



## WESTONIA MINES LIMITED

### QUARTERLY REPORT FOR THREE MONTHS ENDED 31 DECEMBER 2005

#### SUMMARY

- ◆ Preliminary indications from revisiting the 2004 Feasibility Study are encouraging.
- ◆ Drilling to be completed by the end of February with a new geological resource estimate scheduled for March 2006.
- ◆ A Structural and Prospectivity Review of the Company's extensive tenement position on the Westonia Greenstone Belt leads to the restart of field exploration programmes.



## **FEASIBILITY STUDY**

Over the past weeks, the Company has revisited the 2004 Feasibility Study model. This exercise was carried out to test project robustness in recognition of the current high gold price.

In conducting this very preliminary re-run, the Company included typically current costs for contract mining and for milling which are significantly higher than those used in the 2004 Feasibility Study. When optimising the 2004 Feasibility Study geological resource model using the current spot gold price, indications are that the contained metal and likely open pit mine life are of the same order as was determined in 2004.

It is expected that inclusion of the new drilling information will improve the robustness of the geological resource and the project.

Accordingly, the Company will seek to confirm the likely operating costs as well as start-up capital costs as much as possible in parallel with the completion of drilling and the calculation of a new geological resource estimate. This is aimed at fast-tracking the formal feasibility process during the June 2006 quarter.

## **DEWATERING AND DRILLING UPDATE**

### **Dewatering**

Dewatering of the Westonia pit was completed prior to Christmas 2005.

The pump pontoon is now located over a 'goodbye cut' mined by the previous open pit operators in the late 1980's. Pump operation is consequently in a holding pattern with its output matched to the level of water inflow, currently around 100 litres/second. Since pumping commenced, over 2.2 million tonnes of water has been removed from the pit.

A significant rainfall event which occurred on 4 January 2006 caused minor disruption to site activities. Drilling was impacted for less than two days and storm water inflow was removed within one week.

It is now apparent that dewatering to below the pit floor will not be necessary. The risk of increased costs associated with deeper dewatering or due to the need to switch to diamond drilling has therefore been averted.

### **Drilling**

Grade control drilling commenced on the Western end of the pit floor on 13 November 2005.

The Company reports that progress has been generally ahead of schedule and that the drilling programme will be completed by the end of February 2006. Earthworks requirements associated with drill pad preparation in the deeper parts of the pit have been greater than originally forecast, which has necessitated many of the grade control holes being collared in fill.



The Company has focussed its efforts on progressing the grade control phase of the drilling, however some resource infill holes have also been completed. At the time of writing, assays had been received for only three relatively shallow resource infill holes.

The infill programme specifically targets gaps in the previous drilling information down to around 150 metres below the pit floor, especially along the footwall contact where mineralisation is typically strongest. The Company expects to release drill assays for a series of resource infill drill holes shortly when a sufficiently representative dataset is received.

### **Modelling**

Since the Company's announcement of 18 January 2006 titled 'Drilling and Modelling Progress', geological capabilities have been upgraded and drilling has continued.

A new assay cut-off date has been set and the Company is intending to carry out a second interim assessment of the grade control drilling assay results during February 2006. Inclusive of geological interpretation, the Company will be in a position subsequently to provide further advice to the market regarding modelled tonnes and grade.

### **EXPLORATION**

The Company believes that in addition to the Westonia Project, it has significant future growth potential on the Westonia Greenstone Belt (WGB). It has accordingly adopted a mission 'to realise the full potential of the WGB'.

A Structural and Prospectivity Review of the WGB has occurred over the past three to four months. This is expected to continue at a strategic level into 2006 where new information will be assessed, ranking and priorities reviewed and expenditure committed as funds permit.

The Company is confident that the risk of a cost over-run on the dewatering and drilling programmes at Westonia is now minimal and is investing in exploration field programmes.

**North-West Westonia** is a gold prospect approximately two kilometres from the Westonia open pit, at which previous shallow RAB drilling intersected anomalous gold values overlying an interpreted structural zone. Two fences of three holes to around 100 metres depth were drilled at this prospect in January 2006, with 4 metre composite samples submitted for assaying.

The Company is pleased to announce that of the six holes drilled, one hole intersected significant gold and silver mineralisation as follows:

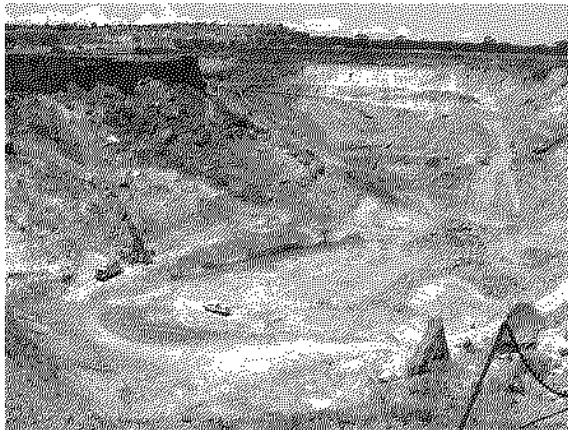
8m @ 4.4 g/t Au and 130 g/t Ag from 39m to 47m downhole

Holes were designed (-60°) perpendicular to the strike of the interpreted structure. The Company will now match the hole assay results with the geology logs and decide what follow up action is warranted.

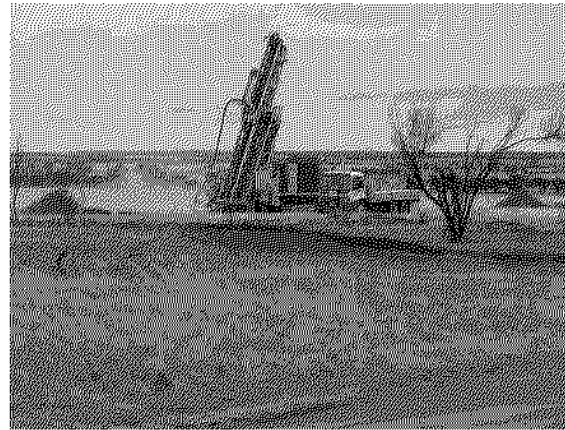


**Dick's Reward** is a gold prospect approximately 25 kilometres North-West of Westonia. A programme of shallow auger drilling which was carried out in January 2006 is aimed at soil testing approximately 8 kilometres of strike overlying a geophysically interpreted structure. Whilst mostly soil covered, a strong arsenic anomaly coincides with ferruginous outcropping and shallow historical diggings within the area tested. The Company is awaiting assay results from this programme.

A **detailed airborne magnetic survey** over the **Westonia to Bodallin** area is scheduled to commence from mid-February 2006. Previous airborne geophysics over the immediate Westonia project area clearly showed the Edna May Gneiss unit (which is the host rock for the Westonia mineralisation) and the associated geological setting. The pending survey, covering more than 80 square kilometres is aimed at identifying repeats of the Edna May Gneiss.



Dewatered Westonia open pit



Exploration drilling at N-W Westonia

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**31 January 2006**