

FINANCIAL REPORT

HALF-YEAR ENDED

31 DECEMBER 2009

WesternDesert
R E S O U R C E S

ACN 122 301 848

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

CONTENTS	Page
DIRECTORS' REPORT	3
AUDITOR'S INDEPENDENCE DECLARATION	5
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	6
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	7
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	8
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	9
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	10
DIRECTORS' DECLARATION	13
INDEPENDENT REVIEW REPORT	14

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

DIRECTOR'S REPORT

Your Directors submit the financial report of the Company and its controlled entities for the half-year ended 31 December 2009. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors:

The names of the directors of the Company during or since the end of the half year are:

Michael Robert Billing *BBus ASA*
Non-executive Chairman Resigned 13th January, 2010.

Norman Wayne Gardner
Managing Director

Graham John Bubner *Bsc (Hons)*
Non-executive Director

David John Cloke *FCA*
Non-executive Director Appointed Acting Chairman 20th
January, 2010.

Michael Kevin Ashton
Non-executive Director

The above named directors held office during and since the end of the half year except for:

Michael Robert Billing- Resigned as Director and non-executive
Chairman 13th January 2010.

Company Secretary:

Laurie Ackroyd

Review of Operations

The net result of operations for the half-year was a Loss of \$ 174,822 (2008: Loss of \$2,616,088).

Subsequent Events

On 19th February, 2010 the Company announced the signing of a terms sheet for a new joint venture with Tianda Resources (Australia) Pty Ltd to be formed at the completion of a farm-in of a tenement adjacent to the company owned Mountain Creek project.

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

DIRECTOR'S REPORT (continued)

Auditor's Independence Declaration

The auditor's independence declaration under Section 307C of the Corporations Act 2001 is set out on page 3 for the half-year ended 31 December 2009.

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



David Cloke,

Director and Acting Chairman

Adelaide

Dated this 5th day of March, 2010

Deloitte Touche Tohmatsu
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The Board of Directors
Western Desert Resources Limited
26 Greenhill road
WAYVILLE SA 5034

5 March 2010
Our Ref: JJH/cc

Dear Board Members

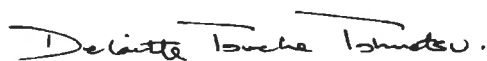
Western Desert Resources Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Western Desert Resources Limited.

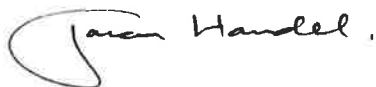
As lead audit partner for the review of the financial statements of Western Desert Resources Limited for the half-year ended 31 December 2009, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the or review.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



J J Handel
Partner
Chartered Accountants

Page 6 of 15

WESTERN DESERT RESOURCES LIMITED ACN 122 301 848
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the half year ended 31 December 2009

	Note	Consolidated Group 31-Dec 2009 \$	31-Dec 2008 \$
Continuing operations			
Other Income from ordinary activities	3	1,076,410	2,068,198
Less Cost of sales		-	(167,701)
		<u>1,076,410</u>	<u>1,900,497</u>
Other Income and expenditures:			
Interest Income		33,211	49,377
Exploration expense (written off) / written back		224,346	(411,315)
Salaries and wages		(172,313)	(183,077)
Directors fees		(79,518)	(79,364)
Shareholder relations		(187,250)	(175,830)
Corporate consulting expenses		(216,327)	(229,236)
Legal fees		(72,544)	(105,522)
Other administration expenses		(147,331)	(108,636)
Occupancy expenses		(79,665)	(70,566)
Depreciation		(63,583)	(31,474)
Share based payments		-	(943,990)
Impairment of assets	7	(229,419)	(2,069,938)
Share of associates loss	7	(110,339)	(157,014)
		<u>(24,322)</u>	<u>(2,616,088)</u>
Profit / (loss) before income tax expense		(24,322)	(2,616,088)
Income tax expense		(150,500)	-
		<u>(174,822)</u>	<u>(2,616,088)</u>
Profit / (loss) for the period		(174,822)	(2,616,088)
Other Comprehensive Income			
Share of the comprehensive income of associates	7	214,892	(18,218)
Income tax relating to components of other comprehensive income		-	-
		<u>214,892</u>	<u>(18,218)</u>
Other Comprehensive Income for the Period (Net of Tax)		214,892	(18,218)
		<u>40,070</u>	<u>(2,634,306)</u>
Total Comprehensive Income for the Period (Net of Tax)		40,070	(2,634,306)
		<u>40,070</u>	<u>(2,634,306)</u>
Profit / (loss) Attributable to Owners of the Parent		40,070	(2,634,306)
		<u>40,070</u>	<u>(2,634,306)</u>
Total Comprehensive Income Attributable to Owners of the Parent		40,070	(2,634,306)
		<u>40,070</u>	<u>(2,634,306)</u>
Earnings per share			
Basic (cents per share)		(0.17)	(3.25)
Diluted (cents per share)		(0.17)	(3.25)

Notes to the condensed consolidated financial statements are included on pages 10 to 12

WESTERN DESERT RESOURCES LIMITED ACN 122 301 848
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2009

	Note	Consolidated Group 31-Dec 2009 \$	30-Jun 2009 \$
CURRENT ASSETS			
Cash and cash equivalents		10,072,438	917,575
Trade and other receivables		658,639	338,016
Other current assets		173,141	99,575
TOTAL CURRENT ASSETS		10,904,218	1,355,166
NON-CURRENT ASSETS			
Plant and equipment		438,797	118,436
Exploration and evaluation expenditure		4,465,970	4,039,953
Equity accounted investments	7	449,525	574,391
TOTAL NON-CURRENT ASSETS		5,354,292	4,732,780
TOTAL ASSETS		16,258,510	6,087,946
CURRENT LIABILITIES			
Trade and other payables		453,736	754,453
Provisions		30,594	19,981
TOTAL CURRENT LIABILITIES		484,330	774,434
TOTAL LIABILITIES		484,330	774,434
NET ASSETS		15,774,180	5,313,512
EQUITY			
Issued capital	2	25,034,377	14,436,253
Reserves	8	1,579,836	1,542,470
Accumulated losses		(10,840,033)	(10,665,211)
TOTAL EQUITY		15,774,180	5,313,512

WESTERN DESERT RESOURCES LIMITED ACN 122 301 848
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the half year ended 31 December 2009

	Share Capital	Share Reserve	Accumulated Losses	Other Associates Reserves	Total
	\$	\$	\$	\$	\$
BALANCE AT 1 JULY 2008	11,159,766	223,823	(3,796,813)	498,134	8,084,910
Loss attributable to the members of parent entity	-	-	(2,616,088)	-	(2,616,088)
Share of the comprehensive income of associates	-	-	-	(18,218)	(18,218)
Total Comprehensive Income for the Period	-	-	(2,616,088)	(18,218)	(2,634,306)
Shares issued during the period	3,314,425	-	-	-	3,314,425
Cost of capital raising (net of tax)	(37,971)	-	-	-	(37,971)
Fair value of share options issued	-	943,990	-	-	943,990
BALANCE AT 31 DECEMBER 2008	14,436,220	1,167,813	(6,412,901)	479,916	9,671,048
BALANCE AT 1 July 2009	14,436,253	1,238,246	(10,665,211)	304,224	5,313,512
Loss attributable to the members of parent entity	-	-	(174,822)	-	(174,822)
Share of the comprehensive income	-	-	-	214,892	214,892
Total Comprehensive Income for the Period	-	-	(174,822)	214,892	40,070
Shares issued during the period	10,771,764	-	-	-	10,771,764
Transfers to / (from) reserves	177,526	(177,526)	-	-	-
Cost of capital raising (net of tax)	(351,166)	-	-	-	(351,166)
BALANCE AT 31 DECEMBER 2009	25,034,377	1,060,720	(10,840,033)	519,116	15,774,180

WESTERN DESERT RESOURCES LIMITED ACN 122 301 848

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the half year ended 31 December 2009

	Note	31-Dec 2009 \$	31-Dec 2008 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		3,452,837	-
Payments to suppliers and employees		(3,296,314)	(1,168,503)
		<u>156,523</u>	<u>(1,168,503)</u>
NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES			
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		24,029	49,377
Payments for exploration expenditure		(875,677)	(1,408,911)
Payments for plant and equipment		(402,110)	(84,820)
		<u>(1,253,758)</u>	<u>(1,444,354)</u>
NET CASH USED IN INVESTING ACTIVITIES			
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share issues		10,753,765	866,025
Payments for capital raising costs	2	(501,667)	(37,971)
		<u>10,252,098</u>	<u>828,054</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES			
Net (decrease)/ increase in cash held		9,154,863	(1,784,803)
Cash at beginning of period		<u>917,575</u>	<u>1,996,002</u>
Cash at end of period		<u>10,072,438</u>	<u>211,199</u>

WESTERN DESERT RESOURCES LIMITED ACN 122 301 848

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 31 December 2009

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standard AASB 134: Interim Financial Reporting. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34: Interim Financial Reporting. The half year report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report.

Basis of preparation

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2009 annual financial report for the financial year ended 30 June 2009, except for the impact of standards and interpretations described below. The accounting policies are consistent with Australian Accounting Standards and International Financial Reporting Standards.

The condensed consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets. Cost is based on the fair value of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and are effective for the current reporting period.

New and revised Standards and Interpretations effective for the current reporting period that are relevant to the group include:

- AASB 8: Operating Segments
- AASB 101: Presentation of Financial Statements
- AASB 127: Consolidated and Separate Financial Statements
- AASB 3: Business Combinations

The adoption of AASB 127 and AASB 3 have not affected the amount reported for the current or prior period.

The adoption of these new and revised Standards and Interpretations has resulted in changes to the Group's presentation of, or disclosure in, its half year financial statements in the following areas:

- Presentation of the financial statements. Previously, in addition to the statement of financial position (formerly termed the 'balance sheet'), and the cash flow statement, the Group presented a statement of recognised income and expenses and income statement. As a consequence of the adoption of AASB 101: Presentation of Financial Statements (2007) and its associated amending standards, the Group no longer presents a statement of recognised income and expenses and income statement, but presents in addition to the statements listed above, a statement of comprehensive income and a statement of changes in equity.

WESTERN DESERT RESOURCES LIMITED ACN 122 301 848
NOTES TO THE FINANCIAL STATEMENTS
For the half year ended 31 December 2009

NOTE 2 - ISSUED CAPITAL

	Date Issued	Consolidated Group Ordinary Shares	2009 \$	Consolidated Group Ordinary Shares	2008 \$
Opening Balance 30 June		89,711,428	14,436,253	69,720,000	11,159,766
Issued pursuant to share placement	30-Jul-09	13,400,000	1,340,000	7,500,000	1,500,000
Issued pursuant to Tenement purchase Agreements		-	-	7,679,998	948,400
Exercise of Options	Various	3,967,986	881,964	10,316	1,857
Transfer from Share based payments reserve		-	177,526	-	-
Issued pursuant to Rights issue	22-Dec-09	21,374,501	8,549,800	4,800,929	864,168
Transaction costs (net of tax)		-	(351,166)	-	(37,971)
Closing Balance at 31 December		<u>128,453,915</u>	<u>25,034,377</u>	<u>89,711,243</u>	<u>14,436,220</u>

NOTE 3 - OTHER INCOME

	Consolidated Group	
	2009	2008
	\$	\$
Revenue from sale of interest in exploration tenements	750,000	2,000,000
Administration cost recovery	255,189	68,198
Rental Income	71,221	-
Total revenue	<u>1,076,410</u>	<u>2,068,198</u>

NOTE 4- COMMITMENTS FOR EXPENDITURE AND CONTINGENT LIABILITIES

There were no changes to commitments for expenditure and contingent liabilities from those disclosed in the annual report for the period ended 30 June 2009.

NOTE 5 - SEGMENT REPORTING

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

The Group has adopted AASB 8 *Operating Segments* with effect from 1 July 2009. AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

The Group has a number of exploration licenses in Australia which are managed on a portfolio basis. The decision to allocate resources to individual projects in the portfolio is predominantly based on available cash reserves, technical data and the expectations of future commodity prices. Accordingly, the Group effectively operates as one segment, being exploration in Australia. This is the basis on which internal reports are provided to the Directors for assessing performance and determining the allocation of resources within the Group.

As a result, following the adoption of AASB 8, there has been no change in the Group's reportable segments.

NOTE 6 – EVENTS SUBSEQUENT TO REPORTING DATE

On 19th February, 2010 the Company announced the signing of a terms sheet for a new joint venture with Tianda Resources (Australia) Pty Ltd., to be formed at the completion of a farm-in of a tenement, adjacent to the company owned Mountain Creek project.

NOTE 7 – IMPAIRMENT OF ASSETS

The consolidated entity holds an interest in Thor Mining PLC, the market value of which has reduced in line with other listed companies in the resources sector in recent months. The valuation of this asset is according to the market price of shares in Thor Mining PLC as at 31 December 2009.

NOTE 8 – SHARE OPTION RESERVE

No options were issued during the period (2008: Quantity 5,950,000; Value \$943,990). A total of 720,000 employee options were exercised during the period.

WESTERN DESERT RESOURCES LIMITED ACN 122 301 848 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; and
- (b) in the directors opinion, the attached 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 consolidated entity.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the *Corporations Act 2001*.

On behalf of the Directors



David Cloke

Director and Acting Chairman

Adelaide

Dated this 5th day of March, 2010.