

ANNUAL REPORT

YEAR ENDED
30 JUNE 2009

WesternDesert
R E S O U R C E S

ACN 122 301 848

WesternDesert

R E S O U R C E S

**WESTERN DESERT RESOURCES LIMITED ACN 122 301 848
AND CONTROLLED ENTITIES**

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Corporate Governance Statement

In March 2003 the Australian Stock Exchange Corporate Governance Council ("ASXCGC") released its best practice recommendations based on ten core principles for corporate governance. These recommendations were not intended to be prescriptions to be followed by all ASX listed companies, but rather guidelines designed to produce an efficiency, quality or integrity outcome. The Corporate Governance Council has recognised that a "one size fits all" approach to Corporate Governance is not required. Instead, it states aspirations of best practice for optimising corporate performance and accountability in the interests of shareholders and the broader economy. A company may consider that a recommendation is not appropriate to its particular circumstances and has flexibility to not adopt it and explain why.

Western Desert Resources Limited to date has not adopted the ASXCGC best practice recommendations other than those specifically identified and disclosed below because the Board believes that it cannot justify the necessary cost given the size and early stage of its life as a listed exploration company. However the Board is committed to ensuring that appropriate Corporate Governance practices are in place for the proper direction and management of the Company.

This statement outlines the main Corporate Governance practices of the Company disclosed under the principles outlined in the ASXCGC including those that comply with best practice that, unless otherwise disclosed, were in place during the whole of the financial year ended 30 June 2009.

Principle 1: Lay solid foundations for management and oversight

Role of the Board

The Board is governed by the Corporations Act 2001, ASX listing rules and a formal constitution.

The Board's primary role is the protection and enhancement of shareholder value.

The Board takes responsibility for the overall Corporate Governance of the Company including its strategic direction, management goal setting and monitoring, internal risk control, risk management and financial reporting.

Board processes and management

The Board has an established framework for the management of the company including a system of internal control, a business risk management process and appropriate ethical standards.

The Board appoints a Managing Director with responsibility for the day to day management of the Company including management of financial, physical, and human resources, development and implementation of risk management, internal control and regulatory compliance policies and procedures, recommending strategic direction and planning for the operations of the business and the provision of relevant information to the Board.

Principle 2: Structure the Board to add value

Composition of the Board

The names of the directors of the Company and terms in office at the date of this Statement together with their experience and expertise are set out in the Directors' Report section of this report. The directors' terms in office are considered appropriate in view of the fact that the company listed in July 2007.

The composition of the Board consists of five directors of whom four, including the Chairman, are non-executives. Mr Billing's role as Chairman of the Board is separate from that of the managing Director, Mr Gardner who is responsible for the day to day management of the Company and is in compliance with the ASXCGC best practice recommendation that these roles not be exercised by the same individual.

The Company's constitution stipulated that the number of directors must be at least three. The Board may at any time appoint a director to fill a casual vacancy. Directors appointed by the Board are subject to election by shareholders at the following annual general meeting and thereafter directors (other than the Managing Director) are subject to re-election at least every three years.

The Board has not established a nominations committee because of the small size of both the Board and the Company. The Board believes however in the renewal of members to ensure the ongoing vitality of the Company, and will seek to recruit additional members as appropriate.

All directors are entitled to take such legal advice as they require at any time, and from time to time, on any matter concerning or in relation to their rights, duties, and obligations as directors in relation to the affairs of the Company.

Corporate Governance Statement

Principle 3: Promote ethical and responsible decision making

Ethical standards

The Company aims for a high standard of corporate governance and ethical standard by directors and employees.

Directors are expected to use skills commensurate with their knowledge and experience to increase the value of Company assets. Directors must also maintain strict confidentiality in relation to Company matters

All directors are required to provide the Company with details of all securities registered in the director's name or an entity in which the director has a relevant interest within the meaning of section 9 of the Corporations Act 2001 and details of all contracts, other than contracts to which the Company is a party to which the director is a party or under which the director is entitled to a benefit, and that confer a right to call for or deliver shares in the Company and the nature of the director's interest under the contract.

Directors are required to disclose to the Board any material contract in which they may have an interest. In accordance with section 195 of the Corporations Act 2001, a director having a material personal interest in any matter to be dealt with by the Board, will not be present when that matter is considered by the Board and will not vote on that matter.

Trading in the Company's Securities

Directors, officers and employees are not permitted to trade in securities of the Company at any time whilst in possession of price sensitive information not readily available to the market. Section 1043A of the Corporations Act 2001 also prohibits the acquisition and disposal of securities where a person possesses information that is not readily available and which may reasonably be expected to have a material effect on the price of the securities if the information was generally available. In particular, trading in Company securities is prohibited within 3 days prior to, and one day following material announcements to ASX.

Principle 4: Safeguard integrity in financial reporting

The Managing Director and Chief Financial Officer provide a certificate to the Board regarding the Financial Reports providing a true and fair view in accordance with accounting standards.

Audit Committee

Western Desert Resources Limited was not a Company required by ASX Listing Rule 12.7 to have an Audit Committee during the year, although it is a best practice recommendation of the ASXCGC. Those activities, normally the responsibility of an audit committee, are undertaken by the Board as a whole.

Principle 5: Make timely and balanced disclosure

Continuous Disclosure

The Company operates under the continuous disclosure requirements of the ASX Listing Rules and ensures that all information, apart from information which is confidential, and ASX has not formed the view that the information has ceased to be confidential, which may be expected to affect the value of the Company's securities or influence investment decisions is released to the market in order that all investors have equal and timely access to material information concerning the Company. This information is made publicly available on the Company's website following release to the ASX.

Principle 6: Respect the rights of shareholders

Communication with shareholders

The Board aims to ensure that shareholders are informed of all major developments affecting the Company's state of affairs. In accordance with the ASXCGC best practice recommendations, information is communicated to shareholders as follows:

- The annual financial report which includes relevant information about the operations of the Company during the year, changes in the state of affairs of the entity and details of future developments, in addition to other disclosures required by the Corporations Act 2001;
- The half yearly financial report is to be lodged with the Australian Stock Exchange and Australian Securities and Investments Commission and sent to all shareholders who request it;
- Notifications relating to any proposed major changes in the Company which may impact on share ownership rights that are submitted to a vote of shareholders;
- Notices of all meetings of shareholders;
- Publicly released documents including the full text of notices of meetings and explanatory material made available on the Company's internet web-site at www.westerndesertresources.com.au ; and

Corporate Governance Statement

- Disclosure of the Company's Corporate Governance practices and communications strategy on the internet website.

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the Company's strategy and goals. Important issues are presented to the shareholders as single resolutions. The external auditor of the Company is also invited to the Annual General Meeting of shareholders and is available to answer any questions concerning the conduct, preparation and content of the auditor's report. Pursuant to Section 249K of the Corporations Act 2001 the external auditor is provided with a copy of the notice of meeting and related communications received by shareholders.

Principle 7: Recognise and manage risk

Risk Assessment and Management

The Board recognises that there are inherent risks associated with the Company's operations including mineral exploration, environmental, title, native title, legal, and other operational risks. The Board endeavours to mitigate such risks by continually reviewing the activities of the Company in order to identify key business and operational risks and ensuring that they are appropriately assessed and managed.

Principle 8: Encourage enhanced performance

Performance Evaluation

The Board evaluates the performance of the Managing Director on a regular basis and encourages continuing professional development.

Principle 9: Remunerate fairly and responsibly

Remuneration Policy

The Company's Constitution specifies that the total amount of remuneration of non-executive directors shall be fixed from time to time by a general meeting. The current maximum aggregate remuneration of non-executive directors is set at \$250,000 per annum. Directors may apportion any amount up to this maximum amount amongst the non-executive directors as they determine. Directors are also entitled to be paid reasonable travelling, accommodation and other expenses incurred in performing their duties as directors.

The remuneration of the Managing Director is determined by the Board as part of the terms and conditions of his engagement which are subject to review from time to time. The remuneration of employees is determined by the Managing Director subject to the approval of the Board

Further details of directors' and executives/officers' remuneration, superannuation and retirement payments are set out in the Directors' Report.

Principle 10: Recognise the legitimate interests of stakeholders

Code of Conduct

The Company requires all its directors and employees to abide by the highest standards of behaviour, business ethics, and in accordance with the law. In discharging their duties, Directors of the Company are required to:

- Act in good faith and in the best interests of the Company;
- Exercise care and diligence that a reasonable person in that role would exercise;
- Exercise their powers in good faith for a proper purpose and in the best interests of the Company;
- Not improperly use their position or information obtained through their position to gain a personal advantage or for the advantage of another person to the detriment of the Company;
- Disclose material personal interests and avoid actual or potential conflicts of interests;
- Keep themselves informed of relevant Company matters;
- Keep confidential the business of all directors meetings; and
- Observe and support the Board's Corporate Governance practices and procedures.

Directors' Report

The Directors present this directors report and the attached annual financial report of Western Desert Resources Limited for the financial year ended 30 June 2009. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

Directors and Officers

The names and details of the directors and officers of the company during or since the end of the financial year are:

Michael Robert Billing BBus ASA - Non-Executive Chairman

Mick Billing was appointed a director in February 2007. He is an accountant with in excess of 30 years of mining industry experience in company secretarial, senior commercial, and chief financial officer roles including lengthy periods with Bougainville Copper Ltd and WMC Resources Ltd. He has had experience with corporate governance issues, debt and equity raising, and project evaluation and feasibility studies in Australia and overseas, and consults to a number of companies in these fields.

He is a director of ASX listed companies Thor Mining PLC and Southern Gold Limited.

Norman Wayne Gardner – Managing Director

Norm Gardner is a founding Director of the company, which was incorporated in October 2006. Norm established and is sole owner of a concrete construction business based in the Northern Territory. His company has been involved in significant mining projects in the Northern Territory, South Australia and Western Australia, including development and operation of the backfill plant at the Granites Gold Mine. Norm has an in depth knowledge of the construction requirements of the mining industry. He has also been involved in a number of successful property developments.

He is also a director of AIM and ASX listed company Thor Mining PLC.

Graham John Bubner BSc - Non-Executive Director

Graham is a founding Director of the company. Graham graduated from Adelaide University with a double geology/geophysics degree in 1976, and a first class Honours degree in geophysics the following year. He gained experience in exploration for multiple commodities including base metals, precious metals, uranium, diamonds, iron ore and coal throughout west-central Australia with CRA Exploration Pty Ltd for 16 years. During this time he participated in major discoveries, such as diamonds at Argyle and uranium at Kintyre. Four years in the Middleback Ranges on Eyre Peninsula with first BHP Billiton Limited and then Onesteel Limited afforded specific experience in exploration for iron ore.

He is a member of the Australian Society of Exploration Geophysicists and Society of Economic Geologists.

David John Cloke FCA - Non-Executive Director

David is a founding Director of the company, and was Company Secretary until June 2007. He was a partner with Deloitte's for 30 years and has had over 40 years' experience in the accounting profession in Australia and Central Africa. He was Managing Partner of Deloitte's three offices in the Northern Territory and a member of that partnership's national management board in Australia. He has a strong audit background and has been the lead partner responsible for the audits of national and international mining companies. He is Finance Director for a substantial property company in the Northern Territory.

Michael Kevin Ashton – Non-Executive Director

Mick was a founding Director of the company and held this position until April 2007. He was appointed an alternate Director of the company in May 2007, and was subsequently appointed a Director of the company in August 2008. He owns a timber manufacturing business located in South Australia and a major shareholder in a successful exploration drilling company located in Victoria, which has both Australian and international activities. Mick has extensive knowledge and experience in the exploration and mining industries, which dates back 40 years.

He is also a director of AIM and ASX listed company Thor Mining PLC.

Alastair Wansbone Mackie BMAusIMM, MSEG, MGSA - Non-Executive Director

Alastair was a founding director of the company, and resigned as a director in July 2008. Alastair holds a Bachelor of Science (Geology, Geography) from Otago University and a post graduate diploma in Mining and Exploration Geology from James Cook University. He has been actively exploring Western Australia, Queensland and Northern Territory for over 30 years focussing upon gold, base metals, uranium and diamonds, and spent time during the 1970's exploring for base metals and diamonds in South Africa. He has formerly been a General Manager and director of Tennant Creek Gold (NT) Pty Ltd.

Mr Mackie resigned his position as a director on 16th July 2008

Laurie Ackroyd — Chief Financial Officer/Company Secretary

Mr. Laurie Ackroyd was appointed as Chief Financial Officer and Company Secretary in April 2009. Laurie is an accountant with over 45 years experience in the building services, manufacturing and transportation industries where he has held senior financial executive and company secretarial positions.

Directorships of other listed companies

Name	Company	Period of Directorship
M R Billing	Southern Gold Limited	Since January 2004
	Thor Mining PLC	Since April 2008
N W Gardner	Thor Mining PLC	Since April 2008
M K Ashton	Thor Mining PLC	Since April 2008

Principal Activities

The principal continuing activity of the consolidated entity is the exploration for iron ore, gold, base metals, uranium and other economic mineral deposits.

Financial Results

The net result of operations for the year was a loss after income tax of \$7,062,308 (2008: \$3,229,820.)

Dividends

No dividends were paid or declared since the start of the financial year, and the Directors do not recommend the payment of dividends in respect of the financial year.

Review of Operations

a) Overview

During the year the consolidated entity carried out exploration on its tenements and applied for or acquired additional tenements with the objective of identifying iron ore, manganese, uranium, gold, base metals and other economic mineral deposits.

b) Review of Operations

In August 2008 the company announced the sale of non-core Queensland tenements for a consideration of 5 million fully paid shares in the capital of Aard Metals Limited and royalty of \$1.75 per tonne of any iron ore produced from the tenements.

In September 2008 the company advised that it had acquired a 45% interest in EPM 15571 (Gladstone) and EL 24814 (McArthur River) for the issue of 5 million fully paid shares in the company.

A Memorandum of understanding with ITOCHU Minerals & Energy of Australia Pty Ltd (IMEA), fully owned by Japanese resources and trading conglomerate, ITOCHU Corporation, was signed in late September 2008 to develop the Roper Bar iron ore project in the Northern Territory. Drilling first commenced on the project in October 2008. In the following month IMEA moved to purchase a 15% interest in the Roper Bar project. The \$15 million Joint Venture Farm-In arrangement remains in place for the next 6 years. Formal Farm-in and joint venture agreements were executed on 23 December 2008.

In March 2009 the first Roper Bar, N.T. drilling results were received pointing to a large Iron Ore system with extensive mineralisation under cover confirmed in the area tested and assay result returns of up to 60% Fe.

Western Desert Resources Joint Venture partner, TNG Limited, on the Rover Gold project announced in March 2009 that, after lengthy negotiations, an exploration agreement had been signed with traditional owners and the Central Land Council with the potential for Tennant Creek style copper-gold mineralisation. Under a Joint Venture with TNG, your company has the opportunity to earn an initial interest in the Rover project by spending \$500,000 after which it has the option to increase its interest to 80% by an additional expenditure of \$850,000.

In Late October 2008 the company reported securing drilling services for a period of 54 weeks and the placement of 7,500,000 shares to offset in part the drilling expenditures.

The Company continues to hold its investment in Thor Mining PLC of which its flagship project is the Molyhil molybdenum/tungsten deposit, some 220 kilometres north east of Alice Springs. The company believes that it can add significant value to the project by utilising alternative strategies in respect to the capital requirements of the project.

The Chairman's report and the Managing Director's report are contained in the Annual Report and contain a review of operations.

Changes in State of Affairs

During the financial year there was no significant change in the state of affairs of the consolidated entity other than that referred to in the financial statements or notes thereto.

Subsequent Events

During July, 13,400,000 shares were issued as a result of a placement to sophisticated investors. Funds raised of \$1,340,000 (before costs) have been used as working capital.

On 31st August, 2009 the Company announced significant high grade assay results from the area F within the Roper Bar iron ore project of the Company and the ITOCHU subsidiary, IMEA Exploration and Development of Australia Pty Ltd (IEDA).

Environmental Developments

The consolidated entity carries out exploration activities on its properties in the Northern Territory. No mining activity has been conducted by the consolidated entity on its properties. The consolidated entity's exploration operations are subject to environmental regulations under the various laws of South Australia, the Northern Territory, Queensland and the Commonwealth. While its exploration activities to date have had no environmental impact, the consolidated entity has adopted a best practice approach in satisfaction of the regulations of relevant government authorities.

Future Developments

Disclosure of information regarding likely developments in the operations of the consolidated entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the consolidated entity. Accordingly, this information has not been disclosed in this report.

Directors and Officers Shareholdings

The following table sets out each director and officer's relevant interest in shares in the company as at the date of this report.

Directors	Fully paid ordinary shares Number	Options to acquire ordinary shares Number
M R Billing	1,420,666	1,617,001
N W Gardner	4,454,703	1,963,599
G J Bubner	3,229,881	1,833,093
D J Cloke	1,536,394	1,709,696
M K Ashton	11,755,366	1,937,944
L Ackroyd	-	500,000
	<hr/> <hr/> 22,397,010	<hr/> <hr/> 9,561,333

The above table includes shares held by related parties of directors.

Remuneration Report (Audited)

This report outlines the remuneration arrangements in place for directors and other key management personnel of Western Desert Resources Limited.

Director and other key Management Personnel Details

The following persons acted as Directors of the company during the financial year:

M R Billing (Non-executive Chairman)
N W Gardner (Managing Director)
G J Bubner (Non-executive Director)
D J Cloke (Non-executive Director)
M K Ashton (Non-executive Director)
A W Mackie (Non-executive Director)

On 16 July 2008 A W Mackie resigned as a Director. On 27 August 2008 M K Ashton was appointed a director of the company, having previously held the position of Alternate Director.

Other key management personnel during or since the end of the financial year:

Mr L. Ackroyd (Chief Financial Officer / Company Secretary) was appointed on 14th April, 2009

Relationship between the Remuneration Policy and Company Performance

There is no link between the company's performance and the setting of remuneration except as discussed below in relation to options for directors.

Remuneration Philosophy

The performance of the Group depends on the quality of its Directors and other key management personnel and therefore the Group must attract, motivate and retain appropriately qualified industry personnel. The Group embodies the following principles in its remuneration framework:

- provide competitive rewards to attract and retain high calibre Directors and other key management personnel;
- link executive rewards to shareholder value (by the granting of options);
- link rewards with the strategic goals and performance of the company; and
- ensure total remuneration is competitive by market standards

There is currently no policy or monitoring of key management personnel's limiting their risk in relation to issued options.

Compensation Policy

Due to its size, the company does not have a remuneration committee. The compensation of executives and non-executive Directors is reviewed by the Board with the exclusion of the Director concerned. The compensation of other key management personnel is reviewed by the Board.

The Board assesses the appropriateness of the nature and amount of remuneration of such persons on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum shareholder benefit from retention of high quality directors and other key management personnel. External advice on remuneration matters is sought whenever the Board deems it necessary.

Performance Conditions

The remuneration of the directors and other key management personnel is not dependent on the satisfaction of a performance condition. The Directors have decided that the exclusion of performance conditions is appropriate, after consideration of industry practice.

Non-executive Director Remuneration

The Board seeks to set remuneration of non-executive Directors at a level which provides the company with the ability to attract and retain high calibre Directors, whilst incurring a cost which is appropriate at this stage of the company's development. Currently, as non-executive chairman, M R Billing is entitled to receive \$55,000 per annum inclusive of statutory superannuation, plus the amounts set out in the company's consultancy agreement with an entity associated with him. Other non-executive Directors are entitled to receive \$35,000 per annum inclusive of statutory superannuation, plus the amounts set out in the company's consultancy agreements with entities associated with them. Details of service agreements with all non-executive Directors are set out below.

In addition, non-executive Directors are entitled to be paid reasonable travelling, accommodation and other expenses incurred as a consequence of their attendance at meetings of Directors or otherwise in the execution of their duties as Directors.

Managing Director and Remuneration

The company aims to reward the Managing Director with a level and mix of remuneration commensurate with his position and responsibilities within the company to:

- align the interests of the Managing Director with those of shareholders;
- link reward with the strategic goals and performance of the company; and
- ensure total remuneration is competitive by market standards.

The company has a services agreement with an entity associated with N W Gardner, details of which is set out below.

Summary of amounts paid to Key Management Personnel.

The following table discloses the compensation of the key management personnel of the Group during the year.

2009	Consultancy for personal Services	Short-term employee benefits Salary & Fees	Post Employment Super - annuation	Sub Total	Share-based payments	Total
		\$	\$	\$	\$	\$
M R Billing	96,520	45,141	7,200	148,861	188,798	337,659
N W Gardner	190,650	-	-	190,650	188,798	379,448
A W Mackie	60,000	2,676	241	62,917	-	62,917
G J Bubner	133,125	32,110	2,890	168,125	188,798	356,923
D J Cloke	3,500	9,913	29,167	42,580	188,798	231,378
M K Ashton	-	29,434	2,650	32,084	188,798	220,882
M J Kitchin	54,225	-	-	54,225	-	54,225
L Ackroyd	-	31,417	2,828	34,245	43,669	77,914
2009 Total	538,020	150,691	44,976	733,687	987,659	1,721,346

2008	Consultancy for personal Services	Short-term employee benefits Salary & Fees	Post Employment Super - annuation	Sub Total	Share-based payments (i)	Total
		\$	\$	\$	\$	\$
M R Billing	25,820	45,223	6,659	77,702	-	77,702
N W Gardner	164,467	-	-	164,467	-	164,467
A W Mackie	66,000	30,290	2,727	99,017	-	99,017
G J Bubner	181,875	30,290	2,727	214,892	-	214,892
D J Cloke	-	-	33,017	33,017	-	33,017
M K Ashton	-	-	-	-	-	-
M J Kitchin	61,975	-	-	61,975	-	61,975
2008 Total	500,137	105,803	45,130	651,070	-	651,070

(i) The fair value of options granted during the period was \$nil.

Service Agreements

The consolidated entity entered into service agreements with Messrs Billing, Gardner, Mackie, Bubner and Cloke on 2 May 2007. These agreements have no fixed term and may be terminated by either party giving three months notice in writing. There are no minimum payments specified in the agreements. Details of the current service agreements are set out below:

Options on issue at date of this report

2009 Unlisted Options

Grant Date	Date of Expiry	Exercise Price	Number under Option
30-Apr-2007	30-Jun-2010	\$0.25	3,750,000
28-May-2007	30-Jun-2010	\$0.25	2,000,000
23-Jul-2007	30-Jun-2011	\$0.25	1,500,000
25-Feb-2008	30-Jun-2011	\$0.20	220,000
25-Sep-2008	30-Nov-2013	\$0.20	5,000,000
25-Sep-2008	30-Sep-2011	\$0.18	950,000
31-Mar-2009	30-Sep-2011	\$0.18	500,000
27-Apr-2009	23-Apr-2012	\$0.11	550,000
			<u>14,470,000</u>

No options were exercised during the year. 720,000 options lapsed during the year.

2009 Listed Options

Grant Date	Date of Expiry	Exercise Price	Number under Option
18-Jul-2008	30-Nov-2011	\$0.25	<u>2,389,917</u>

During the year 10,501 Listed Options were exercised.

2008

Grant Date	Date of Expiry	Exercise Price	Number under Option
30-Apr-2007	30-Jun-2010	\$0.25	3,750,000
28-May-2007	30-Jun-2010	\$0.25	2,000,000
23-Jul-2007	30-Jun-2010	\$0.20	1,500,000
25-Feb-2008	30-Jun-2011	\$0.20	220,000
06-May-2008	30-Jun-2011	\$0.20	20,000
25-Sep-2008	30-Nov-2013	\$0.20	5,000,000
25-Sep-2008	30-Sep-2011	\$0.20	1,650,000
			<u>14,140,000</u>

No options were exercised during the period.

Indemnification of Officers and Auditors

During the period the company arranged insurance cover and paid a premium for directors in respect of indemnity against third party liability. In accordance with the terms and conditions of the insurance policy, the amount of the premium paid has not been disclosed on the basis of confidentiality, as is permitted under Section 300 (9) of the Corporations Act 2001.

The company has not otherwise, during or since the financial period, indemnified or agreed to indemnify an officer or auditor of the company or of any related body corporate against a liability incurred by an officer or auditor.

Proceedings on Behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings. The company was not a party to such proceedings during the year.

Auditors Independence Declaration

The auditor's independence declaration is included on page 10 of the financial report.

Signed at Adelaide this 30th day of September 2009 in accordance with a resolution of the directors.



M R Billing
Director



N W Gardner
Director

Level 1,
67 Greenhill Rd
Wayville SA 5034
GPO Box 1270
Adelaide SA 5001

T 61 8 8372 6666
F 61 8 8372 6677
E info@gtsa.com.au
W www.granthornton.com.au

**AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF WESTERN DESERT RESOURCES LIMITED**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Western Desert Resources Limited for the year ended 30 June 2009, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.

GRANT THORNTON
South Australian Partnership
Chartered Accountants



S J Gray
Partner

Signed at Wayville on this 30th day of September 2009

Income statement for the financial year ended 30 June 2009

	Note	Consolidated		Company	
		2009 \$	2008 \$	2009 \$	2008 \$
Revenue	2	2,374,939	366,326	2,374,939	366,326
Cost of Sales		(433,327)	-	(433,327)	-
Exploration expenses written off		(4,102,405)	(681,516)	(2,227,555)	(29,640)
Administration expenses		(186,261)	(420,708)	(186,261)	(420,708)
Shareholder relations expense		(168,935)	(87,575)	(168,935)	(87,575)
Corporate consulting expenses		(697,219)	(167,079)	(697,219)	(167,079)
Directors fees		(148,964)	(150,933)	(148,964)	(150,933)
Occupancy expenses		(138,897)	(54,805)	(138,897)	(54,805)
Salaries and wages		(355,762)	(94,336)	(355,762)	(94,336)
Share based remuneration		(1,014,423)	(223,823)	(1,014,423)	(223,823)
Depreciation expense		(49,668)	(31,831)	(49,668)	(31,831)
Share of profits of associate		(387,651)	(68,512)	-	(68,512)
Finance Costs		(1,164)	-	(1,164)	-
Impairment of investment in associate		(1,752,571)	(1,411,170)	(2,140,222)	(1,411,170)
Impairment of intercompany loans		-	-	(1,874,850)	(651,876)
Loss before income tax	3	(7,062,308)	(3,025,962)	(7,062,308)	(3,025,962)
Tax (expense)/income	4	-	(203,858)	-	(203,858)
Net (Loss) after income tax		(7,062,308)	(3,229,820)	(7,062,308)	(3,229,820)
Loss attributable to members of the parent entity		(7,062,308)	(3,229,820)	(7,062,308)	3,229,820)
Earnings Per Share					
Basic (cents per share) – Loss	22	8.38	4.93		
Diluted (cents per share) – Loss	22	8.38	4.93		

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

Balance sheet as at 30 June 2009

	Note	Consolidated		Company	
		2009 \$	2008 \$	2009 \$	2008 \$
CURRENT ASSETS					
Cash and cash equivalents		917,575	1,996,002	917,575	1,996,002
Trade and other receivables	5	338,016	218,499	338,016	218,499
Other assets	6	99,575	52,629	99,575	52,629
TOTAL CURRENT ASSETS		1,355,166	2,267,130	1,355,166	2,267,130
NON-CURRENT ASSETS					
Exploration and evaluation expenditure	7	4,039,953	3,343,324	-	129,314
Trade and other receivables	8	-	-	4,039,533	3,213,580
Plant and equipment	9	118,436	146,517	118,436	146,517
Other Financial assets	23	-	-	574,811	2,715,033
Equity accounted investment	10	574,391	2,714,603	-	-
TOTAL NON-CURRENT ASSETS		4,732,780	6,204,444	4,732,780	6,204,444
TOTAL ASSETS		6,087,946	8,471,574	6,087,946	8,471,574
CURRENT LIABILITIES					
Trade and other payables	11	754,453	379,139	754,453	379,139
Provisions	12	19,981	7,525	19,981	7,525
TOTAL CURRENT LIABILITIES		774,434	386,664	774,434	386,664
TOTAL LIABILITIES		774,434	386,664	774,434	386,664
NET ASSETS		5,313,512	8,084,910	5,313,512	8,084,910
EQUITY					
Issued Capital	13	14,436,253	11,159,766	14,436,253	11,159,766
Reserves	14	1,238,246	223,823	1,238,246	223,823
Accumulated losses	15	(10,360,987)	(3,298,679)	(10,360,987)	(3,298,679)
TOTAL EQUITY		5,313,512	8,084,910	5,313,512	8,084,910

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

Consolidated cash flow statement for the year ended 30 June 2009

	Consolidated		Company	
	2009	2008	2009	2008
	\$	\$	\$	\$
Cash flows relating to operating activities				
Payments to suppliers and employees	(2,118,866)	(791,998)	(2,118,866)	(791,998)
Interest received	69,962	361,875	69,962	361,875
Other revenue	2,053,865	204	2,053,865	204
Net operating cash flows (Note (a))	4,961	(429,919)	4,961	(429,919)
Cash flows relating to investing activities				
Payments for exploration and evaluation expenditure	(3,357,291)	(1,849,053)	(2,425,242)	(158,953)
Re-imburement from Joint Venture partner	1,491,530		1,491,530	
Payments for plant and equipment	(45,715)	(155,025)	(45,715)	(155,025)
Payment for shares in subsidiaries	-	-	-	(10)
Payment for shares in associate	-	(4,194,285)	-	(4,194,285)
Loans to controlled entities	-	-	(932,049)	(1,690,090)
Net investing cash flows	(1,911,476)	(6,198,363)	(1,911,476)	(6,198,363)
Cash flows relating to financing activities				
Proceeds from share issues	866,058	9,015,000	866,058	9,015,000
Payments for capital raising costs	(37,971)	(689,486)	(37,971)	(689,486)
Net financing cash flows	828,087	8,325,514	828,087	8,325,514
Net increase in cash	(1,078,427)	1,697,232	(1,078,427)	1,697,232
Cash at beginning of financial year	1,996,002	298,770	1,996,002	298,770
Cash at end of financial year	917,575	1,996,002	917,575	1,996,002
Note (a): Reconciliation of loss for the year to net cash flow from ordinary activities.				
Loss for the period	(7,062,308)	(3,229,820)	(7,062,308)	(3,229,820)
Income tax on share issue costs	-	203,858	-	203,858
Share based remuneration	1,014,423	223,823	1,014,423	223,823
Depreciation	49,668	31,831	49,668	31,831
Exploration written off	4,102,405	681,516	2,227,555	29,641
Loss incurred by associated entity	-	68,512	387,651	68,512
Impairment of investment in associated entity	2,140,222	1,411,170	1,752,571	1,411,170
Impairment of intercompany loan	-	-	1,874,850	651,876
Increase/(decrease) in provisions	12,456	7,525	12,456	7,525
Increase/(decrease) in payables	34,484	222,199	34,484	222,199
(Increase)/decrease in receivables	(220,413)	(228,223)	(220,413)	(228,224)
(Increase)/decrease in prepayments	(65,976)	177,690	(65,976)	177,690
Net operating cash flows	4,961	(429,919)	4,961	(429,919)

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

Consolidated statement of change in equity for the year ended 30 June 2009

	Consolidated and Company			
	Issued Capital	Accumulated Losses	Share based payments reserve	Total
	\$	\$	\$	\$
Balance at 1 July 2008	11,159,766	(3,298,679)	223,823	8,084,910
Profit/(Loss) attributable to members of the parent entity	-	(7,062,308)	-	(7,062,308)
Issue of Shares for Exploration and Services	2,448,400			2,448,400
Issue of share capital	866,058	-	-	866,058
Cost of share issues	(37,971)	-	-	(37,971)
Fair value of options issued	-	-	1,014,423	1,014,423
Balance at 30 June 2009	14,436,253	(10,360,987)	1,238,246	5,313,512

	Issued Capital	Accumulated Losses	Share based payments reserve	Total
	\$	\$	\$	\$
	Balance at 1 July 2007	630,394	(68,859)	-
Profit/(Loss) attributable to members of the parent entity	-	(3,229,820)	-	(3,229,820)
Issue of share capital	11,015,000	-	-	11,015,000
Cost of share issues	(485,628)	-	-	(485,628)
Fair Value of options issued	-	-	223,823	223,823
Balance at 30 June 2008	11,159,766	(3,298,679)	223,823	8,084,910

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

1. General information

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

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

2. Standards and interpretations issued not yet effective:

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2009 reporting periods. Western Desert Resources Limited and the consolidated entity's assessment of the impact of these new standards and interpretations is set out below:

- (i) AASB101 Presentation of Financial Statements - a revised AASB 102 was issued in September 2007 and is applicable for annual reporting periods beginning on or after 1 January 2009. It requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial positions), this one being as at the beginning of the comparative period. The Consolidated entity intends to apply the revised standard from 1 July 2009.
- (ii) AASB8 Operating Segments - AASB 8 is effective for annual reporting periods commencing on or after 1 January 2009. AASB 8 will result in a significant change in the approach to segment reporting, as it requires adoptions of a 'management approach' to reporting on financial performance. The information being reported will be based on what the key decision makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. The consolidated entity has not adopted AASB 8. Application of AASB 8 may result in different segments, segment results and different types of information being reported in the segment note of the financial report. However at this stage, it is not expected to affect any of the amounts recognised in the financials statements.
- (iii) AASB-1 14 Borrowing Costs - The revised AASB 123 is applicable to annual reporting periods commencing on or after 1 January 2009. It has removed the option to expense all borrowing costs and - when adopted - will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. There will be no impact on the financial report of the consolidated entity.

3. Significant accounting policies

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law. The financial report includes the separate financial statements of the company and the consolidated financial statements of the Group.

Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with A-IFRS ensures that the financial statements and notes of the company and the Group comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the directors on 30 September 2009.

Basis of preparation

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

In the application of the Group's accounting policies, which are described below, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

a) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and bank deposits.

b) Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably. Liabilities recognised in respect of employee benefits, expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the consolidated entity in respect of services provided by employees up to reporting date.

Contributions to accumulated benefit superannuation benefit plans are expensed when incurred.

c) Exploration and Evaluation Expenditure

Exploration and evaluation expenditures in relation to each separate area of interest, are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

- i) the rights to tenure of the area of interest are current; and
- ii) at least one of the following conditions is also met:
 - the exploration and evaluation expenditures are expected to be recouped through successful development and exploration 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 which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploration drilling, trenching and sampling and associated activities. General and administrative costs are only included in the measurement of

exploration and evaluation costs where they are relate directly to operational activities in a particular area of interest.

Exploration and evaluation assets are assessed for impairment when facts and circumstances (as defined in AASB 6 "Exploration for and Evaluation of Mineral Resources") suggest that the carrying amount of exploration and evaluation assets may exceed its recoverable amount. The recoverable amount of the exploration and evaluation assets (or the cash-generating unit(s) to which it has been allocated, being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision is made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment, reclassified to development properties, and then amortised over the life of the reserves associated with the area of interest once mining operations have commenced.

d) Financial assets

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the time frame established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as at fair value through profit and loss which are initially measured at fair value.

Other financial assets are classified into the following specified categories; 'held to maturity' investments, 'available-for-sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest rate basis for debt instruments other than those financial assets 'at fair value through profit and loss'.

Held-to-maturity investments

Bills of exchange and debentures with fixed or determinable payments and fixed maturity dates where the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis.

Available-for-sale financial assets

Certain shares and redeemable notes held by the Group are classified as being available-for-sale and are stated at fair value. Fair value is determined based on quoted market prices. Gains and losses arising from changes in fair value are recognised directly in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets which are recognised directly on the profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investments revaluation reserve is included in profit or loss for the period.

Dividends on available-for-sale equity instruments are recognised in profit and loss when the Group's right to receive payment is established.

Loans and Receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment.

Interest is recognised by applying the effective interest rate.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit and loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date of impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss is recognised directly in equity.

e) Goods and service tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- i) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense or:
- ii) for receivables and payables which are recognised inclusive of GST, the net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

f) Impairment of assets (other than exploration and evaluation)

At each reporting date, the consolidated entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have

suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior periods. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

g) Income tax

Current tax

Current tax is calculated by references to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the company/consolidated entity intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

Tax consolidation

The company and all its wholly-owned Australian resident entity are part of a tax-consolidated group under Australian taxation law. Western Desert Resources Limited is the head entity in the tax-consolidated group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by the company (as head entity in the tax-consolidated group).

Due to the existence of a tax funding arrangement between the entities in the tax-consolidated group, amounts are recognised as payable to or receivable by the company and each member of the group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax-consolidated group in accordance with the arrangement. Further information about the tax funding arrangement is detailed in note 3 to the financial statements. Where the tax contribution amount recognised by each member of the tax-consolidated group for a particular period is different to the aggregate of the current tax liability or asset and any deferred tax asset arising from unused tax losses and tax credits in respect of that period, the difference is recognised as a contribution from (or distribution to) equity participants.

h) Joint ventures

Interests in jointly controlled assets and operations are reported in the financial statements by including the consolidated entity's share of assets employed in the joint ventures, the share of liabilities incurred in relation to the joint ventures and the share of any expenses incurred in relation to the joint ventures in their respective classification categories.

i) Payables

Trade payables and other accounts payable are recognised when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and services.

j) Plant and Equipment

Plant and equipment are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on plant and equipment. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method is reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

- Plant and equipment – at cost 3-10 years

k) Principles of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries) (referred to as 'the Group' in these financial statements). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. In the separate financial statements of the Company, intra-group transactions ('common control transactions') are generally accounted for by reference to the existing (consolidated) book value of the items.

Minority interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

l) Revenue

Revenue is measured at the fair value of the consideration received or receivable. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is that rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

m) Share-based payments

Equity-settled share-based payments are measured at fair value at the date of grant. Fair value is measured by use of the Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the consolidated entity's estimate of shares that will eventually vest.

n) Government grants

Government grants are assistance by government in the form of transfers of resources to the consolidated entity in return for past or future compliance with certain conditions relating to the operating activities of the entity.

Government grants are not recognised until there is reasonable assurance that the consolidated entity will comply with the conditions attached to them and the grant will be received. Government grants whose primary condition is to assist with exploration

activities are recognised as deferred income in the balance sheet and recognised as income on a systematic basis when the related exploration and evaluation is written off.

Other government grants are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate on a systematic basis. Government grants receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the consolidated entity with no future related costs are recognised as income in the period in which it becomes receivable.

o) Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3 'Business Combinations' are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations', which are recognised and measured at fair value less costs to sell.

Goodwill arising from acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

p) Incorporation

The company was incorporated on 20 October 2006.

q) Investment in Associates

Investments in associate companies are accounted for in the consolidated financial statements using the equity method of accounting and are carried at cost by the parent entity. The equity method of accounting recognised the group's share of post-acquisition reserves of its associates.

r) Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

s) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

t) Critical Accounting Estimates and Judgement

The preparation of the consolidated financial report requires management to make judgements, estimates and assumptions that effect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The carrying amounts of certain assets and liabilities are often determined based on management's judgement regarding estimates and assumptions of future events. The reasonableness of estimates and underlying assumptions are reviewed on an ongoing basis. The key judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of certain assets and liabilities within the annual reporting period are:

Exploration and evaluation

The consolidated entity's policy for exploration and evaluation is discussed at note 3(c). The application of this policy requires management to make certain estimates and assumptions as to future events and circumstances. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised exploration and evaluation expenditure, management concludes that the capitalised expenditure is unlikely to be recovered by future sale or exploitation, then the relevant capitalised amount will be written off through the income statement.

The financial report was authorised for issue on 30th September 2009 by the Board of Directors.

	Consolidated		Company	
	2009	2008	2009	2008
	\$	\$	\$	\$
2. REVENUE				
Sale of tenements	2,008,390		2,008,390	
Other Revenue	300,833	-	300,833	-
Interest receivable	65,716	366,326	65,716	366,326
	2,374,939	366,326	2,374,939	326,326

	Consolidated		Company	
	2009	2008	2009	2008
	\$	\$	\$	\$
3. LOSS FOR THE YEAR				
Rental expense on operating leases	69,749	-	69,749	-
Loss on disposal of plant and equipment	20,484	-	20,484	-

	Consolidated		Company	
	2009	2008	2009	2008
	\$	\$	\$	\$
4. INCOME TAX				
(a) The components of income tax expense comprise:				
Current tax expense	-	-	-	-
Deferred tax expense/(income) relating to the origination and reversal of temporary differences	-	203,858	-	203,858
Total tax expense/(income)	-	203,858	-	203,858
(b) The prima facie income tax expense on the loss before income tax reconciles to the tax expense/(income) in the financial statements as follows:				
Loss from continuing operations	(7,062,308)	(3,229,820)	(7,062,308)	(3,229,820)
Income tax income calculated at 30%	(2,118,692)	(968,946)	(2,118,692)	(968,946)
Add/(less)				
Other allowable/(non allowable) items	247,199	580,120	247,199	580,120
Tax expense (income)	(1,871,493)	(388,826)	(1,871,493)	(388,826)
Tax effect of capital raising costs not meeting the recognition criteria	-	203,858	-	203,858
Tax effect tax losses not brought to account as they do not meet the recognition criteria	1,871,493	388,826	1,871,493	388,826
Income tax attributable to operating loss	-	203,858	-	203,858
(c) Unused tax losses net of deferred tax liabilities and for which no deferred tax asset has been recognised at 30%	2,450,069	578,576	2,316,533	445,040

	Consolidated		Company	
	2009	2008	2009	2008
	\$	\$	\$	\$
5. CURRENT TRADE AND OTHER RECEIVABLES				
Trade receivables	338,016	214,253	338,016	214,253
Interest receivables	-	4,246	-	4,246
	338,016	218,499	338,016	218,499

None of the current receivables are impaired or past due not impaired.

	Consolidated		Company	
	2009	2008	2009	2008
	\$	\$	\$	\$
6. OTHER CURRENT ASSETS				
Bonds paid	57,443	18,080	57,443	18,080
Other assets	10,259	-	10,259	-
Prepaid expenditures	31,873	16,234	31,873	16,234
Prepaid capital raising expenses	-	18,315	-	18,315
	99,575	52,629	99,575	52,629

7. EXPLORATION AND EVALUATION EXPENDITURE

	Consolidated		Company	
	2009	2008	2009	2008
	\$	\$	\$	\$
Costs brought forward	3,343,325	122,435	129,314	-
Expenditure incurred during the year	5,047,680	3,902,406	409,895	158,954
	8,391,005	4,024,841	539,209	158,954
Joint Venture contributions	(1,690,170)	-	-	-
Costs of projects sold	(433,327)	-	-	-
Expenditure written off	(2,227,555)	(681,516)	(539,209)	(29,640)
	4,039,953	3,343,325	-	129,314

Expenditure written off relates to exploration and evaluation expenditure associated with tenements or project evaluations which the directors consider have no recoverable amount.

The recoverability of the carrying of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

8. NON-CURRENT RECEIVABLES

	Consolidated		Company	
	2009	2008	2009	2008
	\$	\$	\$	\$
Amounts due from subsidiaries	-	-	6,566,679	3,865,456
Allowance for doubtful debts	-	-	(2,526,726)	(651,876)
	-	-	4,039,953	3,213,580

9. PLANT AND EQUIPMENT

	Consolidated	Consolidated	Company	Company
	2009	2008	2009	2008
	\$	\$	\$	\$
Gross carrying amount:				
Balance at 01 July 2008	178,348	-	178,348	-
Additions	42,062	178,348	42,062	178,348
Disposals	(25,234)	-	(25,234)	-
Balance at 30 June 2009	195,176	178,348	195,176	178,348
Accumulated depreciation:				
Balance at 01 July /2008	(31,831)	-	(31,831)	-
Depreciation this year	(49,668)	(31,831)	(49,668)	(31,831)
Depreciation on disposals	4,759	-	4,759	-
Balance at 30 June 2009	(76,470)	(31,831)	(76,470)	(31,831)
Net Book Value:				
Balance at 30 June	118,436	146,517	118,436	146,517

10. ASSOCIATED COMPANIES

Shares in associates are accounted for in the consolidated Financial Statements using the equity method of accounting and are carried at cost by the parent entity (refer to Note 19).

Interests are held in the following associated companies:

Name of Entity	Principal Activities	Country of Incorporation	Shares	Ownership Interest		Carry Amount of Investment	
				2009 %	2008 %	2009	2008
Listed							
Thor Mining PLC	Exploration	England and Wales	Ord	14.6	16.7	574,391	2,714,603
						<u>574,391</u>	<u>2,714,603</u>

Consolidated

2009	2008
\$	\$

(a) **Movement During the Year in Equity Accounted Investment in Associated Companies**

	Balance at the beginning of the year	2,714,603	-
Add	New investments during the year	-	4,194,285
	Share of associated company's loss after income tax	(387,651)	(68,512)
less	Impairment recognised	(1,752,561)	(1,411,170)
	Balance at end of the financial year	<u>574,391</u>	<u>2,714,603</u>

(b) **Equity accounted profits of associates are broken down as follows:**

	Share of associate's loss before income tax expense	(387,651)	(68,512)
	Share of associates income tax expense	-	-
	Share of associate's loss after income tax	<u>(387,651)</u>	<u>(68,512)</u>

(c) **Summarised Presentation of Aggregate Assets, Liabilities and Performance of Associates**

	\$000's 2009	\$000's 2008
Currents assets	470	2,825
Non-current assets	14,017	13,881
Total Assets	<u>14,487</u>	<u>16,706</u>
Current Liabilities	247	294
Non-current liabilities	104	164
Total Liabilities	<u>351</u>	<u>458</u>
Net Assets	<u>14,136</u>	<u>16,248</u>
Loss after income tax of associates	<u>(2,662)</u>	<u>(2,230)</u>

(d) Ownership in Thor Mining PLC at that company's balance date was 14.6% of ordinary shares. The reporting date of Thor Mining PLC is 30 June 2009. This reporting date coincides with the entity's holding company

(e)	Market value of listed investment in associate	<u>574</u>	<u>2,497</u>
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	Consolidated		Company	
	2009	2008	2009	2008
11. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES	\$	\$	\$	\$
Trade payables and accruals	754,453	379,139	754,453	379,139

	Consolidated		Company	
	2009	2008	2009	2008
12. CURRENT LIABILITIES – PROVISIONS	\$	\$	\$	\$
Employee benefits	19,981	7,525	19,981	7,525

	Consolidated		Company	
	2009	2009	2008	2008
13. ISSUED CAPITAL	No	\$	No	\$
Issued share capital:				
39,711,428 fully paid ordinary shares (2008 : 69,720,000)	89,711,428	14,436,253	69,720,000	11,159,766

	2009		2008	
	No.	\$	No.	\$
Movement in issued shares for the year:				
Balance at beginning of financial period	69,720,000	11,159,766	16,000,000	630,394
Issued at 12.5 cents	-	-	320,000	40,000
Issued at 20 cents	-	-	47,500,000	9,500,000
Issued at 25 cents	-	-	5,900,000	1,475,000
Issued at 18 cents (Rights Issue)	4,800,929	864,168	-	-
Issued for consideration of exploration tenements	680,000	88,400	-	-
Issued for consideration of exploration tenements	5,000,000	700,000	-	-
Issued at 20 cents (For drilling services)	7,500,000	1,500,000	-	-
Issued at 18 cents (options exercised)	10,501	1,890	-	-
Issued for consideration of exploration tenements	1,999,998	160,000	-	-
Costs associated with the issue of shares	-	(37,971)	-	(689,486)
Tax effect of transaction costs	-	-	-	203,858
Balance at end of financial period	89,711,428	14,436,253	69,720,000	11,159,766

Capital management

Management controls the capital of the group in order to maintain a good debt to equity ratio, and ensure the group continues as a going concern.

There are no externally imposed capital requirements.

Management effectively manages the group's capital by assessing the financial risks and adjusting the capital structure in response to those risks. These responses include share issues.

Options

The company has granted options whereby each option is exercisable for conversion into one ordinary share at a specified exercise price and expiring on dates as detailed below.

Movement in issued options for the year:	2009	2008
	No.	No.
Options on issue at the beginning of period	7,490,000	5,750,000
Options issued during the year	10,100,418	1,740,000
Options exercised during the year	(10,501)	-
Options cancelled during the year	(720,000)	-
Options on issue at the end of year	<u>16,859,917</u>	<u>7,490,000</u>

Grant Date	Date of Expiry	Exercise Price	Number under Option
30- Apr-2007	30-Jun-2010	\$0.25	3,750,000
28-May-2007	30-Jun-2010	\$0.25	2,000,000
23-Jul-2007	30-Jun-2011	\$0.25	1,500,000
25-Feb-2008	30-Jun-2011	\$0.20	220,000
18-Jul-2008	30-Nov-2011	\$0.18	2,389,917
25-Sep-2008	30-Nov-2013	\$0.20	5,000,000
25-Sep-2008	30-Sep-2011	\$0.18	950,000
31-Mar-2009	30-Sep-2011	\$0.18	500,000
27-Apr-2009	23-Apr-2012	\$0.11	550,000
			<u>16,859,917</u>

Consolidated		Company	
2009	2008	2009	2008
\$	\$	\$	\$

14. SHARE OPTION RESERVE

Equity-settled benefits reserve:

Balance at 1 July 2008	223,823	-	223,823	-
Share based payments	1,014,423	223,823	1,014,423	223,823
Balance at 30 June 2009	<u>1,238,246</u>	<u>223,823</u>	<u>1,238,246</u>	<u>223,823</u>

The equity-settled benefits reserve arises on the grant of options to employees, consultants and executives under the Employee Share Option Plan. Amounts are transferred out of the reserve and into issued capital when the options are exercised.

15. ACCUMULATED LOSSES

	Consolidated		Company	
	2009	2008	2009	2008
	\$	\$	\$	\$
Balance at beginning of financial year	(3,298,679)	(68,859)	(3,298,679)	(68,859)
Net Loss for the year	(7,062,308)	(3,229,820)	(7,062,308)	(3,229,820)
Balance at end of financial year	<u>(10,360,987)</u>	<u>(3,298,679)</u>	<u>(10,360,987)</u>	<u>(3,298,679)</u>

16. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel of Western Desert Resources Limited during the year were:

- M R Billing (Non-Executive chairman), appointed 23 February 2007
- N W Gardner (Managing director), appointed 21 October 2006
- G J Bubner (Non-executive director), appointed 21 October 2006
- D J Cloke (Non-executive director), appointed 21 October 2006
- M K Ashton (Non-executive director), appointed 1 May 2007
- L Ackroyd (Company secretary), appointed 14 April 2009
- A Mackie (Non Executive director) resigned 16 July 2008
- M J Kitchin (Company Secretary) resigned 25 November 2008

The aggregate compensation of key management personnel of the consolidated entity and the company is set out below:

	Consolidated		Company	
	2009 \$	2008 \$	2009 \$	2008 \$
Short-term employee benefits	688,711	605,940	688,711	605,940
Post employment benefits	44,976	45,130	44,976	45,130
Share-based payments (i)	987,659	-	987,659	-
	1,721,346	651,070	1,721,346	651,070

- (i) Share based payments relate to share options granted during the year to key management personnel. Share options do not represent cash payments to key management personnel and share options granted may or may not be exercised by the key management personnel. The consolidated entity has applied the exemption under Corporations Amendments Regulations 2005 which exempts listed companies from providing compensation disclosures in relation to their key management personnel in their annual financial reports by Accounting Standard AASB 124 Related Party Disclosures". These Compensation disclosures are provided in the "Remuneration Report" of the Directors' Report and designated as "Audited".

Equity holdings of key management personnel are detailed below.

- (i) Fully paid ordinary shares issued by Western Desert Resources Limited

2009	Balance 30/6/08	Net Changes (a)	Balance 30/6/09	Balance held Nominally
M R Billing	1,186,666	234,000	1,420,666	-
N W Gardner	3,494,194	960,509	4,454,703	-
G J Bubner	2,497,600	732,281	3,229,881	-
D J Cloke	1,263,668	272,726	1,536,394	-
M K Ashton	3,546,140	709,226	4,255,366	-

- (a) Net changes include Director participation in the Share Purchase Plan, which was available to all shareholders.

2008	Balance 30/6/07	Net Changes *	Balance 30/6/08	Balance held Nominally
M R Billing	1,166,666	20,000	1,186,666	-
N W Gardner	2,416,666	1,077,618	3,494,284	-
A W Mackie	2,416,667	198,460	2,615,127	-
G J Bubner	2,416,667	80,333	2,497,000	-
D J Cloke	1,166,667	97,001	1,263,668	-
M K Ashton	2,416,667	1,129,473	3,546,140	-

- (ii) Options to acquire fully paid ordinary shares issued by Western Desert Resources Limited

2009	Balance at 30/6/08	Granted	Exercised	Balance 30/6/09	Vested and exercisable
M R Billing	583,334	1,000,000	-	1,583,334	1,583,334
N W Gardner	583,334	1,000,000	-	1,583,334	1,583,334
A W Mackie	583,333	-	-	583,333	583,333
G J Bubner	583,333	1,000,000	-	1,583,333	1,583,333
D J Cloke	583,333	1,000,000	-	1,583,333	1,583,333
M K Ashton	583,333	1,000,000	-	1,583,333	1,583,333
L Ackroyd	-	500,000	-	500,000	500,000

2008	Balance 30/6/07	Granted (i)	Exercised	Balance 30/6/08	Vested and exercisable
M R Billing	583,334	-	-	583,334	583,334
N W Gardner	583,334	-	-	583,334	583,334
A W Mackie	583,333	-	-	583,333	583,333
G J Bubner	583,333	-	-	583,333	583,333
D J Cloke	583,333	-	-	583,333	583,333
M K Ashton	583,333	-	-	583,333	583,333

- (i) The fair value of options issued to the founders was \$nil.

	Consolidated		Company	
	2009	2008	2009	2008
	\$	\$	\$	\$
17. REMUNERATION OF AUDITORS				
Auditing the financial report	21,000	15,000	21,000	15,000
Provision of taxation services	47,195	1,800	47,195	1,800
Accounting Advice	2,000	-	2,000	-
	70,195	16,800	70,195	16,800

The auditor of Western Desert Resources Limited is Grant Thornton South Australian Partnership.

18. RELATED PARTY DISCLOSURES

- A) Equity interests in related parties.

Equity interests in subsidiaries

Details of the percentage of ordinary shares held in subsidiaries are disclosed in Note 23 to the financial statements.

Equity interests in associated companies

Details of the percentage of ordinary shares held in associated companies are disclosed in Note 10 to the financial statements.

- b) Key management personnel compensation
 Details of key management personnel compensation are disclosed in Note 16 and the audited Remuneration Report of the Directors' Report.
- c) Transactions with key management personnel
 Other than as disclosed in the Remuneration Report of the Directors' Report, the following transactions occurred with key management personnel or their personally related entities during the year ended 30 June 2009:

<u>Entity</u>	<u>Related Party</u>	<u>Value</u>	<u>Nature of Transaction</u>
ASIS Pty Ltd	G J Bubner	\$133,125	Drafting and Geophysical Services
Titeline Property Pty Ltd	M K Ashton	\$8,927	Logistics Services
Titeline Drilling Pty Ltd	M K Ashton	\$1,088,106	Drilling Services
Barreta Pty Ltd	N W Gardner	\$190,650	Management Services
Remote Contracting Services Pty Ltd	N W Gardner	\$242,765	Equipment Hire and Civil works
MBB Trading Pty Ltd	M Billing	\$96,520	Management Services
Mackie Exploration Pty Ltd	A Mackie	\$60,000	Exploration Services
Vexorg Trading Pty Ltd	M Kitchen	\$54,225	Accounting/Secretarial Services.

d) Transactions within wholly owned group

The ultimate parent entity in the wholly-owned group is Western Desert Resources Limited. During the financial year Western Desert Resources Limited provided accounting and administrative services at no cost to controlled entities and the advancement of interest free advances.

19. COMMITMENTS FOR EXPENDITURE AND CONTINGENT LIABILITIES

(a) Exploration Expenditure Commitments

The consolidated entity has certain obligations to perform exploration work and expend minimum amounts of money on such works 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:

	2009	2008
	\$	\$
Not later than one year:	1,063,841	1,980,000
Later than one year but not later than two years:	1,173,841	1,980,000
Later than two years but not later than five years:	1,717,620	2,342,000

(b) Native Title

Native Title claims have been made with respect to tenements in the Northern Territory in which Western Desert Resources Limited has interests. The consolidated entity is unable to determine the prospects for success or otherwise of the claims and, in any event, whether or not and to what extent the claims may significantly affect the company or its projects.

(c) Bank Guarantee

As at June 30 2009, the consolidated entity has given a bank guarantee of \$15,840 (2008: \$15,840) to Jones Lang LaSalle as a security bond in respect to its office premises.

(d) Operating Lease

Operating lease relates to the lease of office space with a remaining lease term of 2 years. The operating lease contains a market review clause in the event that the Group exercises the option to renew. The Group does not have an option to purchase the leased asset at the expiry of the lease period.

Non-cancellable operating lease commitments

	Consolidated		Company	
	2009 \$	2006 \$	2009 \$	2008 \$
Not longer than 1 year	84,450	72,960	84,450	72,960
Longer than 1 year and not longer than 5 years	7,038	72,960	7,038	72,960
Longer than 5 years		-		-
	91,488	145,920	91,488	145,920

20. FINANCIAL INSTRUMENTS

a. Financial Risk Management Policies

The group's financial instruments consist mainly of deposits with banks, accounts receivable and payable, and loans to and from subsidiaries.

The main purpose of non-derivative financial instruments is to raise finance for group operations.

i. Treasury Risk Management

The board meets on a regular basis and analyses financial risk exposure and evaluates treasury management strategies in the context of the most recent economic conditions and forecasts. The board's overall risk management strategy seeks to assist the consolidated group in meeting its financial targets whilst minimising potential adverse effects on financial performance. Risk management is reviewed by the board on a regular basis and includes review of the group's cash flow requirements.

ii. Financial Risk Exposures and Management

The main risks the group is exposed to through its financial instruments are liquidity risk, credit risk and interest rate risk.

Liquidity risk

The group manages liquidity risk by monitoring forecast cash flows.

Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balanced date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets as disclosed in the balance sheet and notes to the accounts.

There are no material amounts of collateral held as security at 30 June 2008.

The consolidated group does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the consolidated group.

b. Financial instruments

i. Interest Rate Risk

The economic entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates. The following table details the exposure to interest rate risk at the reporting date. All other financial assets and liabilities are non-interest bearing.

2009	Floating Interest Rate	Non Interest Bearing	Total	Floating Interest Rate
Financial Assets:				
Cash and cash equivalents	849,968	67,608	917,576	6.24%
Receivables	-	338,016	338,016	-
Less : Payables	-	(754,453)	(754,453)	-
Net Financial Assets	849,968	(348,829)	501,139	-

2008	Floating Interest Rate	Non Interest Bearing	Total	Floating Interest Rate
Financial Assets:				
Cash and cash equivalents	1,996,002	-	1,996,002	6.24%
Receivables	-	218,499	218,499	-
Less : Payables	-	(379,139)	(379,139)	-
Net Financial Assets	1,996,002	(160,640)	1,835,362	

c. Net Fair Values

The carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective net fair values, determined in accordance with the accounting policies determined in Note 1 to the financial statements.

d. Sensitivity analysis

The group has performed a sensitivity analysis relating to its exposure to interest rate risk.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on exposure to interest rates for non-derivative instruments at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period.

At the reporting date, if interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's and the company's net profit would increase/decrease by \$5,676 and \$5,676 respectively (2008 : \$16,555). This is mainly attributable to interest rates on bank deposits.

21. SEGMENT INFORMATION

The consolidated entity operates in the mineral exploration industry in Australia.

22. EARNINGS PER SHARE

	Consolidated	
	2009 Cents per share	2008 Cents per share
Basic earnings per share – loss	(8.38)	(4.93)
Diluted earnings per share – loss	(8.38)	(4.93)

Basic and diluted earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows:

Earnings	(7,062,308)	(3,229,820)
Earnings used in the calculation of basic and diluted earnings per share agree directly to net loss in the income statement.		
Weighted average number of ordinary shares	84,227,926	65,567,760

The number of ordinary shares used in the calculation of diluted earnings per share is the same as the number used in the calculation of basic earnings per share, as share options are not considered dilutive.

23. NON CURRENT ASSETS – OTHER FINANCIAL ASSETS

	Consolidated		Company	
	2009 \$	2008 \$	2009 \$	2008 \$
Shares in Subsidiaries	-	-	420	430
Share in Associate	-	-	574,391	2,714,603
Balance at 30 June 2009	-	-	574,811	2,715,033

(a) Shares in subsidiaries:

Name of Entity	Country of Incorporation	Ownership Interest	
		2009 %	2008 %
Parent Entity			
Western Desert Resources Limited	(i)	Australia	
Subsidiary			
Red Desert Minerals Pty Ltd	(ii)	Australia	100%
WDR Base Metals Pty Ltd	(ii)	Australia	100%
WDR Gold Pty Ltd	(ii)	Australia	100%
WDR Iron Ore Pty Ltd	(ii)	Australia	100%
WDRFE Pty Ltd		Australia	100%

- (i) Head entity in tax consolidated group
(ii) Members of tax consolidated group

(b) Shares in Associate:

Movements in carrying amounts:

	Consolidated		Company	
	2009 \$	2008 \$	2009 \$	2008 \$
Carrying amount at the beginning of the financial year	-	-	2,714,603	4,194,285
Impairment recognised	-	-	(2,140,212)	(1,479,682)
Balance at 30 June 2009	-	-	574,391	2,715,603

24. ACQUISITION OF SUBSIDIARIES

During the year, the following entities became wholly owned subsidiaries of Western Desert Resources Limited.

Name(s) of businesses acquired	Principal Activity	Date of Acquisition	Proportion of shares acquired	Cost of Acquisition
WDR Iron Ore Pty Ltd (i)	Exploration	14 July 2008	100%	\$10

25. SHARE OPTION PLAN

The consolidated entity has an ownership-based compensation plan for employees. In accordance with the provisions of the Employee Share Option Plan, as approved by shareholders, directors may issue options to purchase shares in the company to employees at an issue price determined by the market price of ordinary shares at the time the option is granted. No directors participate in the Employee Share Option Plan.

In accordance with the terms of the Employee Share Option Plan, options vest at grant date and may be exercised at any time from the date of their issue to the date of their expiry.

Share options are not listed, carry no rights to dividends and no voting rights.

The following share based payment arrangements were in existence during the period:

Options – Series	No.	Grant Date	Expiry Date	Exercise Price	Fair value at grant date
Employee Share Option Plan					
July 2007	1,500,000	23/07/2007	30/06/2009	\$0.25	\$0.134
February 2008	220,000	25/05/2008	30/06/2011	\$0.20	\$0.097
May 2008	20,000	06/05/2008	30/06/2011	\$0.20	\$0.078
September 2008	5,000,000	26/09/2008	30/11/2013	\$0.20	\$0.1469
September 2008	1,650,000	26/09/2008	30/09/2011	\$0.18	\$0.1273
March 2009	400,000	31/03/2009	30/09/2011	\$0.18	\$0.0448
March 2009	100,000	31/03/2009	30/09/2011	\$0.18	\$0.0448
April 2009	550,000	23/04/2009	23/04/2012	\$0.11	\$0.0873

Options were valued using the Black-Scholes model using the following inputs:

	Calculated volatility	Risk free interest rate
July 2007	69%	6.33%
February 2008	117%	5.6%
May 2008	117%	5.6%
September 2008	128%	5.43%
September 2008	128%	5.43%
March 2009	178%	4.075%
March 2009	178%	4.075%
April 2009	175%	4.11%

Historical volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future movements.

The following reconciles the outstanding share options granted under the Plan at the beginning and end of the financial year:

Share Option Plan	2009		2008	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Balance at beginning of financial year	1,740,000	\$0.243	-	-
Granted during the financial year	2,600,000	\$0.1652	1,740,000	\$0.243
Exercised during the financial year (i)	-	-	-	-
Lapsed during the financial year	(720,000)	\$0.18	-	-
Balance at end of the financial year (ii)	3,620,000	\$0.1996	1,740,000	\$0.243

(i) Options exercised

No share options granted under the scheme were exercised during the financial year. No share options granted under the scheme were exercised during the previous financial year.

(ii) Options outstanding at end of the financial year

Options – Series	No.	Grant Date	Expiry Date	Exercise Price
July 2007	1,500,000	23/07/2007	30/06/2010	\$0.25
February 2008	220,000	25/02/2008	30/06/2011	\$0.20
September 2008	950,000	25/09/2008	30/09/2011	\$0.18
March 2009	400,000	31/03/2009	30/09/2011	\$0.18
April 2009	550,000	27/04/2009	23/04/2012	\$0.11

26. SUBSEQUENT EVENTS

During July, 13,400,000 shares were issued as a result of a placement to sophisticated investors. Funds have been used as working capital.

On 31st August, 2009 the Company announced significant high grade assay results from the area F within the Roper Bar iron ore project of the Company and the ITOCHU subsidiary, IMEA Exploration and Development of Australia Pty Ltd (IEDA).

Directors' Declaration

The directors declare that:

1. The financial statements and notes as set out on pages 11 to 36 are in accordance with the Corporations Act 2001 and;
 - (a) Comply with Accounting Standards; and
 - (b) Give a true and fair view of the financial position as at 30 June 2009 and of the performance for the year ended on that date of the company and consolidated group;
2. The Chief Executive Officer and Chief Finance Officer have each declared that:
 - (a) The financial records of the company for the financial year have been properly maintained in accordance with S286 of the Corporations Act;
 - (b) The financial statements and notes for the financial year comply with the Accounting Standards; and
 - (c) The financial statements and notes for the financial year give a true and fair view.
3. 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;

Signed in accordance with a resolution of the directors made pursuant to Section 295(5) of the Corporations Act 2001.

On behalf of the directors:



M R Billing
Director



N W Gardner
Director

Adelaide, South Australia
30 September 2009

Level 1,
67 Greenhill Rd
Wayville SA 5034
GPO Box 1270
Adelaide SA 5001

T 61 8 8372 6666
F 61 8 8372 6677
E info@gtsa.com.au
W www.grantthornton.com.au

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WESTERN DESERT RESOURCES LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Western Desert Resources Limited, (the company) which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, 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 establishing and maintaining internal controls 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 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures 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.

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**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF WESTERN DESERT RESOURCES LIMITED Cont**

Auditor's responsibility Cont

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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Independence

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

Auditor's opinion

In our opinion:

- a the financial report of Western Desert Resources Limited is 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 2009 and of their 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; and
- b the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 4 to 7 of the directors' report for the year ended 30 June 2009. 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.

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF WESTERN DESERT RESOURCES LIMITED Cont**

Auditor's opinion

In our opinion the Remuneration Report of Western Desert Resources Limited for the year ended 30 June 2009, complies with section 300A of the Corporations Act 2001.

GRANT THORNTON
South Australian Partnership
Chartered Accountants



S J Gray
Partner

Signed at Wayville on this 30th day of September 2009