |
| V Webber | – | – | – | – | – | – | – |
| D Sanders | – | – | – | – | – | – | – |
| G Lyons | – | – | – | – | – | – | – |
| **Executive directors** | | | | | | | |
| **J Lester** | 500,000 | – | – | – | 500,000 | 500,000 | – |
| C Markopoulos | 500,000 | – | – | (500,000) | – | – | – |
| M Wilson | 1,500,000 | – | – | – | 1,500,000 | 1,500,000 | – |
| **Other executives** | | | | | | | |
| **A Begovich** | – | – | – | – | – | – | – |
| P Leidich | – | – | – | – | – | – | – |
| M Hine | – | – | – | – | – | – | – |
| **Total** | **4,000,000** | **-** | **-** | **(2,000,000)** | **2,000,000** | **2,000,000** | **-** |

| | Balance 01/07/08 | Granted as remuneration | Options exercised | Net change other[1] | Balance 30/06/09 | Vested & exercisable | Unvested |
|---|---|---|---|---|---|---|---|
| **Non-executive directors** | | | | | | | |
| M Bennett | – | – | – | – | – | – | – |
| J Doutch | 1,500,000 | – | – | – | 1,500,000 | 1,500,000 | – |
| J Wang | – | | – | – | – | | |
| J Lester | – | – | – | – | – | – | – |
| A Rudd | 1,000,000 | | | (1,000,000) | – | – | |
| D Sanders | – | – | – | – | – | – | – |
| **Executive directors** | | | | | | | |
| J Lester | – | 500,000 | – | – | 500,000 | 500,000 | – |
| C Markopoulos | 500,000 | – | – | – | 500,000 | 500,000 | – |
| M Wilson | 1,500,000 | – | – | – | 1,500,000 | 1,500,000 | – |
| **Other executives** | | | | | | | |
| A Begovich | – | – | – | – | – | – | – |
| P Leidich | – | – | – | – | – | – | – |
| D Rose | – | 1,000,000 | – | (1,000,000) | – | – | – |
| **Total** | **4,500,000** | **1,500,000** | **-** | **(2,000,000)** | **4,000,000** | **4,000,000** | **-** |

[1] Includes options held by key management personnel at date of appointment and date of resignation.

(c) Shareholdings of key management personnel (consolidated)

Shares held in Golden West Resources Limited (number)

| | Balance 01/07/09 | Granted as remuneration | On exercise of options | Net change other[1] | Balance 30/06/10 |
|---|---|---|---|---|---|
| **Non-executive directors** | | | | | |
| J Doutch | 807,749 | | | (807,749) | - |
| G Lyons | - | - | - | - | - |
| D Sanders | - | | | 8,300 | 8,300 |
| V Webber | - | - | - | - | - |
| J Wang | - | - | - | - | - |
| **Executive directors** | | | | | |
| J Lester | - | - | - | - | - |
| C Markopoulos | | | | | |
| M Wilson | 2,255,438 | | | (56,000) | 2,199,438 |
| **Other executives** | | | | | |
| A Begovich | - | - | - | - | - |
| M Hine | - | - | - | - | - |
| P Leidich | | | | 14,300 | 14,300 |
| **Total** | **3,063,187** | **-** | **-** | **(841,149)** | **2,222,038** |

| | Balance 01/07/08 | Granted as remuneration | On exercise of options | Net change other[1] | Balance 30/06/09 |
|---|---|---|---|---|---|
| **Non-executive directors** | | | | | |
| M Bennett | - | - | - | - | - |
| J Doutch | 942,749 | - | - | (135,000) | 807,749 |
| W Jun | - | - | - | - | - |
| J Lester | - | - | - | - | - |
| A Rudd | 600,000 | - | | (600,000) | - |
| D Sanders | - | - | - | - | - |
| **Executive directors** | | | | | |
| J Lester | - | - | - | - | - |
| C Markopoulos | 3,578 | | | (3,578) | - |
| **M Wilson** | 2,031,438 | | | 224,000 | 2,255,438 |
| **Other executives** | | | | | |
| A Begovich | - | - | - | - | - |
| P Leidich | - | - | - | - | - |
| **D Rose** | - | - | - | - | - |
| **Total** | **3,577,765** | **-** | **-** | **(514,578)** | **3,063,187** |

[1] Includes shares held by key management personnel at date of appointment and date of resignation.

**(d) Other transactions and balances with key management personnel and their related parties**

**Purchases**

During the year, the Company paid Denarda Holdings Pty Ltd, a company that Mr John Doutch is both a director and 50% shareholder, $2,314,819 (2009: $2,980,532) in relation to drilling services in accordance with a contract that was the subject of a competitive tender.

**Advances**

During the year the Company advanced funds to Denarda Holdings Pty Ltd, a company that Mr John Doutch is both a director and 50% shareholder, amounting to $173,334 (2009: Nil). No interest was charged on the advanced funds which were repaid in full as at 30 June 2010.

**Loans**

The Company did not provide any loan funds during the year (2009: $380,000). The loan interest rate is 8% per annum and has no fixed repayment terms. Details regarding the loan balance are as follows:

| | Consolidated | |
|---|---|---|
| | 2010 | 2009 |
| | $ | $ |
| Balance at beginning of the year | 178,653 | - |
| Amounts advanced | - | 380,000 |
| Repayments | (70,828) | (225,000) |
| Interest charged | 9,684 | 23,653 |
| Balance at end of year | **117,509** | **178,653** |

## Note 26: Share based payments

**Recognised share based payment costs**

| | | |
|---|---|---|
| Equity - settled share based payment transactions: | | |
| Options | - | 1,486,650 |
| Shares | - | 20,710,000 |
| | **-** | **22,196,650** |

**Equity settled share based payment transactions**

***Options***

**(a) Types of share-based payment plans**

The Company has a formal Employee Share Option Plan ('ESOP') for employees and directors. The purpose of the ESOP 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.

The Board decides which employee or director is eligible to receive the options and the number of options but is limited to offering options to employees or directors who have served in their respective roles for at least a year. The Board may, subject to applicable laws, impose any conditions on the exercise of options such as vesting conditions and performance conditions.

Under the ESOP, 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.

**(b) 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:

| | 2010 No. | 2010 WAEP | 2009 No. | 2009 WAEP |
|---|---|---|---|---|
| Outstanding at beginning of year | 23,575,000 | $2.1612 | 18,575,000 | $2.1238 |
| Granted during the year | - | - | 5,000,000 | $2.3000 |
| Forfeited during the year | - | - | - | - |
| Exercised during the year1 | - | - | - | - |
| Outstanding at end of year | **23,575,000** | $**2.1612** | **23,575,000** | $**2.1612** |
| | | | | |
| Exercisable at end of year | 23,575,000 | $2.1612 | 23,575,000 | $2.1612 |

[1] No options were exercised during the year (2009: Nil)

The outstanding balances as at 30 June 2010 are represented by:

| Grant date | Exercise date | Expiry date | Exercise price | Number |
|---|---|---|---|---|
| 21 March 2007 | 21 March 2007 | 31 December 2010 | $2.00 | 7,000,000 |
| 21 March 2007 | 21 March 2007 | 31 December 2011 | $3.00 | 7,000,000 |
| 4 April 2007 | 4 April 2007 | 31 December 2010 | $2.00 | 1,025,000 |
| 19 September 2007 | 19 September 2007 | 31 December 2010 | $2.00 | 1,550,000 |
| 19 September 2007 | 19 September 2007 | 31 December 2011 | $3.00 | 1,500,000 |
| 17 March 2008 | 17 March 2008 | 31 December 2010 | $2.00 | 250,000 |
| 17 March 2008 | 17 March 2008 | 31 December 2011 | $3.00 | 250,000 |
| 26 September 2008 | 26 September 2008 | 31 December 2010 | $2.00 | 500,000 |
| 26 September 2008 | 26 September 2008 | 31 December 2011 | $3.00 | 500,000 |
| 29 October 2008 | 29 October 2008 | 31 December 2010 | $2.00 | 1,000,000 |
| 29 October 2008 | 29 October 2008 | 31 December 2011 | $3.00 | 1,000,000 |
| 28 November 2008 | 28 November 2008 | 31 December 2010 | $2.00 | 2,000,000 |
| **Total** | | | | **23,575,000** |

**(c) Weighted average remaining contractual life**

The weighted average remaining contractual life for the share options outstanding as at 30 June 2010 is 0.93 years (2009: 1.93 years).

**(d) Range of exercise price**

The range of exercise prices for options outstanding at the end of the year was $2.00 to $3.00 (2009: $2.00 to $3.00).

**(e) Weighted average fair value**

The weighted average fair value of options granted during the year was $Nil (2009: $0.2973).

**(f) 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 weighted average inputs to the model used for the years ended 30 June 2010 and 30 June 2009.

| | 2010 | 2009 |
|---|---|---|
| Expected volatility (%) | - | 55 |
| Risk-free interest rate (%) | - | 4.87 |
| Expected life of option (years) | - | 1.97 |
| Option exercise price ($) | - | 2.30 |
| Weighted average share price at grant date ($) | - | 0.57 |

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.

***Shares***

The Company did not enter into any share-based transactions during the year.

## Note 27: Remuneration of auditors

| | Consolidated 2010 $ | Consolidated 2009 $ |
|---|---|---|
| Amount paid or due and payable to Stantons International for: | | |
| Audit services | 54,539 | 46,879 |
| Special audit of proxies | - | 26,271 |
| | **54,539** | **73,150** |

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 | 727,300 | 610,476 |
| Between one and five years | 3,936,500 | 1,956,956 |
| More than five years | 3,469,500 | 4,448,553 |
| | **8,133,300** | **7,015,985** |

**Office rental commitments**

| | | |
|---|---|---|
| Less than one year | 128,498 | 212,712 |
| Between one and five years | 518,327 | 850,848 |
| More than five years | - | - |
| | **646,825** | **1,063,560** |

**Key management personnel contract commitments**

| | | |
|---|---|---|
| Less than one year | 682,400 | 1,067,000 |
| Between one and five years | 39,261 | 1,121,009 |
| More than five years | - | - |
| | **721,661** | **2,188,009** |

## Note 29: Contingencies

The Group is not aware of any significant contingencies as at the end of the financial year.

## Note 30: Events after balance sheet date

Subsequent to the end of the financial year, the following events have occurred

**Placement**

The Company announced on 1 July 2010 the completion of the share placement that was initially announced to the market on 30 June 2010. The share placement involved the issue of 21,470,364 ordinary shares at $0.80 a share resulting in net proceeds of $16,317,477.

Post the Placement, GWR will have total cash reserves in excess of $25 million. The funds from the placement will primarily be used as follows:

- to progress the planned Stage I development of the Wiluna West Iron Project;
- to continue with the current Iron Resource definition drilling to define a JORC Reserve of 60Mt by March 2010; and
- to fund the Company's general working capital requirements.

**Native title agreement**

On the 28 July 2010 the Company announced the signing of a Mining Agreement with the Tarlpa Native Title Claimants at the Company's Wiluna West Project. This represents a major milestone for the Company in its endeavours to bring the Wiluna West iron ore project to production and respects the traditional rights and customs of the Martu People, in particular the Tarlpa and Wiluna Native Title claimants who are the traditional owners and custodians of the land.

Under the Agreement the Company has various financial commitments including an initial payment of $175,000 and annual payments thereafter of $25,000 per annum until production commences, an initial payment of $250,000 after the first commercial shipment and a production benefit of $0.35 per tonne mined.

## Note 31: Parent entity disclosures

**(a) Financial position**

| | 30/06/10<br>$ | 30/06/09<br>$ |
|---|---|---|
| **Assets** | | |
| Current assets | 9,910,650 | 23,109,553 |
| Non-current assets | 68,393,710 | 59,641,066 |
| Total assets | **78,304,360** | **82,750,619** |
| **Liabilities** | | |
| Current liabilities | 1,034,853 | 1,388,470 |
| Non-current liabilities | 216,694 | 206,489 |
| Total liabilities | **1,251,547** | **1,594,958** |
| **Equity** | | |
| Contributed equity | 109,356,721 | 109,356,721 |
| Accumulated losses | (56,187,482) | (52,084,635) |
| **Reserves** | | |
| Option Reserves | 23,883,574 | 23,883,574 |
| Total equity | **77,052,813** | **81,155,660** |

**(b) Financial performance**

| | | |
|---|---|---|
| Profit for the year | (4,102,846) | (18,350,420) |
| Other comprehensive income | - | - |
| Total comprehensive income | **(4,102,846)** | **(18,350,420)** |

**(c) Guarantees entered into by the parent entity in relation to the debts of its subsidiaries**

| | | |
|---|---|---|
| Guarantee provided under the deed of cross guarantee | - | - |
| Other comprehensive income | - | - |
| Total comprehensive income | **-** | **-** |

# 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, notes and the additional disclosures included in the Directors' designated as audited, of the Company and the consolidated entity are in accordance with the *Corporations Act 2001*, including:

      (i) Giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2010 and of their performance for the year ended on that date.

      (ii) Complying with Accounting Standards and Corporations Regulations 2001.

   (b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

   (c) The financial report also complies with International Financial Reporting Standards as disclosed in note 2b.

2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with is made in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2010.

On behalf of the Directors

**JOHN LESTER**
Director
Perth, 30 September 2010

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WEST PERTH WA 6005, AUSTRALIA
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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, which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes 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 and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 2(b), the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report, comprising the financial statements and notes, complies 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. These Auditing 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 entity's preparation and fair presentation of the financial report 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 entity'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.

*Independence*

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

*Auditor's opinion*

In our opinion:

(a) the financial report 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 2010 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(b).

**Report on the Remuneration Report**

We have audited the remuneration report included in pages 23 to 30 of the directors' report for the year ended 30 June 2010. 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

*Auditor's opinion*
In our opinion the remuneration report of Golden West Resources Limited for the year ended 30 June 2010 complies with section 300 A of the *Corporations Act 2001.*

**STANTONS INTERNATIONAL**
**(An Authorised Audit Company)**
Stantons International

**Keith Lingard**
Director

West Perth, Western Australia
30 September 2010

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## 1. Quoted securities

### (a) Ordinary fully paid shares

#### (i) Distribution of shareholders as at 22 September 2010:

| Spread of holdings | Holders | Shares | Percentage of issued capital % |
|---|---|---|---|
| 1 - 1,000 | 613 | 301,292 | .18 |
| 1,001 - 5,000 | 832 | 2,300,311 | 1.40 |
| 5,001 - 10,000 | 366 | 2,779,304 | 1.69 |
| 10,001 - 100,000 | 510 | 14,959,734 | 9.09 |
| 100,001+ | 96 | 144,265,456 | 87.64 |
| | **2,417** | **164,606,127** | **100.00** |

The number of shareholdings held in less than marketable parcels is 501.

#### (ii) Top 20 holders of ordinary fully paid shares:

The names of the twenty largest shareholders of ordinary fully paid shares are listed below:

| Name | | No. of ordinary fully paid shares held | Percentage of issued shares held % |
|---|---|---|---|
| 1. | Cliffs Asia Pacific Iron | 24,276,852 | 14.75 |
| 2. | Fairstar Resources Ltd | 23,297,958 | 14.15 |
| 3. | Wynnes Investment Holdings Ltd | 21,470,364 | 13.04 |
| 4. | Hunan Valin Steel Co Ltd | 14,400,000 | 8.75 |
| 5. | Aust Conglin Intnl Investment Gr | 7,213,099 | 4.38 |
| 6. | Rubicon Nominees Pty Ltd | 4,646,849 | 2.82 |
| 7. | Yilgarn Infrastructure Ltd | 4,058,291 | 2.47 |
| 8. | Citicorp Nominees Pty Ltd | 3,823,079 | 2.32 |
| 9. | PUB Trustee | 2,820,000 | 1.71 |
| 10. | Wilson Michael Reginald | 2,184,438 | 1.33 |
| 11. | Shasua Pty Ltd | 2,005,000 | 1.22 |
| 12. | HSBC Custody Nominees Aust Ltd | 1,925,493 | 1.17 |
| 13. | Rudd Alan Paul | 1,800,000 | 1.09 |
| 14. | Yijian Investment Co Ltd | 1,600,000 | .97 |
| 15. | Dolphin Technology Pty Ltd | 1,536,488 | .93 |
| 16. | Nefco Nominees Pty Ltd | 1,514,635 | .92 |
| 17. | Sandri Eliana | 1,100,000 | .67 |
| 18. | Surfboard Pty Ltd | 1,010,498 | .61 |
| 19. | Doutch Malcolm James | 987,216 | .60 |
| 20. | Joseph Neville | 954,504 | .57 |
| | | **122,615,764** | **74.47** |

**(iii) 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.

**(iv) 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 | 14.75 |
| Fairstar Resources Ltd | 23,297,958 | 14.15 |
| Wynnes Investment Holdings Ltd | 21,470,364 | 13.04 |

**(v) On-market buy back**

There is no current on-market buy back.

**(vi) Restricted securities**

The Company has on issue at the date of this report 21,470,364 ordinary fully paid shares that are subject to voluntary escrow until 1 April 2011.

**(b) Options exercisable at $2.00 on or before 22 December 2010**

**(i) Distribution of option holders as at 22 September 2010:**

| Spread of holdings | No. of holders | No. of options | Percentage of issued options % |
|---|---|---|---|
| 1 - 1,000 | 1 | 20 | 0.00 |
| 1,001 - 5,000 | 8 | 22,001 | 0.12 |
| 5,001 - 10,000 | 8 | 59,280 | 0.33 |
| 10,001 - 100,000 | 66 | 2,643,168 | 14.67 |
| 100,001+ | 21 | 15,289,410 | 84.88 |
| | **104** | **18,013,879** | **100.00** |

(ii) **Top 20 holders of options exercisable at $2.00 on or before 31 December 2010:**

The names of the twenty largest holders of options exercisable at $2.00 on or before 31 December 2010 are listed below:

| | Name | No. of options held | Percentage of issued options % |
|---|---|---|---|
| 1. | Yijian Investment Co Ltd | 2,000,000 | 11.10 |
| 2. | Doutch John Wallace | 1,700,000 | 9.44 |
| 3. | Hedges Family Holdings Pty Ltd | 1,500,000 | 8.33 |
| 4. | Michael Reginald Wilson | 1,500,000 | 8.33 |
| 5. | Hedges Holdings Pty Ltd | 1,296,886 | 7.20 |
| 6. | Daniels John Leonard | 1,000,000 | 5.55 |
| 7. | Doutch Gary William | 859,102 | 4.77 |
| 8. | Shasua Pty Ltd | 790,000 | 4.39 |
| 9. | Rudd Alan Paul | 750,000 | 4.16 |
| 10. | Lester John | 500,000 | 2.78 |
| 11. | Dolphin Technology Pty Ltd | 500,000 | 2.78 |
| 12. | Markopoulos Aspasia | 500,000 | 2.78 |
| 13. | HSBC Custody Nominees Aust Ltd | 500,000 | 2.78 |
| 14. | Gaensler Steven Peter | 400,000 | 2.22 |
| 15. | Pitt Heather Margaret & Pitt Stephen Wayne | 346,200 | 1.92 |
| 16. | Marlene Kelly | 275,000 | 1.53 |
| 17. | Regalquest Investment Pty Ltd | 250,000 | 1.39 |
| 18. | Superfine Nominees Pty Ltd | 250,000 | 1.39 |
| 19. | Hutchinson Katharine | 150,000 | 0.83 |
| 20. | D & F WA Pty Ltd | 111,111 | 0.62 |
| | | **15,128,299** | **84.01** |

(iii) **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 only.

## 2. Unquoted securities

As at 22 September 2010 there existed the following unquoted options:

**(a) Options exercisable at $3.00 each on or before 31 December 2011**

(i) **Distribution of option holders as at 22 September 2010:**

| Spread of holdings | No. of holders | No. of options | Percentage of issued options % |
|---|---|---|---|
| 1 - 1,000 | 0 | 0 | 0.00 |
| 1,001 - 5,000 | 0 | 0 | 0.00 |
| 5,001 - 10,000 | 0 | 0 | 0.00 |
| 10,001 - 100,000 | 0 | 0 | 0.00 |
| 100,001+ | 14 | 10,250,000 | 100.00 |
| | 14 | **10,250,000** | **100.00** |

**(ii) Top 20 holders of options exercisable at $3.00 on or before 31 December 2011:**

The names of the twenty largest holders of options exercisable at $3.00 on or before 31 December 2011 are listed below:

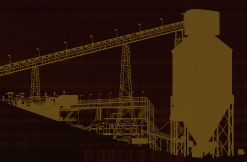
| | Options | % |
|---|---|---|
| Shashua Pty Ltd | 1,500,000 | 14.63 |
| Wilson Michael Reginald | 1,500,000 | 14.63 |
| Doutch John Wallace | 1,500,000 | 14.63 |
| Rose David Malcolm & Rose Meredie Ann | 1,000,000 | 9.76 |
| Daniels John Leonard | 1,000,000 | 9.76 |
| Rudd Alan Paul | 1,000,000 | 9.76 |
| Lester John | 500,000 | 4.88 |
| Dolphin Technology Pty Ltd | 500,000 | 4.88 |
| Markopoulos Aspasia | 500,000 | 4.88 |
| Jewell Cove Pty Ltd | 300,000 | 2.93 |
| Marlene Kelly | 250,000 | 2.44 |
| Regalquest Investment Pty Ltd | 250,000 | 2.44 |
| Superfine Nominees Pty Ltd | 250,000 | 2.44 |
| Roseline Holdings Pty Ltd | 200,000 | 1.95 |
| | **10,250,000** | **100** |

**(iii) 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.

## 3. Schedule of interests in mining tenements

| Location | Tenement | Percentage held |
|---|---|---|
| Wiluna West | E53/1089-1 | 80% |
| Wiluna West | E53/1116-1 | 100% |
| Wiluna West | E53/1159-1 | 100% |
| Wiluna West | E53/1177-1 | 100% |
| Wiluna West | E53/1448 | 100% |
| Wiluna West | E53/1455-1 | 100% |
| Wiluna West | E53/1456 | 100% |
| Wiluna West | E53/1457 | 100% |
| Wiluna West | E53/1458 | 100% |
| Wiluna West | E53/1459 | 100% |
| Wiluna West | E53/1491-1 | 100% |
| Wiluna West | E53/1513 | 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 | M53/971-1 | 100% |
| Wiluna West | M53/972-1 | 100% |
| Wiluna West | M53/1016-1 | 100% |
| Wiluna West | M53/1017-1 | 100% |
| Wiluna West | M53/1018-1 | 100% |
| Wiluna West | M53/1078-1 | 80% |
| Wiluna West | M53/1087 | 100% |
| Doherty's | M57/619 | 100% |
| Depot Springs | E57/799 | 100% |



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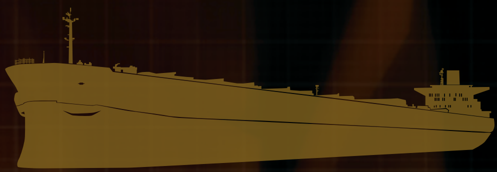

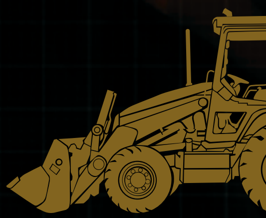

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