

FINANCIAL REPORT

**HALF-YEAR ENDED
31 DECEMBER 2012**

WesternDesert

R E S O U R C E S

ACN 122 301 848

Corporate Directory

Office Holders:

Richard Hugh Allert, AO (*Chairman*)
Norman Wayne Gardner (*Managing Director*)
Graham John Bubner (*Executive Director*)
Michael Kevin Ashton (*Non Executive Director*)
Phillip Clive Lockyer (*Non Executive Director*)
Scott Douglas Perrin (*Non Executive Director*)
Laurie Ackroyd (*Chief Financial Officer/Secretary*)

Registered Office:

Level I,
26 Greenhill Road,
Wayville, S.A. 5034

Tel: 08 8177 8800
Fax: 08 8272 2838
Email: info@westerndesertresources.com.au
Web: www.westerndesertresources.com.au

Share Registrar:

Computershare Investor Services Pty Ltd
Level 5, 115 Grenfell Street,
ADELAIDE SA 5000
(GPO Box 1903 ADELAIDE SA 5001)
Tel: 1300 85 05 05

Auditor:

Deloitte Touche Tohmatsu
11 Waymouth Street,
Adelaide, S.A. 5000

Solicitors to the Company:

Watsons Lawyers,
Ground Floor,
60 Hindmarsh Square,
Adelaide, S.A. 5000

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DIRECTOR'S REPORT

The directors of Western Desert Resources Limited ("WDR") present the interim financial report of WDR and its subsidiaries for the half-year ended 31 December 2012. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors:

The names of the directors of the Company during or since the end of the half year are:

Richard Hugh Allert, AO

Non-executive Director and Chairman

David John Cloke, FCA

Retired 29th November 2012.

Non-executive Director

Norman Wayne Gardner

Managing Director

Graham John Bubner, Bsc (Hons)

Executive Director

Michael Kevin Ashton

Non-executive Director

Phillip Clive Lockyer

Non-executive Director

Scott Douglas Perrin

Non-executive Director

The above named directors held office during and since the end of the half year.

Company Secretary:

Laurie Ackroyd

Operating Results

The net result of operations for the half-year was a loss of \$3,153,007 (2011: Loss of \$918,951).

Subsequent Events

Since the end of the half year period the Company has made some announcements to the Australian Securities Exchange ("ASX") concerning changes in substantial holder interests, quarterly activity and cash flow reports.

These announcements are available from the ASX website for WDR and also from the company's own website at "westerndesertresources.com.au".

Review of Operations for the 6 months ended 31 December 2012

The Consolidated Entity's principal activity is focused upon the development of the iron ore project at Roper Bar in Northern Territory.

The 6 month period to 31st December 2012 saw important milestones being achieved with our flagship project, the Roper Bar Iron Ore project, to a stage where all major approvals have been received enabling the development of the mine infrastructure and the construction of a haul road to proceed. The developments for the port infrastructure and conveyor systems are expected to commence within a few months.

Whilst the company has continued to release project progress reports to the market a summary of the key achievements made over the past 6 months are:

Roper Bar Iron Ore Project

- During the half year the Roper Bar Iron Ore project environmental impact statement received approval from the Northern Territory Minister for the Environment under the NT Environmental Assessment Act 1982. Subsequently, The Federal Department of Sustainability, Environment, Water, Population and Communities gave its approval under the Environment Protection and Biodiversity Conservation Act 1999.
- Mineral Licences have been granted for a period of 30 years covering approximately 50 square kilometres.
- Construction at the Mine Site for bulk sampling, in accordance with an approved Mining Management Plan, commenced just prior to 31 December 2012. In addition, works on a pastoral lease which forms the majority of the Haul Road route were undertaken in accordance with the Lessee's entitlements as part of a binding legal agreement for future Haul Road access.
- During the half year resource definition and exploration drilling activity continued with two RC rigs completing 329 holes and 30,789 metres. Interpretation of the drilling results will take place during the current quarter.
- Metallurgical testwork has continued to focus on the characteristics of DSO grade mineralisation through gravity techniques where some important breakthroughs have been achieved following experimentation with the treatment of a low grade sample of beneficiable grade ore upgraded to a saleable product using flotation columns.
- Long term haulage agreements have been entered into to move the DSO grade iron ore from the mine site to the loading facility at Bing Bong.

Mountain Creek Iron Ore Project

- Exploration activities at Mountain Creek consisted of RC drilling of 32 holes amounting to a total of 1973 metres. Drilling targeted a number of features in the vicinity of the Sherwin Formation outcrop at Mountain Creek. Interpretation of the results will take place during the current quarter.
- During the half year year the Company entered into a purchase agreement with Tianda Resources (Australia) Pty Ltd to acquire the remaining 30% of EL25688. The transfer is currently awaiting assessment of stamp duty and ministerial approval.

Review of Operations for the 6 months ended 31 December 2012 - Continued

Spring Hill gold deposit farm-out to Thor Mining PLC

- Thor Mining PLC earned an additional 26% of the Spring Hill project during the half year taking their interest to 51%. The transfer is expected to take place during the current quarter, subject to ministerial approval.
- Thor announced a resource upgrade to the Australian Securities Exchange on 20th November 2012 with a revised resource estimate that represented an 11% increase in tonnes and a 9.5% increase in contained metal over the previous estimate completed in 2003.

Larrimah East Project

- The Larrimah East project is located in the Dunmarra Basin east of Larrimah. The project is in a green-fields province with little or no previous exploration.
- Diamond drilling of a NT government-assisted exploration program was completed in the half year, targeting two "priority 1" EM conductors in search of McArthur River style base metal mineralisation. A total of 679.4 metres were drilled. Core has been sampled and submitted, with results expected during the current quarter. No conductive bodies were encountered from down-hole EM probing.

Bundara Creek project

- The Bundara Creek project is located to the east of Elliot in the Northern Territory. Drilling of the government-assisted exploration program at Bundara was completed in October, with a single 605.6m diamond hole into an Olympic Dam style gravity target. Core logging and selected sampling has been completed, however the source of the gravity anomaly remains unexplained. No significant alteration has been encountered.

The focus of the Company remains firmly towards the development of a mine at Roper Bar with the target of shipping iron ore within the fourth quarter of 2013.

Corporate Activity

Significant capital raising activity has taken place during the half year to secure funds towards the development of the Roper Bar iron ore project. The Company announced on 26th June 2012 its intention to raise new capital towards the construction of the Roper Bar iron ore project, its associated infrastructure and for working capital. The new shares issued and amounts raised in the half year were:

- (a) New shares were allotted on 2nd July 2012 for tranche I of the placement comprising of 16 million shares to sophisticated and professional investors raising A\$11.2 million (before costs). These shares were able to be placed within the company's 15% capacity pursuant to ASX Listing Rule 7.1. The proceeds were received on 29th June 2012.
- (b) New shares were allotted on 15th August 2012 for tranche 2 of the placement comprising of 84 million shares to sophisticated and professional investors to raise A\$58.8 million (before costs), following shareholder approval at a General Meeting held 10th August 2012.

Review of Operations for the 6 months ended 31 December 2012 - Continued

- (c) Each of (a) and (b) above had an attaching one for four option exercisable between 22nd October and 2nd November 2012 at A\$0.70 per share. Proceeds of \$11,446,755 (before costs) were received on 9th November 2012 for 16,352,508 placement options.
- (d) An entitlement offer to existing eligible shareholders resulted in the issue of 2,326,826 new shares raising A\$1.63 million (before costs). The entitlement offer was fully underwritten whereby 19,555,094 new shares were allotted and settled on 24th December 2012 raising approximately \$13.075 million (before costs).
- (e) The exercise of 3,800,000 Unlisted Director and Employee options during the half year resulted in the issue of new ordinary shares, raising \$1,268,872.

S&P/ASX 300 Index

Effective after the close of trading on 21 September 2012, as a result of a quarterly review, Western Desert Resources Limited was added to the S&P/ASX 300 Index.

Take Over offer for the purchase of issued shares and options.

- o On 18th September 2012 the Company announced that it had received a conditional take-over offer from Meijin Energy Group of China to acquire all of the listed shares and options in WDR at a price of \$1.08 per share. Your Board, subject to independent review and in the absence of a superior bid, recommended acceptance of the offer.
- o On 30th October 2012 Meijin Energy Group advised that it would not be proceeding with their proposed conditional offer for the acquisition of issued shares and options.

Auditor's Independence Declaration

The auditor's independence declaration under Section 307C of the Corporations Act 2001 is set out on page 8 for the half-year ended 31 December 2012.

The report is signed in accordance with a resolution of the Board of Directors made pursuant to s.306 (3) of the Corporations Act 2001.

On behalf of the Directors



Richard Hugh Allert, AO

Chairman

Adelaide

Dated this 14th day of March, 2013

The Board of Directors
Western Desert Resources Limited
Level 1, 26 Greenhill Road
WAYVILLE SA 5034

14 March 2013

Dear Board Members

Western Desert 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 Western Desert Resources Limited.

As lead audit partner for the review of the financial statements of Western Desert Resources Limited for the half-year ended 31 December 2012, 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Stephen Harvey
Partner
Chartered Accountants

WESTERN DESERT RESOURCES LIMITED ACN 122 301 848**Condensed consolidated statement of comprehensive income****For the half year ended 31 December 2012**

	Note	31-Dec 2012	31-Dec 2011
		\$	\$
Continuing operations:			
Other Income and expenditures:			
Other income		6,539	4,971
Interest on bank deposits		705,633	262,880
Research & Development Income tax concession		-	506,264
Profit on farm-out of exploration tenement interest		591,329	-
Salaries and wages		(947,364)	(391,171)
Directors fees		(144,013)	(161,666)
Shareholder relations		(334,797)	(241,129)
Corporate consulting expenses		(848,623)	(65,372)
Administration expenses		(119,979)	(110,890)
Occupancy expenses		(127,146)	(95,558)
Travel		(278,183)	(108,289)
Depreciation		(20,564)	(305,910)
Share based payments	4	-	-
Stamp Duty and Government charges		(24,339)	-
Recovery of equipment costs charged as exploration		-	444,927
Exploration expense written off	10	(1,055,964)	(48,784)
Exploration tenements rehabilitation provisions	8	-	(89,800)
Investment Value (impaired)	8	(555,536)	(519,424)
Share of loss of associate		-	-
Loss before income tax expense		(3,153,007)	(918,951)
Income tax expense		-	-
Loss for the period attributable to members		(3,153,007)	(918,951)
Total Comprehensive Loss for the Period (Net of Tax) attributable to members		(3,153,007)	(918,951)
Earnings per share:			
Basic and diluted loss per share (cents)		(1.03)	(0.44)

Notes to the condensed consolidated financial statements are included on pages 13 to 18.

WESTERN DESERT RESOURCES LIMITED ACN 122 301 848
Condensed Consolidated statement of Financial position
At 31 December 2012

	Note	31-Dec 2012 \$	30-Jun 2012 \$
Current assets:			
Cash and cash equivalents		39,117,478	10,197,907
Trade and other receivables		275,266	10,867
Other current assets	11	4,517,030	637,337
Total current assets		43,909,774	10,846,111
Non - current assets:			
Plant, equipment and infrastructure		6,974,960	2,190,851
Exploration expenditure	10	31,009,083	25,415,037
Development and construction expenditure	10	57,592,586	12,731,596
Deposits for performance bonds		3,428,915	915,688
Other financial assets	12	472,213	944,415
Total non - current assets		99,477,757	42,197,587
Total assets		143,387,531	53,043,698
Current liabilities:			
Trade and other payables	13	13,248,670	2,923,984
Finance leases		14,919	36,554
Employee benefit provisions		152,837	108,012
Exploration tenement rehabilitation provisions	8	399,200	516,800
Total current liabilities		13,815,626	3,585,350
Non - current liabilities:			
Finance leases		-	-
Exploration tenements rehabilitation provisions		-	-
Total non - current liabilities		-	-
Total liabilities		13,815,626	3,585,350
Net assets		129,571,905	49,458,348
Equity:			
Issued capital	3	148,187,775	64,459,621
Reserves		2,313,314	2,774,904
Accumulated losses		(20,929,184)	(17,776,177)
Total equity		129,571,905	49,458,348

Notes to the condensed consolidated financial statements are included on pages 13 to 18.

WESTERN DESERT RESOURCES LIMITED ACN 122 301 848**Consolidated statement of changes in equity****For the half year ended 31 December 2012**

	Share Capital	Share Options Reserve	Accumulated Losses	Total
	\$	\$	\$	\$
Balance at 1 July 2011	47,178,909	2,228,572	(14,412,977)	34,994,504
Loss attributable to the members of parent entity	-	-	(918,951)	(918,951)
Total Comprehensive Income for the Period	-	-	(918,951)	(918,951)
Shares issued during the period	223,521	-	-	223,521
Transfers on exercise of options	15,120	(15,120)	-	-
Transfers on lapse of options	178,103	(178,103)	-	-
Balance at 31 December 2011	47,595,653	2,035,349	(15,331,928)	34,299,074
Balance at 1 July 2012	64,459,621	2,774,904	(17,776,177)	49,458,348
Loss attributable to the members of parent entity	-	-	(3,153,007)	(3,153,007)
Total Comprehensive Income for the Period	-	-	(3,153,007)	(3,153,007)
Shares issued during the period	86,846,354	-	-	86,846,354
Transfers on exercise of options	452,005	(452,005)	-	-
Transfers on lapse of options	9,585	(9,585)	-	-
Cost of capital raising	(3,579,790)	-	-	(3,579,790)
Balance at 31 December 2012	148,187,775	2,313,314	(20,929,184)	129,571,905

Notes to the condensed consolidated financial statements are included on pages 13 to 18.

WESTERN DESERT RESOURCES LIMITED ACN 122 301 848
Condensed consolidated statement of cash flow
For the half year ended 31 December 2012

	Note	31-Dec 2012	31-Dec 2011
		\$	\$
Cash flows from operating activities:			
Other income		6,539	-
Interest paid		(1,754)	(2,778)
Payments to suppliers and employees		(5,473,773)	(1,200,930)
Net cash (used in) operating activities		(5,468,988)	(1,203,708)
Cash flows from investing activities:			
Interest received		671,906	239,093
Payments for exploration expenditure		(6,286,706)	(8,114,800)
Payments for development and construction		(35,492,065)	-
Payments for Plant, equipment and infrastructure		(5,236,277)	(845,191)
Deposits for security of performance bonds		(2,513,227)	(50,000)
Sale of assets		-	46,080
Net cash (used in) investing activities		(48,856,369)	(8,724,818)
Cash flows from financing activities:			
Proceeds from new share issues	3	86,846,354	223,521
Payments for capital raising costs	3	(3,579,790)	-
Payment of Finance leases		(21,636)	(20,026)
Net cash provided by financing activities		83,244,928	203,495
Net (decrease)/ increase in cash held		28,919,571	(9,725,031)
Cash at beginning of period		10,197,907	14,503,586
Cash at end of the period		39,117,478	4,778,555

Notes to the condensed consolidated financial statements are included on pages 13 to 18.

WESTERN DESERT RESOURCES LIMITED ACN 122 301 848
Notes to the condensed consolidated financial statements
For the half year ended 31 December 2012

NOTE 1 REPORTING ENTITY

Western Desert Resources Limited (the company) is a listed public company, incorporated and domiciled in Australia.

The consolidated interim financial report of the company for the six months ended 31 December 2012 comprises the company and its wholly owned subsidiaries (together referred to as the Consolidated Entity).

The principal activities of the Consolidated Entity involve exploration for iron ore, gold, base metals, and other economic mineral deposits, and the development of Mining Operations at the Roper Bar project, Northern Territory.

Western Desert Resources Limited's registered office and its principal place of business are as follows:

Level 1, 26, Greenhill Road,
Wayville, South Australia 5034.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The half-year financial report is a general purpose condensed financial report prepared in accordance with the requirements of the Corporations Act 2001 and AASB 134: Interim Financial Reporting. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34: Interim Financial Reporting. The half year report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report.

Basis of preparation

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2012 annual financial report for the financial year ended 30 June 2012, except for the impact of standards and interpretations described below. The accounting policies are consistent with Australian Accounting Standards and International Financial Reporting Standards.

The condensed consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets. Cost is based on the fair value of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

Changes in accounting standards

The Consolidated Entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and are effective for the half-year reporting period.

The adoption of all the new and revised Standards and Interpretations has not resulted in any changes to the Consolidated Entity's accounting policies and has no effect on the amounts reported for the current or prior periods.

WESTERN DESERT RESOURCES LIMITED ACN 122 301 848
Notes to the condensed consolidated financial statements
For the half year ended 31 December 2012

Going Concern disclosure

Going concern basis

The financial report has been prepared on the going concern basis, which assumes that the Consolidated Entity will be able to realise its assets and discharge its liabilities in the normal course of business.

For the half year ended 31 December 2012 the Consolidated Entity incurred a net loss of \$3,153,007 (2011: \$918,951) and used net cash in operating and investing activities of \$54,325,357 (2011: \$9,928,526). As at 31 December 2012 the Consolidated Entity has cash on hand of \$39,117,478 (30 June 2012: \$10,197,907).

During the half year to 31 December 2012 and the period to the date of this report, the Directors have taken steps to ensure the Consolidated Entity continues as a going concern. These steps have included:

1. During the half year ended 31 December 2012 the Directors successfully raised over \$96 million (before costs) through placements and entitlement offers of ordinary shares and share options. The Directors believe that the Consolidated Entity will continue to be successful in securing additional funds as and when the need arises.
2. The Directors have been in discussion with various interested parties in relation to the future funding needs of the Consolidated Entity and have been considering a number of proposals from these parties. A number of these proposals have reached an advanced stage of negotiation and, in relation to one party, that process is now in the due diligence stage to secure a significant finance facility. The Directors are confident that these negotiations will reach a satisfactory conclusion that is in line with the funding needs of the Consolidated Entity.
3. If the market conditions were to change dramatically and difficulties were encountered in raising additional funds (which the Directors do not believe will be the case) then the Directors would take the appropriate actions to ensure that the Consolidated Entity can continue as a going concern. These actions would include the active management of the Consolidated Entity's working capital requirements, including the timing of discretionary expenditure, which will only be incurred where the Consolidated Entity is successful in obtaining the necessary additional funds.

At the date of this report and having considered the above factors the directors are confident that the Consolidated Entity will be able to continue as a going concern.

WESTERN DESERT RESOURCES LIMITED ACN 122 301 848
Notes to the condensed consolidated financial statements
For the half year ended 31 December 2012

NOTE 3 - ISSUED CAPITAL

Movement in issued shares during the half year:

	31 Dec 2012	31 Dec 2012	31 Dec 2011	31 Dec 2011
	No.	\$	No.	\$
Balance at 30 June	234,819,203	64,459,621	206,935,914	47,178,909
Issued at 70 cents (Entitlement Offer)	2,326,826	1,628,778	-	-
Issued at 70 cents (Placement)	84,000,000	58,800,000	-	-
Issued - exercise of options	3,800,000	1,282,254	1,608,289	223,521
Issued - exercise of placement options	16,352,508	11,446,756	-	-
Issued at 70 cents (Underwriting of Entitlement Offer).	19,555,094	13,688,566	-	-
Costs associated with issue of shares	-	(3,579,790)	-	-
Share premium arising from share options exercised	-	452,005	-	15,120
Share premium arising from share options lapsed	-	9,585	-	178,103
Balance at end of financial period	360,853,631	148,187,775	208,544,203	47,595,653

NOTE 4- SHARE BASED PAYMENTS

During the half year no new options have been granted (comparative half year to 31 December 2011: \$NIL).

NOTE 5 - COMMITMENTS FOR EXPENDITURE AND CONTINGENT LIABILITIES

There were no material changes to commitments for expenditure and contingent liabilities from those disclosed in the annual report for the period ended 30 June 2012 other than as set out below.

Exploration Expenditure Commitments:

The Consolidated Entity has certain obligations to perform exploration work and expend minimum amounts of money on mineral exploration tenements.

These obligations will vary from time to time, subject to statutory approval. The terms of current and future joint ventures, the grant or relinquishment of licences and changes to licence areas at renewal or expiry will alter the expenditure commitments of the company.

Total expenditure commitments at balance date in respect of minimum expenditure requirements not provided for in the financial statements are approximately:

	31 Dec 2012	30-Jun 2012
	\$	\$
Not later than one year:	890,282	3,113,247
Later than one year but not later than two years:	1,419,728	1,220,700
Later than two years but not later than five years:	1,572,320	1,509,489
Later than five years	<u>2,334,062</u>	<u>2,318,222</u>
	<u>6,216,392</u>	<u>8,161,658</u>

WESTERN DESERT RESOURCES LIMITED ACN 122 301 848
Notes to the condensed consolidated financial statements
For the half year ended 31 December 2012

NOTE 5 - COMMITMENTS FOR EXPENDITURE AND CONTINGENT LIABILITIES – CONT.

Roper Bar project developments:

The Consolidated Entity commenced development works during the half year to 31 December 2012 and has entered into arrangements with various contractors to provide services. In some instances these services will require the payment for de-mobilisation costs at the completion of the contracted term. Those de-mobilisation costs have not been included in costs reported to date.

The costs of developments include assets that have been capitalised to the asset register and once ready for use will be depreciated.

To secure the acquisition of various assets the company has paid cash deposits in order to have development assets fabricated.

The company has provided additional security by way of bank guarantees to the Department of Mines and Energy in respect of the grant of Mineral Leases amounting to \$2,583,745.

NOTE 6 – SEGMENT REPORTING

The Consolidated Entity operates in the mineral exploration industry and the development from successful exploration in one geographic location, the Northern Territory of Australia.

6.1 Segment revenues and results

The Consolidated Entity does not yet generate revenue and profits from external customers. There were no inter-segment sales in the current year (2011: Nil).

6.2 Segment assets and liabilities

The following is an analysis of the company assets by reportable operating segment for the period under review.

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the company that are regularly reviewed by the chief decision maker in order to allocate resources to the segment and to assess its performance.

The company's reportable segments under AASB 8 are therefore as follows:-

- Exploration
- Evaluation and Development

Information regarding these segments is presented below. The accounting policies of the reportable segments are the same as the Company's accounting policies.

Segment assets represent the assets in each segment, without allocation of corporate assets made up of \$50,338,843. This is the measure reported to the chief operating decision maker for the purpose of resource allocation.

Segment Assets:	31-Dec 2012	31-Dec 2011
Exploration tenements (Non Roper Bar)	5,563,239	3,878,782
Exploration tenements (Roper Bar)	26,342,104	25,565,041
Evaluation and Development (Roper Bar)	61,101,356	-
Corporate, including cash and cash equivalents*	50,338,843	8,409,585
Consolidated total assets	<u>143,345,542</u>	<u>37,853,408</u>

*Cash and cash equivalents amount to \$42,546,393 (2011:\$5,656,918)

Notes to the condensed consolidated financial statements

For the half year ended 31 December 2012

NOTE 7 – EVENTS SUBSEQUENT TO REPORTING DATE

Subsequent to the end of the half year ended 31 December 2012, the Company has issued unlisted share options to an employee pursuant to the Employee Share Option Plan as follows:-

- 26th February, 2013 350,000 options

These share options were issued pursuant to the terms of engagement of a key employee on the development of the Roper Bar iron ore project.

During January and February 2013 announcements were made to the Australian Securities Exchange ("ASX") concerning changes in substantial holder interests, the quarterly activity report and cash flows results. These announcements are available from the ASX website for WDR and also from the company's own website at "westerndesertresources.com.au".

Other than as reported above, there has been no material event subsequent to the half-year ended 31 December 2012.

NOTE 8 – IMPAIRMENT OF ASSETS

The Consolidated Entity holds an interest in Thor Mining PLC, the market value of which has reduced in recent months. The valuation of this asset is according to the market price of shares in Thor Mining PLC as at 31 December 2012. The impairment for the period was a loss of \$555,536 (comparative half year to 31 December 2011: loss of \$519,424).

The Consolidated Entity has carried out a review of the carrying values of its exploration expenditures up to 31 December 2012. As a consequence of this review and on the basis that little or no future economic value currently exists in certain tenements, the Consolidated Entity has raised impairment write-downs against carrying values amounting to \$1,055,964 during the half year (comparative half year to 31 December 2011: \$48,784).

The Consolidated Entity has decreased its future provision for rehabilitation of current tenements by \$117,600 during the half year, thus decreasing the provision to \$399,200 (30 June 2012: \$516,000).

NOTE 9 – KEY MANAGEMENT

The key management personnel (excluding executive Directors) of the Consolidated Entity are set out below:

- Laurie Ackroyd (Company Secretary / Chief Financial Officer)
- Andrew P Bennett (Exploration Manager)
- Patrick Collins (General Manager NT Operations)
- Claude Severino (Roper Bar project Manager)
- Andrew Jettner (Mine Manager)

WESTERN DESERT RESOURCES LIMITED ACN 122 301 848
Notes to the condensed consolidated financial statements
For the half year ended 31 December 2012

NOTE 10 – EXPLORATION AND DEVELOPMENT EXPENDITURE INCURRED

	6 Months to	
	31 Dec 2012	31 Dec 2011
	\$	\$
(a) <u>Exploration</u>		
Costs brought forward 30 June	25,415,037	17,683,407
Expenditure incurred during the half year*	6,731,580	10,474,471
NT Government contributions	(81,570)	-
Expenditure written off during half year	(1,055,964)	(48,784)
	31,009,083	28,109,094

*Expenditure of \$4,162,095 was incurred on Roper Bar tenements (31 December 2011: \$10,038,367).

The recovery of the carry forward amounts of exploration assets is dependent on the successful development and commercial exploitation or sale of the respective tenement interests.

(b) Development & Construction

Costs brought forward 30 June	12,731,596	-
Expenditure incurred during the half year	44,860,990	-
	57,592,586	-

The recovery of the carry forward development and construction assets is dependent on the successful completion of those works and the commercial exploitation for sale and shipment of the iron ore.

NOTE 11 – OTHER CURRENT ASSETS

	31-Dec 2012	30-Jun 2012
	\$	\$
Other assets	-	28,250
Less provision for impairment	-	(18,000)
Prepaid expenditures	1,287,738	41,771
Research & Development Income tax concession due	-	-
Re-imburement of Goods & Services Tax due	3,229,292	585,316
	4,517,030	637,337

NOTE 12 – OTHER FINANCIAL ASSETS

	31-Dec 2012	30-Jun 2012
	\$	\$
Quoted shares	472,203	944,405
Unquoted shares	10	10
Investments carried at fair value	472,213	944,415

NOTE 13 – TRADE AND OTHER PAYABLES

	31-Dec 2012	30-Jun 2012
	\$	\$
Trade payables	7,748,983	2,247,170
Accruals	5,292,859	545,400
Other	206,828	131,414
	13,248,670	2,923,984

WESTERN DESERT RESOURCES LIMITED ACN 122 301 848
DIRECTORS' DECLARATION

The directors declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- (b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Consolidated Entity.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the *Corporations Act 2001*.

On behalf of the Directors



R H Allert
Chairman

Adelaide

Dated this 14th day of March, 2013

Independent Auditor's Review Report to the members of Western Desert Resources Limited

We have reviewed the accompanying half-year financial report of Western Desert Resources Limited, which comprises the condensed statement of financial position as at 31 December 2012, and the condensed statement of comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 9 to 19.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Western Desert Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Western Desert Resources Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Western Desert Resources Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



DELOITTE TOUCHE TOHMATSU



Stephen Harvey
Partner
Chartered Accountants
Adelaide, 14 March 2013