

19 June 2009

Dear Shareholder,

## **Company Update**

I am pleased to provide shareholders with a further update in relation to the significant progress that has been made, regarding a number of important aspects of the Company's Wiluna West Iron Ore Project in the three months since I last wrote to you.

### **Infrastructure**

The announcement by the Federal Government of a \$339 million commitment to the common user infrastructure of the new port of Oakajee is extremely encouraging.

This, together with the commitment from the State Government to provide a similar amount, provides a high degree of certainty that the Oakajee port will be constructed. This will be the closest and most economic sea port to Wiluna.

The Development Agreement between the State Government and Oakajee Port and Rail (OPR) means that work on a rail link between Oakajee and Weld Range will commence shortly.

Golden West Resources Limited (GWR) is communicating with OPR to discuss a rail link from Weld Range to Wiluna West and freight arrangements.

These developments have greatly increased the prospects for a complete infrastructure solution for GWR.

### **Resource Update**

Independent Consultants Optiro have been engaged by the Company to undertake a resource update at the Wiluna West Iron Ore project and this work is now well advanced. Optiro are a newly formed group of ex-Snowden management and technical personnel.

The resource update will aim to convert a significant portion of the current Inferred Mineral Resource to the Indicated category and also incorporate the RC holes drilled since the last resource calculation.

The present Inferred Mineral Resource at Wiluna West at 50% Fe cut off is 126Mt @ 59% Fe. (Released to ASX October, 2008)

Optiro have commenced a resource update for the Bowerbird, C4 and C3 deposits. It is expected that a significant portion of these deposits will be upgraded to an Indicated status.

It is anticipated that by the end of June 2009 preliminary tonnage and grade estimates for the Bowerbird deposits will be available. Modelling of the C4 deposit has commenced and results are expected in early July. This will be followed by the updates for the C3, C2, C1 and Joyners Find deposits.

## **Mining Studies**

Optiro have recently completed a preliminary pit optimisation study, utilising Whittle software. The results of the preliminary study are currently being evaluated. At present the preliminary optimised pit shells include almost 90% of identified resources at >55% Fe, which is a strong endorsement of the conservative approach to resource estimation employed by the Company to date.

## **Metallurgical Studies**

The Company has to date completed a total of 29 metallurgical PQ and HQ diamond drill holes and the metallurgical testwork on these holes is nearing completion. A work program is being developed to evaluate the data and incorporate the results into the resource modelling and mine planning. The data has provided a better understanding of the expected lump/fines ratio and the potential for beneficiation of the high-silica fines.

**Lump/Fines:** Preliminary review of the results of the drop-tower testing from the PQ coring program has produced favourable results indicating that the lump/fine ratio is approximately 50:50. This has important financial implications as lump ore (>6mm) attracts a premium price. The big increase in the proportion of lump ore from 30% to 50% means that the quantity of ore outlined in the various studies that can be economically mined increases significantly from some 70% to 80% of the delineated resources.

**Beneficiation Potential:** Preliminary testwork on some of the low quality (high-silica, high-alumina) fines has indicated that a proportion of the fines can be upgraded by a simple screening process. Preliminary testwork has shown an average improvement by reduction of 40% in silica and 65% in alumina may be possible.

## **Marketing**

GWR recently appointed Ferrum marketing consultants to provide an opinion of the saleability of our iron ore product. Due to the low amount of impurities (P, S, MnO, CaO, MgO, TiO<sub>2</sub>) in the iron, the Company believes it could be marketed as a very "Clean Ore". This would give it an advantage for steel makers that have restrictions on air emissions.

## **Environmental Studies**

The majority of environmental studies that will form the basis of a mining proposal have either been completed or are nearing completion. The preliminary findings include the following:

- Fauna: No species that will inhibit mining approval;
- Flora: Encountered some priority species but do not expect any major issues as the populations are predominantly spread over wide areas outside the mining area; and

- Water: Ground water encountered at depth in a number of the deposits, particularly at C4 is of good quality and can be used in processing. Preliminary studies indicate that there will be enough water for mining needs.

## **Prefeasibility Study (PFS)**

As previously reported a Pre-feasibility Study (PFS) is being prepared by Engenium. Further work is being done to enhance the report to make it more comprehensive in some sections. The resource update, mining studies and metallurgical testwork described above are being incorporated into the PFS.

## **Retirement of Alan Rudd**

It is with great sadness that I advise the retirement of foundation director Mr Alan Rudd from the Board for personal reasons. On behalf of the Company I would like to express our deepest appreciation to Mr Rudd for his contribution to the wellbeing and development of the Company over a period of six years from its inception. Mr Rudd leaves with the best wishes of the Board and shareholders of the Company.

## **Strategic Review**

I look forward to writing to you again in the coming months following completion of the strategic review of the Company's business being undertaken by KPMG which as foreshadowed is due to be considered by the Board later this month.

Yours faithfully



Con Markopoulos  
Executive Chairman

### *Competent Persons Statement*

*The information in this report which relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Allen Maynard, who is a Member of the Australian Institute of Geosciences ("AIG"), a Corporate Member of the Australasian Institute of Mining & Metallurgy ("AusIMM") and independent consultant to the Company. Mr Maynard is the principal of Al Maynard & Associates Pty Ltd and has over 30 years of exploration and mining experience in a variety of mineral deposit styles. Mr Maynard has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Maynard consents to inclusion in the report of the matters based on his information in the form and context in which it appears.*