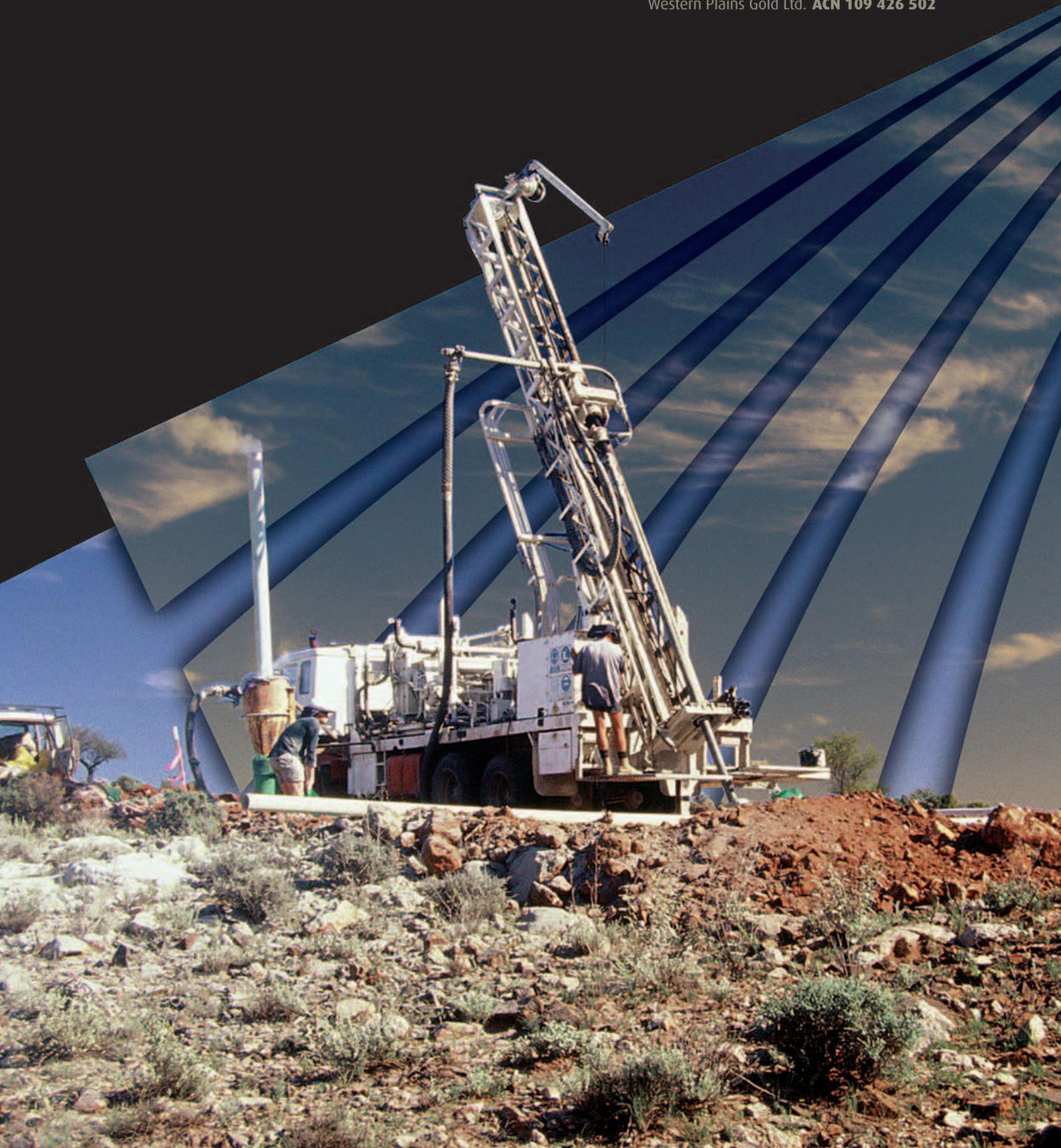




**Western Plains Gold**

# Annual Report 2006

Western Plains Gold Ltd. **ACN 109 426 502**







# Corporate Directory

## Western Plains Gold Ltd

ABN 51 109 426 502

### DIRECTORS

**Robert H Duffin** Non-executive Chairman  
**Gary J Jones** Technical Director (Executive)  
**Robert L Richardson** Non-executive

### SECRETARY

**Heath L Roberts**

### REGISTERED AND ADMINISTRATION OFFICE

**Address** Level 11, Kyle House  
 27-31 Macquarie Place  
 Sydney NSW 2000  
 PO Box N239, Grosvenor Place  
 NSW 1220 Australia  
**Telephone:** +61 2 9251 1044  
**Facsimile:** +61 2 9247 3434  
**E-mail:** info@westernplainsgold.com.au  
**Website:** www.westernplainsgold.com.au

### SHARE REGISTRY

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 Sydney, NSW, 2000  
 PO Box R67, Royal Exchange  
 Sydney, NSW 2000  
**Telephone:** +61 2 9279 0667  
**Facsimile:** +61 2 9279 0664

### AUDITORS

**Barnes Dowell James**

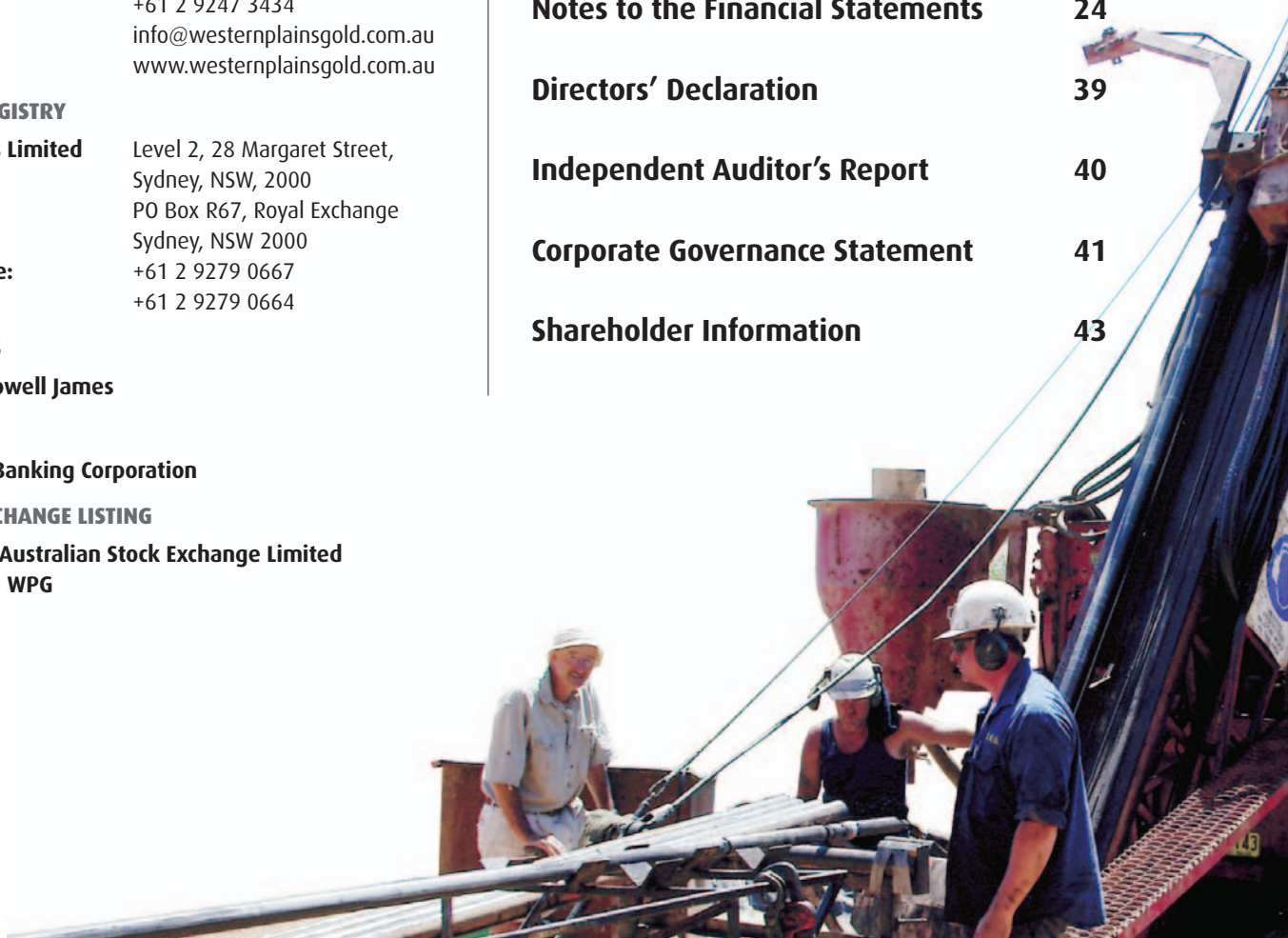
### BANKERS

**Westpac Banking Corporation**

### STOCK EXCHANGE LISTING

Listed on Australian Stock Exchange Limited  
 ASX Code: WPG

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# Chairman's Review



My board and I are very pleased to present Western Plains Gold Ltd's Annual Report for the year to 30 June 2006. This is our second report as a listed public company.

Our exploration activities have been carried out at high intensity since the company was listed on the ASX on 23 August 2005. The results of this work are summarised in the report of our Technical Director, Gary Jones, elsewhere in this Annual Report. Results to date have confirmed the pedigree of the properties explored and we have had a number of technical successes, but the orebody remains elusive. Economic discoveries may come with further work, and we anticipate completing additional drilling programs at Mulyungarie, Euriowie, Trundle, Lake Cargelligo and Peak Hill East projects this year.

Exploration is a high risk but potentially a very high reward business. Your board recognises this, and we have developed a strategy to counter the high risk nature by seeking to acquire advanced exploration or pre-development projects, which could change the Company's risk profile. We have reviewed three gold acquisition opportunities that fall into these categories, and we bid on one of them, but our offer was unsuccessful.

On 24 August 2006 we announced that the Company had reached agreement with Southern Iron Pty Ltd to acquire that company, subject to a number of conditions including approval of Southern Iron and Western Plains' shareholders. Southern Iron has rights to two iron ore tenements in South Australia which are at the advanced exploration or pre-development stage. If Western Plains' shareholders approve the transaction at the general meeting expected to be held in October 2006 the Company's focus will change from a gold and copper explorer to an operator of a project which your board believes has a very good chance of generating significant cashflows over a period of 10 years or more.

Finally, I would like to thank my fellow directors, Gary Jones and Bob Richardson, our company secretary, Heath Roberts (who will be promoted to Managing Director if the Southern Iron transaction proceeds to completion), our financial controller, Rob Waring, and our key consultants for the hard work, dedication and commitment to the Company they all have shown over the last year.



**R H DUFFIN**  
Chairman  
26 September 2006

## Review of Operations

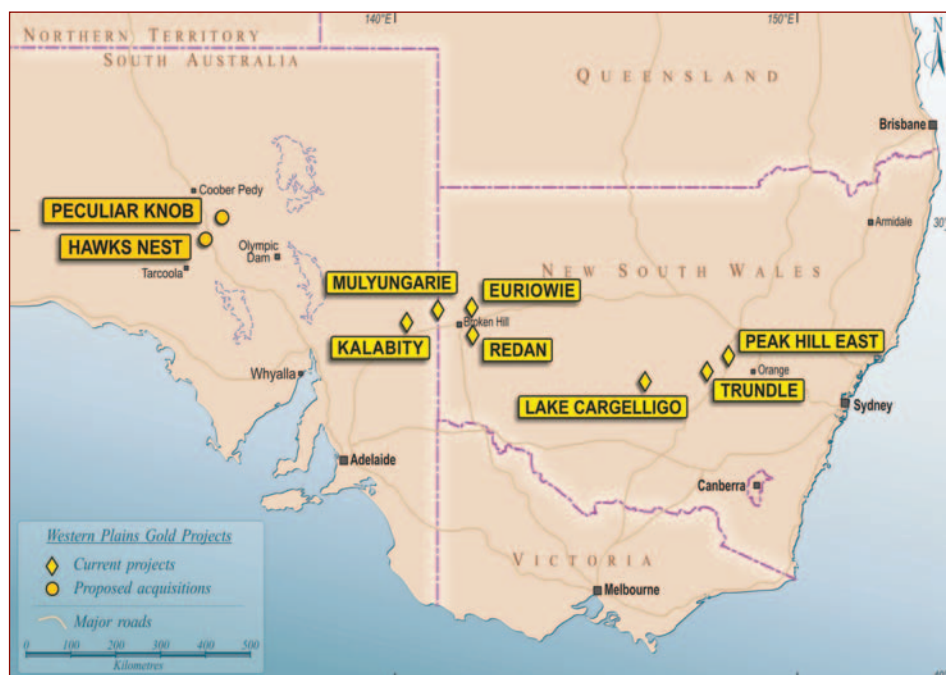
The Company has achieved an outstanding amount of work in the twelve months since listing on the ASX in August 2005. This has been achieved by a very small and dedicated team, used to operating with limited funds and with a depth of experience that enables it to be selective in what it does.

### A summary of field work completed is as follows:

- 1,382 RAB and aircore drill holes on eleven prospects for 6,862 metres
- Detailed geological mapping on six prospects
- Two ultra-detailed aeromagnetic surveys and interpretation
- Fifteen RC percussion holes on two prospects for 1,587 metres
- Four diamond core holes on two prospects for 1,244 metres
- 1,291 calcrete and 237 soil samples
- Moving loop EM surveys on five prospects
- Ground magnetic surveys on ten prospects

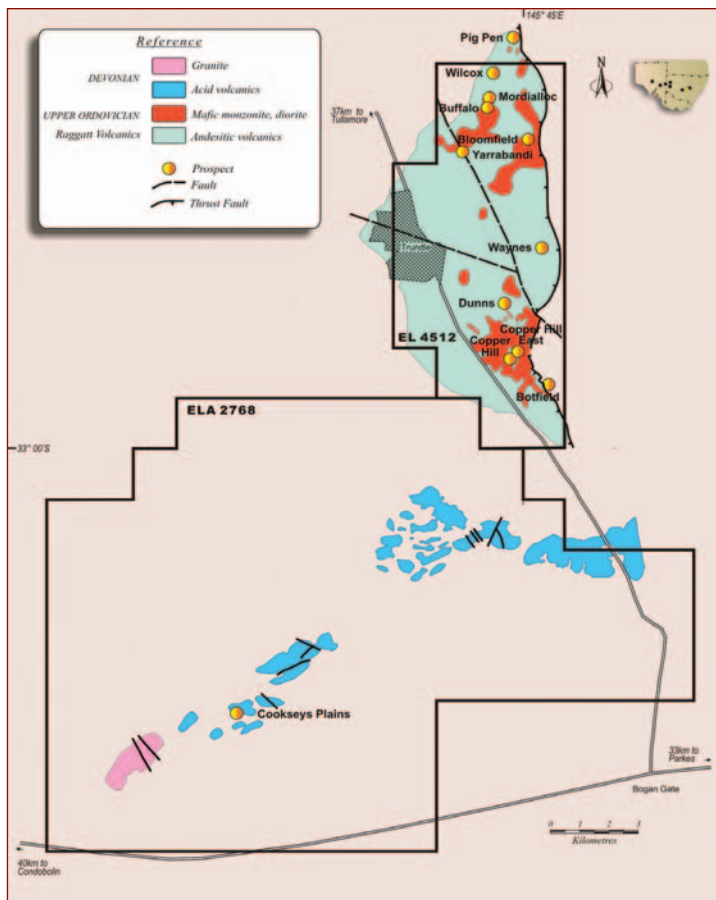
The work has resulted in a significant upgrading of the majority of the Company's tenements and prospects through the definition and testing of a number of quality drilling targets. Four new, potentially large, mineralised systems have been discovered at the **Fairy Hill**, **Yalcowinna Creek**, **Mulyungarie** and **Achilles 1** prospects and there are seven further targets that are being scheduled for first pass or follow-up drilling during the coming year.

In a relatively short time and with the prudent use of limited funds the Company has built an exploration package that is superior to that of many other small or large green fields explorers.



**FIGURE 1:**  
Project Location Map





**FIGURE 2:** Trundle Project Regional Geology & Prospect Locations

## LACHLAN FOLD BELT

### TRUNDLE PROJECT EL 4512 & ELA 2768

The Trundle project tenement covers a small triangular belt of late Ordovician high-potassium calc alkaline to shoshonitic andesitic volcanics and co-magmatic intrusions. These rocks are widely considered to be the stratigraphic equivalents to the Goonumbra Volcanics that host the large Northparkes porphyry copper-gold deposits situated 20–25 kilometres to the east. Previous exploration by others has confirmed the prospectivity of the area through the discovery of several large zones of low grade porphyry and skarn type mineralisation, the most notable occurring at the Copper Hill, Botfield and Dunns prospects. The location of these prospects is shown in Figure 2. Typical intersections include 151 metres at 0.23 g/t gold and 60 metres at 0.88 g/t gold in hole TD-01 at Copper Hill.

During the year the Company completed a program of RAB and aircore drilling at the **Mordialloc Prospect**. Results have outlined large bedrock copper and gold anomalies that are associated with monzonitic intrusions (Figure 3).

The geochemical anomalies are coincident with a large magnetic anomaly and peak values are up to 2260 ppm for copper and 0.19 g/t for gold. The Company plans to test the Mordialloc targets with two inclined RC percussion holes.

Small programs of reconnaissance aircore drilling were completed on the Airstrip and Copper Hill West magnetic anomaly features. No significant results were obtained from either of these areas.

ELA 2768 was applied for to cover an area of Devonian acid volcanics that are considered to be prospective for epithermal gold deposits. The tenement adjoins EL 4512 to the south-west and includes the Cookseys Plains copper-barite prospect.

### LAKE CARGELLIGO PROJECT EL 6367 & EL 6530

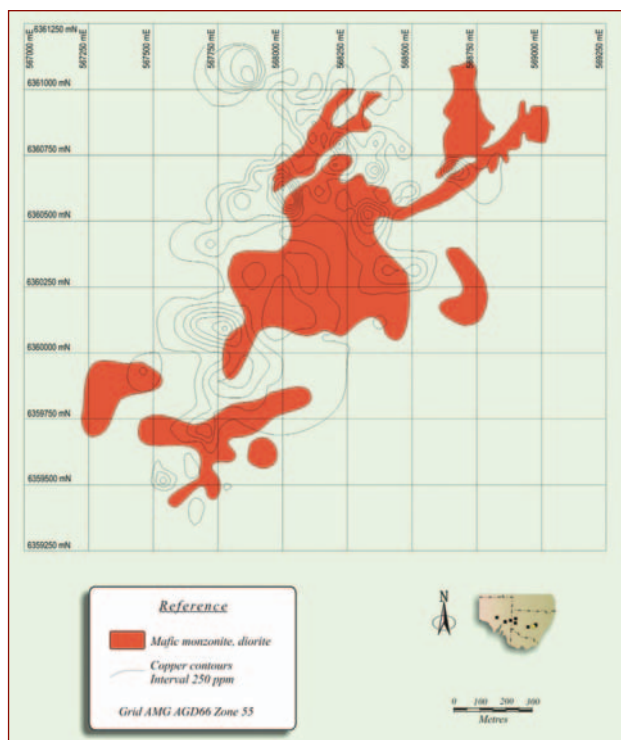
The principal exploration target for the Lake Cargelligo project is Cobar style gold and base metal mineralisation occurring in Siluro-Devonian sediments and possibly associated with intercalated acid volcanics.

The 14 kilometre long Achilles Shear Zone that is central to EL 6367 has been the focus for most of the Company's exploration. A two-hole diamond drilling program at the **Achilles 1 Prospect** intersected a major zone of intense hydrothermal alteration associated with sheared and foliated interbedded acid volcanics and sediments.

The alteration comprises pervasive sericite-hematite and sericite-pyrite and is host to widespread low-grade copper mineralisation in the form of fine grained disseminated and veinlet chalcopryrite and chalcocite. Individual two metre splits of core from DDHA1-2 assayed up to 0.33% copper. The Company considers that while this mineralisation is not of economic grade it could well form part of an alteration halo surrounding a body of more massive sulphides at depth.

**LEFT:** Altered outcrop at Achilles 1 Prospect, Lake Cargelligo Project.





**FIGURE 3:** Mordialloc Prospect Simplified Geology & Copper Geochemistry

Ground magnetic and moving loop EM ("MLEM") surveys at Achilles 1 did not detect any anomalies.

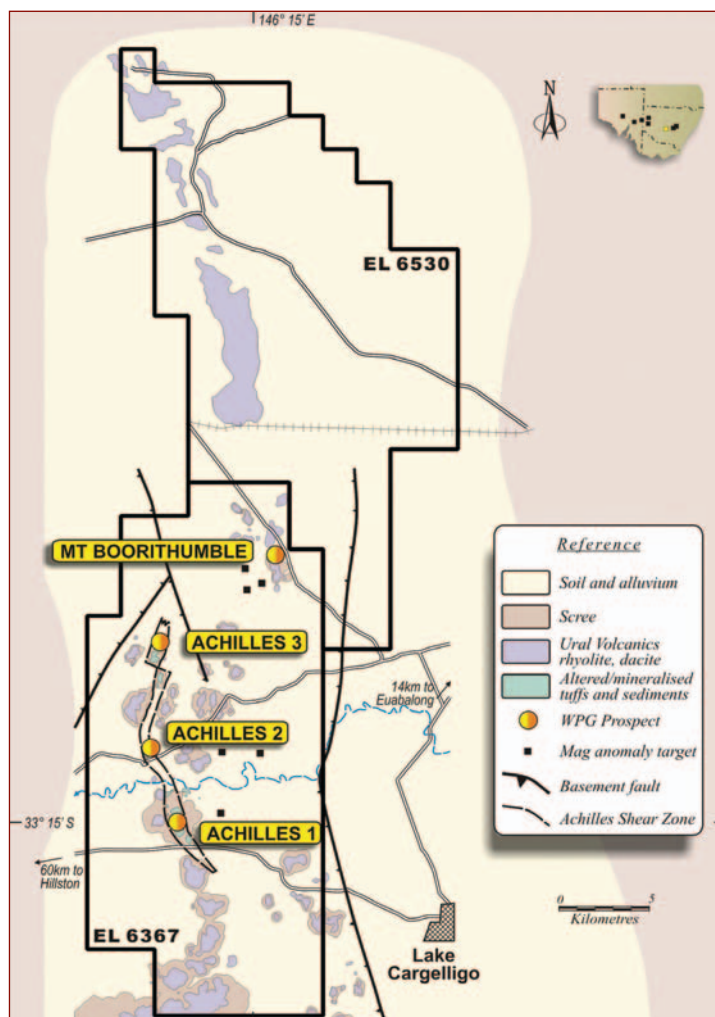
Gridding, detailed geological mapping, ground magnetics and soil sampling programs at the **Achilles 3 Prospect** have defined an area of interest that is a potential target for deeper drilling. Soil sampling results have outlined a significant lead anomaly in the north-eastern sector of the grid that is associated with highly sheared interbedded sediments and acid volcanics similar to those that host mineralisation at Achilles 1. In-fill sampling is planned to complete the definition of the anomaly.

Six small discrete magnetic anomalies were investigated with geological reconnaissance and ground magnetic surveys. These features may be indicative of zones of pyrrhotite associated base metal mineralisation similar to that at the **Mt Boorithumble Prospect**. A program of aircore drilling to provide an initial geochemical test for each target is scheduled to commence late in the September quarter.

The Company increased its land holding in the Lake Cargelligo district during the year through the application and grant of EL 6530 Shepherds Hill that adjoins EL 6367 to the north. Literature research and preliminary field investigation of areas of interest in this tenement have been commenced.

## PEAK HILL EAST EL 6342 & ELA 2749

The Peak Hill East project area is situated on the eastern side of the Forbes-Parkes-Peak Hill-Tomingley gold belt, a zone that has historical production in excess of one million ounces of gold. The region is highly prospective for both epithermal and porphyry



**FIGURE 4:** Lake Cargelligo Project Regional Geology & Prospect Locations

style gold and gold-copper deposits. Recent discoveries of note include the 0.5 million ounce Wyoming deposit 5 kilometres to the north-west of the Company's tenements and the large low-grade copper-gold porphyry system at the Buryan prospect situated 10 kilometres to the south.

Eighteen magnetic anomalies selected from the results of the 2005 ultra-detailed low-level aeromagnetic survey have been investigated in conjunction with a program of regional geological reconnaissance and rock chip sampling. Outcrop within the project area is generally sparse but where present comprises mostly andesitic breccias and flows of the Late Ordovician Goonumbla Volcanics. A rock chip sample of quartz veined andesitic tuff collected from the vicinity of Anomaly 8 assayed 1.82 g/t gold and 1,265 ppm arsenic.

Five of the more promising magnetic anomalies have been selected for short traverses of vertical aircore holes that will provide bedrock geochemical and geological data. This program is scheduled to commence late in the September quarter.

ELA 2749 of 11 units was applied for and adjoins EL 6342 to the north-west.

## BROKEN HILL BLOCK

The Company has completed substantial programs of exploration on its tenements in the Broken Hill Block during the past year. Work has been focused on developing and drill testing targets that have the best potential for the discovery of significant iron-oxide copper gold (IOCG) deposits.

### EURIOWIE PROJECT EL 5771 & EL 6188

At the **Fairy Hill Prospect** RAB geochemical sampling completed over the mineralised zone delineated by prior geological mapping and rock chip sampling defined a significant copper anomaly that was tested by six inclined RC percussion holes. Five of the six holes intersected broad intervals of consistent low-grade copper mineralisation in a zone that dips at approximately 45 degrees to the north-east. The best result was 24 metres at 0.47% copper in hole FH-1.

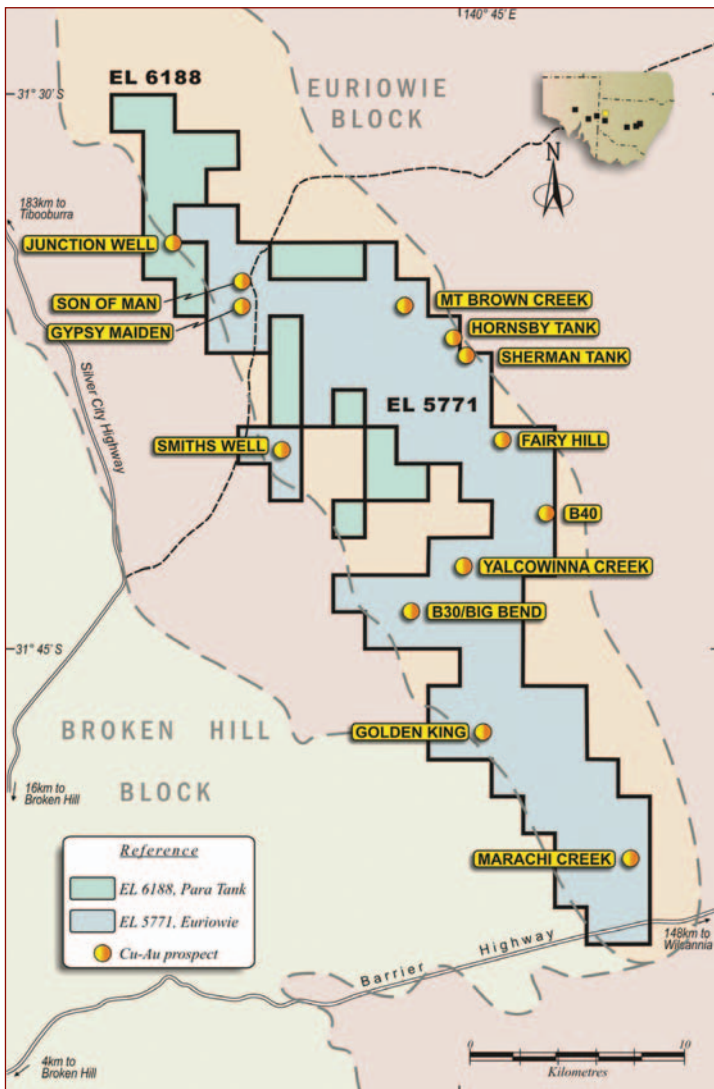
Results of a MLEM survey have defined a significant anomaly that is co-incident with the low-grade mineralisation intersected in the drill holes and extending beyond it along strike at both ends. Further RAB drilling is required to test these extensions and to close off the copper geochemical anomaly.

Advancement of the **Yalcowinna Creek Prospect** has proceeded along similar lines to that at Fairy Hill. Systematic RAB drilling defined a strong bedrock copper anomaly that was tested with nine inclined RC percussion holes on three cross sections. All nine holes intersected significant widths of low-grade copper mineralisation in the targeted down-dip position from the gossan. The best result was 24 metres at 0.35% copper intersected in hole YC-2.

While the mineralisation intersected in the drill holes at Fairy Hill and Yalcowinna Creek is of sub-economic grade, the Company considers that in both instances it may represent a low-grade alteration halo that commonly surrounds bodies of higher grade mineralisation at depth. Results of a MLEM survey have defined an EM anomaly that coincides with the gossan outcrop and continues along strike to the south for a further 500 metres. This anomaly is of a type that is likely to be caused by the disseminated copper sulphides intersected in the percussion drill holes and indicates that the Yalcowinna Creek mineralised zone has a strike length in excess of one kilometre.

The MLEM survey has also defined a strong conductivity anomaly that geophysical interpretation suggests may be due to a massive sulphide body. The anomaly is located in the down-dip position of the southern extension of the mineralised zone (Figure 6). Assays from three additional lines of RAB holes drilled across the EM anomalies have extended the copper anomaly associated with the gossan zone. Potentially of greater significance, the bedrock above the eastern EM anomaly is also anomalous in copper. Two inclined RC percussion holes and one inclined RC percussion pre-collared diamond hole have been planned to test these coincident geochemical and EM targets.

Development of the **Son of Man Prospect** has progressed with programs of gridding, detailed geological mapping, rock chip sampling, RAB drilling, ground magnetic and MLEM surveys. Mapping and rock chip sampling defined a ferruginous gossanous zone that is in excess of 1,400 metres long. Over



**FIGURE 5:** Euriovie Project Prospect Locations

*Over one third of a total of 102 rock chip samples at Son of Man assayed greater than 1,000 ppm copper up to a maximum value of 2.81%.*



**FIGURE 6: Yalcowinna Creek Prospect copper geochemistry & MLEM images**

one third of a total of 102 rock chip samples assayed greater than 1,000 ppm copper up to a maximum value of 2.81%. Anomalous gold values were also recorded up to a maximum of 2.97 g/t.

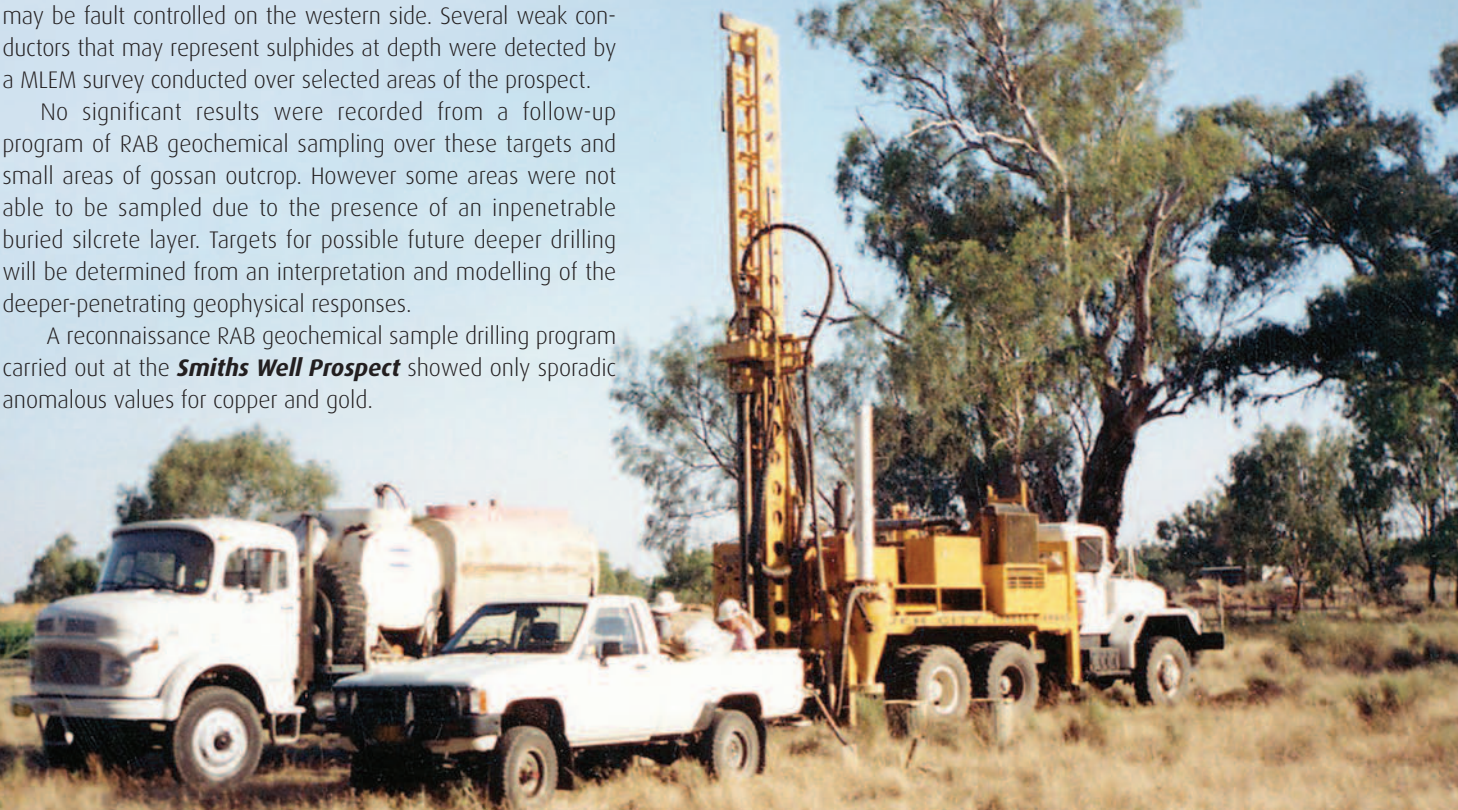
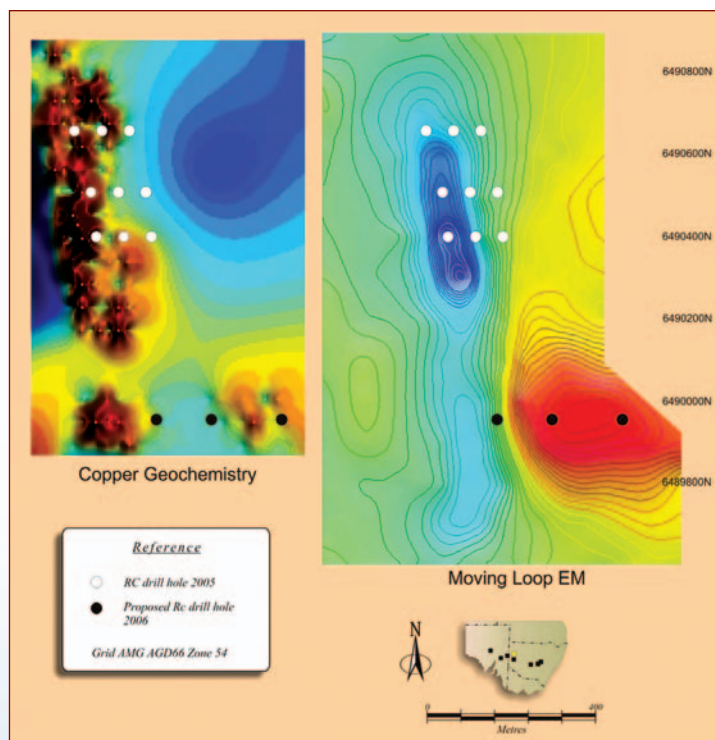
The RAB sampling has outlined a significant 450 metre long linear copper anomaly. Results of the MLEM survey show a strong negative response over and slightly to the north of the mapped gossan and the magnetic data has defined a residual anomaly that trends parallel and lies to the north of both the gossan outcrop and the MLEM anomaly. Preliminary geophysical modeling and interpretation indicate that both the geophysical anomalies have the same source which is potentially a pyrrhotite rich unit that dips to the north and intersects the surface at the position of the outcropping gossan zone.

A four hole program of inclined RC percussion drilling has been designed to test both the geophysical and geochemical targets.

Results of a ground magnetic survey at the **B40 Prospect** have defined a broad 3,000 nano tesla anomaly together with a series of lesser magnitude anomalies that extend over a total strike length of 4.5 kilometres. Geophysical modeling indicates the main anomaly is probably due to a magnetite rich body that has a 600 metre long strike dimension and is likely to be 100–200 million tonnes in size. It appears to have a complex shape and may be fault controlled on the western side. Several weak conductors that may represent sulphides at depth were detected by a MLEM survey conducted over selected areas of the prospect.

No significant results were recorded from a follow-up program of RAB geochemical sampling over these targets and small areas of gossan outcrop. However some areas were not able to be sampled due to the presence of an impenetrable buried silcrete layer. Targets for possible future deeper drilling will be determined from an interpretation and modelling of the deeper-penetrating geophysical responses.

A reconnaissance RAB geochemical sample drilling program carried out at the **Smiths Well Prospect** showed only sporadic anomalous values for copper and gold.



### MULYUNGARIE PROJECT EL 3478 & EL 4657

The Company completed initial diamond drill testing of the large co-incident gravity and magnetic anomalies at the **K1 Prospect** located in EL 3478 near the NSW-SA border. A drilling aid funding grant amounting to half of the actual drilling costs was received from the South Australian Department of Primary Industries and Resources (PIRSA) under the Plan for Accelerating Exploration (PACE) scheme for this program.

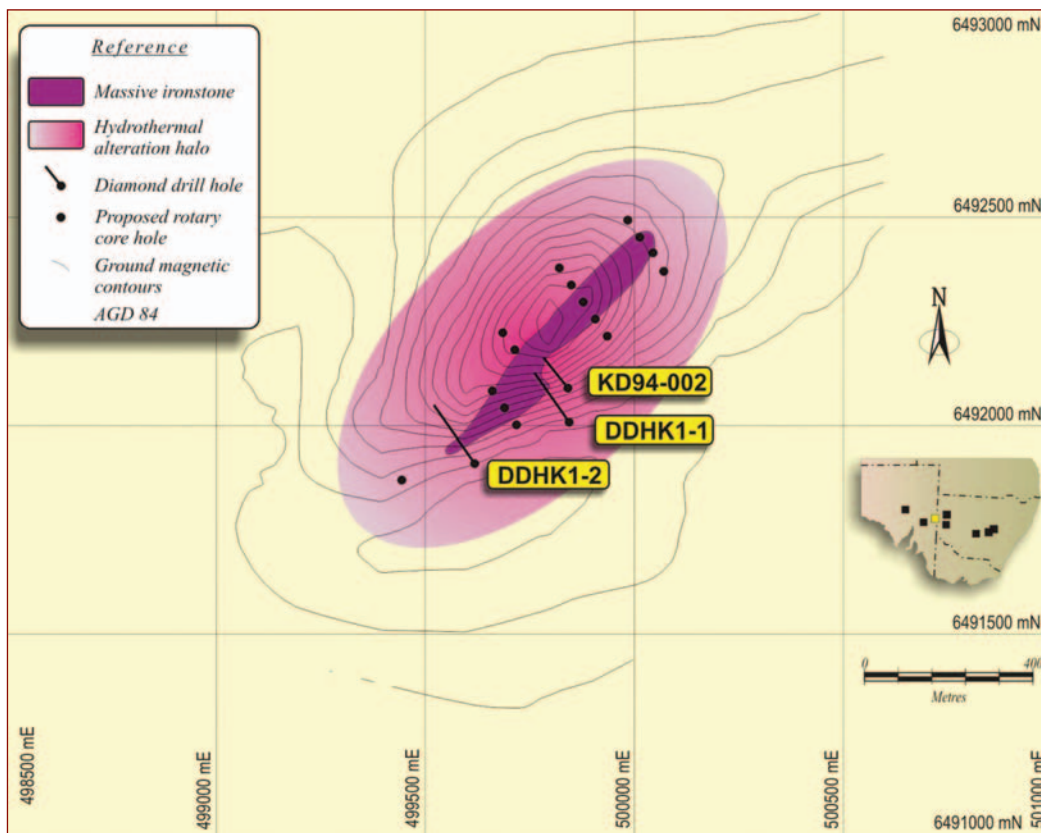
DDHK1-1 designed to test beneath the peak of the magnetic anomaly intersected a large quartz-magnetite-hematite body close to the target depth at 176.8 metres down-hole and continued in this lode material to a final depth of 298.8 metres. Sulphides within the ironstone body comprise pyrite and minor chalcopyrite as fine veinlets and fracture in-fill. Assay results show spotty, low-level gold is present in some sections of the core. The upper part of the ironstone intersection averaged 0.53 g/t gold over the nine metre interval between 177.0 and 186.0 metres including two metres at 1.65 g/t.

DDHK1-2 designed to test beneath the peak of the gravity anomaly 200 metres to the south-west of the first hole intersected the siliceous ironstone body between down-hole depths of 125.0 and 185.0 metres. Below 185.0 metres, the rocks are intensely quartz-K-feldspar-chlorite altered and contain sulphide bearing quartz-magnetite-hematite veins together with common disseminated pyrite and occasional veins of massive pyrite up to 10 centimetres thick. Narrow breccia zones are also present within the core. The hole was completed at a depth of 462.0 metres still in highly altered gneissic rocks.

Assay results for DDHK1-2 are similar to DDHK1-1 with low level anomalous gold values present between down-hole depths of 142.0 to 155.0 metres and 223.2 to 231.0 metres. The upper interval coincides with part of the massive ironstone intersected in this hole. Two high grade assays were obtained from the lower anomalous interval with 7.12 g/t gold recorded from a 30 centimetre massive pyrite vein between depths of 223.2–223.5 metres. An assay of 4.46 g/t gold was recorded from the interval 225.0–226.0 metres co-incident with a zone of prominent pyrite veining.

Results from the drilling program have established the presence of a large hydrothermal alteration system at the K1 prospect that has only been partially tested by these two holes as shown in Figure 7. This interpretation is supported by the geophysical data that indicates neither hole fully intersected the ironstone body, the dimensions of which are thought to be at least 200 metres thick and approximately 900–1,000 metres long. The composition of the iron oxide lode shows strong similarities to ironstone bodies in the Cloncurry and Tennant Creek regions of Queensland and the Northern Territory where, in some instances, they host economic deposits of gold and copper.

While core assays from the two K1 holes are generally of low-order they show that the hydrothermal system is significantly gold anomalous. There is considerable room for improved values and further drilling is required to search for mineralisation of economic size and grade. Evidence from known, large iron-oxide associated copper-gold deposits such as Ernest Henry, Prominent Hill, Eloise and Selwyn shows that the economic mineralisation is often not confined to the main



**FIGURE 7:**  
Mulyungarie Project K1  
Prospect Simplified Geology  
& Magnetic Contours





ironstone body and can be along strike, or alongside. The Company plans to follow-up the encouraging results to date with a pattern of vertical rotary/core holes into the bedrock to test the un-drilled sections of both the ironstone body and the surrounding alteration envelope.

#### **REDAN PROJECT EL 5795 & EL 6394**

The Company completed a small program of close-spaced RAB drilling at the **Chert Ridge Prospect** within EL 5795. The sampling was designed to follow-up anomalous copper and gold values intersected in widely spaced RAB holes drilled by a previous explorer. Sporadic anomalous copper and gold values were obtained from some of the holes however no significant coherent anomalies were defined.

#### **KALABITY PROJECT EL 3297**

In October 2005 the Company entered into a joint venture with PlatSearch NL to farm into EL 3267 situated in the eastern

Curnamona Craton area of South Australia. The Kalabity project area was considered to be prospective for uranium and rare earth element ("REE") mineralisation and for IOCG deposits. The Curnamona Craton is one of the more prospective provinces in Australia for uranium with one operating mine at Beverley and other well-known deposits at Honeymoon and the historical site of Radium Hill.

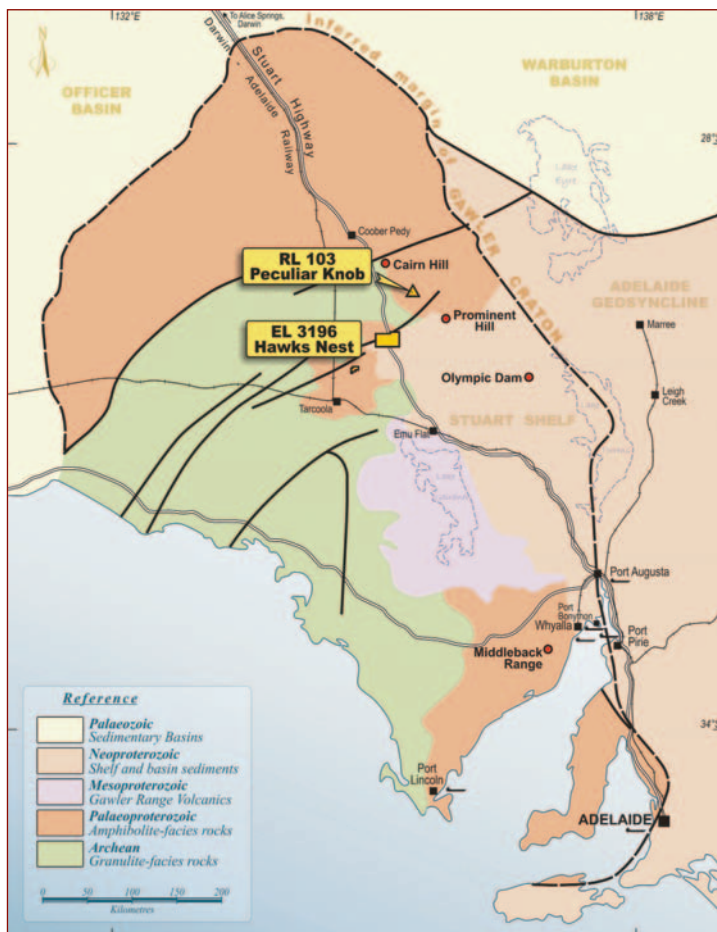
The Company completed an extensive program of regional calcrete sampling across the entire tenement. In addition, several small grids and traverses designed to follow up geochemical and radiometric anomalies from previous explorers were calcrete sampled at closer spacing. Results defined several zones weakly to moderately anomalous in uranium, gold and base metals that were followed up with additional in-fill calcrete sampling.

The two most promising uranium anomalies were followed-up with small programs of bedrock RAB sampling. Results showed only minor spikey anomalous uranium values up to 89 ppm. The Company has subsequently withdrawn from the joint venture.



## SOUTHERN IRON PROJECTS

**FIGURE 8:**  
Southern Iron Project Locations  
South Australia



### PECULIAR KNOB PROJECT RL 103

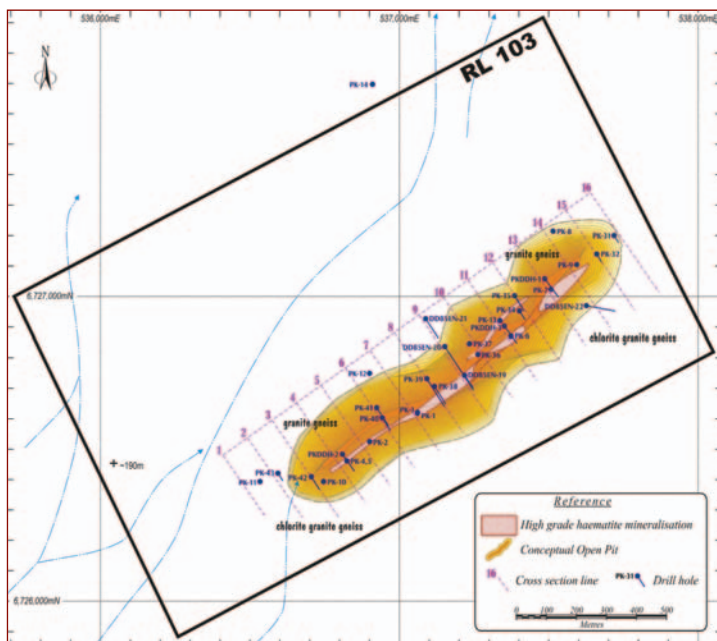
Massive hematite was first discovered at Peculiar Knob in 1985 during exploration for IOCG deposits. The prospect emerged during the follow-up of anomalies defined from an aeromagnetic survey and was initially tested with four diamond drill holes, two of which made significant intersections of iron oxide mineralisation in an area with no surface outcrop.

The Department of Mines and Energy South Australia ("MESA") conducted ground magnetic and gravity surveys and drilled fourteen short vertical RC percussion holes together with three inclined diamond drill holes at Peculiar Knob in 1995 as part of the South Australian Steel and Energy ("SASE") project.

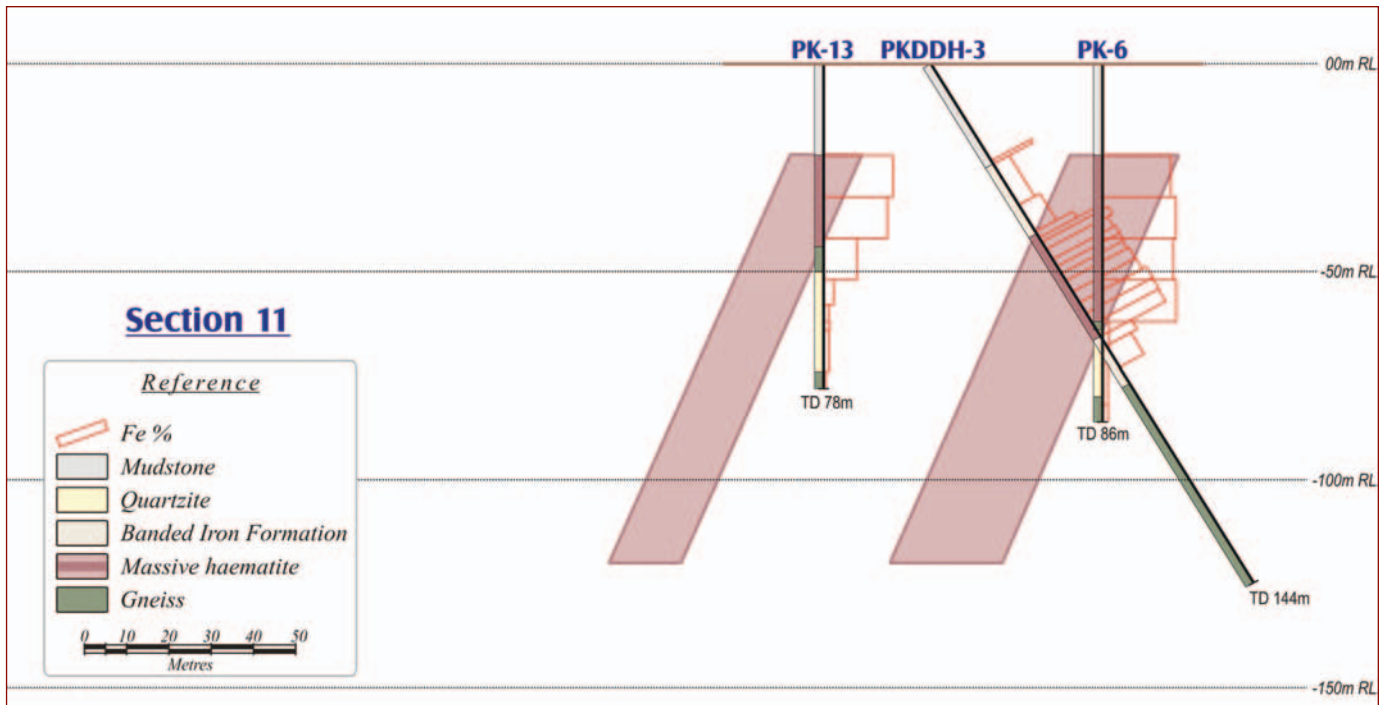
A series of twelve infill inclined RC percussion holes, seven of which intersected high grade hematite over true widths of that ranged from 3 to 43 metres were drilled in 2005. The Company has compiled all of the existing information on Peculiar Knob into a GIS digital data base that will be used as the basis for on-going exploration, resource estimates and production development planning. Figure 9 shows the Peculiar Knob tenement, drill hole locations, resource cross section traverses and the outline of a conceptual open pit mine project.

Peculiar Knob is situated in the Mount Woods Inlier within a sequence of Paleoproterozoic to Mesoproterozoic metasediments, deformed granitoids and granite. Rock types include banded iron formation ("BIF"), various forms of gneiss and meta-pelite and migmatite. These metasediments have been intruded by the porphyritic Engenina Adamellite and the younger Balta Granite producing intense chlorite alteration at Peculiar Knob. The basement rocks are unconformably overlain a 20-35 metre thickness of Cretaceous Bulldog Shale that is in turn covered by a thin veneer of Quaternary red-brown clay, sand and silt.

The zone of high grade mineralisation is contained in two sub-parallel elongate lensoidal bodies of massive specular (micaceous) hematite, also known as specularite that are thought to have formed as a result of hydrothermal enrichment of a metamorphosed BIF. The main hematite body has a north-east to south-west trend and pinches and swells along a strike dimension of approximately 1100 metres. It generally dips steeply to the north-west however dip reversals are evident on some sections.



**FIGURE 9:** Peculiar Knob  
Drill Hole Locations  
& Conceptual Open Pit

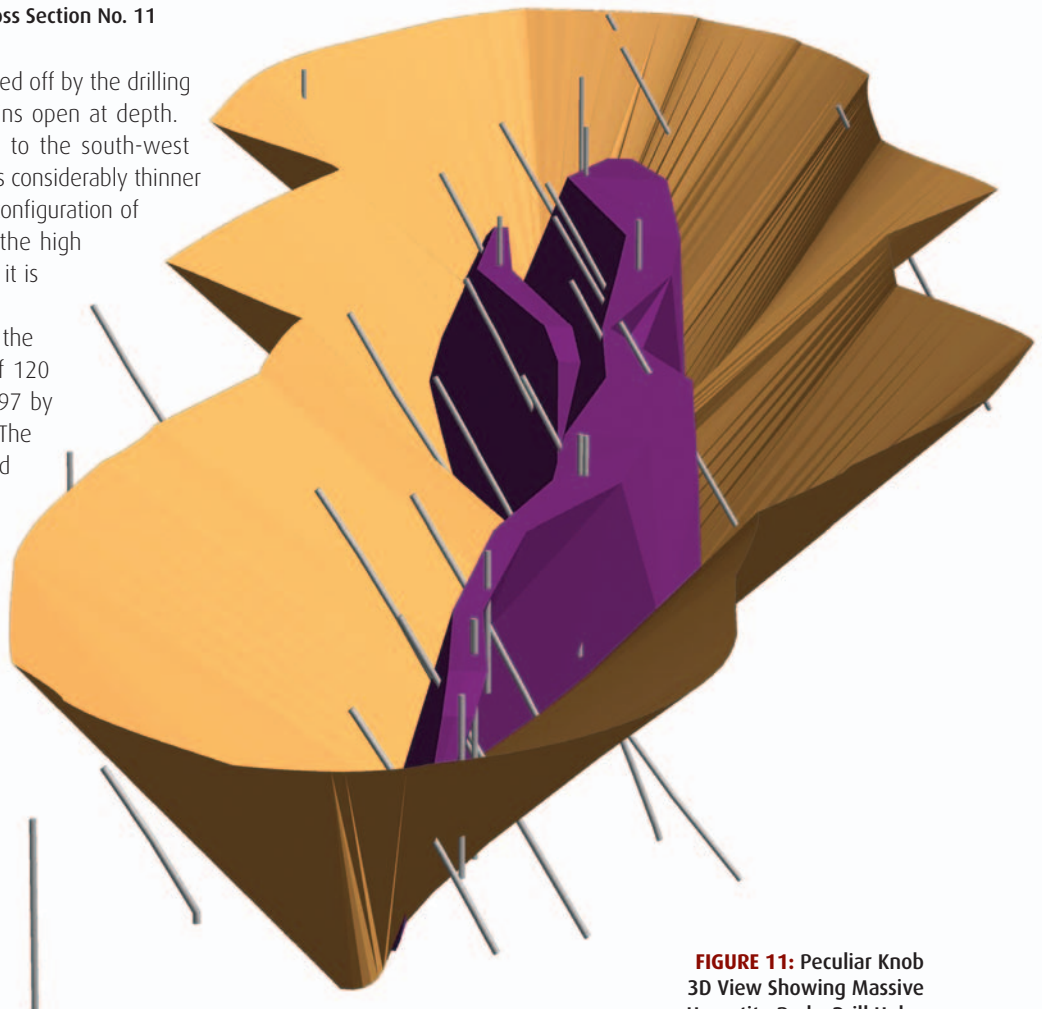


**FIGURE 10:** Peculiar Knob Resource Cross Section No. 11

The mineralisation has been closed off by the drilling at the north-eastern end but remains open at depth. The body may extend along strike to the south-west beyond the limits of the drilling but is considerably thinner at that end. The three dimensional configuration of the deposit is commensurate with the high grade metamorphic terrain in which it is situated.

A sectional resource estimate for the Peculiar Knob deposit to a depth of 120 metres vertical was prepared in 1997 by MESA and is 14.0Mt @ 63.2% iron. The resource is classified as Inferred according to the AusIMM JORC Code.

The Company has planned a series of in-fill holes on 50 metre cross section spacing that will enable an upgrade of the status of the resource to the Measured and Indicated categories. In addition, holes will be drilled for metallurgical sampling and to obtain geotechnical data. Results of the drilling will also facilitate the conversion of resources to reserves in conjunction with the detailed design of an open pit mine and the preparation of a feasibility study.



**FIGURE 11:** Peculiar Knob 3D View Showing Massive Hematite Body, Drill Holes & Conceptual Open Pit

### HAWKS NEST PROJECT EL 3196

Iron ore mineralisation at Hawks Nest occurs in seven separate deposits of varying size and grade that occur over an area of approximately nine kilometres east to west, and four kilometres north to south. Details of the individual deposits are outlined below and their locations shown in Figure 12. Over the period from 1977 to 1994 the area was subjected to exploration by several of the major mining companies. Most of this work was focussed on the large regional coincident gravity and magnetic anomalies that were considered to indicate potential for Olympic Dam style copper-gold-uranium mineralisation.

The major episode of iron ore exploration was carried out by MESA in 1995 and 1996. MESA drilled a total of 367 holes for 20,418 metres. The Kestrel and Buzzard prospects were subjected to intensive resource definition drilling and related work in 2000 and 2001 that included 12,284 metres of reverse circulation drilling and 2,630 metres of diamond drilling in a total of 108 drill holes. The other five prospects, Goshawk, Harrier, Eagle, Falcon, and Kite have had only a few exploratory drill holes.

The local Hawks Nest geology is interpreted as an up-thrown fault block of Palaeoproterozoic metasediments including BIF horizons. The BIFs are largely concealed under Cretaceous sediments and recent colluvium but are the dominant source for a 25 kilometre long east-north-easterly trending magnetic anomaly. Detailed ground magnetic and gravity surveys have shown there are several prominent strike ridges of magnetite BIF separated by lows that are interpreted to be non-magnetic metasediments.

Three different types of mineralisation have been identified by exploration work to date:

- Large low grade primary or unenriched magnetite BIF bodies, occurring as un-oxidised sections of the BIF horizons, with widths of 150 metres to 500 metres and depths of 500 metres to 1000 metres. Grades are commonly 35 per cent to 40 per cent iron, in a very fine grained matrix.
- Restricted zones of higher grade magnetite, with some grades in excess of 60 per cent iron.
- High grade haematite as at the Buzzard prospect, in the form of a tectonically brecciated BIF.

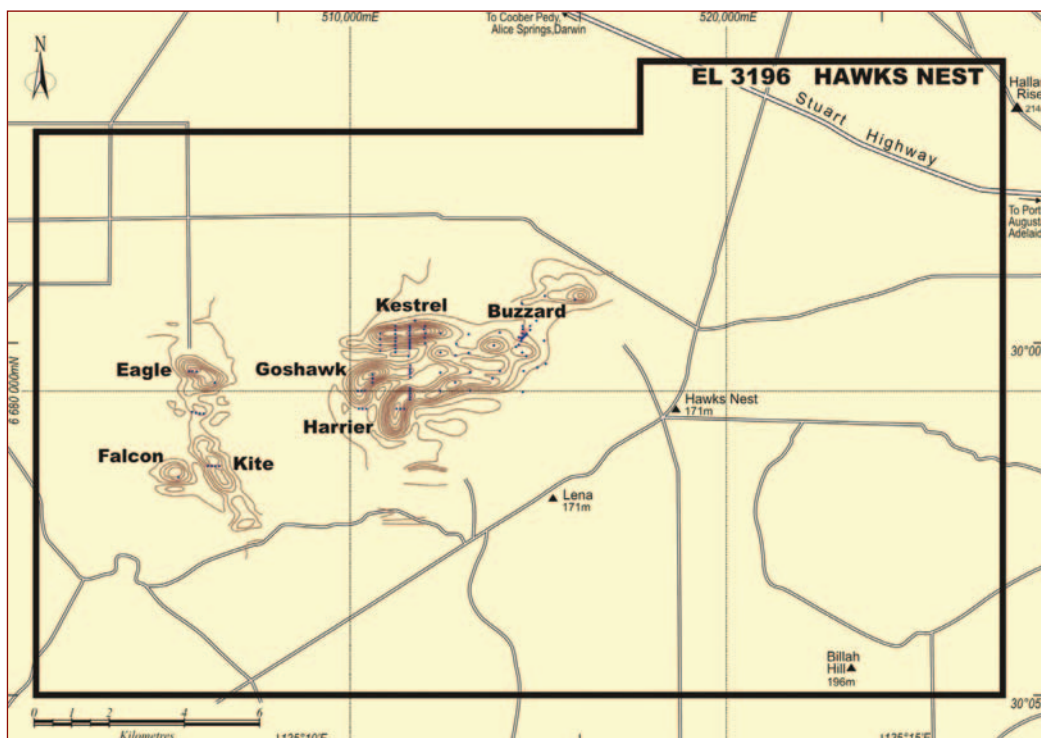
The fine grained magnetite mineralisation at Hawks Nest is quite similar to the taconite iron ores of the Mesabi Ranges in Minnesota and Michigan, and of some of the mineral resources in the Midwest region of Western Australia.

Following the extensive drilling program undertaken in 1995 and 1996 mineral resources estimates were prepared for the Kestrel and Buzzard deposits as shown in Table 1.

The Kestrel estimate was based on a 30 per cent iron cut-off grade, to a depth of 135 metres below surface. The deposit is in un-oxidised ore from a vertical depth of 50 metres. The Buzzard mineral resource estimate is based on a 55 per cent iron cut-off grade, to a depth of 125 metres.

MESA made tonnage and grade estimates for the other five Hawks Nest prospects, to a depth of 100 metres in each case, following the completion of their drilling programs in 1996 and MESA's Inferred resource estimates are shown in Table 2.

The Company has compiled all of the existing information on Hawks Nest into a GIS digital data base that will be used as the basis for planning of on-going exploration, resource estimates and development scenarios. Plans to advance the Hawks Nest project with further drilling and resource evaluation work on the



**FIGURE 12:** Hawks Nest Project. Prospect Locations & Ground Magnetic Contours



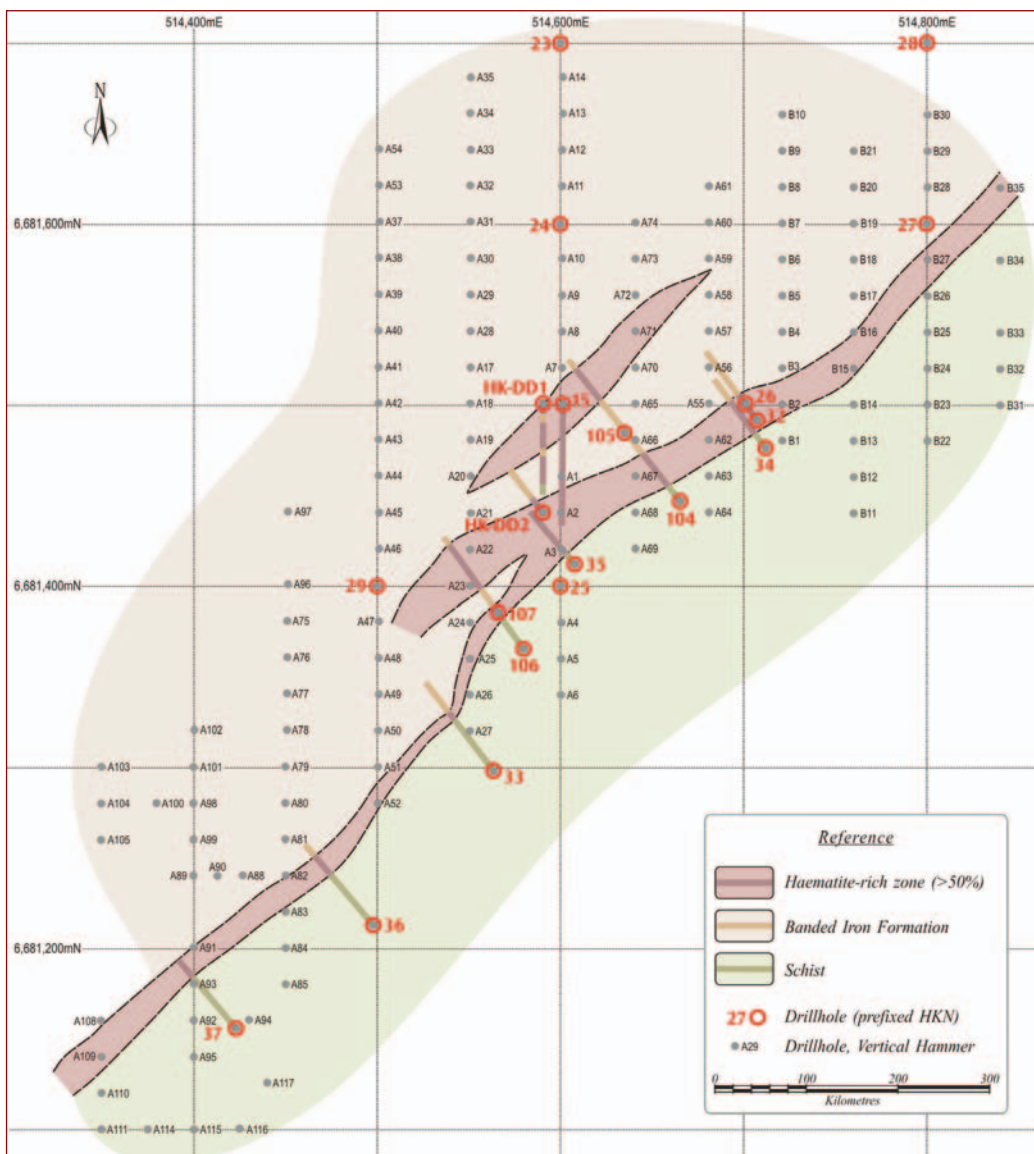
various deposits are currently being developed. Initial exploration will focus on up-grading the resource status of the known high grade deposits that have the best potential to be developed in the short term for direct shipping ore.

**TABLE 1.**  
Hawks Nest Estimated Mineral Resources

Deposit	Category	Million Tonnes	Fe %	P <sub>2</sub> O <sub>5</sub> %	SiO <sub>2</sub> %	Al <sub>2</sub> O <sub>3</sub> %	LOI %
Kestrel	Measured Resources	100	37	0.13	37	0.83	0.58
	Indicated Resources	60	36	0.13	38	1.00	0.79
	Inferred Resources	60	36	0.13	39	1.05	0.78
	Total Resources	220	36	0.13	38	0.94	0.69
Buzzard	Measured Resources	1.8	62	0.06	9.3	1.2	0.8
	Indicated Resources	3.1	60	0.09	10.9	1.7	1.4
	Inferred Resources	1.8	59	0.15	8.7	2.9	2.5
	Total Resources	6.7	60	0.10	9.9	1.9	1.5

**TABLE 2.**  
Hawks Nest Mineralisation Summary

Deposit	Million Tonnes	Fe %
Goshawk	148	34.8
Harrier	54	35.4
Eagle	92	31.3
Kite	30	50.5
Falcon	25	32.4





**TABLE 3.** Schedule of Tenements as at 12 September 2006

Tenement	Tenement Number	Interest	Joint Venture Details
<b>NEW SOUTH WALES</b>			
<b>Broken Hill</b>			
Mundi Mundi	EL 4657	0%	WPG can earn 60%, PlatSearch 100%
Euriowie	EL 5771	0%	WPG can earn 60%, PlatSearch 80%, Eaglehawk 20%
Para Bore	EL 6188	0%	WPG can earn 60%, PlatSearch 80%, Eaglehawk 20%
Redan	EL 5795	80%	Eaglehawk 20%, PlatSearch has a royalty interest
Kanbara	EL 6394	80%	Eaglehawk 20%, PlatSearch has a royalty interest
<b>Lachlan Fold Belt</b>			
Trundle	EL 4512	100%	PlatSearch and Nosebi have royalty interests
Peak Hill East	EL 6342	100%	–
Peak Hill North	ELA 2749	100%	–
Lake Cargelligo	EL 6367	100%	–
Yarrabandai	ELA 2768	100%	–
Shepherd Hill	EL 6530	100%	–
<b>SOUTH AUSTRALIA</b>			
Mulyungarie	EL 3478	0%	WPG can earn 60%, PlatSearch 80%, Eaglehawk 20%

EL = Exploration Licence    ELA = Exploration Licence Application



**ABOVE:** WPG's Consultant Geologist John Seeley logging core at Achilles 1 Prospect, Lake Cargelligo Project.

**BELOW:** Ironstone outcrop at Hawks Nest.



# Report of the Directors

Your Directors present the financial report of the Company for the year ended 30 June 2006.

The following persons hold office as Directors at the date of this report and throughout the financial year. Their qualifications and experience are:

## **ROBERT H DUFFIN**

**BSc (Hons), MSc (Hons), Grad Dip Mgt, FAusIMM CP;  
Non-Executive Chairman**

Bob Duffin became a Director from the date of incorporation on 7 June 2004. He is a company director and consultant to the mining industry, with over 31 years experience in resource exploration and project assessment including over 16 years experience in mining investment analysis, project valuations and assessments of fair value of securities. During the past three years, Bob Duffin has also served as a director of Centennial Coal Company Limited, Midwest Corporation Limited and Ferrowest Ltd, all ASX listed companies.

## **GARY J JONES**

**BSc (Auckland), MAusIMM, MASEG, Director – Technical**

Gary Jones became a Director on 7 June 2004. He is a geologist with over 37 years professional experience in mineral exploration and resource and reserve estimation. He has been an independent consultant to the mining industry for the past 22 years.

## **BOB RICHARDSON**

**BSc (Sydney), BE (Hons) (Sydney), MAusIMM, MASEG,  
Non-Executive Director**

Bob Richardson became a director on 3 November 2004. He has extensive involvement in exploration management, geophysics and exploration technology for more than 40 years. During the past three years Bob Richardson has also served as a director of PlatSearch NL, an ASX listed company and Crossland Uranium Mines Limited, an NSX listed company.

## **HEATH ROBERTS**

**Dip Law (SAB), Grad Dip Legal Practice (UTS)  
Company Secretary**

Heath Roberts was a director of the Company from the date of incorporation on 7 June 2004 until he resigned on 3 November 2004. He practiced as a commercial solicitor before focussing on company secretarial practice, corporate advice and fund raising, with an emphasis on the resource and mining sectors. Heath consults extensively to Oakhill Hamilton Pty Ltd, a company which provides secretarial and corporate advisory services to a range of listed and unlisted companies.

## **Directors' Interests in Shares and Options**

Directors' interests in shares and options as at 30 June 2006 and at the date of the report are set out in Note 18 to the financial statements.

## **Activities**

The principal continuing activity of the Company is the exploration

for economic copper and gold and metals. Since the end of the financial year the company has entered into an agreement to acquire an advanced iron project located in South Australia.

## **Results**

The net result of operations after applicable income tax expense was a loss of \$417,001 (2005 – \$112,081) which includes the write-off of exploration expenditure incurred in the current and prior years of \$216,343 (2005 – nil).

## **Dividends**

No dividends were paid or proposed during the period.

## **Review of Operations**

A review of the operations of the Company during the financial period and the results of those operations are contained in pages 3 to 14 in this report.

## **Corporate Structure**

Western Plains Gold Ltd is a limited company that is incorporated and domiciled in Australia.

## **Employees**

The Company had no employees as at 30 June 2006. The Company uses contract geologists and other consultants as required.

## **Significant Changes**

The Directors are not aware of any significant changes in the state of affairs of the Company occurring during the financial period, other than as disclosed in this report.

## **Matters Subsequent to the End of the Financial Period**

There were at the date of this report no matters or circumstances which have arisen since 30 June 2006 that have significantly affected or may significantly affect:

- i) the operations of the Company,
- ii) the results of those operations, or
- iii) the state of affairs of the Company,

other than the proposed acquisition of Southern Iron Pty Ltd and related matters as set out in Note 25.

## **Likely Developments and Expected Results**

Most the Company's areas of interest are at an early stage of exploration and it is not possible to postulate likely developments and any expected results. The Company will endeavour to develop the Peculiar Knob iron project, which contains an inferred resource of iron mineralisation. Feasibility studies and permitting will be required before a decision to proceed is made.



## Remuneration Report

### DIRECTORS' BENEFITS AND EMOLUMENTS

In August 2006 the Board reviewed the Directors' Emoluments. Remuneration levels, including participation in the Company's Share Option Plan, are set to provide reasonable compensation in line with the Company's limited financial resources. During the period no Director of the Company has received or become entitled to receive a benefit (other than a benefit included in the table below) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

### REMUNERATION OF THE BOARD AND SENIOR MANAGEMENT

The Board, on advice from the remuneration committee, determine the fees for non-executive directors and remuneration packages for executives. The fees for Directors are disclosed below.

The Company has established a share option plan for the benefit of directors, officers, senior executives and consultants, a summary of which is set out below.

There is no retirement scheme for Non-Executive Directors.

#### (a) Directors' remuneration

The following table outlines the nature and amount of the elements of the remuneration of specified Directors of the Company for the year ended 30 June 2006.

	Salary	Directors Fees	Consulting Fees	Superannuation Contributions	Options	Total
	\$	\$	\$	\$	\$	\$
<b>2006</b>						
R H Duffin	-	31,100	-	2,799	-	33,899
G J Jones	-	-	108,963	-	-	108,963
R L Richardson	-	17,772	-	1,599	-	19,371
	-	48,872	108,963	4,398	-	162,233
<b>2005</b>						
R H Duffin	-	-	-	-	-	-
G J Jones	-	-	22,000	-	-	22,000
R L Richardson	-	-	-	-	-	-
H L Roberts	-	-	-	-	-	-
	-	-	22,000	-	-	22,000

Mr Richardson is an employee of PlatSearch NL an ASX listed public company. Services provided by PlatSearch to the Company during the year are set out in Note 18.

Directors' interests in shares and options in the Company are set out in Note 18.

#### (b) Executive Officers' remuneration, shares and options

	Salary	Consulting Fees	Superannuation Contributions	Options	Total
	\$	\$	\$	\$	\$
<b>2006</b>					
H L Roberts	-	40,320	-	-	40,320
R J Waring	-	32,800	-	-	32,800
	-	73,120	-	-	73,120
<b>2005</b>					
H L Roberts	-	-	-	-	-
R J Waring	-	-	-	-	-
	-	-	-	-	-

Other than Directors, there are no other officers who satisfy the definition of "Executive Officers" who are or were involved in, concerned with, or who take part in, the management of the affairs of WPG and/or related bodies corporate, apart from the Company Secretary, Mr Roberts and the Financial Controller, Mr Waring.

## Key Management Personnel

The Company's key management personnel are listed above; under the definition set out in AASB 124 *Related Party Disclosures*, the Company has no executives other than those included in the above list of Directors who are responsible for the strategic direction and operational management of the Company. In addition to the specified Directors, the Company has no employees. Field and administrative work is carried out by contractors, and they have no responsibility for the strategic decision-making of the Company.

The Company has established a Share Option Scheme for the benefit of Directors, officers, senior executives and consultants, details of which are set out below.

There is no retirement scheme for Non-Executive Directors.

## DIRECTORS' FEES

Directors are entitled to remuneration out of the funds of the Company but the remuneration of the Non-Executive Directors may not exceed in any year the amount fixed by the Company in general meeting for that purpose. The aggregate remuneration of the Non-Executive Directors has been fixed at a maximum of \$100,000 per annum to be apportioned among the non-executive directors in such a manner as they determine (refer below). Subject to shareholder approval at a general meeting to be held on 26 October 2006, it is proposed that this limit be increased to \$200,000 per annum. Directors are also entitled to be paid reasonable travelling, accommodation and other expenses incurred in consequence of their attendance at Board meetings and otherwise in the execution of their duties as directors. The Directors have resolved that director's fees will be \$35,000 per annum for Non-Executive Directors, plus statutory superannuation contributions. Subject to shareholder approval of the acquisition of Southern Iron Pty Ltd, Mr Duffin will become Executive Chairman of the Company, on a salary of \$180,000 per annum plus superannuation. Subject to shareholder approval of his appointment to the Board, Heath Roberts will become Managing Director of the Company and receive a "cost to company" remuneration package of \$250,000 per annum, comprising a base salary of \$180,000 per annum plus superannuation and performance based incentives.

## DIRECTORS' EMPLOYMENT CONTRACTS

Mr Richardson has not entered into an employment contract with the Company. Subject to shareholder approval of the acquisition of Southern Iron Pty Ltd, Mr Duffin will enter into an employment contract with the Company and Mr Roberts, a proposed Director, will do likewise. The Company and Mr Jones have entered into a service agreement, details of which are set out below.

## AGREEMENT BETWEEN THE COMPANY AND GEONZ ASSOCIATES LTD

Pursuant to a letter agreement dated 30 November 2004 between Western Plains Gold Ltd, Geonz Associates Ltd (Geonz), a company controlled by Gary Jones, the parties agreed that Geonz and Jones would provide technical consulting services to the Company. The agreement took effect from the date on which the Company's shares were first listed on the ASX being 23 August 2005. The Company pays a retainer of \$125,000 per annum (inclusive of Director's fees), and Gary Jones agreed to provide consulting services for a minimum of 150 days per annum. Days worked in excess of 150 attract per diem fees of \$700.

The agreement can be terminated by 12 months notice by the Company to Geonz or by three months notice by Geonz to the Company.

## AGREEMENT BETWEEN THE COMPANY AND PLATSEARCH FOR THE PROVISION OF TECHNICAL SERVICES

The Company and PlatSearch NL entered into a letter agreement on 11 November 2004 for the provision of certain technical services, office and administration support. The agreement, which is for a term of one year following the listing of the Company on the ASX on 23 August 2005 and continues to date, entitles Western Plains Gold to use part of the premises, facilities and administrative support unutilised by PlatSearch on an arms-length, at-cost basis. Additionally, PlatSearch will provide the services of Mr Richardson as a technical consultant, when so requested by the Company's Board, at the rate of \$130 per hour for up to four days per month. In some instances Mr Richardson performs more than four days per month at this rate of remuneration.

## DIRECTORS' INTERESTS IN SHARES AND OPTIONS

Interests and movements in the shares and options of the Company held by Directors and their Director-related entities as at 30 June 2006:

	R H Duffin	G J Jones	R L Richardson	Total
<b>Fully Paid Ordinary Shares</b>				
at 30 June 2005	1,375,000	785,000	–	2,160,000
net change in year	125,000	10,000	50,000	185,000
at 30 June 2006	1,500,000	795,000	50,000	2,345,000
<b>2009 Options</b>				
at 30 June 2005	687,500	225,000	–	912,500
at 30 June 2006	687,500	225,000	–	912,500

## **DIRECTORS, OFFICERS, SENIOR EMPLOYEES AND CONSULTANTS SHARE OPTION PLAN**

The Company has established the Western Plains Gold Ltd Employees and Officers Share Options Plan ("the Plan") to assist in the attraction, retention and motivation of the Company's directors, officers, employees and senior consultants. No options have been granted under the Plan as at the date of this report. Options are proposed to be issued, subject to shareholder approval, at a general meeting to be held on 26 October 2006.

A summary of the rules of the Plan is as follows. All Directors, officers, employees and senior consultants (whether full- or part-time) will be eligible to participate in the Plan after a qualifying period of 12 months employment by the Company or its subsidiaries (or, in the case of a senior consultant, having provided consulting services to the Company or its subsidiaries on a continuous basis for at least 12 months), although the Board may waive this requirement.

The allocation of options under the Plan is at the discretion of the Board.

If permitted by the Board, options may be issued to a nominee of a director, officer, employee or senior consultant (for example, to a spouse or family company).

Each option allows the option holder to subscribe for one fully paid ordinary share in the Company and will expire five years from its date of issue. Options will be issued free. The exercise price of options will be determined by the Board subject to a minimum price equal to the market value of the Company's shares at the time the Board resolves to issue the options. The total number of shares the subject of options issued under the Plan, when aggregated with other options issued under the Plan during the previous five years must not exceed five percent of the Company's issued share capital at the time.

The Board may amend the Plan rules at any time subject to the requirements of the ASX Listing Rules.

## **Share Options**

Particulars of options granted over unissued shares:

- i) There were no shares issued during the year ended 30 June 2006 by virtue of the exercise of options.
- ii) As at the end of the financial period, the Company had on issue\*:
  - 3,475,000 options exercisable at 25 cents, expiry 28 September 2009
  - 3,475,000 options exercisable at 35 cents, expiry 28 September 2009
  - 279,180 options exercisable at 25 cents, expiry 23 August 2008
  - 2,500,000 options exercisable at 30 cents, expiry 16 September 2008

Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company until the options are exercised.

\* **Note:** These options are outside of the Share Option Plan.

## **Meetings of Directors**

During the period the Company's Directors held seven Board meetings. Messrs R H Duffin and G J Jones were in attendance at all of the meetings. Mr R L Richardson attended six of the meetings.

There was one circular resolution passed by the Board during the year, one Due Diligence Committee Meeting and one Audit Committee meeting.

Non-Executive Directors, Messrs R H Duffin and R L Richardson and Executive Director Mr G J Jones are members of the Company's Audit Committee. The Committee reviews the Company's financial systems, accounting policies, half-year and annual financial statements.

## **Indemnification and Insurance of Directors and Officers**

During the financial year, the Company has paid premiums in respect of a contract insuring all the Directors against legal costs incurred in defending proceedings for conduct involving:

- i) a wilful breach of duty; or
- ii) a contravention of sections 182 or 183 of the Corporations Act 2001, as permitted by section 199B of the Corporations Act 2001.

It is a term of the policy that the Company cannot disclose the premium paid for the cover.

## **Environmental Performance**

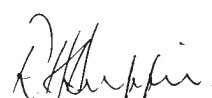
WPG holds exploration licences issued by the Mines Departments of two state governments which specify guidelines for environmental impacts in relation to exploration activities. The licence conditions provide for the full rehabilitation of the areas of exploration in accordance with the various Mines Departments' guidelines and standards. There have been no significant known breaches of the licence conditions.

## **Auditor's Independence and Non-Audit Services**

No non-audit services were provided by the Company's auditor, Barnes Dowell James during the current financial year. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised. The Directors received a declaration of independence from the auditors of Western Plains Gold Ltd. It is located on page 19 and forms part of this report.

Barnes Dowell James received \$5,000 for the provision of non-audit services in the 30 June 2005 financial period; for the Independent Accountant's Report in the IPO Prospectus.

Signed at Sydney this 26th day of September 2006 in accordance with a resolution of the Directors.



**R H DUFFIN**  
Chairman



# Auditor's Independence Declaration

## BARNES DOWELL JAMES

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### Chartered Accountants

12 September 2006

The Directors  
Western Plains Gold Ltd  
PO Box N239  
Grosvenor Place NSW 1220

**Partners**

C H Barnes FCA  
A J Dowell CA  
M W James CA

**Associate**

M A Nakkan CA

**North Sydney**

Level 13, 122 Arthur St  
North Sydney NSW 2060

**Manly**

Level 5, 22 Central Ave  
Manly National Building  
Manly NSW 2095

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(02) 9956 8500

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(02) 9929 7428

**email:** bdj@bdj.com.au

Dear Sirs,

### AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF WESTERN PLAINS GOLD LTD

In relation to our audit of the financial report of Western Plains Gold Ltd for the year ended 30 June, 2006, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Yours faithfully

**BARNES DOWELL JAMES**



**A. J. DOWELL**

Partner

# Income Statement

year ended 30 June 2006

	Note	2006 \$	2005 \$
<b>REVENUE</b>	2	<b>94,212</b>	7,768
ASX and ASIC fees		<b>(5,959)</b>	(20,049)
Auditors' remuneration		<b>(9,150)</b>	–
Contract administration services		<b>(100,019)</b>	(15,000)
Corporate advisory services		<b>(20,500)</b>	(15,000)
Depreciation expense		<b>(1,259)</b>	(309)
Directors' fees		<b>(48,872)</b>	–
Exploration expenditure written off		<b>(216,343)</b>	–
Insurance		<b>(30,429)</b>	(4,938)
Legal fees		–	(7,936)
Operating lease rental expense		<b>(21,816)</b>	–
Printing and stationery		<b>(8,345)</b>	(3,198)
Public relations		<b>(13,258)</b>	(22,835)
Share registry costs		<b>(10,675)</b>	(4,100)
Travel and accommodation		<b>(5,989)</b>	(16,685)
Other expenses from ordinary activities		<b>(18,599)</b>	(9,799)
		<b>(511,213)</b>	(119,849)
<b>(LOSS) BEFORE INCOME TAX EXPENSE</b>		<b>(417,001)</b>	(112,081)
<b>INCOME TAX EXPENSE</b>	3	–	–
<b>(LOSS) AFTER TAX</b>	15	<b>(417,001)</b>	(112,081)
<b>NET (LOSS) ATTRIBUTABLE TO MEMBERS OF WESTERN PLAINS GOLD LTD</b>		<b>(417,001)</b>	(112,081)
Basic loss per share (cents per share)	16	1.77	1.52
Diluted loss per share (cents per share)	16	1.77	1.52

# Balance Sheet

as at 30 June 2006

	Note	2006 \$	2005 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	5	1,083,552	827,888
Receivables	6	54,050	4,251
<b>TOTAL CURRENT ASSETS</b>		<b>1,137,602</b>	832,139
<b>NON-CURRENT ASSETS</b>			
Tenement security deposits	7	90,000	50,000
Plant and equipment	8	1,766	2,781
Deferred exploration and evaluation expenditure	9	1,229,011	348,529
<b>TOTAL NON-CURRENT ASSETS</b>		<b>1,320,777</b>	401,310
<b>TOTAL ASSETS</b>		<b>2,458,379</b>	1,233,449
<b>CURRENT LIABILITIES</b>			
Payables	10	11,571	36,803
Other – Loan	11	–	70,000
<b>TOTAL CURRENT LIABILITIES</b>		<b>11,571</b>	106,803
<b>TOTAL LIABILITIES</b>		<b>11,571</b>	106,803
<b>NET ASSETS</b>		<b>2,446,808</b>	1,126,646
<b>EQUITY</b>			
Issued capital	12	2,452,033	546,500
Subscriptions under share offer	13	–	692,227
Reserves	14	523,857	–
Accumulated losses	15	(529,082)	(112,081)
<b>TOTAL EQUITY</b>		<b>2,446,808</b>	1,126,646



# Cash Flow Statement

for the year ended 30 June 2006

	Note	2006 \$	2005 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Payment to suppliers and employees		(369,930)	(61,988)
Interest received		94,212	7,768
<b>NET CASH FLOWS (USED IN) OPERATING ACTIVITIES</b>	26	<b>(275,718)</b>	<b>(54,220)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of plant and equipment		(245)	(3,090)
Expenditure on mining interests (exploration)		(1,095,536)	(77,529)
Tenement security deposits		(40,000)	(50,000)
<b>NET CASH FLOWS (USED IN) INVESTING ACTIVITIES</b>		<b>(1,135,781)</b>	<b>(130,619)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares		1,966,200	250,500
Subscriptions under share offer		–	825,882
Equity raising expenses		(229,037)	(133,655)
Proceeds from borrowings		–	70,000
Repayment of borrowings		(70,000)	–
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>1,667,163</b>	<b>1,012,727</b>
<b>NET INCREASE (DECREASE) IN CASH HELD</b>		<b>255,664</b>	<b>827,888</b>
Add opening cash brought forward		827,888	–
<b>CLOSING CASH CARRIED FORWARD</b>	26	<b>1,083,552</b>	<b>827,888</b>

# Statement of Changes in Equity

for the year ended 30 June 2006

	Attributable to the shareholders of Western Plains Gold Ltd		
	Issued Capital \$	Accumulated Losses \$	Total Equity \$
<b>AT 1 JULY 2004</b>	500	–	500
Loss for the period	–	(112,081)	(112,081)
Issue of share capital, net of transaction costs	1,238,227	–	1,238,227
<b>AT 30 JUNE 2005</b>	<u>1,238,727</u>	<u>(112,081)</u>	<u>1,126,646</u>
<b>AT 1 JULY 2005</b>	1,238,727	(112,081)	1,126,646
Loss for the period	–	(417,001)	(417,001)
Issue of share capital, net of transaction costs	1,737,163	–	1,737,163
<b>AT 30 JUNE 2006</b>	<u><b>2,975,890</b></u>	<u><b>(529,082)</b></u>	<u><b>2,446,808</b></u>

# Notes to the Financial Statements

for the year ended 30 June 2006

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (A) BASIS OF PREPARATION

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards. It has been prepared on a historical cost basis.

### (B) STATEMENT OF COMPLIANCE

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ("AIFRS"). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards ("IFRS").

This is the first financial report prepared based on AIFRS, and comparatives for the period ended 30 June 2005 have been restated accordingly. Reconciliations of AIFRS equity and profit for 30 June 2005 to the balances reported in the 30 June 2005 financial report and at transition to AIFRS are detailed in Note 27.

### (C) BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of Western Plains Gold Ltd (WPG or the Company) and its subsidiaries (collectively, the "Group") as at 30 June each year. The Company had no subsidiaries during the 30 June 2006 year, but proposed to acquire Southern Iron Pty Ltd – Note 25.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

All intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

### (D) PROPERTY, PLANT AND EQUIPMENT

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset, namely plant and equipment – depreciated over four years (2005 – 4 years).

#### *Impairment*

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

An item of plant and equipment is derecognised upon disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the period the item is derecognised.

### (E) BORROWING COSTS

Borrowing costs are recognised as an expense when incurred.

### (F) INTEREST IN JOINTLY CONTROLLED OPERATIONS – JOINT VENTURES

The Company has an interest in exploration joint ventures that are jointly controlled. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. A jointly controlled operation involves use of assets and other resources of the venturers rather than establishment of a separate entity. The Company recognises its interest in the jointly controlled operations by recognising the assets that it controls and the liabilities that it incurs. The Company also recognises the expenses that it incurs and its share of any income that it earns from the sale of goods or services by the jointly controlled operations.

### (G) RECOVERABLE AMOUNT OF ASSETS

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the higher of fair value less costs to sell and value in use.

### (H) INVESTMENTS

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment.

After initial recognition, investments, which are classified as held for trading and available-for-sale, are measured at fair value. Gains or losses on investments held for trading are recognised in the income statement.

Gains or losses on available-for-sale investments are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to



maturity. Investments intended to be held for an undefined period are not included in this classification.

Other long-term investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost using the effective interest method.

Amortised cost is calculated by taking into account any discount or premium on acquisition, over the period to maturity.

For investments carried at amortised cost, gains and losses are recognised in income when the investments are derecognised or impaired, as well as through the amortisation process.

For investments that are actively traded in organised financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices at the close of business on the balance sheet date.

For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

Purchases and sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place are recognised on the trade date, being the date that the Group commits to purchase the asset.

## **(I) EXPLORATION, EVALUATION, DEVELOPMENT AND RESTORATION COSTS**

### ***Exploration and evaluation***

Exploration and evaluation expenditure incurred by or on behalf of the Company is accumulated separately for each area of interest. Such expenditure comprises net direct costs and an appropriate portion of related overhead expenditure, but does not include general overheads or administrative expenditure not having a specific connection with a particular area of interest.

Exploration and evaluation costs in relation to separate areas of interest for which rights of tenure are current are brought to account in the year in which they are incurred and carried forward provided that:

- such costs are expected to be recouped through successful development and exploitation of the area, or alternatively through its sale; or
- exploration and/or evaluation activities in the area have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves.

Once a development decision has been taken, all past and future exploration and evaluation expenditure in respect of the area of interest is aggregated within costs of development.

### ***Exploration and evaluation – impairment***

The Group assesses at each reporting date whether there is an indication that an asset has been impaired and for exploration and evaluation cost whether the above carry forward criteria are met.

Accumulated costs in respect of areas of interest are written off or a provision made in the Income Statement when the above criteria do not apply or when the directors assess that the carrying value may exceed the recoverable amount. The costs of productive areas are amortised over the life of the area of interest to which such costs relate on the production output basis.

Provisions are made where farm-in partners are sought and there is a possibility that carried-forward expenditures may have to be written off in the future if a farm-in partner is not found. In the event that farm-in agreements are reached or the Company undertakes further exploration in its own right on those properties, the provisions would be reviewed and if appropriate, written back.

### ***Development***

Development expenditure incurred by or on behalf of the Company is accumulated separately for each area of interest in which economically recoverable reserves have been identified to the satisfaction of the directors. Such expenditure comprises net direct costs and, in the same manner as for exploration and evaluation expenditure, an appropriate portion of related overhead expenditure having a specific connection with the development property.

All expenditure incurred prior to the commencement of commercial levels of production from each development property is carried forward to the extent to which recoupment out of revenue to be derived from the sale of production from the relevant development property, or from the sale of that property, is reasonably assured.

No amortisation is provided in respect of development properties until a decision has been made to commence mining. After this decision, the costs are amortised over the life of the area of interest to which such costs relate on a production output basis.

### ***Restoration***

Provisions for restoration costs are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are determined by discounting the expected cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

## **(J) TRADE AND OTHER RECEIVABLES**

Trade receivables, which generally have a 30 day term, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

#### **(K) CASH AND CASH EQUIVALENTS**

Cash and short-term deposits in the balance sheet comprise cash at bank and short-term deposits with an original maturity of three months or less.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts, if any.

#### **(L) TRADE AND OTHER PAYABLES AND PROVISIONS**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

#### **(M) EMPLOYEE LEAVE BENEFITS**

##### **(i) Wages, salaries, annual leave and sick leave**

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

##### **(ii) Long service leave**

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

#### **(N) SUPERANNUATION**

The Group contributes to defined contribution superannuation funds for employees. The cost of these contributions is expensed as incurred.

#### **(O) SHARE-BASED PAYMENT TRANSACTIONS**

In addition to salaries, the Group provides benefits to certain employees (including directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ("equity-settled transactions").

There is currently an Employee Share Option Plan in place to provide these benefits.

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value of the options is determined by using the Black & Scholes option pricing model.

In valuing transactions settled by way of issue of options, no account is taken of any vesting limits or hurdles, or the fact that the options are not transferable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the vesting conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of the cancellation, and any expense not yet recognised is recognised immediately. However, if a new award is substituted for the cancelled award and designated a replacement award on the date it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share except where such dilution would serve to reduce a loss per share.

## **(P) LEASES**

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

## **(Q) REVENUE**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Rendering of Services

Revenue from consulting services is recognised when provided.

Interest

Revenue is recognised as the interest accrues.

Royalties

Royalties are recognised in accordance with substance of the relevant agreement.

## **(R) INCOME TAX**

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the

transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

## **(S) OTHER TAXES**

Revenues, expenses and assets are recognised net of the amount of GST except:

where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

receivables and payables are stated with the amount of GST included.

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

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

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

## **(T) CURRENCY**

The functional and presentation currency for the Group is Australian dollars (\$).

## **(U) IMPAIRMENT OF ASSETS**

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not



generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

## **(V) SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period is:

Share-based payment transactions

The Company measures the cost of cash-settled share-based payments at fair value at the grant date using the Black and Scholes formula taking into account the terms and conditions upon which the instruments were granted, as detailed in Note 12 and 17.

## **(W) ISSUED CAPITAL**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

## **(X) EARNINGS PER SHARE**

Basic earnings per share is calculated as net profit attributable to members of the Company, adjusted to exclude any costs of servicing equity divided by the weighted average number of ordinary shares.

Diluted earnings per share is calculated as net profit attributable to members of the Company, adjusted for:

- costs of servicing equity;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

	2006	2005
	\$	\$
<b>2. REVENUE</b>		
Interest received – other persons/corporations	94,212	7,768
<b>3. INCOME TAX</b>		
Prima facie income tax (credit) on operating (loss) at 30%	(125,100)	(33,624)
Future income tax benefit in respect of timing differences – not recognised	125,100	33,624
Income tax expense	–	–

No provision for income tax is considered necessary in respect of the Company for the year ended 30 June 2006.

The Company has a deferred income tax liability of \$368,703 (2005 – nil) associated with exploration costs deferred for accounting purposes but expensed for tax purposes. This liability has been brought to account and offset by deferred tax assets attributed to available tax losses.

No recognition has been given to any deferred income tax asset which may arise from available tax losses, except to the extent offset against deferred tax liabilities. The Company has estimated its losses at \$1,324,200 (2005 – \$487,340).

A benefit of 30% of approximately \$543,460 (2005 – \$146,200) associated with the tax losses will only be obtained if:

- The Company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised,
- The Company continues to comply with the conditions for deductibility imposed by the law, and
- No changes in tax legislation adversely affect the Company in realising the benefit from the deductions for the losses.

No franking credits are available for subsequent years.

	2006	2005
	\$	\$
<b>4. AUDITORS' REMUNERATION</b>		
Total amounts receivable by Barnes Dowell James for:		
Audit or review of the financial report of the entity	9,150	–
Other services – Independent Accountant's Report for IPO Prospectus	–	5,000
	<b>9,150</b>	<b>5,000</b>
<b>5. CASH AND CASH EQUIVALENTS</b>		
Cash at bank	80,162	827,888
Money market securities – bank deposits	1,003,390	–
	<b>1,083,552</b>	<b>827,888</b>
Bank negotiable certificates of deposit, which are normally invested for 30 days, were used during the period and are used as part of the cash management function.		
<b>6. RECEIVABLES – CURRENT</b>		
Other receivables – GST and government drilling subsidy	54,050	4,251
<b>7. TENEMENT SECURITY DEPOSITS</b>		
Cash with government mines department	90,000	50,000
These non-interest earning deposits are restricted so that they are available for any rehabilitation that may be required on exploration tenements (refer to Note 21).		
<b>8. PLANT AND EQUIPMENT</b>		
Plant and equipment – at cost	3,334	3,090
Accumulated depreciation	(1,568)	(309)
	<b>1,766</b>	<b>2,781</b>
Reconciliation of the carrying amount of plant and equipment at the beginning and end of the current and previous financial year		
Carrying amount at beginning	2,781	–
Additions	553	3,090
Disposals	–	–
Depreciation expense	(1,568)	(309)
	<b>1,766</b>	<b>2,781</b>

	2006	2005
	\$	\$
<b>9. DEFERRED EXPLORATION AND EVALUATION EXPENDITURE</b>		
Costs brought forward	348,529	–
Costs incurred during the period	1,096,825	348,529
Expenditure written off during period	(216,343)	–
Costs carried forward	1,229,011	348,529
Exploration expenditure costs carried forward are made up of:		
Expenditure on joint venture areas	740,137	65,793
Expenditure on non joint venture areas	488,874	282,736
Costs carried forward	1,229,011	348,529
<p>The above amounts represent costs of areas of interest carried forward as an asset in accordance with the accounting policy set out in Note 1. The ultimate recoupment of deferred exploration and evaluation expenditure in respect of an area of interest carried forward is dependent upon the discovery of commercially viable reserves and the successful development and exploitation of the respective areas or alternatively sale of the underlying areas of interest for at least their carrying value. Amortisation, in respect of the relevant area of interest, is not charged until a mining operation has commenced.</p>		
<b>10. CURRENT LIABILITIES – PAYABLES</b>		
Trade creditors	11,571	6,499
Other related parties – associated company – PlatSearch NL	–	30,304
	11,571	36,803
These payables are non-interest bearing and are generally settled on 30 day terms.		
<b>11. CURRENT LIABILITIES – LOAN</b>		
Unsecured loan from associated company – PlatSearch NL (interest free). This loan was repaid in August 2005.	–	70,000
<b>12. ISSUED CAPITAL</b>		
Share capital		
25,559,000 ordinary shares fully paid	2,452,033	546,500



Movements in ordinary share capital	Date	Number of shares	Issue price	\$
Shares issued at Company's incorporation	07-06-04	500	\$1.00	500
Shares issued for cash	28-09-04	1,374,500	\$0.006912	9,500
Shares issued for cash	28-09-04	775,000	\$0.012903	10,000
Shares issued for cash	28-09-04	500,000	\$0.001	500
Shares issued for cash	28-09-04	1,875,000	\$0.08	150,000
Shares issued to acquire tenements	03-11-04	2,000,000	\$0.08	160,000
Shares issued for services rendered	03-11-04	2,750,000	\$0.04	110,000
Shares issued for cash	03-11-04	2,000,000	\$0.04	80,000
Shares issued to acquire interest in a tenement	10-11-04	325,000	\$0.08	26,000
Balance at end of previous financial year	30-06-05	11,600,000		546,500
Shares issued for cash under IPO	10-08-05	13,959,000	\$0.20	2,791,800
Share issue costs – cash				(362,410)
Share issue costs – share-based payment – Note 14	23-08-06			(523,857)
Balance at end of current financial period		25,559,000		2,452,033

## *Terms and conditions of contributed equity*

### **Ordinary Shares**

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company. Option holders have no voting rights until the options are exercised.

### **Options**

There are 9,729,180 options outstanding, which are as set out below:

- 3,475,000 options\* exercisable at 25 cents, expire on 28 September 2009
- 3,475,000 options\* exercisable at 35 cents, expire on 28 September 2009
- 279,180 options\*\* exercisable at 25 cents, expire on 23 August 2008
- 2,500,000 options\*\* exercisable at 30 cents, expire on 16 September 2008

\* Issued prior to the commencement of the financial year ended 30 June 2006.

\*\* Issued during the financial year ended 30 June 2006.

	2006	2005
	\$	\$
<b>13. SUBSCRIPTIONS UNDER SHARE OFFER</b>		
During the period March 2005 to June 2005 applications were received for 4,129,410 shares under the Company's Prospectus dated 3 March 2005 at an issue price of \$0.20 each for an amount of \$825,882.		
Subscriptions under share offer	-	825,882
Costs of the share issue	-	(133,655)
	-	692,227
On 17 August 2005, following the closure of the Initial Public Offer (IPO) on 10 August 2005, a total of 4,129,410 shares were allotted, together with applications received after 30 June 2005, (refer Note 12).		
<b>14. RESERVES</b>		
Share-based payment reserve	523,857	-

This reserve represents an independent valuation of the 279,180 options issued to brokers exercisable at 25 cents, issued on 23 August 2005, expiry date 23 August 2008 and 2,500,000 options exercisable at 30 cents, issued on 16 September 2005, expiry date 16 September 2008. The options have been valued using the Black and Scholes Model with the assumptions being the Risk Free Rate of 5.08% and 5.13% respectively based on the three year Australian Government Bond Rate as at 23 August 2005 and 16 September 2005 respectively; at exercise prices of 25 cents and 30 cents compared to the share price of 22 cents and 24 cents being the last traded price of the shares of the Company on ASX on the valuation dates; and a volatility of 146% factoring the historical share price volatility of comparable mineral exploration companies (as the Company only commenced trading on ASX on 23 August 2005 and did not have any historical trading data).

### 15. ACCUMULATED LOSSES

Balance at the beginning of period	112,081	-
Operating loss after income tax expense	417,001	112,081
Balance at the end of period	529,082	112,081

### 16. LOSS PER SHARE

Basic loss per share (cents per share) 1.77 cents.  
Diluted loss per share (cents per share) 1.77 cents.  
Weighted average number of ordinary shares on issue used in the calculation of basic and diluted loss per share is 23,493,833.

Loss used in calculating basic and diluted loss per share  
The number of potential ordinary shares that are not dilutive and not included in determining diluted EPS are 9,729,180.

Conversion, call, subscription or issue after 30 June 2006:

Since the end of the financial period there have been no other conversions to, call of, or subscriptions for ordinary shares or issues of potential ordinary shares since the reporting date and before the completion of these financial statements.

	112,081	-
	417,001	112,081
	529,082	112,081
	417,001	112,081

## 17. REMUNERATION AND RETIREMENT BENEFITS

### (A) DIRECTORS' REMUNERATION

The following table outlines the nature and amount of the elements of the remuneration of specified Directors of the Company for the year ended 30 June 2006.

	Salary	Directors Fees	Consulting Fees	Superannuation Contributions	Options	Total
2006	\$	\$	\$	\$	\$	\$
R H Duffin	-	31,100	-	2,799	-	33,899
G J Jones	-	-	108,963	-	-	108,963
R L Richardson	-	17,772	-	1,599	-	19,371
	-	48,872	108,963	4,398	-	162,233
<b>2005</b>						
R H Duffin	-	-	-	-	-	-
G J Jones	-	-	22,000	-	-	22,000
R L Richardson	-	-	-	-	-	-
H L Roberts	-	-	-	-	-	-
	-	-	22,000	-	-	22,000

Mr Richardson is an employee of PlatSearch NL an ASX listed public company. Services provided by PlatSearch to the Company during the year are set out in Note 18.

Directors' interests in shares and options in the Company are set out in Note 18.

### (B) EXECUTIVE OFFICERS' REMUNERATION, SHARES AND OPTIONS

	Salary	Consulting Fees	Superannuation Contributions	Options	Total
2006	\$	\$	\$	\$	\$
H L Roberts	-	40,320	-	-	40,320
R J Waring	-	32,800	-	-	32,800
	-	73,120	-	-	73,120
<b>2005</b>					
H L Roberts	-	-	-	-	-
R J Waring	-	-	-	-	-
	-	-	-	-	-

Other than Directors, there are no other officers who satisfy the definition of "Executive Officers" who are or were involved in, concerned with, or who take part in, the management of the affairs of WPG and/or related bodies corporate, apart from the Company Secretary, Mr Roberts and the Financial Controller, Mr Waring.



## 18. RELATED PARTY DISCLOSURES

The Directors in office during the year were R H Duffin, G J Jones and R L Richardson. H L Roberts was a director from 7 June 2004 to 3 November 2004.

Interests and movements in the shares and options of the Company held by Directors and their Director-related entities as at 30 June 2006:

	R H Duffin	G J Jones	R L Richardson	Total
<b>Fully Paid Ordinary Shares</b>				
at 30 June 2005	1,375,000	785,000	–	2,160,000
net change in year	125,000	10,000	50,000	185,000
at 30 June 2006	1,500,000	795,000	50,000	2,345,000
<b>2009 Options</b>				
at 30 June 2005	687,500	225,000	–	912,500
at 30 June 2006	687,500	225,000	–	912,500

No options were granted to Directors during the current period under the Company's Employees Option Plan. Shares and options held by Directors included those held by the Directors and their Director-related entities, including the spouses of such Directors and relatives of such Directors. All shares and options, were issued or granted on terms no more favourable than to other shareholders or option holders.

Mr R L Richardson is an employee and Director of and has a significant financial interest in PlatSearch NL, an ASX listed company that provided technical services to the Company during the period. Services provided during the year ended 30 June 2006, which are referred to in the remuneration of Directors in Note 17, amounted to \$50,463 (2005 – \$110,000) and includes consulting, use of office space and office services. Mr G J Jones is a Director and has a significant financial interest in Geonz Associates Ltd, a company that provides geological and exploration management services to the Company. Services provided during the year ended 30 June 2006 amounted to \$108,963. The \$108,963 is included in the remuneration of Directors in Note 17.

Services provided by Director-related entities were under normal commercial terms and conditions. No other benefits have been received or are receivable by Directors, other than those already disclosed in the notes to the accounts.

## 19. JOINT VENTURES

The Company is a party to a number of exploration joint venture agreements to explore for copper and gold. Under the terms of the agreements the Company will be required to contribute towards the exploration and other costs if it wishes to maintain or increase its percentage holdings. The joint ventures are not separate legal entities. There are contractual arrangements between the participants for sharing costs and future revenues in the event of exploration success. There are no assets and liabilities attributable to the Company at balance date resulting from these joint ventures, other than exploration expenditure costs carried forward as detailed in Note 9.

Percentage equity interests in joint ventures at 30 June 2006 were as follows:

	Percentage Interest 2006	Percentage Interest 2005
<b>New South Wales</b>		
<b>Broken Hill – Base Metals, Gold</b>		
Euriowie – PlatSearch 100%, WPG can earn 60%	0%	0%
Mulyungarie – PlatSearch 100%, WPG can earn 60%	0%	0%
<b>South Australia – Base Metals and Gold</b>		
Mulyungarie – PlatSearch 100%, WPG can earn 60%	0%	0%

## 20. FINANCIAL REPORT BY SEGMENT

The Company operates predominantly in the one business and in one geographical area, namely Australian mineral exploration and evaluation.

## 21. CONTINGENT LIABILITIES

The Company has provided guarantees totalling \$90,000 (2005 – \$50,000) in respect of mining tenements and the guarantees are secured against short term deposits of these amounts. These guarantees in respect of mining tenements is secured against deposits with the NSW Department of Mines. The Company does not expect to incur any material liability in respect of the guarantees.

## 22. EMPLOYEE ENTITLEMENTS

An employee share option plan has been established where selected officers and employees of the Company can be issued with options over ordinary shares in Western Plains Gold Ltd. The options, issued for nil consideration, will be issued in accordance with a performance review by the Directors. The options cannot be transferred and will not be quoted on the ASX. The Company has not yet made an issue under the Plan.

## 23. FINANCIAL INSTRUMENTS

### INTEREST RATE RISK EXPOSURE

At balance date, the Company was exposed to a floating weighted average interest rate as follows:

	2006	2005
Weighted average rate of cash balances	5.82%	1.08%
Cash balances	1,083,552	827,888

Bank negotiable certificates of deposit are normally invested for 30 days and other cash at bank balances are at call. All other financial assets and liabilities are non-interest bearing.

### NET FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES, ON BALANCE SHEET AND CREDIT RISK

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities of the Company approximates their carrying value. Credit risk is minimal at balance date.

## 24. COMMITMENTS

Exploration licence expenditure requirements

In order to maintain the Company's tenements in good standing with the various mines departments, the Company will be required to incur exploration expenditure under the terms of each licence. These expenditure requirements will diminish as the Company joint ventures projects to third parties. It is the Company's exploration strategy to farm-out to larger companies to fund drilling programmes. In addition, the Company has commitments to expend funds towards earning or retaining an interest under joint venture agreements.

	2006	2005
	\$	\$
Payable not later than one year	266,775	420,019
Payable later than one year but not later than two years	142,750	216,542
	409,525	636,561

It is likely that the granting of new licences and changes in licence areas at renewal or expiry will change the expenditure commitment to the Company from time to time.

## 25. SUBSEQUENT EVENTS

### AGREEMENT TO PURCHASE SOUTHERN IRON PTY LTD

In August 2006 the Company entered into an agreement to acquire Southern Iron Pty Ltd (SI). Southern Iron holds the rights to the Peculiar Knob and Hawks Nest projects located approximately 600 kilometres to the north-west of Whyalla, South Australia. The Peculiar Knob project contains a shallow, inferred resource of iron mineralisation averaging approximately 62% iron oxide, of sufficient purity, and with low contaminants, to constitute direct shipping ore (DSO). Separately, the Hawks Nest project contains additional DSO potential and large, lower grade magnetite resources, which will be subject of further exploration.

The purchase price which the Company has agreed to pay to the shareholders of Southern Iron is 24,222,222 fully paid shares. The Company's Chairman, Mr Bob Duffin, is a founding shareholder of SI. The acquisition by WPG of Mr Duffin's interest in SI constitutes a "related party transaction" and shareholder approval for the transaction is required. An Independent Expert's Report (IER) as to the fairness and reasonableness of the transaction was commissioned, with the Independent Expert, HLB Mann Judd (NSW) Pty Ltd, forming the opinion that the transaction was fair and reasonable to the non-associated shareholders of WPG.

At the Company's general meeting to be held on 26 October 2006, shareholders will be asked to approve the acquisition of Southern Iron. Subject to shareholder approval and a range of other conditions precedent, Southern Iron will become a wholly owned subsidiary of WPG.

### MATTERS CONSEQUENT TO PURCHASE OF SOUTHERN IRON – CHANGE OF COMPANY NAME, APPOINTMENT OF DIRECTORS, OPTION ISSUES, INCREASE IN NON-EXECUTIVE DIRECTORS FEES AND CAPITAL RAISING

It is proposed that the Company will change its name to Western Plains Resources Ltd, appoint a new Director Heath Roberts, issue options to new and existing Directors and increase the limit on Non-Executive Directors fees from \$100,000 per annum to \$200,000 per annum.

In September 2006, the Company carried out a placement of 3,833,000 shares to raise \$0.766 million, at a share issue price of 20 cents per share. In parallel with this placement, a Share Purchase Plan (SPP) offer is being made to existing shareholders, to raise a maximum of \$2 million at the same price as the placement (thus bringing the total raising under the placement and the SPP to \$2.76 million). Shareholder ratification of the placement and approval for the underwriting of the SPP offer will be sought at the shareholders' meeting.

## 26. CASH FLOW STATEMENT

	2006	2005
	\$	\$
Reconciliation of net cash outflow from operating activities to operating loss after income tax		
(a) Operating (loss) after income tax	(417,001)	(112,081)
Depreciation	1,259	309
Shares issued for services	–	25,000
Exploration write off	216,343	–
<b>Change in assets and liabilities:</b>		
(Increase)/decrease in receivables	(47,174)	(4,251)
(Decrease)/increase in trade and other creditors	(29,145)	36,803
Net cash outflow from operating activities	(275,718)	(54,220)
(b) For the purpose of the Cash Flow Statement, cash includes cash on hand, at bank, deposits and bank bills used as part of the cash management function. The Company does not have any unused credit facilities. The balance at 30 June 2006 comprised:		
Cash assets	80,162	827,888
Bank deposits (Note 5)	1,003,390	–
Cash on hand	1,083,552	827,888



## 27. TRANSITION TO AIFRS

For all periods up to and including the year ended 30 June 2005, the Company prepared its financial statements in accordance with Australian generally accepted accounting practice (AGAAP). These financial statements for the year ended 30 June 2006 are the first the Company is required to prepare in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS).

Accordingly, the Company has prepared financial statements that comply with AIFRS and the significant accounting policies meeting those requirements are described in Note 1. In preparing these financial statements the Company has started from an opening balance sheet as at 1 July 2004, the Company's date of transition to AIFRS, and made those changes in accounting policies and other restatements required by AASB 1 First-time Adoption of AIFRS.

This note explains the principal adjustments considered by the Company in restating its AGAAP balance sheet as at 1 July 2004 and its previously published AGAAP financial statements for the year ended 30 June 2005.

### EXEMPTIONS APPLIED

AASB 1 allows first-time adopters certain exemptions from the general requirement to apply AIFRS retrospectively.

The Company has taken the following exemptions:

- AASB 2 Share-based Payment has not been applied to any equity instruments that were granted on or before 7 November 2002, nor has it been applied to equity instruments granted after 7 November 2002 that vested before 1 January 2005; and
- AASB 3 Business Combinations has not been applied to acquisitions of subsidiaries or of interests in associates or joint ventures that occurred before 1 July 2004.

### EXPLANATION OF MATERIAL ADJUSTMENTS TO THE CASH FLOW STATEMENT

There are no material differences between the cash flow statement presented under AIFRS and the cash flow statement presented under AGAAP.

### EXPLANATION OF MATERIAL ADJUSTMENTS TO THE INCOME STATEMENT AND BALANCE SHEET

There were no material differences between the income statement and balance sheet presented under AIFRS and the cash flow statement presented under AGAAP due to the differing treatment of share-based payments under AIFRS.

Under AASB 2 Share-based Payments, the Company must recognise the fair value of options granted to employees as remuneration as an expense on a pro-rata basis over the vesting period in the income statement with a corresponding adjustment to equity. Share-based payment costs were not recognised under AGAAP.

The application of AASB 2 has not altered the consolidated and parent entity accumulated losses and share-based compensation reserve at transition date 1 July 2004, or for the year ended 30 June 2005 because there have been no issues of options under its Employee Share Option Plan. There were issues of options to brokers in payment for services in connection with the share issue and listing on ASX in August 2005 amounting to \$523,853 as detailed in Notes 13 and 14.

The following Accounting Standards Amendments and Interpretations may have application to the Company's financial reports in future years but have not been early adopted for the purpose of this financial report:

AASB Amendment	Affected Standard(s)	Nature of change to accounting policy	Application date of standard	Application date for Group	Summary
2005-10	AASB 132 <i>Financial Instruments: Disclosure and Presentation</i> , AASB 101 <i>Presentation of Financial Statements</i> , AASB 114 <i>Segment Reporting</i> , AASB 117 <i>Leases</i> , AASB 133 <i>Earnings per Share</i> , AASB 139 <i>Financial Instruments: Recognition and Measurement</i> , AASB 1 <i>First-time Adoption of AIFRS</i> , AASB 4 <i>Insurance Contracts</i> , AASB 1023 <i>General Insurance Contracts</i> and AASB 1038 <i>Life Insurance Contracts</i>	Currently being assessed	1 January 2007	1 July 2007	These amendments arise from the release of AASB 7 relating to financial instrument disclosures.

New Standard/ UIG Affected Standard(s)	Nature of change to accounting policy	Application date of standard/ interpretation	Application date for Group	Summary
AASB 7 <i>Financial Instruments: Disclosures</i>	Currently being assessed	1 January 2007	1 July 2007	The Standard requires disclosure of: the significance of financial instruments for an entity's financial position and performance; and qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk.
UIG 4 <i>Determining whether an Arrangement contains a Lease</i>	No change expected	1 January 2006	1 July 2006	Specifies criteria for determining whether an arrangement is, or contains, a lease.
UIG 5 <i>Rights to Interests in Decommissioning, Restoration and Environmental Rehabilitation Funds</i>	No change expected	1 January 2006	1 July 2006	Addresses accounting for the rights to interests in decommissioning, restoration and environmental rehabilitation funds and for additional contributions to such a fund.
UIG 8 <i>Scope of AASB 2</i>	No change expected	1 May 2006	1 July 2006	Clarifies that the scope of AASB 2 deals with transactions in which an entity cannot identify specifically some or all of the goods or services received as consideration for the share-based payment instrument.

The following recent Accounting Standards Amendments and Interpretations are not applicable to the Group and therefore are not expected to have any impact on future financial reports.

AASB Amendment	Affected Standard(s)
2004-3	AASB 119 Employee Benefits
2005-1	AASB 139 Financial Instruments: Recognition and Measurement
2005-4	AASB 139 Financial Instruments: Recognition and Measurement, AASB 132 Financial Instruments: Disclosure and Presentation, AASB 1 First-time Adoption of AIFRS, AASB 1023 General Insurance Contracts and AASB 1038 Life Insurance Contracts
2005-5	AASB 1 First-time Adoption of AIFRS and AASB 139 Financial Instruments: Recognition and Measurement
2005-6	AASB 3 Business Combinations
2005-9	AASB 4 Insurance Contracts, AASB 1023 General Insurance Contracts, AASB 139 Financial Instruments: Recognition and Measurement and AASB 132 Financial Instruments: Disclosure and Presentation
2006-1	AASB 121 The Effects of Change in Foreign Currency Rates
AASB129	UIG 7 Applying the Restatement Approach under AASB 129 Financial Reporting in Hyperinflationary Economies
AASB132	UIG 9 Reassessment of Embedded Derivatives

## 27. CORPORATE INFORMATION

The financial report of the Company for the year ended 30 June 2006 was authorised for issue in accordance with a resolution of the Directors on 28 September 2006.

Western Plains Gold Ltd is a company limited by shares and incorporated in Australia. Its shares are publicly traded on the Australian Stock Exchange under the ASX code "WPG".

The nature of the operations and principal activities of the Company are described in Note 20.

## Director's Declaration

In accordance with a resolution of the Directors of Western Plains Gold Ltd, I state that:

- (1) In the opinion of the Directors:
  - (a) financial statements and notes of the Company are in accordance with the Corporations Act 2001, including:
    - (i) giving a true and fair view of the Company's financial position as at 30 June 2006 and of its performance for the year ended on that date; and
    - (ii) complying with Accounting Standards and the Corporations Regulations 2001; and
  - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- (2) This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2006.

On behalf of the Board



**R H Duffin**

Director

Sydney, 26 September 2006



# Independent Auditor's Report

## BARNES DOWELL JAMES

### Chartered Accountants

**Partners**

C H Barnes FCA  
A J Dowell CA  
M W James CA

**Associate**

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## To members of Western Plains Gold Ltd

### Scope

We have audited the financial report of Western Plains Gold Ltd for the financial period ended 30 June 2006 as set out on pages 20 to 39.

The Company's Directors are responsible for the financial report. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the Company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia and statutory requirements so as to present a view which is consistent with our understanding of the company's financial position, and performance as represented by the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

### Audit opinion

In our opinion, the financial report of Western Plains Gold Ltd is in accordance with:

(a) the Corporations Act 2001, including:

(i) giving a true and fair view of the company's financial position as at 30 June 2006 and its performance for the year ended on that date; and

(ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) other mandatory professional reporting requirements in Australia.

Yours faithfully

**BARNES DOWELL JAMES**



**A. J. DOWELL**

Partner

26 September 2006

# Corporate Governance Statement

The Board of Directors of Western Plains Gold Ltd (WPG) is responsible for corporate governance and strives for high standards in this regard. The Board monitors the business and affairs of WPG on behalf of the shareholders by whom they are elected and to whom they are accountable. The Board draws on relevant best practice principles particularly those issued by the ASX Corporate Governance Council in March 2003.

At a number of its earlier meetings the Board examined the WPG corporate governance practices and the progress towards a review of its practice compared to the best practice principles proposed by the ASX Corporate Governance Council. While WPG is attempting to adhere to the principles proposed by ASX, it is mindful that there may be some instances where compliance is not practicable for a company of WPG's size.

The March 2003 Australian Stock Exchange Corporate Governance Council publication "Principles of Good Corporate Governance and Best Practice Recommendations" is for guidance purposes, however all listed companies are required to disclose the extent to which they have followed the recommendations; to identify any recommendations that have not been followed; and reasons for not doing so. The Company's Board of Directors has reviewed the recommendations. In many cases the Company was already achieving the standard required. In other cases the Company will have to consider new arrangements to enable compliance. In a limited number of instances, the Company may determined not to meet the standard set out in the recommendations, largely due to the recommendation being considered by the Board to be unduly onerous for a company of this size.

The following paragraphs set out the Company's position relative to each of the 10 principles contained in the ASX Corporate Governance Council's report.

**PRINCIPLE 1: Lay solid foundations for management and oversight**

The Company has not yet formalised and disclosed the functions reserved to the Board and those delegated to management. However, the Company has a small Board of three Directors (two Non-Executive Directors and the Director – Technical) and a small team of people, so roles and functions have to be flexible to meet specific requirements.

A number of Board changes are proposed to be carried out during the 2006-2007 year.

**PRINCIPLE 2: Structure the Board to add value**

The Company complies with most of the recommendations within this area as the Chairman is separate from the Executive Director. The Company does not comply with the recommendation that a majority of Directors are independent, because one is

an Executive Director and the Chairman is a substantial shareholder and the third Non-executive Director represents an associated company and a substantial shareholder. The Company has a Board nomination committee.

Two of the Company's three Directors are non-executives, and the employer of one of the non-executives has undertaken "material" consultancy work for the Company within the past three years. Each Director of the Company has the right to seek independent professional advice at the expense of the Company. Prior approval of the Chairman is required, but this will not be unreasonably withheld. It is proposed that the Chairman become an Executive Chairman of the Company and that a number of additional Board appointments take place during the 2006-2007 year.

**PRINCIPLE 3: Promote ethical and responsible decision-making**

The Company has a policy concerning trading in its securities by Directors, management, staff and significant consultants which is set out below. The Company does not have a formal code of conduct, again reflecting the Company's size and the close interaction of individuals throughout the organisation.

**PRINCIPLE 4: Safeguard integrity in financial reporting**

The Company is reviewing its procedures to ensure compliance with the recommendations set out under this principle.

Senior management confirms that the financial reports represent a true and fair view and are in accordance with relevant accounting standards. The Director Technical and the Chief Financial Officer state in writing to the Board that the Company's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the Company are in accordance with relevant accounting standards.

The Company has an Audit Committee. A formal, written charter will be considered and approved by the Board.

The Audit Committee consists of the two Non-Executive Directors, Messrs Duffin and Richardson and the Director – Technical, Mr Jones. These directors have applicable expertise and skills for this Committee. This structure does not meet the ASX's guidance regarding independence, in that it should have a majority of independent directors. The audit committee reports to

the Board after each committee meeting. In conjunction with the Board, the committee meets with and reviews the performance of the external auditors (including scope and quality of the audit).

**PRINCIPLE 5: *Make timely and balanced disclosure***

The Company, its Directors and consultants are very aware of the ASX's continuous disclosure requirements and operate in an environment where strong emphasis is placed on full and appropriate disclosure to the market. Whilst the Company does not have formal written policies regarding disclosure, it uses strong informal systems underpinned by experienced individuals.

**PRINCIPLE 6: *Respect the rights of shareholders***

All significant information disclosed to the ASX is posted on the Company's website as soon as it is disclosed to the ASX. When analysts are briefed on aspects of the Group's operations, the material used in the presentation is released to the ASX and posted on the Company's website. Procedures have also been established for reviewing whether any price sensitive information has been inadvertently disclosed, and if so, this information is also immediately released to the market.

Whilst the Company does not have a communications strategy to promote effective communication with shareholders, as it believes this is excessive for small companies, the Company does communicate regularly with shareholders. The Company has requested the external auditor to attend general meetings and this has been supported by the Company's audit partner at Barnes Dowell James.

**PRINCIPLE 7: *Recognise and manage risk***

The Company is a small, exploration company and does not believe that there is significant need for formal policies on risk oversight and management of risk. Risk management arrangements are the responsibility of the Board of Directors and senior management collectively. Risk Factors are discussed regularly at Board meetings.

**PRINCIPLE 8: *Encourage enhanced performance***

The Company has a Remuneration Committee of Messrs Duffin, Jones and Richardson which meets as and when required, to review performance matters and remuneration. There has been no formal performance evaluation of the Board during the past financial period, although its composition is currently under review and a number of Board changes are proposed. The Directors work closely with management and have full access to all the Company's files and records.

**PRINCIPLE 9: *Remunerate fairly and responsibly***

Directors believe that the size of the Company makes individual salary and consultant negotiations more appropriate than formal remuneration policies. The Remuneration Committee will seek independent external advice and market comparisons as necessary. In accordance with Corporations Act requirements, the Company discloses the fees or salaries paid to all Directors, plus the five highest paid officers. The Company has an Employee Share Option Plan that was introduced in 2004 but has not made

an issue under the Plan at this time. Option issues under the Plan are proposed to be carried out, subject to shareholder approval, in late 2006.

**PRINCIPAL 10: *Recognise the legitimate interests of stakeholders***

Due to the Company's size and relative level of operational activity which makes legal compliance a less onerous task than with larger companies, the Company does not have a formal code of conduct to guide compliance with legal and other obligations. The Board of Directors continues to review the situation to determine the most appropriate and effective operational procedures.

**ETHICAL STANDARDS**

The Board's policy is for the Directors and management to conduct themselves with the highest ethical standards. All Directors and employees will be expected to act with integrity and objectivity, striving at all times to enhance the reputation and performance of the Company.

**SECURITIES TRADING AND TRADING WINDOWS**

Directors, employees and key consultants must consult with the Chairman of the Board or the Executive Director before dealing in shares of the Company. Purchases or sales in the Company's shares by Directors, employees and key consultants may not be carried out other than in the "window", being the period commencing two days and ending 30 days following the date of announcement of the Company's annual or half yearly results, quarterly report or a major announcement leading, in the opinion of the Board, to an informed market. However, Directors, employees and key consultants are prohibited from buying or selling WPG shares at any time if they are aware of price sensitive information that has not been made public.

# Shareholder Information

Information relating to shareholders at 22 September 2006 (per ASX Listing Rule 4.10)

## SUBSTANTIAL SHAREHOLDERS

Substantial Shareholders	Shareholding
PlatSearch NL	6,350,000
RBC Dexia Investor Services Australia Nominees Pty Limited	2,250,000
Irrawaddy Investments Pty Ltd	1,375,000

## DISTRIBUTION OF SHAREHOLDERS

Number of ordinary shares held	Number of Holders	Ordinary Shares
1 – 1,000	0	0
1 – 1,000	11	1,544
1,001 – 5,000	40	113,599
5,001 – 10,000	150	1,490,950
10,001 – 100,000	159	6,457,529
100,001 – and over	50	21,328,378
	<b>410</b>	<b>29,392,000</b>

As at the date of this report, there are no shareholders with less than a marketable parcel of \$500.

## TOP 20 SHAREHOLDERS OF ORDINARY SHARES as at 22 September 2006

	Shares	% Shares Issued
PlatSearch NL	6,350,000	21.61
RBC Dexia Investor Services Australia Nominees Pty Limited	2,250,000	7.66
Irrawaddy Investments Pty Ltd	1,375,000	4.68
Geonz Associates Ltd	785,000	2.67
Merrill Lynch (Australia) Nominees Pty Limited	762,819	2.60
Chan Consolidated Limited	700,000	2.38
National Nominees Limited	625,000	2.13
Mr Heath Roberts	500,000	1.70
I E Properties Pty Ltd	455,000	1.55
Clodene Pty Ltd	358,000	1.22
Moreroll Pty Limited	300,000	1.02
Greenslade Holdings Pty Ltd	300,000	1.02
Mr David George Whiting and Mrs Susan Marie Whiting	300,000	1.02
Octifil Pty Ltd	295,000	1.00
Mambat Pty Ltd	275,000	0.94
Mr Simon Thomas O'Loughlin	274,290	0.93
Diskdew Pty Ltd	250,000	0.85
Nosebi Mining and Management Pty Ltd	225,000	0.77
Warman Investments Pty Ltd	200,000	0.68
Fortis Clearing Nominees P/L	200,000	0.68
Total of top 20 holdings	16,780,109	57.11
Other holdings	12,611,891	42.89
Total fully paid shares issued	29,392,000	100.00

## OPTIONS

There are 25 holders of the 9,729,180 options at the date of this report and PlatSearch NL has 49.9% of the options on issue.

## RESTRICTED SECURITIES

The number and class of restricted securities and securities subject to voluntary escrow that are on issue, and the date that the escrow period ends are as follows:

8,949,975 shares with an ASX escrow of 24 months from 23 August 2005; 2,816,680 options exercisable at \$0.25 with an ASX escrow of 24 months from 23 August 2005; and 3,475,000 options exercisable at \$0.35 ASX with an ASX escrow for 24 months from 23 August 2005 and 279,180 options exercisable at \$0.25 with an ASX escrow of 24 months from 17 August 2005.



**EMPLOYEE SHARE OPTION PLAN**

At a General Meeting held in 2004, shareholders approved the adoption of the Company's Employee Share Option Plan. No options have been issued under the Plan.

**VOTING RIGHTS**

There are no restrictions on voting rights. On a show of hands every member present or by proxy shall have one vote and upon a poll each share shall have one vote. Where a member holds shares which are not fully paid, the number of votes to which that member is entitled on a poll in respect of those part paid shares shall be that fraction of one vote which the amount paid up bears to the total issued price thereof. Option holders have no voting rights until the options are exercised.

**AUDIT COMMITTEE**

At the date of the Report of the Directors, the Company has a committee of two Non-Executive Directors and an Executive Director, which meets with the Company's external auditors at least once during each half-year. These meetings will take place prior to the finalisation of the half-year financial statements and Annual Report and prior to the signing of the Audit Report.

**STATEMENT UNDER ASX LISTING RULE 4.10.19**

From the date of admission of the Company's shares on ASX (23 August 2005) to the date of this Annual Report, the Company has used the cash and assets in a form readily convertible to cash that it had at the time of admission in a way consistent with its business objectives. Expenditures have been in line with Prospectus estimates.







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