



Golden West Resources Limited
(ABN 54 102 622 051)

Half year report
31 December 2011

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Corporate directory

Board of directors:

Gary Lyons (Chairman)
Tien Seng Law (Deputy chairman)
Michael Wilson (Executive director)
Chin An Lau (Non-executive director)
Kong Leng (Jimmy) Lee (Non-executive director)
Teck Siong Wong (Alternate for Mr Law)

Executive general manager

Craig Ferrier

Company secretary:

Sophie Raven

Principal and registered office:

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138 Main Street
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E-MAIL:

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Auditors:

Stantons International
Level 2, 1 Walker Avenue
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:

Bennet & Co
Level 10, BGC Centre
28 The Esplanade
PERTH, WESTERN AUSTRALIA 6000

Telephone: +61 8 6316 2200

Facsimile: +61 8 6316 2211

Directors' report

Your Directors submit their report for the half-year 31 December 2011.

Directors

The following persons were Directors of the Company during the half-year and up to the date of this report. Directors were in office for this entire period unless otherwise stated.

Gary Lyons	- Chairman*
Tien Seng Law	- Deputy Chairman*
Michael Wilson	- Executive Director
Chin An Lau	- Non Executive Director
Kong Leng (Jimmy) Lee	- Non Executive Director
Teck Siong Wong	- Alternate for Mr Law

* Elected Chairman and Deputy Chairman on 8 February 2012

Former directors

David Sanders	- Non Executive Chairman, ceased 30 January 2012
John Lester	- Non Executive Director, ceased 28 November 2011
Jun Wang	- Non Executive Director, ceased 21 November 2011
Xiang Hong Yang	- Alternate for Mr Wang, ceased 21 November 2011

Dividends

No amounts have been paid or declared by way of dividend by the Company during the half-year or in the period to the date of this report.

Principal activities

The principal activities of the Company and its subsidiaries during the course of the half-year continued to be the exploration and evaluation of its mining projects in Australia.

Operating results

The consolidated loss after income tax for the half-year was \$2,921,761 (2010: loss of \$1,715,324). The result includes non-cash costs of \$2,131,852 (2010: Nil) relating to share based payments (note 5b & 11). During the period net cash used in operating and investing activities totalled \$3,814,487 (2010: \$8,125,491) representing a substantial reduction from the corresponding half-year.

Review of operations

The Group continued to progress the development of its iron ore and gold projects during the reporting period as outlined below.

Iron projects

Maiden Reserve Statement

In August 2011 GWR announced a maiden Iron Ore Reserve Estimate of 69.2Mt at 60.3% Fe (comprising a Proven Reserve of 2.9Mt at 59.7% Fe and a Probable Reserve of 66.4Mt at 60.3% Fe) from its Wiluna West DSO Hematite Project, representing a significant milestone for the Company.

The 69.2Mt Hematite Ore Reserve:

- Underpins a potential 10 year mine life at a production rate of approximately 7Mt per year;
- is contained within the C3, C4, Joyners Find and Bowerbird deposits, where 95% the Indicated and Measured Resources within these optimised pits have been converted to Reserves; and
- does not include an additional 14.3Mt of Inferred Resources at a grade of 59.3% Fe, 7.9% SiO₂, 2.9% Al₂O₃, 0.04% P and 3.5% LOI that occurs with the designed pits.

Drilling

A total of 33RC holes for an aggregate of 2,159m were completed testing Bands 5 & 6 which are located 200m to the west of Unit B of the Wiluna West Project. Results confirm significant hematite mineralisation over a strike length of 6.4Km.

Aboriginal Heritage

Additional information supporting a Section 18 application was submitted by the Company during the period. This was considered by the Aboriginal Cultural Material Committee at the Department of Indigenous Affairs in early February and its recommendation will be made to the Minister. An instructions meeting was held on site with the native title claimants and Central Desert Native Title Service in November and this, combined with the ethnographic survey undertaken in the previous quarter, will underpin a heritage management plan for the entire project area due to be finalised early in 2012.

Infrastructure

In January 2012 the West Australian Government announced its decision to increase the Esperance port capacity by up to 20 million tonnes per annum in a staged plan. The Company has undertaken substantial work in advancing the Wiluna West Project with Stage 1 development focused on the export of up to 3 million tonnes per annum of its high quality direct shipping iron ore (DSO) through Esperance. The Company continued to advance studies and commercial discussions during the reporting period to this end.

Project Generation

The Group applied for four Exploration Licences totaling approximately 1382Km² within the highly prospective Earraheedy Basin. The Earraheedy basin is located approximately 200km north east of Wiluna and is considered highly prospective for both iron and manganese deposits.

Gold projects

In November 2011 the Company drilled a total of 29 RC holes for an aggregate of 1,288m at the Bottom Camp, Golden Monarch and Iron King prospects. The drilling was undertaken to test for near surface continuity of mineralisation, confirm the reliability of previous drilling results, obtain density data and collect metallurgical samples. Details of the drilling and significant intersections were set out in the ASX announcement dated 30 January 2011.

The Wiluna Gold Project contains a total Resource Estimate of 3.48Mt @ 2.3g/t Au for a contained 258,000 oz at a 1g/t cut off (Indicated Resource 46,000 tonnes @ 3.5g/t Au and Inferred Resource 3.43Mt @ 2.3g/t Au).

The Company intends to commence gold production by custom milling ore at a nearby processing facility and negotiations are well under way. Recent work highlighted the Golden Monarch, Iron King and Bottom Camp prospects as the most attractive start up pits.

Board and management changes

During the period the Company appointed Mr Craig Ferrier as Executive General Manager and Ms Sophie Raven as Company Secretary. In addition, the board has also changed with long serving directors Mr John Lester and Mr Jun Wang ceasing to hold office in November 2011. Mr Xiang Hong Yang ceased as an alternate for Mr Wang in November 2011. Mr Anthony Begovich resigned as CFO and Company Secretary in November 2011.

Events subsequent to reporting date

Investments

At Balance date the Company via its subsidiary Western Gold Resources Limited ('WGR') held 28,848,242 ordinary shares in Silvrex Limited (a private company incorporated in UK). Pursuant to takeover offer made by Stratex International Plc ('Stratex'), an AIM-quoted exploration and development company focussed in Turkey and Africa, WGR received 1,795,803 Stratex ordinary shares on 9 January 2012 as consideration for its share holding in Silvrex. In addition, Stratex also repaid WGR the outstanding Convertible Notes plus interests owing on behalf of Silvrex in early February 2012.

Board changes

Since the end of reporting period, Mr David Sanders retired as a non-executive chairman. On 8 February 2012 Mr Gary Lyons was appointed as Chairman and Mr Tien Seng Law as Deputy Chairman.

Options

The company issued 1,400,000 unlisted options to Mr John Douch, a consultant to the Group on 22 February 2012 with an exercise price of \$0.58, expiring on 22 February 2016.

Competent person's statement

The information in this report which relates to Exploration Targets, Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Brian Varndell, a Fellow Member of the Australasian Institute of Mining & Metallurgy ("AusIMM") and independent consultant to the Company. Mr Varndell is an employee of Al Maynard & Associates Pty Ltd and has many years of experience in exploration and mining in a variety of mineral deposit styles.

Mr Varndell 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 Varndell consents to inclusion in the report of the matters based on his information in the form and context in which it appears.

This report is signed in accordance with a resolution of the Directors.



Gary Lyons

Chairman

Dated at Perth this 12th day of March 2012

Consolidated statement of comprehensive income
For the half-year ended 31 December 2011

	Notes	Consolidated	
		December 2011 \$	December 2010 \$
Revenue	4	952,155	650,225
Employee expenses	5(a)	(1,029,915)	(1,269,253)
Share based payments	5(b)	(2,131,852)	--
Depreciation expense		(116,157)	(153,432)
Other expenses		(595,992)	(942,864)
Profit/(loss) before income tax		<u>(2,921,761)</u>	<u>(1,715,324)</u>
Income tax expense		--	--
Profit/(loss) after income tax		<u>(2,921,761)</u>	<u>(1,715,324)</u>
Profit/(loss) attributable to members of the Parent		<u>(2,921,761)</u>	<u>(1,715,324)</u>
Other comprehensive income/(loss)			
Other comprehensive income		--	--
Other comprehensive income/(loss) after tax		--	--
Total comprehensive income/(loss) after tax		<u>(2,921,761)</u>	<u>(1,715,324)</u>
Profit/(loss) attributable to members of the Parent		<u>(2,921,761)</u>	<u>(1,715,324)</u>
Total comprehensive income/(loss) attributable to members of the Parent		<u>(2,921,761)</u>	<u>(1,715,324)</u>
Basic earnings/(loss) per share (cents per share)		(1.52)	(1.04)

Diluted profit/(loss) per share is not disclosed as it would not reflect an inferior position

The above statement should be read in conjunction with the accompanying notes.

**Consolidated Statement of financial position
as at 31 December 2011**

	Notes	Consolidated	
		December 2011 \$	June 2011 \$
Assets			
Current assets			
Cash and cash equivalents		27,808,190	31,622,677
Trade and other receivables		704,427	886,470
Other financial assets	6(a)	118,471	1,435,980
Exploration and evaluation expenditure	7(a)	--	--
Total current Assets		<u>28,631,088</u>	<u>33,945,127</u>
Non Current Assets			
Plant & Equipment		852,190	999,609
Exploration & evaluation expenditure	7(b)	80,429,640	77,337,627
Available-for-sale financial assets	8	--	--
Investments in associates	9	694,401	--
Other financial assets	6(b)	533,356	532,924
Total Non Current Assets		<u>82,509,587</u>	<u>78,870,160</u>
Total assets		<u>111,140,675</u>	<u>112,815,287</u>
Liabilities			
Current liabilities			
Trade and other payables		766,995	846,728
Interest bearing liabilities		--	16,863
Other current liabilities		--	745,590
Provisions		58,617	95,172
Total Current Liabilities		<u>825,612</u>	<u>1,704,353</u>
Non Current Liabilities			
Provisions		264,727	270,689
Total Non Current Liabilities		<u>264,727</u>	<u>270,689</u>
Total liabilities		<u>1,090,339</u>	<u>1,975,042</u>
Net assets		<u>110,050,336</u>	<u>110,840,245</u>
Equity			
Contributed equity	10	147,001,501	147,001,501
Reserves	11	26,015,426	23,883,574
Accumulated losses		(62,966,591)	(60,044,830)
Total equity		<u>110,050,336</u>	<u>110,840,245</u>

The above statement should be read in conjunction with the accompanying notes.

**Consolidated statement of changes in equity
for the half-year ended 31 December 2011**

	Ordinary share capital \$	Accumulated losses \$	Option reserve \$	Total equity \$
Balance at 1/7/2011	147,001,501	(60,044,830)	23,883,574	110,840,245
<i>Share based payments</i>	--	--	2,131,852	2,131,852
Total comprehensive loss for the period	--	(2,921,761)	--	(2,921,761)
Balance at 31/12/2011	<u>147,001,501</u>	<u>(62,966,591)</u>	<u>26,015,426</u>	<u>110,050,336</u>
Balance at 1/7/2010	109,356,721	(56,187,482)	23,883,574	77,052,813
<i>Shares issued during the period</i>	37,176,291	--	--	37,176,291
<i>Capital raising costs</i>	(1,480,352)	--	--	(1,480,352)
Total comprehensive loss for the period	--	(1,715,324)	--	(1,715,324)
Balance at 31/12/2010	<u>145,052,660</u>	<u>(57,902,806)</u>	<u>23,883,574</u>	<u>111,033,428</u>

The above statement should be read in conjunction with the accompanying notes.

**Consolidated statement of cash flows
for the half-year ended 31 December 2011**

	Consolidated	
	December 2011	December 2010
	\$	\$
Cash flows from operating activities		
Payments to suppliers and employees	(1,820,555)	(1,959,596)
Interest received	1,131,948	553,303
	<hr/>	<hr/>
Net cash used in operating activities	(688,607)	(1,406,293)
Cash flows from investing activities		
Payments for exploration & evaluation expenditure	(3,047,719)	(6,782,845)
Investment in associate	(38,980)	--
Payments for plant and equipment	(3,088)	(185,328)
Proceeds from sale of plant and equipment	33,779	215
Proceeds from sale of uranium assets	--	200,000
Refunds from security deposits/bonds	34,610	98,998
Loans to other entities	(104,482)	(164,472)
Repayment from other entities	--	114,234
	<hr/>	<hr/>
Net cash used in investing activities	(3,125,880)	(6,719,198)
Cash flows from financing activities		
Proceeds from issue of shares	--	37,176,291
Share issue costs	--	(880,352)
	<hr/>	<hr/>
Net cash provided by financing activities	--	36,295,939
Net increase/(decrease) in cash and cash equivalents	(3,814,487)	28,170,448
Cash and cash equivalents at beginning of the period	31,622,677	9,119,673
	<hr/>	<hr/>
Cash and cash equivalents at the end of the period	27,808,190	37,290,121

The above statement should be read in conjunction with the accompanying notes.

Notes to the financial statements for the half-year ended 31 December 2011

Note 1: Corporate information

The financial report of Golden West Resources Limited and its subsidiaries ('the consolidated entity or the Group') for the half-year ended 31 December 2011 was authorized for issue in accordance with a resolution of the directors on 12 March 2012.

Golden West Resources is a company limited by shares, incorporated in Australia, whose shares are publicly traded on the Australian Securities Exchange.

Note 2: Basis of preparation and accounting policies

Basis of preparation

This general purpose condensed financial report for the half-year ended 31 December 2011 has been prepared in accordance with AASB 134: Interim Financial Reporting and the Corporations Act 2001.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report. It is therefore recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 June 2011, and considered together with any public announcements made by Golden West Resources Limited during the half-year ended 31 December 2011.

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 2011 annual financial report for the financial year ended 30 June 2011, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Group has adopted the following new and amended Australian Accounting Standards and AASB Interpretations as of 1 January 2011:

- AASB 124 *Related Party Disclosures (amendment)* effective 1 January 2011
- AASB 132 *Financial Instruments: Presentation (amendment)* effective 1 February 2010 AASB Int 14 *Prepayments of a Minimum Funding Requirement (amendment)* effective 1 January 2011
- *Improvements to AASBs (May 2010)*

Notes to the financial statements for the half-year ended 31 December 2011

The adoption of the standards or interpretations is described below:

AASB 124 Related Party Transactions (Amendment)

The AASB issued an amendment to AASB 124 that clarifies the definitions of a related party. The new definitions emphasise a symmetrical view of related party relationships and clarifies the circumstances in which persons and key management personnel affect related party relationships of an entity. In addition, the amendment introduces an exemption from the general related party disclosure requirements for transactions with government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of the amendment did not have any impact on the financial position or performance of the Group.

AASB 132 Financial instruments: Presentation (Amendment)

The AASB issued an amendment that alters the definition of a financial liability in AASB 132 to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The amendment has had no effect on the financial position or performance of the Group because the Group does not have these type of instruments.

AASB Int 14 Prepayments of a Minimum Funding Requirement (Amendment)

The amendment removes an unintended consequence when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover such requirements. The amendment permits a prepayment of future service cost by the entity to be recognised as a pension asset. The Group is not subject to minimum funding requirements, therefore the amendment of the interpretation has no effect on the financial position nor performance of the Group.

In May 2010, the AASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of those amendments had no impact on the financial position or performance of the Group.

- The Group has not elected to early adopt any of the new standards or amendments that are issued but not yet effective.

**Notes to the financial statements
for the half-year ended 31 December 2011**

Note 3: Segment information

Determination and identification of reportable segment

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

The Group identifies its operating segments based on the internal reports that are reviewed and used by the executive management team (chief operating decision makers) in assessing performance and determining the allocation of resources.

The operations and assets of Golden West Resources Limited and its controlled entities are primarily employed in exploration and evaluation activities relating to minerals in Western Australia. The decision to allocate the resources to individual projects is predominantly based on available cash reserve, technical data and the expectation of future metal price. Accordingly, the Group has identified only one reportable segment, being mineral exploration activities undertaken in Western Australia. The financial information presented in the consolidated statement of comprehensive income and consolidated statement of financial position is the same as that presented to the chief operating decision maker.

Note 4: Revenue

	Consolidated	
	December 2011	December 2010
	\$	\$
	<hr/>	<hr/>
Interest received	948,872	650,225
Other revenue	3,283	--
Other revenue	<hr/> 952,155	<hr/> 650,225

Note 5(a): Employee expenses

Salary and wages	727,402	1,001,091
Superannuation	37,187	68,184
Other employee expenses	265,326	199,978
	<hr/> 1,029,915	<hr/> 1,269,253

**Notes to the financial statements
for the half-year ended 31 December 2011**

Note 5(b): Share based payments

	Consolidated	
	December	June
	2011	2011
	\$	\$
Share based payments ¹ (note 11)	2,131,852	--
	2,131,852	--

1. The Golden West Resources Limited Employee Option Incentive Scheme ('the scheme') was adopted for the purpose of recognising the efforts of, and providing incentive to, employees and directors of the Company. During the half year, 21,500,000 unlisted options were granted to directors, 450,000 unlisted options granted to employees and 250,000 unlisted options granted to a consultant on 21 November 2011 with an exercise price of \$0.58, expiring on 22 November 2015 and 4 January 2016 respectively.

Under the scheme, options will only be issued to an Eligible Person who is also a Related Party of the Company after the members of the Company have approved by resolution the proposed issue, if such approval is required by the Listing Rules of the *Corporations Act* or both. The exercise price for options is determined with reference to the market value of the Company's shares at the time of resolving to make the offer. The options were issued with no vesting conditions. On exercise, each option is convertible to one ordinary share within 10 business days of the receipt of the exercise notice and payment of the exercise price in Australian dollars. Options are to be for a term not exceeding five years from the date of issued, or such longer term as the members in general meeting approve. If an eligible person ceases to be an eligible person any options held by them will automatically lapse except if the person ceases to be an eligible person by reason of retirement at age 55 or over after not less than five years service as an employee, permanent disability, or death, in which case options may be exercised within three months of that event happening and if not exercised in that period options shall lapse. The options issued under the scheme carry no dividend or voting rights.

Note 6: Other financial assets

(a) Current

Security deposits/bonds	--	35,041
Application deposits ¹	--	745,518
Convertible notes/loans to third parties ² (note 13)	118,471	655,421
	118,471	1,435,980

1. The application deposits as at 30 June 2011 refer to funds received from applicants in relation to the Western Gold Resources Limited Initial Public Offering ('IPO') less bank charges. On the 1 July the Company announced the withdrawal of the IPO and consequently all monies were refunded in July 2011.
2. The convertible notes/loans to third parties balance as at 31 December 2011 relates to the advanced loan to Silvrex Limited transferred into convertible notes with an interest rate of 20% per annum. The outstanding balance plus interest was repaid in February 2012. The balance of \$655,421 as at 30 June 2011 relating to a loan provided to Silvrex Limited was converted into 27,448,242 Silvrex Limited shares at GBPO.015 per share in August 2011.

(b) Non Current

Security deposits/bonds	533,356	532,924
	533,356	532,924

**Notes to the financial statements
for the half-year ended 31 December 2011**

Note 7: Exploration and evaluation expenditure

(a) Current

	Consolidated	
	December	June
	2011	2011
	\$	\$
Balance at beginning of the period	--	200,000
Impairment	--	--
Disposal ¹	--	(200,000)
Balance at the end of the period	--	--

1. The Disposal relates to the relinquishment of the Company's uranium tenements and the sale of associated mining information to a third party.

(b) Non Current

Balance at beginning of the period	77,337,627	66,922,431
Expenditure incurred during the period	3,092,013	10,570,074
Expenditure expensed during the year	--	(154,878)
Impairment	--	--
Balance at the end of the period	80,429,640	77,337,627

The ultimate recoupment of exploration and evaluation expenditure relating to the Company's iron ore and gold projects carried forward is dependent on the successful development for commercial exploitation or sale of the respective mining projects.

**Notes to the financial statements
for the half-year ended 31 December 2011**

Note 8: Available-for-sale financial assets

	Consolidated	
	December 2011	June 2011
	\$	\$
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.

Valuation assumptions

The fair value of the unlisted available-for-sale investments has been estimated using valuation techniques based on assumptions 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 period is as follows:

Opening balance	11,670,000	11,670,000
Additions	--	--
Closing balance	11,670,000	11,670,000
Allowance for impairment loss ¹	(11,670,000)	(11,670,000)
	--	--

1. An allowance for impairment loss of \$11,670,000 has been recognised by the Group in a prior period as management has determined that the investment is impaired.

Note 9: Investments in associates

Investments in associates ¹ (note 13)	694,401	--
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1. At 31 December 2011 Western Gold Resources Limited held an approximately 17% interest in Silvrex Limited with total number of 28,848,242 Silvrex shares, which were exchanged for 1,795,803 ordinary shares in Stratex International Limited ('Stratex') shares in January 2012 on completion of the off market takeover of Silvrex Limited by Stratex.

**Notes to the financial statements
for the half-year ended 31 December 2011**

Note 10: Contributed equity

	Consolidated	
	December 2011	June 2011
	\$	\$
Issued capital		
192,082,567 Ordinary fully paid shares (30 June 2011: 147,001,501)	<u>147,001,501</u>	<u>147,001,501</u>
	Number	\$
<i>Movement in ordinary shares on issue</i>		
At 1 January 2011	189,606,127	145,052,660
Share issues ¹	2,476,440	1,948,841
At 30 June 2011	192,082,567	147,001,501
Share issues	--	--
At 31 December 2011	<u>192,082,567</u>	<u>147,001,501</u>

1. 37,690 shares issued under the employee share ownership plan and 2,438,750 shares issued under the share purchase plan.

Note 11: Reserves

Option reserve		
22,200,000 unlisted options ¹ (30 June 2011: 10,250,000 unlisted options)	<u>26,015,426</u>	<u>23,883,574</u>
	Number listed	Number unlisted
<i>Movement in options on issue</i>		
At 1 January 2011	--	10,250,000
Option issues	--	--
At 30 June 2011	--	10,250,000
Option issues ¹	--	22,200,000
Options lapsed/expired on 31 December 2011	--	(10,250,000)
At 31 December 2011	<u>--</u>	<u>22,200,000</u>

1. The assessed fair values for the purpose of the financial statements at grant date of options granted during the half-year ended 31 December 2011 was 9.603 cents per option. The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the options.

The model inputs for options granted during the reporting period included:

Details	Director options	Employee & consultant options
Grant date	21 November 2011	21 November 2011
Vesting date	21 November 2011	21 November 2011
Expiry date	22 November 2015	04 January 2016
Quantity	21,500,000	700,000
Exercise price	\$0.58	\$0.58
Share price at grant date	\$0.40	\$0.40
Expected price volatility of shares	48.53%	48.53%
Expected dividend yield	Nil	Nil
Risk-free interest rate	3.36%	3.36%

**Notes to the financial statements
for the half-year ended 31 December 2011**

Note 12: Contingent liabilities

The Group is not aware of any significant contingencies since the last annual reporting date.

Note 13: Events subsequent to reporting date

Investments

At Balance date the Company via its subsidiary Western Gold Resources Limited ('WGR') held 28,848,242 ordinary shares in Silvrex Limited (a private company incorporated in UK). Pursuant to takeover offer made by Stratex International Plc ('Stratex'), an AIM-quoted exploration and development company focussed in Turkey and Africa, WGR received 1,795,803 Stratex ordinary shares on 9 January 2012 as consideration for its share holding in Silvrex. In addition, Stratex also repaid WGR the outstanding Convertible Notes plus interests owing on behalf of Silvrex in early February 2012.

Board changes

Since the end of reporting period, Mr David Sanders retired as a non-executive chairman. On 8 February 2012 Mr Gary Lyons was appointed as Chairman and Mr Tien Seng Law as Deputy Chairman.

Options

The company issued 1,400,000 unlisted options to Mr John Douth, a consultant to the Group on 22 February 2012 with an exercise price of \$0.58, expiring on 22 February 2016.

Directors' declaration

In accordance with a resolution of the directors of Golden West Resources Limited, I state that:

In the opinion of the directors:

- (a) The financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
 - (i) Giving a true and fair view of the financial position as at 31 December 2011 and the performance for the half-year ended on that date of the consolidated entity; and
 - (ii) Complying with Accounting Standard AASB 134 Interim Financial Reporting and the 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.

On behalf of the Board,



.....

Gary Lyons
Chairman

Perth, 12th March, 2012

12 March 2012

Board of Directors
Golden West Resources Limited
Suite 4, 138 Main Street
Osborne Park WA 6017

Dear Sirs

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 Audit Director for the review of the financial statements of Golden West Resources Limited for the period ended 31 December 2011, 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 faithfully,

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(Trading as Stantons International)
(An Authorised Audit Company)



Martin Michalik
Director

**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
GOLDEN WEST RESOURCES LIMITED**

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Golden West Resources Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2011, the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity, and condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for Golden West Resources Limited (the consolidated entity). The consolidated entity comprises both Golden West Resources Limited (the Company) and the entities it controlled during the half year.

Directors' Responsibility for the Half-Year Financial Report

The directors of Golden West Resources Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) 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 2011 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 Golden West 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.

Whilst we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by the directors or management.

Independence

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*, has been provided to the directors of Golden West Resources Limited on 12 March 2012.

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 Golden West 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 2011 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standards AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

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Stantons International Audit & Consulting Pty Ltd



Martin Michalik

Director

West Perth, Western Australia

12 March 2012.