



WESTERN DESERT RESOURCES LIMITED

ACN 122 301 848

ANNUAL FINANCIAL REPORT

For the year ended 30 June 2008

Directors' Report	1
Auditor's Independence Declaration	10
Income Statement	11
Balance Sheet	12
Consolidated Cash Flow Statement	13
Consolidated Statement of Change in Equity	14
Notes to Financial Statements	15
Directors' Declaration	37
Independent Audit Report	38

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 2008. 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 Australasia Gold Limited, Thor Mining PLC and Southern Gold Limited. During the year he was also an alternative director of Flinders Diamonds Limited, which position terminated on 14th August 2007.

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

Michael John Kitchin – BCom – Company Secretary

Mike was appointed as company secretary in April 2007. He is an accountant with many years experience in the mining industry, and has held senior commercial and accounting roles with Western Mining Corporation, Sons of Gwalia and St Barbara Mines.

Directorships of other listed companies

Name	Company	Period of Directorship
M R Billing	Southern Gold Limited	Since January 2004
	Australasia Gold Limited	Since April 2005
	Thor Mining PLC	Since April 2008
	Flinders Diamonds Limited (Alternate)	Retired 14 August 2007
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 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 \$3,229,820 (2007: \$68,859.)

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 period 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

During the year, the company was officially admitted to the ASX list, raising \$7,500,000 for the issue of 37.5 million shares to subscribers of the Initial Purchase Offer (IPO). This listing resulted in the company issuing of 10 million shares, at a value of \$2,000,000 to Tennant Creek Gold (NT) Pty Ltd to finalise the Tenement Purchase Agreement. It also gave rise to the company issuing 1,500,000 options to acquire ordinary shares, at an exercise price of \$0.25 and an expiry date of 30 June 2011, to Taylor Collison Limited, as required by the Sponsoring Broker Agreement.

In October 2007 the company commenced a drilling program at its Capricorn prospect in the Northern Territory. This drilling identified a large low grade vanadium system, however assay grades did not show mineralisation of commercial interest.

During the first half of the financial year, the company also acquired geoscientific data in respect to its prospects at Blueys, Winnecke and Limbla. Subsequent interpretation of this data highlighted priority drilling targets at Blueys and Winnecke, along with areas of interest for follow-up field work at Limbla. Drilling at Blueys was undertaken in June 2008. Drilling at Winnecke field work at Limbla will be undertaken in the 2009 financial year.

A Share Purchase Plan was undertaken in November 2007, resulting in the issue of 5.9 million shares at a price of \$0.25 to raise \$1,475,000.

In February 2008, the company entered into a joint venture agreement with ASX listed company NuPower Resources Limited (ASX code NUP) in respect to exploration for energy minerals on non-core tenements in the Northern Territory. The agreement gives NUP the opportunity to earn a 51% interest in energy minerals on the tenements by spending \$1,000,000 on exploration, after which the company has the right to contribute to the exploration expenditure in order to maintain a 49% interest.

The company also entered into an agreement with ASX listed company TNG Limited (ASX code TNG) with respect to tenements in the Northern Territory at the Rover, Goddards and Tanami prospects. The company must spend \$1,500,000 on exploration of these tenements to earn a 51% interest, and then has the option to spend a further \$2,500,000 in order to earn an 80% interest.

In April 2008, the company entered into an agreement with unlisted company Bluekebble Pty Ltd for the acquisition of three tenements in the Dawsonvale area in Queensland, which prospective for iron ore. The agreement requires the company to pay a total of \$63,636 in cash and issue a total of 1,320,000 shares to Bluekebble Pty Ltd. To date the company has paid \$18,182 in cash and issued 320,000 shares with a fair value of \$40,000.

On 30 April 2008, the company acquired a 16.7% interest in Thor Mining PLC, a company listed on both the AIM and ASX. As a consequence of the transaction, M R Billing, N W Gardner and M K Ashton were appointed to the board of Thor Mining. The flagship project of Thor Mining 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.

In April 2008 the company lodged an application over EL 26759 in the Roper Bar area of the Northern Territory. It also negotiated an option agreement with a private consortium to acquire the adjoining granted tenement EL 25672. The area is prospective for iron ore.

A rights issue was announced by the company in June 2008. The one for five rights issue offers

ordinary shares in the capital of the company at a price of \$0.18 per ordinary share. The offer also carries one free attaching listed option for every two shares subscribed, with an expiry date of 30 November 2011 and an exercise price of \$0.18 per option.

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

The company entered into an agreement to acquire a 45% interest in two manganese prospects from unlisted company Genesis Resources Limited in July 2008. The projects are located at Gladstone in Queensland and McArthur River in the Northern Territory. Acquisition of this interest requires the company to spend \$600,000 on exploration on the tenements, plus issue 5,000,000 ordinary shares with a fair value of \$750,000 in the company to Genesis Resources Limited. Issue of these shares was approved at an Extraordinary General Meeting of shareholders held on 19 September 2008, and the shares were issued on 23 September 2008.

During July, shares and listed options were issued as a result of the company's one for five rights issue. A total of 4,800,929 ordinary shares and 2,400,418 listed options were issued, for a total capital raising of \$864,167 before expenses. A further 680,000 ordinary shares with a fair value of \$85,000 were issued to Bluekebble Pty Ltd, along with a cash payment of \$27,273, in settlement for Dawsonvale lease EPM 16704.

In August 2008 the company entered into an agreement to sell its wholly owned subsidiary company, WDRFE Pty Ltd, to Aard Metals Limited. In consideration for the sale, the company is to receive 5,000,000 ordinary shares in Aard Metals Limited once that company obtains listing on the ASX.

On 26 September 2008 the company executed a memorandum of understanding with ITOCHU Minerals & Energy of Australia Pty Ltd (IMEA), which is fully owned by Japanese resources and trading conglomerate, ITOCHU Corporation.

Under the agreement, the company will issue 8,800,000 ordinary shares in the company at a price of \$0.227 for a total capital raising of \$2,000,000. One free option will be issued for every two shares issued for a total of 4,400,000 options, which will expire 3 years from the date of issue. 2,200,000 options will have an exercise price of \$0.25 and 2,200,000 options will have an exercise price of \$0.30.

IMEA will also be entitled to nominate a representative to the Board of Directors while it remains a material shareholder and have first right of refusal to participate in future projects of Western Desert as a joint venture partner. IMEA will also contribute up to \$15,000,000 over the next six years to earn a 51% interest in the Roper Bar project.

Discussions are continuing with IMEA to finalise binding agreements for the above transaction which is subject to further due diligence and both parties' internal approvals.

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 (i) Number
M R Billing	1,254,000	1,617,001
N W Gardner	4,293,035	1,932,754
A W Mackie *	2,526,752	583,333
G J Bubner	2,997,121	1,833,093
D J Cloke	1,516,394	1,709,696
M K Ashton	4,230,667	1,937,944
M J Kitchin	-	600,000
	<hr/> 16,817,969	<hr/> 10,213,821

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

**Mr Mackie resigned as a director on 16th July 2008*

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 or since the end of 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:

M J Kitchin (Company Secretary)

Relationship between the Remuneration Policy and Company Performance

The table below sets out summary information about the consolidated entity's earning and movements in shareholder wealth to June 2008

	30 June 2008	30 June 2007
	\$	\$
Revenue	366,326	-
Net loss before tax	3,025,962	68,859
Net loss after tax	3,229,820	68,859
Share price at beginning of year	-	-
Share price at end of year	\$0.22	-
Basic earnings per share	(\$0.0492)	(\$0.0203)
Diluted earning per share	(\$0.0492)	(\$0.0203)

No dividends have been declared during the period October 2006 to June 2008 and the directors do not recommend the payment of a dividend in respect of the year ended 30 June 2008.

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.

2008	Short-term employee benefits Salary & Fees	Post Employment Superannuation	Sub Total	Share-based payments (i)	Total
	\$	\$	\$	\$	\$
M R Billing	71,043	6,659	77,702	-	77,702
N W Gardner	164,467	-	164,467	-	164,467
A W Mackie	96,290	2,727	99,017	-	99,017
G J Bubner	212,165	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	605,940	45,130	651,070	-	651,070

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

2007	Short-term employee benefits Salary & Fees	Post Employment Superannuation	Sub Total	Share-based payments (i)	Total
	\$	\$	\$	\$	\$
M R Billing	10,000	-	10,000	-	10,000
N W Gardner	88	-	88	-	88
A W Mackie	10,089	-	10,089	-	10,089
G J Bubner	10,089	-	10,089	-	10,089
D J Cloke	10,040	-	10,040	-	10,040
M K Ashton	88	-	88	-	88
M J Kitchin	8,225	-	8,225	-	8,225
2007 Total	48,619	-	48,619	-	48,619

(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:

Director	Terms
M R Billing	Daily rate of \$1000 per day for each day in excess of 3 days within a month
N W Gardner	Daily rate of \$1200 per day
A W Mackie	Daily rate of \$1000 per day for each day in excess of 2 days within a month
G J Bubner	Daily rate of \$1000 per day for each day in excess of 2 days within a month
D J Cloke	Daily rate of \$1000 per day for each day in excess of 2 days within a month

Options Issued as Remuneration for the Year Ended 30 June 2008

The company has not issued options to directors or other key management personnel during the year as part of their remuneration.

In addition to the above, no ordinary shares were issued during the year to directors or other key management personnel as a consequence of exercising options.

Meetings of Directors

The number of meetings of the company's Board of Directors attended by each director during the year ended 30 June 2008 was:

2007	Meetings held while in office	Meetings attended
M R Billing	11	11
N W Gardner	11	11
A W Mackie	11	11
G J Bubner	11	11
D J Cloke	11	10
M K Ashton	11	7

Due to its size and activities the company does not have any separate board committees.

Non-Audit Services

The Board of Directors is satisfied that the provision of the non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- All non-audit services are reviewed and approved by the board prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor: and
- The nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

The following fees for non-audit services were paid to the external auditors during the period ended 30 June 2008:

- Taxation services \$1,800

Options on issue at date of this report

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
			14,140,000

No options were exercised during the year.

2007

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
			<u>5,750,000</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 2008 in accordance with a resolution of the directors.



M R Billing
Director



N W Gardner
Director



Grant Thornton

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

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Western Desert Resources Ltd for the year ended 30 June 2008, 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 2008

Income statement for the financial year ended 30 June 2008

	Note	Consolidated		Company	
		2008 \$	2007 \$	2008 \$	2007 \$
Revenue		366,326	-	366,326	-
Exploration expenses written off		(681,516)	-	(29,640)	-
Administration expenses		(420,708)	(21,762)	(420,708)	(21,762)
Shareholder relations expense		(87,575)	-	(87,575)	-
Corporate consulting expenses		(167,079)	(40,394)	(167,079)	(40,394)
Occupancy expenses		(54,805)	(1,364)	(54,805)	(1,364)
Marketing expenses		-	(5,339)	-	(5,339)
Salaries and wages		(245,269)	-	(245,269)	-
Share based payments		(223,823)	-	(223,823)	-
Depreciation expense		(31,831)	-	(31,831)	-
Share of profits of associate		(68,512)	-	(68,512)	-
Impairment of investment in associate		(1,411,170)	-	(1,411,170)	-
Impairment of intercompany loans		-	-	(651,876)	-
Loss before income tax		(3,025,962)	(68,859)	(3,025,962)	(68,859)
Tax (expense)/income	4	(203,858)	-	(203,858)	-
Net Profit / (Loss) after income tax		(3,229,820)	(68,859)	(3,229,820)	(68,859)
Earnings Per Share					
Basic (cents per share) – Loss	22	4.93	2.03		
Diluted (cents per share) – Loss	22	4.93	2.03		

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

Balance sheet as at 30 June 2008

	Note	Consolidated		Company	
		2008	2007	2008	2007
		\$	\$	\$	\$
CURRENT ASSETS					
Cash and cash equivalents		1,996,002	298,770	1,996,002	298,770
Trade and other receivables	5	218,499	8,356	218,499	8,356
Other assets	6	52,629	212,240	52,629	212,240
TOTAL CURRENT ASSETS		2,267,130	519,366	2,267,130	519,366
NON-CURRENT ASSETS					
Exploration and evaluation expenditure	7	3,343,325	122,435	129,314	-
Trade and other receivables	8	-	-	3,213,580	122,015
Plant and equipment	9	146,517	-	146,517	-
Shares in controlled entity	19	-	-	430	420
Equity accounted investment	10	2,714,603	-	2,714,603	-
TOTAL NON-CURRENT ASSETS		6,204,445	122,435	6,204,444	122,435
TOTAL ASSETS		8,471,575	641,801	8,471,574	641,801
CURRENT LIABILITIES					
Trade and other payables	11	379,139	80,266	379,139	80,266
Provisions	12	7,525	-	7,525	-
TOTAL CURRENT LIABILITIES		386,664	80,266	386,664	80,266
TOTAL LIABILITIES		386,664	80,266	386,664	80,266
NET ASSETS		8,084,910	561,535	8,084,910	561,535
EQUITY					
Issued Capital	13	11,159,766	630,394	11,159,766	630,394
Reserves	14	223,823	-	223,823	-
Accumulated losses	15	(3,298,679)	(68,859)	(3,298,679)	(68,859)
TOTAL EQUITY		8,084,910	561,535	8,084,910	561,535

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

Consolidated cash flow statement for the year ended 30 June 2008

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Cash flows relating to operating activities				
Payments to suppliers and employees	(791,998)	(209,189)	(791,998)	(209,189)
Interest received	361,875	-	361,875	-
Other revenue	204	-	204	-
Net operating cash flows (Note (a))	(429,919)	(209,189)	(429,919)	(209,189)
Cash flows relating to investing activities				
Payments for exploration and evaluation expenditure	(1,849,053)	(122,435)	(158,953)	-
Payments for plant and equipment	(155,025)	-	(155,025)	-
Payment for shares in subsidiaries	-	-	(10)	(420)
Payment for shares in associate	(4,194,285)	-	(4,194,285)	-
Loan of controlled entities	-	-	(1,690,090)	(122,015)
Net investing cash flows	(6,198,363)	(122,435)	(6,198,363)	(122,435)
Cash flows relating to financing activities				
Proceeds from share issues	9,015,000	630,394	9,015,000	630,394
Payments for capital raising costs	(689,486)	-	(689,486)	-
Net financing cash flows	8,325,514	630,394	8,325,514	630,394
Net increase in cash	1,697,232	298,770	1,697,232	298,770
Cash at beginning of financial year	298,770	-	298,770	-
Cash at end of financial year	1,996,002	298,770	1,996,002	298,770
Note (a): Reconciliation of loss for the year to net cash flow from ordinary activities.				
Loss for the period	(3,229,820)	(68,859)	(3,229,820)	(68,859)
Income tax on share issue costs	203,858	-	203,858	-
Share based payments	223,823	-	223,823	-
Depreciation	31,831	-	31,831	-
Exploration written off	681,516	-	29,641	-
Loss incurred by associated entity	68,512	-	68,512	-
Impairment of investment in associated entity	1,411,170	-	1,411,170	-
Impairment of intercompany loan	-	-	651,876	-
Increase/(decrease) in provisions	7,525	-	7,525	-
Increase/(decrease) in payables	222,199	80,266	222,199	80,266
(Increase)/decrease in receivables	(228,223)	(8,356)	(228,224)	(8,356)
(Increase)/decrease in prepayments	177,690	(212,240)	177,690	(212,240)
Net operating cash flows	(429,919)	(209,189)	(429,919)	(209,189)

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 2008

	Consolidated Entity			Total
	Share Capital	Accumulated Losses	Share based payments reserve	
	\$	\$	\$	\$
Balance at 1 July 2007	630,394	(68,859)	-	561,535
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

	Share Capital	Accumulated Losses	Share based payments reserve	Total
	\$	\$	\$	\$
Balance at 1 July 2006	-	-	-	-
Profit/(loss) attributable to members of the parent entity	-	(68,859)	-	(68,859)
Issue of share capital	630,394	-	-	630,394
Balance at 30 June 2007	630,394	(68,859)	-	561,535

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 2008 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.
- (iv) AASB-1 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction - AASB-1 14 will be effective for annual reporting periods commencing on or after 1 January 2008. It provides guidance on the maximum amount that may be recognised as an asset in relation to a defined benefit plan and the impact of minimum funding requirements on such an asset. Western Desert Resources does not operate a defined benefit plan and as a consequence this standard will not impact 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 2008.

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 recognised in the financial statements by applying the equity method of accounting. The equity method of accounting recognised the group's share of post-acquisition reserves of its associates.

r) Leases

Leases of fixed assets where substantially all the risks and benefits to the ownership of the asset, but not the legal ownership that is transferred to entities in the consolidated group, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residential values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

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.

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
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	(3,229,820)	(68,859)	(3,229,820)	(68,859)
Income tax income calculated at 30% Add/(less)	(968,946)	(20,658)	(968,946)	(20,658)
Tax effect of:				
- Immediate write/off of tenement expenditure	(966,267)	(36,731)	(38,794)	(36,731)
- other allowable/(non allowable) items	443,905	1,174	(618,914)	1,174
Tax expense (income)	(522,362)	(56,214)	(388,826)	(56,214)
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	522,362	56,214	388,826	56,214
Income tax attributable to operating loss	203,858	-	203,858	-
(c) Unused tax losses and for which no deferred tax asset has been recognised at 30%	578,576	56,214	445,040	56,214

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
5. CURRENT TRADE AND OTHER RECEIVABLES				
Trade receivables	214,253	8,356	214,253	8,356
Interest receivables	4,246	-	4,246	-
	218,499	8,356	218,499	8,356

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
6. OTHER CURRENT ASSETS				
Bonds paid	5,280	5,280	18,080	5,280
Prepaid insurances	16,234	17,229	16,234	17,229
Prepaid capital raising expenses	18,315	189,731	18,315	189,731
	52,629	212,240	52,629	212,240

7. EXPLORATION AND EVALUATION EXPENDITURE

	Consolidated		Company	
	2008 \$	2007 \$	2008 \$	2007 \$
Costs brought forward	122,435	-	-	-
Expenditure incurred during the year	3,902,406	122,435	158,954	-
	4,024,841	122,435	-	-
Expenditure written off	(681,516)	-	(29,640)	-
	3,343,325	122,435	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	
	2008 \$	2007 \$	2008 \$	2007 \$
Amounts due from subsidiaries	-	-	3,865,456	122,015
Allowance for doubtful debts	-	-	(651,876)	-
	-	-	3,213,580	122,015

9. PLANT AND EQUIPMENT

	Consolidated	Company
	\$	\$
Gross carrying amount		
Balance at incorporation	-	-
Additions	-	-
Balance at 30 June 2007	-	-
Additions	178,348	178,348
Balance at 30 June 2008	178,348	178,348
Accumulated depreciation		
Balance at incorporation	-	-
Additions	-	-
Balance at 30 June 2007	-	-
Depreciation	(31,831)	(31,831)
Balance at 30 June 2008	(31,831)	(31,831)
Net Book Value		
Balance at 30 June 2007	-	-
Balance at 30 June 2008	146,517	146,517

10. ASSOCIATED COMPANIES

Interests are held in the following associated companies

Name of Entity	Principal Activities	Country of Incorporation	Shares	Ownership Interest		Carry Amount of Investment	
				2008 %	2007 %	2008	2007
Listed							
Thor Mining PLC	Exploration	England and Wales	Ord	16.7	-	2,714,603	-
						2,714,603	-
				Consolidated		Company	
				2008	2007	2008	2007
				\$	\$	\$	\$
(a) Movement During the Year in Equity Accounted Investment in Associated Companies							
	Balance at the beginning of the year			-	-	-	-
Add	New investments during the year			4,194,285	-	4,194,285	-
	Share of associated company's loss after income tax			(68,512)	-	(68,512)	-
less	Impairment recognised			(1,411,170)	-	(1,411,170)	-
	Balance at end of the financial year			2,714,603	-	2,714,603	-
(b) Equity accounted profits of associates are broken down as follows:							
	Share of associate's loss before income tax expense			(68,512)	-	(68,512)	-
	Share of associates income tax expense			-	-	-	-
	Share of associate's loss after income tax			(68,512)	-	(68,512)	-
(c) Summarised Presentation of Aggregate Assets, Liabilities and Performance of Associates							
				\$000's	\$000's		
	Currents assets			2,825	-		
	Non-current assets			13,881	-		
	Total Assets			16,706	-		
	Current Liabilities			294	-		
	Non-current liabilities			164	-		
	Total Liabilities			458	-		
	Net Assets			16,248	-		
	Loss after income tax of associates			(2,230)	-		
(d) Ownership in Thor Mining PLC at that company's balance date was 16.7% of ordinary shares. The reporting date of Thor Mining PLC is 30 June 2008. This reporting date coincides with the entity's holding company Significant influence arises from common board members between the entities.							
(e)	Market value of listed investment in associate			2,497	-		

11. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

Trade payables and accruals	379,139	80,266	379,139	80,266
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12. CURRENT LIABILITIES – PROVISIONS

Employee benefits	7,525	-	7,525	-
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13. ISSUED CAPITAL

	No	\$	No	\$
Issued share capital:				
69,720,000 fully paid ordinary shares (2007 : 16,000,000)	69,720,000	11,159,766	16,000,000	630,394

Movement in issued shares for the year:

	2008		2007	
	No.	\$	No.	\$
Balance at beginning of financial period	16,000,000	630,394	-	-
Issued on incorporation	-	-	400	400
Issued at 1 cent	-	-	8,999,780	89,998
Issued at 2 cents	-	-	1,999,820	39,996
Issued at 10 cents	-	-	5,000,000	500,000
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	-	-
Costs associated with the issue of shares	-	(689,486)	-	-
Tax effect of transaction costs	-	203,858	-	-
Balance at end of financial period	69,720,000	11,159,766	16,000,000	630,394

Capital management

Management controls the capital of the group in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns 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.

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:

	2008
	No.
Options on issue at the beginning of period	5,750,000
Options issued during the year	1,740,000
Options exercised during the year	-
Options cancelled during the year	-
Options on issue at the end of year	7,490,000

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-2009	\$0.25	1,500,000
25-Feb-2008	30-Jun-2011	\$0.20	220,000
06-May-2008	30-Jun-2011	\$0.20	20,000
			7,490,000

14. RESERVES

Share based payments

Consolidated		Company	
2008	2007	2008	2007
\$	\$	\$	\$
223,823	-	223,823	-

(a) Employee equity-settled benefits reserve

Balance at 1 July 2007

Share based payments

Balance at 30 June 2008

-	-	-	-
233,823	-	233,823	-
233,823	-	233,823	-

The employee 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

Balance at beginning of financial period

Net Loss for the year

Balance at end of financial year

Consolidated		Company	
2008	2007	2008	2007
\$	\$	\$	\$
(68,859)	-	(68,859)	-
(3,229,820)	(68,859)	(3,229,820)	(68,859)
(3,298,679)	(68,859)	(3,298,679)	(68,859)

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
- A W Mackie (Non-executive 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 (Alternate director), appointed 1 May 2007
- M J Kitchin (Company secretary), appointed 2 April 2007

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

	Consolidated		Company	
	2008 \$	2007 \$	2008 \$	2007 \$
Short-term employee benefits	605,940	48,619	605,940	48,619
Post employment benefits	45,130	-	45,130	-
Share-based payments (i)	-	-	-	-
	651,070	48,619	651,070	48,619

- (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

2008	Balance 30/6/07	Net Changes (a)	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	3,494,194	-
A W Mackie	2,416,667	198,460	2,615,127	-
G J Bubner	2,416,667	80,333	2,497,600	-
D J Cloke	1,166,667	97,001	1,263,668	-
M K Ashton	2,416,667	1,129,473	3,546,140	-

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

2007	Balance on Incorporation	Net Changes *	Balance 30/6/07	Balance held Nominally
M R Billing	-	1,166,666	1,166,666	-
N W Gardner	90	2,416,576	2,416,666	-
A W Mackie	90	2,416,577	2,416,667	-
G J Bubner	90	2,416,577	2,416,667	-
D J Cloke	40	1,166,577	1,166,667	-
M K Ashton	90	2,416,577	2,416,667	-

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

2008	Balance at 30/6/07	Granted	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

2007	Balance on incorporation	Granted (i)	Exercised	Balance 30/6/07	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	
	2008 \$	2007 \$	2008 \$	2007 \$
17. REMUNERATION OF AUDITORS				
Auditing the financial report	15,000	10,000	15,000	10,000
Provision of taxation services	1,800	-	1,800	-
Investigating Accountant's report	-	10,000	-	10,000
	16,800	20,000	16,800	20,000

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 2008:

<u>Entity</u>	<u>Related Party</u>	<u>Value</u>	<u>Nature of Transaction</u>
ASIS Pty Ltd	G J Bubner	\$188	Drafting Services
Titeline Drilling Pty Ltd	M K Ashton	\$487,806	Drilling Services
Remote Contracting Services Pty Ltd	N W Gardner	\$4,400	Civil Works

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:

	<u>2008</u> \$	<u>2007</u> \$
Not later than one year:	1,980,000	1,475,000
Later than one year but not later than two years:	1,980,000	1,475,000
Later than two years but not later than five years:	2,342,000	2,500,000

(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) Tenement Purchase Agreement – Bluekebble Pty Ltd

Under an agreement entered into with Bluekebble Pty Ltd (“Bluekebble”) on 19 February 2008, Bluekebble has agreed to sell to the consolidated group its interests in Queensland Exploration Permits EPM16602, EPM16603 and EPM16704 (Tenements), along with technical information held by Bluekebble in relation to the Tenements.

Consideration for the tenements is as follows :

- EPM 16602 : \$18,182 cash plus issue of 320,000 shares in Western Desert Resources Limited
- EPM 16603 : \$18,182 cash plus issue of 320,000 shares in Western Desert Resources Limited
- EPM 16704 : \$27,272 cash plus issue of 320,000 shares in Western Desert Resources Limited

Payment of cash and issue of these shares is contingent on approval being granted for the transfer of the Tenements under the Mineral Resources Act 1989 (Qld).

As at balance date, the group had paid cash and issued shares upon transfer of EPM 16603. Subsequent to balance date, the group paid cash and issued shares upon transfer of EPM 16704 (refer note 21 – Subsequent Events).

(d) Bank Guarantee

As at June 30 2008, the consolidated entity has given a bank guarantee of \$15,840 (2007: nil) to Jones Lang LaSalle as a security bond in respect to its office premises.

(e) 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	
	2008 \$	2007 \$	2008 \$	2007 \$
Not longer than 1 year	72,960	-	72,960	-
Longer than 1 year and not longer than 5 years	72,960	-	72,960	-
Longer than 5 years	-	-	-	-
	<u>145,920</u>	<u>-</u>	<u>145,920</u>	<u>-</u>

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.

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	

2007	Floating Interest Rate	Non Interest Bearing	Total	Floating Interest Rate
Financial Assets:				
Cash and cash equivalents	-	298,770	298,770	-
Receivables	-	8,356	8,356	-
Less : Payables	-	(80,266)	(80,266)	-
Net Financial Assets	-	226,860	226,860	

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 \$16,555 and \$16,555 respectively (2007 : Nil). 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	
	2008 Cents per share	2007 Cents per share
Basic earnings per share – loss	(4.93)	(2.03)
Diluted earnings per share – loss	(4.93)	(2.03)

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:

	2008	2007
	\$	\$
Earnings	(3,229,820)	(68,859)
Earnings used in the calculation of basic and diluted earnings per share agree directly to net loss in the income statement.		
	Number	Number
Weighted average number of ordinary shares	65,567,760	3,395,650

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

23. CONTROLLED ENTITIES

Name of Entity	Country of Incorporation	Ownership Interest	
		2008 %	2007 %
Parent Entity			
Western Desert Resources Limited	(i)	Australia	
Subsidiary			
Red Desert Uranium Pty Ltd	(ii)	Australia	100%
WDR Base Metals Pty Ltd	(ii)	Australia	100%
WDR Gold Pty Ltd	(ii)	Australia	100%
WDRFE Pty Ltd	(ii)	Australia	100%

(i) Head entity in tax consolidated group

(ii) Members of tax consolidated group

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
WDRFE Pty Ltd (i)	Exploration	19 February 2008	100%	\$10

(i) WDRFE Pty Ltd was incorporated on 19 February 2008 and became a wholly owned subsidiary on the issuing of shares for \$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	\$0.368

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%

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

Share Option Plan	2008		2007	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Balance at beginning of financial year	-	-	-	-
Granted during the financial year	1,740,000	\$0.243	-	-
Exercised during the financial year (i)	-	-	-	-
Lapsed during the financial year	-	-	-	-
Balance at end of the financial year (ii)	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	\$0.20
February 2008	220,000	25/02/2008	30/06/2011	\$0.20
May 2008	20,000	06/05/2008	30/06/2011	\$0.20

26. SUBSEQUENT EVENTS

The company entered into an agreement to acquire a 45% interest in two manganese prospects from unlisted company Genesis Resources Limited in July 2008. The projects are located at Gladstone in Queensland and McArthur River in the Northern Territory. Acquisition of this interest requires the company to spend \$600,000 on exploration on the tenements, plus issue 5,000,000 ordinary shares with a fair value of \$750,000 in the company to Genesis Resources Limited. Issue of these shares was approved at an Extraordinary General Meeting of shareholders held on 19 September 2008, and the shares were issued on 23 September 2008.

During July, shares and listed options were issued as a result of the company's one for five rights issue. A total of 4,800,929 ordinary shares and 2,400,418 listed options were issued, for a total capital raising of \$864,167 before expenses. A further 680,000 ordinary shares with a fair value of \$85,000 were issued to Bluekebble Pty Ltd, along with a cash payment of \$27,273, in settlement for Dawsonvale lease EPM 16704.

In August 2008 the company entered into an agreement to sell its wholly owned subsidiary company, WDRFE Pty Ltd, to Aard Metals Limited. In consideration for the sale, the company is to receive 5,000,000 ordinary shares in Aard Metals Limited once that company obtains listing on the ASX.

On 26 September 2008 the company executed a memorandum of understanding with ITOCHU Minerals & Energy of Australia Pty Ltd (IMEA), which is fully owned by Japanese resources and trading conglomerate, ITOCHU Corporation.

Under the agreement, the company will issue 8,800,000 ordinary shares in the company at a price of \$0.227 for a total capital raising of \$2,000,000. One free option will be issued for every two shares issued for a total of 4,400,000 options, which will expire 3 years from the date of issue. 2,200,000 options will have an exercise price of \$0.25 and 2,200,000 options will have an exercise price of \$0.30.

IMEA will also be entitled to nominate a representative to the Board of Directors while it remains a material shareholder and have first right of refusal to participate in future projects of Western Desert as a joint venture partner. IMEA will also contribute up to \$15,000,000 over the next six years to earn a 51% interest in the Roper Bar project.

Discussions are continuing with IMEA to finalise binding agreements for the above transaction which is subject to further due diligence and both parties' internal approvals.

Directors' Declaration

The directors declare that:

- (a) In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;
- (b) In the directors' opinion, the financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the company and consolidated entity; and
- (c) The directors have been given the declaration required by Section 295A of the Corporation Act 2001.

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 2008

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

Report on the Financial Report

We have audited the accompanying financial report of Western Desert Resources Ltd (the company) which comprises the balance sheet as at 30 June 2008, 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 3, 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.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WESTERN DESERT RESOURCES LTD 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 Ltd 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 2008 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 3.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2008. 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 LTD Cont**

Auditor's Opinion

In our opinion the Remuneration Report of Western Desert Resources Ltd for the year ended 30 June 2008, complies with section 300A of the *Corporations Act 2001*.

GRANT THORNTON
South Australian Partnership
Chartered Accountants

A handwritten signature in blue ink, appearing to be "S J Gray", written over a horizontal line.

S J Gray
Partner

Signed at Wayville on this 30th day of September 2008