

# ANNUAL REPORT

YEAR ENDED  
30 JUNE 2009

**Western**Desert  
R E S O U R C E S

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ACN 122 301 848

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# WesternDesert

## R E S O U R C E S

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

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## Corporate Governance Statement

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

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

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

### **Principle 1: Lay solid foundations for management and oversight**

#### **Role of the Board**

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

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

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

#### **Board processes and management**

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

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

### **Principle 2: Structure the Board to add value**

#### **Composition of the Board**

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

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

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

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

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

## **Corporate Governance Statement**

### ***Principle 3: Promote ethical and responsible decision making***

#### **Ethical standards**

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

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

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

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

#### **Trading in the Company's Securities**

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

### ***Principle 4: Safeguard integrity in financial reporting***

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

#### **Audit Committee**

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

### ***Principle 5: Make timely and balanced disclosure***

#### **Continuous Disclosure**

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

### ***Principle 6: Respect the rights of shareholders***

#### **Communication with shareholders**

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

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

## Corporate Governance Statement

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

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

### ***Principle 7: Recognise and manage risk***

#### **Risk Assessment and Management**

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

### ***Principle 8: Encourage enhanced performance***

#### **Performance Evaluation**

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

### ***Principle 9: Remunerate fairly and responsibly***

#### **Remuneration Policy**

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

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

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

### ***Principle 10: Recognise the legitimate interests of stakeholders***

#### **Code of Conduct**

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

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

## **Directors' Report**

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

### **Directors and Officers**

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

#### ***Michael Robert Billing BBus ASA - Non-Executive Chairman***

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

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

#### ***Norman Wayne Gardner – Managing Director***

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

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

#### ***Graham John Bubner BSc - Non-Executive Director***

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

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

#### ***David John Cloke FCA - Non-Executive Director***

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

**Michael Kevin Ashton – Non-Executive Director**

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

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

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

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

*Mr Mackie resigned his position as a director on 16<sup>th</sup> July 2008*

**Laurie Ackroyd — Chief Financial Officer/Company Secretary**

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

**Directorships of other listed companies**

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

**Principal Activities**

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

**Financial Results**

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

**Dividends**

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

## **Review of Operations**

### a) Overview

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

### b) Review of Operations

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

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

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

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

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

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

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

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

## **Changes in State of Affairs**

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

## Subsequent Events

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

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

## Environmental Developments

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

## Future Developments

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

## Directors and Officers Shareholdings

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

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

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

## Remuneration Report (Audited)

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

### *Director and other key Management Personnel Details*

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

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