WESTONIA MINES LIMITED

ANNUAL REPORT 2007

[CORPORATE DIRECTORY]

DIRECTORS

Mark Fitzpatrick	Non-executive Chairman
David F Hatch	Managing Director
Murray G Pollock	Non-executive Director
Chris P Melloy	Non-executive Director
John Rowe	Non-executive Director

COMPANY SECRETARY

Graham Anderson
Leonard Math

SENIOR MANAGEMENT

Rowan Johnston	Resident Manager
Nick Winnall	Exploration Manager
Dennis McDeed	Deputy Resident Manager
Mirna Tedeschi	Office Manager
DW Corporate	Contract Accountants

REGISTERED & PRINCIPAL OFFICE

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email: manager@westoniamines.com.au

SHARE REGISTRY

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Tel: (618) 9315 2333
Fax: (618) 9315 2233
email: registrar@securitytransfer.com.au

AUDITORS

Ord Partners
Level 2, 47 Colin Street
West Perth WA 6005

STOCK EXCHANGE LISTING

Securities in Westonia Mines Limited are listed on:
Australian Stock Exchange Limited
Home Branch – Perth
ASX Code – WEZ, WEZO

WEBSITE

www.westoniamines.com.au

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[PROFILE]

Westonia Mines Limited is a Perth based ASX listed exploration and aspiring mining company.

The company is pursuing success through assembling and capitalising on a quality asset base from a suite of exploration tenements covering over 700km^2 within the Westonia Greenstone Belt.

The company's development strategy is based on adding to the proven and well defined Westonia gold mining project located in Western Australia's historic Westonia Greenstone Belt in the State's south-eastern Goldfields.

Westonia Mines is applying modern exploration techniques and innovative technology in a focused effort to assess the potential for undiscovered mineralisation in this region, which when added to the Westonia gold mines Edna May mineralisation, will enhance project's development potential.

The company has developed a geological model for the entire field, which is being used to identify new targets in this significantly under explored region.

[HIGHLIGHTS]

- *Completed Westonia open pit feasibility study, with decision made to add to the resource base to improve project economics.*
- *Dismantling and relocation of the Big Bell processing plant to Westonia completed on time and within budget. The components have been stored ready for construction.*
- *Cost-effective, disciplined exploration strategy has identified numerous target areas for upcoming field exploration programs.*
- *Established positive relationships with regulators, the Westonia community and service providers.*

[CHAIRMAN'S REPORT]

Dear Shareholder,

This time last year we were looking forward to the completed feasibility study establishing a case for mining to commence. In anticipation of a favourable outcome we negotiated a letter of offer for substantial project debt from a highly regarded financier. The offer was conditional upon the company deciding to commence mining and raising the balance of the project finance as new equity. Unfortunately the project economics demonstrated in the March 2007 feasibility study/review were insufficient for the project to proceed at that time. The decision on whether to proceed was taken after lengthy consideration of alternatives, but the base case did not offer an increase in the inherent share value that was commensurate with the risks involved.

Since then, the company has considered numerous alternative mining and processing strategies in an attempt to improve the economics. To date these efforts have not been able to lower the total cash cost per ounce sufficiently for the project to proceed in the current gold price environment. However, the Edna May open pit project remains very much alive, as a decision to proceed could be precipitated at any time by any of the following factors: the right gold price; by finding more gold in the economic vicinity of the pit; or by a change in the supplier environment that led to a reduced total cash cost.

The Edna May project remains the company's core asset and we will continue to pursue opportunities to mine it. We will maintain the existing project in a 'finance ready' condition in anticipation of a rising gold price; we have already begun an exploration programme to find additional, economically enhancing ounces and intend to further explore the underground potential and we will monitor supplier pricing.

Of the three factors mentioned above, exploration is the one we can drive, so the company is now focussing its resources on finding more gold. Our recent analysis of the database (of drilling, geochem, aeromag and other data) has generated an exploration programme with twin aims. Firstly to identify enough gold within the economic vicinity of the Edna May open pit – either as additional surface resources or from underground potential – to commence mining; and secondly to explore for a stand-alone mine on the Westonia Greenstone Belt ("WGB").

We regard the WGB as under-explored but with potential. As a strategy to realise our broader vision of the company's potential, considerable effort will be applied in the future to developing the WGB. The recent review of the regional data base identified numerous targets, and the drill testing of the higher priority ones has commenced. The database will continue to be interrogated, particularly in the light of new information coming from the drill programmes, additional geochemical surveys and aeromagnetic surveys, and it is anticipated that more targets will emerge in coming months.

Corporate

Mr John Rowe, an experienced geologist previously with MPI and then Lion Ore, joined the board in October 2006. Mr Rowe's expertise in gold and base metals has been a valuable addition to the Board, particularly in our recent data analysis and exploration programme development and we look forward to his contribution as the exploration programme progresses.

On behalf of the board, I thank each member of our small staff for their contribution this past year. I also thank my fellow directors for their thoughtful direction of and ongoing commitment to the company.

Your Board remains optimistic about the future. We own a 1.3m ounce open pit gold resource which should be mined if the gold price increases sufficiently and we are actively exploring for proximate gold resources that can lower the cash cost per ounce. If either of these two things occurs within the next 12 months then a proactive mining focus will be reinstated. In addition, we look forward to some success in our exploration of the greater WGB, where our objective is to discover our next mine.

Yours truly,
Mark Fitzpatrick
Chairman

[WESTONIA GOLD PROJECT]

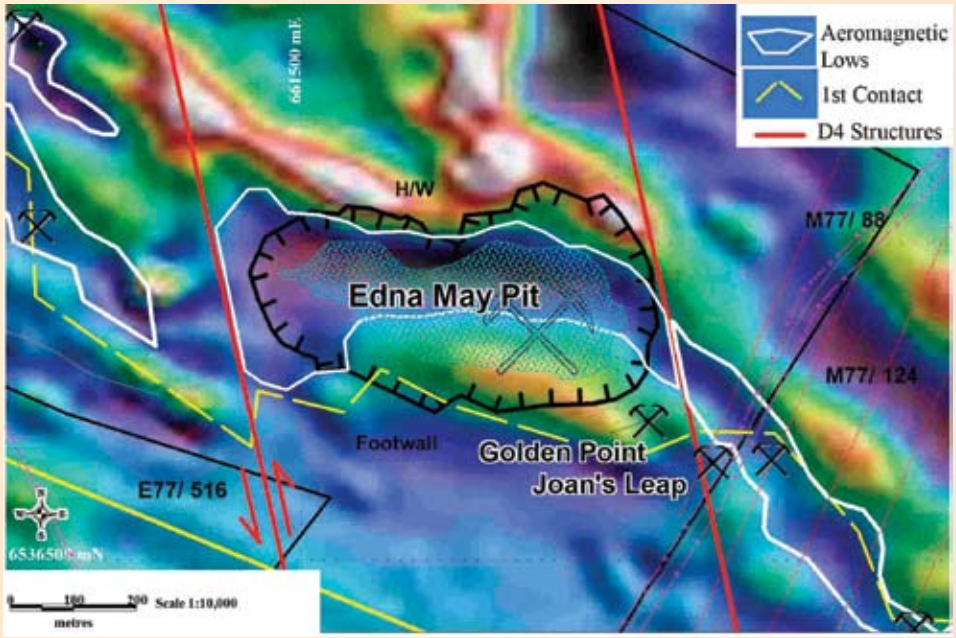
During the early part of 2007, the Company concluded that the financial returns from developing the Edna May open pit project were inadequate at that time. The adverse combination of a low grade Resource, a significant capital hurdle, an inflationary cost environment and a weakening Australian dollar gold price resulted in unacceptable risk to shareholders for the expected returns.

Instead of risking shareholder value, the Company has continued to position itself to add shareholder value by taking further steps towards becoming a producer.

In so doing, the value in the Company's assets has been preserved and activities continue towards increasing the asset base.

Shareholders are reminded that the considerable Edna May open pit Resource remains intact and unhedged and that the underground mining potential is unchanged.

The Company's immediate focus is on testing the higher ranked exploration targets with the objective of adding higher quality Resources and Reserves. Success in achieving this goal will lower the overall unit operating cost structure and improve project robustness.



Edna May Open Pit showing geological setting

Edna May Open Pit

Following the completion of the base case Feasibility Study in 2006, the Company continued in its attempts to improve project economics. Realised benefits from a series of value-add initiatives were however largely offset by the effects of industry wide inflationary cost pressures and the weakening Australian dollar gold price.

Although capital costs were contained, unit operating costs remained in the $550/oz to $600/oz range.

[WESTONIA GOLD PROJECT *continued*]

The Company nevertheless continued its debt financing and equity raising discussions to an advanced stage in the event that the minimum gold price trigger was reached. In March 2007 the Company concluded that development would result in unacceptable risk to shareholders for the expected returns.

The current Resource base upon which the Company seeks to build in order to achieve producer status is summarised below.

2006 Edna May Resource Estimate

	Measured			Indicated			Inferred			Total		
Cut off g/t	Million Tonnes	Gold g/t	Thousand Ounces	Million Tonnes	Gold g/t	Thousand Ounces	Million Tonnes	Gold g/t	Thousand Ounces	Million Tonnes	Gold g/t	Thousand Ounces
0.50	16.6	1.15	615	13.3	1.13	484	8.3	1.0	267	38.2	1.11	1,366
0.70	12.1	1.36	529	9.2	1.37	404	5.0	1.3	204	26.3	1.34	1,137
1.00	7.1	1.72	395	5.2	1.78	298	2.6	1.7	138	14.9	1.73	831

Pump dewatering the pit

Mills being dismantled

Mills arriving at Westonia

Laydown area in Westonia (near mine site)

Westonia Processing Plant

During the latter part of 2006, the Company raised $6.1M in a rights issue which was fully taken up by shareholders. The purpose of that raising was to fund the dismantling of the Company's fully owned processing plant and relocate it to Westonia.

A contract for $5.2M was executed in December 2006 and dismantling crews were mobilised to Big Bell in the Murchison goldfields in January 2007. The above contract value included a $400,000 allowance for site cleanup and rehabilitation.

The dismantling and transport operations were completed on time and within budget. By May 2007, all equipment for relocation had been successfully unloaded at the Company's specially prepared laydown area in Westonia adjacent to the proposed mill site, or was stored in a secure yard in Perth awaiting refurbishment inspection.

Following dismantling and relocation of the Big Bell plant to Westonia, the Company recovered its $1.5 million cash backed performance bond. In its place, a $200,000 refundable deposit was lodged whilst Westonia's management completed its site cleanup requirements. At the time of writing, demolition blasting of the crusher and mill foundations had been completed and the Company was in dialogue with the tenement owner at Big Bell to recover the $200,000 deposit.

Dewatering

During the 2006/07 year, the Company has maintained the Edna May open pit in a dewatered condition at an annual cost of approximately $400,000.

As a result of the dewatered status of the pit, the underground decline portal has remained accessible and inpit access to Golden Point drill hole locations has been possible.

A decision on whether to continue pit dewatering is expected to be made in the September 2007 quarter.

[EXPLORATION]

Greenfinch

RC drilling carried out in late 2006 at Greenfinch, which is adjacent to the proposed mill site at Westonia identified new, but localised higher grade gold mineralisation in the vicinity of the hanging wall contact. This mineralisation occurs from surface.

A Resource estimate, which complies with the JORC code, was estimated in February 2007. This Resource is additional to the Edna May Resource and the results are tabulated below:

2007 Greenfinch Resource Estimate

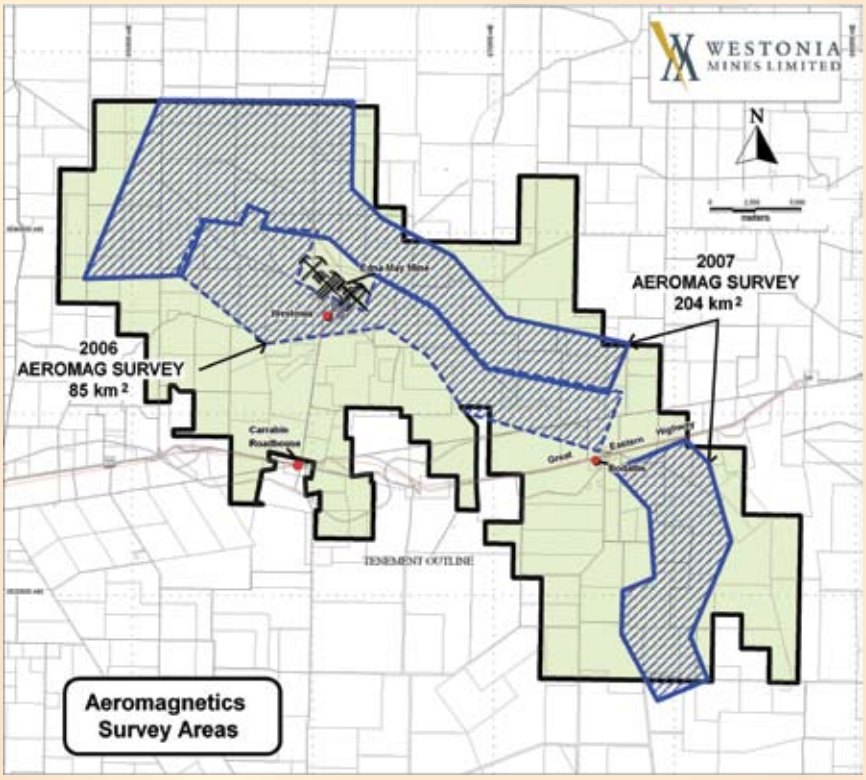
	Indicated			Inferred			Total		
Cut off g/t	Million Tonnes	Grade	Thousand Ounces	Million Tonnes	Grade	Thousand Ounces	Million Tonnes	Grade	Thousand Ounces
0.50	2.2	1.14	82	0.6	1.10	22	2.8	1.13	104
0.70	1.4	1.44	67	0.4	1.43	17	1.8	1.43	84
1.10	0.8	1.95	47	0.2	1.98	13	1.0	1.96	60

The above Resource estimate applies to approximately 400 metres strike length of the Greenfinch gneiss, drill tested to approximately 100 metres depth. This represents less than half the known strike length of the Greenfinch gneiss. The discovery cost for the Resource ounces defined to date is less than $10/oz.

Although occurring from surface in a location close to the proposed mill site, the average grade of the Greenfinch mineralisation is similar to that of the Edna May Resource. Accordingly, the Company decided not to invest further funds into Greenfinch drilling at present.

The Greenfinch Resource therefore is likely to be expandable with the investment of more drilling along strike and with positive mine life consequences, but will occur at a later date.

Greenfinch Exploration Drilling



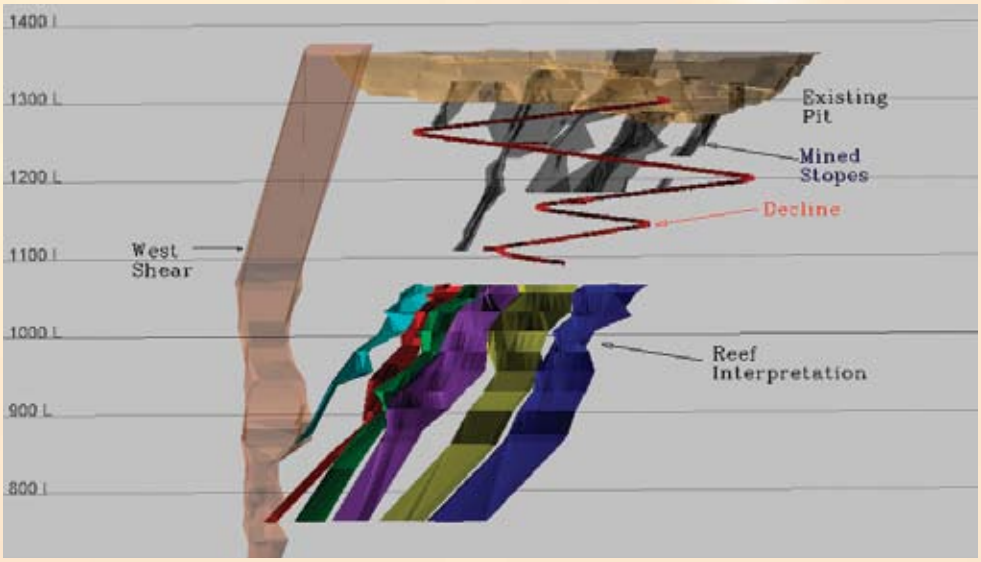
Aeromagnetic survey area completed to date

Aeromagnetic Survey/Database Compilation

The aeromagnetic survey conducted in March 2006 over a portion of the central part of the Westonia Greenstone Belt provided the Company with a number of Edna May "look-alike" targets. The cost effectiveness of acquiring such high quality data resulted in a decision to carry out a much larger aeromagnetic survey over the entire central part of the greenstone belt. The second survey flown in March 2007 brought the extent of areal coverage to some 300 km^2.

During the latter part of 2006 and the first half of 2007, all available historical exploration data, together with the aeromagnetic survey information was compiled into a single electronic exploration database.

This database was then used by the Company's exploration staff to identify and rank a significant number of newly identified targets together with previously known drill targets.



Long section view of reef interpretation

Underground

During mid-2007, an extensive review of underground mining potential was also undertaken. This involved reviewing historical reports, re-logging of selected diamond drill core, geological re-interpretation and 3-D modelling.

In addition, re-entry and refurbishment costs for the 1980's decline were estimated together with new development, dewatering and ventilation requirements.

The Board has made a budget allocation to drill several deep exploration diamond holes with the objective of testing projected arcuate high grade reef "hinge points" within the Edna May Gneiss. These zones are known from shallower underground mining to often contain higher grades and be significantly wider. Drilling is anticipated to occur after an independent review of the technical report has been accepted.

Golden Point

RC drilling in late 2006 confirmed the potential for Golden Point to host an easily accessible, high grade, narrow underground mining operation. No further expenditure is planned for Golden Point until the Company is closer to committing to underground mining.

[EXPLORATION]

Other Activities

At the Dick's Reward base metals prospect, a ground based gradient array IP survey was carried out over some 2 km^2 of the known anomalous area. This survey demonstrated the presence of only weak conductors, meaning that in combination with previously acquired surface and drilling geochemistry, economic base metal occurrences were unlikely to be present. Westonia relinquished its interest and the tenement was handed back to the owner.

Deeper drill testing of encouraging RAB assays at the Perrins prospect indicated that the previously identified mineralisation was shallow and supergene in nature.

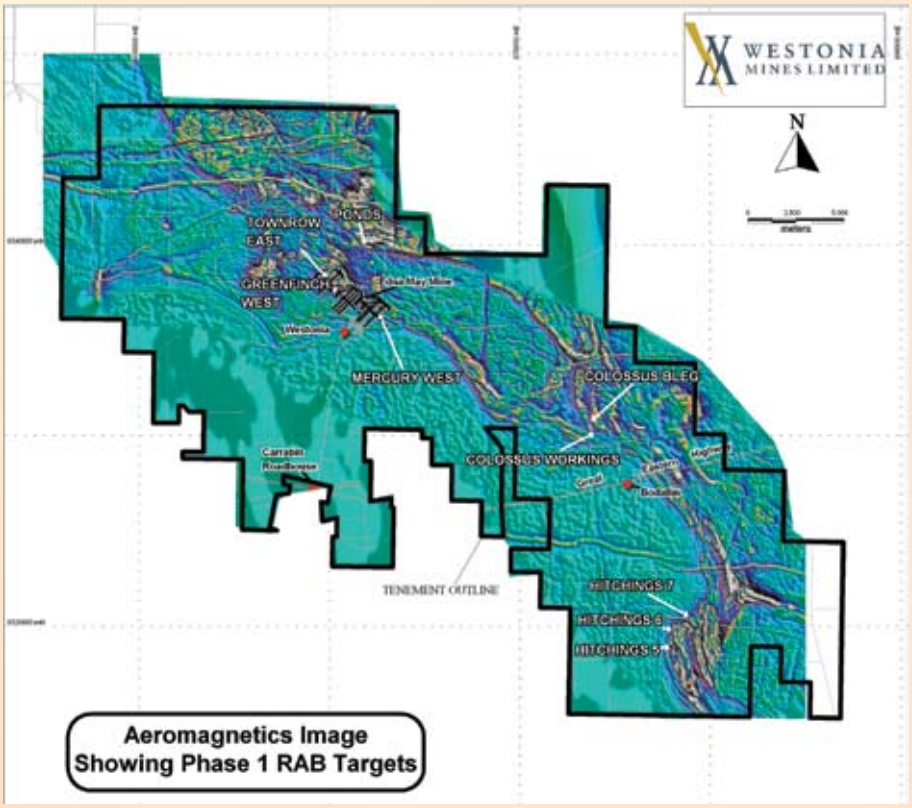
One of the previously identified Edna May "look-alike" targets, known as CJ was partially drill tested in March 2007. The remainder of the target area is located within a flora and fauna conservation reserve and has not been drill tested. Favourable rock units were identified with this drilling, however only low level gold assays were reported.

Re-commencement of Field Activities

Following an extensive review of the prioritised exploration targets, RAB drill testing of the higher ranked surface exploration targets identified to date is anticipated to commence in October.

Ongoing database interrogation is continuing and it is expected that new drill targets should be identified as a result of this work.

The Company is also intending to carry out extensive geochemical sampling along the Northern margins of the greenstone belt over a recently granted tenement, with the objective of identifying additional drill targets.



Aeromagnetic & geological setting

[SAFETY, ENVIRONMENTAL & SOCIAL ASPECTS]

Safety and Health

The company is committed to protecting the safety and health of its employees, contractors, visitors and the local community. We have a zero harm policy. During the year, it was regrettable that one of the Company's contractors incurred a Lost Time Injury whilst dismantling the processing plant at Big Bell.

Environment

We are committed to minimising the impact we have on the natural environment within and surrounding our operations.

All regulatory and permitting requirements have been submitted to the relevant authorities and dialogue to date suggests that full regulatory approval for the Westonia gold mining project is imminent.

During the past year, a new and increased level of permitting has been introduced, which requires the Company to submit programmes of work prior to undertaking field exploration programmes. The Company has embraced this additional requirement into its planning and approval process, however compliance has extended approval timeframes.

Community

It is important that we understand the needs and expectations of our stakeholders, in particular the local community near our project. We aim to be a good neighbour and so encourage feedback and input from stakeholders on our operations. The high level of support and interest in the Company's progress indicates that stakeholders are keen to see the project proceed, participate in its progress and understand the opportunities that project development will bring to the community.

Westonia Mines Limited continued to engage with and build its relationships with the Westonia community during the past year. To support the social and economic welfare of the local community, we undertook to employ local contractors and casual employees wherever possible.

We have established numerous positive relationships with landholders as a result of interaction arising from our exploration activities and we work with the community in supporting fundraising activities for the local Royal Flying Doctor Service.

The information in this report that relates to mineral resources is based on work completed by Mr Nicolas Johnson, who is a Member of the Australian Institute of Geoscientists. Mr Johnson is a full time employee of Hellman and Schofield Pty Ltd and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a "Competent Person" as defined in the 2004 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Johnson consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to exploration results and exploration potential is based on information compiled by Mr Nick Winnall, who is an employee of Westonia Mines Limited and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a "Competent Person" as defined in the 2004 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Winnall consents to the inclusion in the report of the matters based on his information in the form and context in which

[THE BOARD OF DIRECTORS]

Mark Fitzpatrick (55)

B.E., MBA, FAICD, MIEAust (Non Executive Chairman)
Mr Fitzpatrick has been actively involved in the development and growth of a diverse range of businesses and resources projects in Australia over the last 30 years. He is an experienced company director with expertise in resource project financing, project management and investment banking.

David Hatch (53)

Assoc MEng, DipGeoSc, MAusIMM, MAICD (Managing Director)
Mr Hatch is a Mining Engineer with 30 years experience in a range of mineral commodities. His strong operations management and leadership background includes open pit and underground mines within Australia and several overseas locations.

Murray Pollock (59)

MAICD (Non Executive Director)
Mr Pollock is a businessman with over 30 years experience in the mineral services industry, principally in drilling. He is an investor and consultant to several companies on drilling and mine management services.

Chris Melloy (52)

BE (Hons), MEngSc, F Fin, MAusIMM, ASIA (Non Executive Director)
Mr Melloy is an Executive Director and founding shareholder of Lion Manager, the management company responsible for the operation of Lion Selection Limited as well as a non executive Director of Austindo Resources Corporation NL.

He has 31 years experience in the mining industry in both operations and finance, including mine planning, operating and senior mine management roles, as well as mining analysis and research in the stock broking industry.

John Rowe (58)

BSc (Hons) ARSM, MAusIMM (Non Executive Director)
Mr. Rowe has over 35 years experience in mine geology, exploration, general mine management and business development both in Australia and overseas, with significant experience with the gold and nickel industries in WA. As a former mine geologist, Mr. Rowe has varied experience in gold, nickel and copper mineralization and played a major role in the corporate and operational establishment of Kalgoorlie Consolidated Gold Mines Pty Ltd. He is a non executive Director of Sally Malay Mining Limited.

Westonia Mines Limited

ABN 74 084 669 036

Annual Financial Report

for the year ended 30 June 2007

Contents

Directors' Report

Your directors submit their report on the consolidated entity (referred to hereafter as the Group) consisting of Westonia Mines Limited and the entities it controlled at the end of, or during, the year ended 30 June 2007.

DIRECTORS

The names and details of the company's directors in office during the financial year and until the date of this report are as follows. Where applicable, all current and former directorships held in listed public companies over the last three years have been detailed below. Directors were in office for this entire period unless otherwise stated.

Names, qualifications, experience and special responsibilities

Mark Fitzpatrick (55), B.E., MBA, MMR, FAIM, FAICD, MIEAust (Non Executive Chairman)

As a venture capitalist, CEO and corporate consultant, Mr Fitzpatrick has been actively involved in the development and growth of a diverse range of businesses and resources projects in Australia over the last 30 years. He is an experienced company director with experience in resource project financing, project management and investment banking. Mr Fitzpatrick has not held any former listed company directorships within the last 3 years.

David Hatch (53), Assoc MEng, MAusIMM, MAICD (Managing Director)

Mr Hatch is a Mining Engineer with 30 years experience in a range of mineral commodities. His strong operations management and leadership background includes open pit and underground mines within Australia and several overseas locations. Mr Hatch has not held any former listed company directorships within the last 3 years.

Murray Pollock (59), MAICD (Non Executive Director)

Mr Pollock is a businessman with over 30 years experience in the mineral services industry, principally in drilling. He is an investor and consultant to several companies on drilling and mine management services. Mr Pollock has not held any former listed company directorships within the last 3 years.

Chris Melloy (52), BE (Hons), MEngSc, GDipAppFin (Sec Inst), MAusIMM, ASIA (Non Executive Director)

Mr Melloy is an Executive Director of Lion Manager, the management company responsible for the operation of Lion Selection Group as well as a non Executive Director of Austindo Resources Corporation NL (since 2001). Within the last 3 years Mr Melloy has been a former director of Exco Resources Limited

He has 31 years experience in the mining industry in both operations and finance, including mine planning, operating and senior mine management roles, as well as mining analysis and research in the stock broking industry.

John Rowe (58), BSc (Hons) ARSM, MAusIMM (Non Executive Director)

John Rowe brings a wealth of geological and business development skills to the company. Mr Rowe has 35 years experience within the Nickel and Gold industry of Western Australia. He has held a variety of positions in mine management, exploration and business development and was previously employed as an executive of Lion Ore in Australia.

Mr Rowe was appointed as Non Executive Director on 12 October 2006 and is also a director of Sally Malay Mining Limited (since 2006) and Perseverance Corporation Limited (since 2007). Mr Rowe has not held any former listed company directorships within the last 3 years.

COMPANY SECRETARY

Graham Anderson, BBus, CA

Graham Anderson is 44 years of age, has a Bachelor of Business Degree and is a member of the Institute of Chartered Accountants. Graham commenced his career in 1983 with Ernst & Young before later moving to the national chartered accounting firms of Duesburys and Horwath as a Partner with particular responsibilities for providing a range of audit and related corporate services.

Graham has extensive experience and knowledge of the ASX Listing Rules and Corporations Act and has acted as Director and Company Secretary to a number of ASX listed entities. He has also been significantly involved in the IPO stage including due diligence process for Australis Aquaculture Ltd, Dynasty Metals Australia Ltd, Echo Resources Ltd and Pegasus Metals Ltd in the past 3 years.

He is currently the Director and Company Secretary of Dynasty Metals Australia Ltd, APA Financial Services, Echo Resources Ltd, Pegasus Metals Ltd and Company Secretary of Apex Minerals NL and Mamba Minerals Ltd.

Leonard Math, BBus

Leonard Math graduated from Edith Cowan University, majoring in Accounting and Information Systems, in 2003. In 2005 Leonard worked as an Auditor at Deloitte before joining GDA Corporate as a Senior Accountant.

His public company responsibilities include corporate compliance role, including extensive liaison with ASX and ASIC, control and implementation of corporate governance, completion of annual financial reports and auditor liaison, and shareholder relations with registry and shareholders both retail and institutional.

Graham Anderson and Leonard Math were appointed joint Company Secretaries on 31 July 2007.

John Fitzgerald was Company Secretary from 6 March 2007 to 31 July 2007.

John Hannaford was Company Secretary from the beginning of the financial year until he resigned on 6 March 2007.

Directors' Report continued

Interests in the shares and options of the company and related bodies corporate

As at the date of this report, the interests of the directors in the shares and options of Westonia Mines Limited were:

	Ordinary Shares	Options over Ordinary Shares
Mark Fitzpatrick	812,500	-
David Hatch	629,065	2,635,626
Murray Pollock	15,725,802	935,748
Chris Melloy	1,504,688	167,188
John Rowe	-	-

NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES

Following the completion of the Westonia Gold Project feasibility study base case, the Company pursued a series of value add initiatives, which were aimed at reducing operating and capital costs. In addition, funds were committed to add to the Resource and Reserve base by drilling out a portion of the Greenfinch strike length adjacent to the proposed Edna May pit and plant location.

Whilst some of the value add initiatives succeeded in achieving cost reductions, these were offset by cost increases in other areas due to the current industry wide inflationary cost pressures.

In December, 2006 the Company raised approximately $6.1 million, predominantly to dismantle and relocate the Big Bell plant to Westonia. A $5.2 million contract was subsequently awarded to Interquip Pty Ltd, who commenced site work in January 2007. The Big Bell plant move was completed on time and within the budget and the Company recovered its $1.5 million cash backed performance bond in August 2007.

Financing and equity raising negotiations progressed through until March 2007, where upon it became apparent that development of the Edna May project at the prevailing gold price was too risky and would provide inadequate returns for shareholders.

The Company proceeded to fund itself for a renewed exploration effort by raising a further $3.1 million in July 2007. A concerted technical effort identified a series of new exploration targets, drill testing of which was due to commence in October 2007.

DIVIDENDS

No dividends were paid or declared during the financial year. No recommendation for payment of dividends has been made.

OPERATING AND FINANCIAL REVIEW

Operating Results for the Year

The operating loss after income tax of the Group for the year ended 30 June 2007 was $9,730,197 (2006: $12,606,793).

	2007	
	Revenues $	Results $
Geographic segments		
Australia	387,038	(9,730,197)
Consolidated entity revenues and loss from ordinary activities after income tax expense	387,038	(9,730,197)

Shareholder Returns

	2007	2006
Basic and diluted loss per share (cents)	(3.5)	(5.6)

Directors' Report continued

Risk Management

The board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that activities are aligned with the risks and opportunities identified by the board.

The Group believes that it is crucial for all board members to be a part of this process, and as such the board has not established a separate risk management committee.

The board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the board. These include the following:

- Strategic planning, which encompasses strategy statements designed to meet stakeholders needs and manage business risk.
- Implementation of board approved operating plans and budgets and board monitoring of progress against these budgets.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Apart from the above or as noted elsewhere in this report no significant changes in the state of affairs of the Group occurred during the financial year.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

No matters or circumstances, besides those disclosed at note 24, have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Likely developments in the operations of the Group and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the Group.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group is subject to significant environmental regulation in respect to its exploration activities.

The Group aims to ensure the appropriate standard of environmental care is achieved, and in doing so, that it is aware of and is in compliance with all environmental legislation. The directors of the Group are not aware of any breach of environmental legislation for the year under review.

REMUNERATION REPORT

The remuneration report is set out under the following main headings:

A Principles used to determine the nature and amount of remuneration

B Details of remuneration

C Service agreements

D Share-based compensation

E Additional information

The information provided under headings A-D includes remuneration disclosures that are required under Accounting Standard AASB 1024 *Related Party Disclosures*. These disclosures have been transferred from the financial report and have been audited. The disclosures in Section E are additional disclosures required by the Corporations Act 2001 and the Corporations Regulations 2001 which have not been audited.

A Principles used to determine the nature and amount of remuneration (audited)

Remuneration Policy

The remuneration policy of Westonia Mines Limited has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the Group's financial results. The board of Westonia Mines Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain high calibre executives and directors to run and manage the Group.

The board's policy for determining the nature and amount of remuneration for board members and senior executives of the Group is as follows:

The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed by the board. All executives receive a base salary (which is based on factors such as length of service and experience) and superannuation. The board reviews executive packages annually by reference to the Group's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

The board may exercise discretion in relation to approving incentives, bonuses and options. The policy is designed to attract and retain the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

Directors' Report continued

Executives are also entitled to participate in the employee share and option arrangements.

The executive directors and executives receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits. Some individuals, however, may choose to sacrifice part of their salary to increase payments towards superannuation.

The board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting (currently $200,000). Fees for non-executive directors are not linked to the performance of the Group. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the company and are able to participate in employee option plans.

Performance based remuneration

The remuneration policy has been tailored to increase goal congruence between shareholders and directors and executives. Currently, this is facilitated through the issue of options to executives to encourage the alignment of personal and shareholder interests. The company believes this policy will be effective in increasing shareholder wealth. For details of directors and executives interests in options at year end, refer note 18.

Company performance, shareholder wealth and directors' and executives' remuneration

The remuneration policy has been tailored to increase the direct positive relationship between shareholders investment objectives and directors and executives performance. Currently, this is facilitated through the issue of options to executives to encourage the alignment of personal and shareholder interests. The company believes this policy will be effective in increasing shareholder wealth.

Directors' Report continued

B Details of remuneration (audited)

Details of the remuneration of the directors and the key management personnel (as defined in AASB 124 *Related Party Disclosures*) of Westonia Mines Limited and the Westonia Group are set out in the following table.

The key management personnel of Westonia Mines Limited and the Group include the directors and company secretary as per page 3 above and the following executive officer who has authority and responsibility for planning, directing and controlling the activities of the Group:

- Rowan Johnston – Resident Manager

Given the size and nature of operations of Westonia Mines Limited and the Group, there are no other employees who are required to have their remuneration disclosed in accordance with the *Corporations Act 2001*.

Key management personnel and other executives of Westonia Mines Limited and the Group

	Short-Term		Post Employment		Share-based Payments	Total
	Salary & Fees	Non Monetary	Superannuation	Retirement benefits	Options	
	$	$	$	$	$	$
Directors						
Mark Fitzpatrick						
2007	**76,000**	**-**	**6,840**	**-**	**-**	**82,840**
2006	40,750	-	3,667	-	-	44,417
David Hatch						
2007	**220,000**	**20,663**	**19,800**	**-**	**28,807**	**289,270**
2006	220,000	21,974	19,800	-	386,747	648,521
Murray Pollock						
2007	**38,000**	**-**	**3,420**	**-**	**-**	**41,420**
2006	22,333	-	2,010	-	-	24,343
Chris Melloy*						
2007	**38,000**	**-**	**-**	**-**	**-**	**38,000**
2006	22,333	-	-	-	-	22,333
John Rowe (appointed 12 October 2006)						
2007	**28,356**	**-**	**-**	**-**	**-**	**28,356**
Pieter Greeff (resigned 25 November 2005)						
2006	10,792	-	562	-	-	11,354
Other key management personnel						
John Fitzgerald (appointed 6 March 2007, resigned 31 July 2007)						
2007	**59,280**	**-**	**5,335**	**-**	**13,600**	**78,215**
John Hannaford** (resigned 6 March 2007)						
2007	**94,876**	**-**	**-**	**-**	**-**	**94,876**
2006	17,440	-	-	-	-	17,440
Dennis Wilkins (Company Secretary, resigned 1 May 2006)						
2006	41,772	-	-	-	-	41,772
Rowan Johnston						
2007	**200,000**	**22,596**	**18,000**	**-**	**-**	**240,596**
2006	200,000	14,803	18,000	-	15,425	248,228
Total key management personnel compensation						
2007	**754,512**	**43,259**	**53,395**	**-**	**42,407**	**893,573**
2006	575,420	36,777	44,039	-	402,172	1,058,408

* These payments are to Lion Manager, the management company responsible for the operation of Lion Selection Group, for the services of Mr Chris Melloy as a Non Executive director. Refer note 22.

** These payments were to Ventnor Capital Pty Ltd for the services of Mr John Hannaford as Company Secretary.

Directors' Report continued

C Service agreements (audited)

The details of service agreements of the key management personnel of Westonia Mines Limited and the Group are as follows:

David Hatch, Managing Director:

- Term of agreement – 6 months notice of termination is required.
- Base salary, exclusive of statutory superannuation, of $220,000 to be reviewed annually by the board.
- Mr Hatch is also to be supplied with a fully maintained motor vehicle.
- Payment of termination benefit on early termination by the employer, other than for gross misconduct, includes any accrued long service leave and annual entitlements, superannuation, retiring allowance, superannuation gratuity to the value of which does not exceed the maximum amount ascertained in accordance with the formula set out in section 200G of the *Corporations Act 2001*.

Rowan Johnston, Resident Manager:

- Term of agreement – 3 months notice of termination is required.
- Base salary, exclusive of statutory superannuation, of $200,000 to be reviewed annually by the board.
- Mr Johnston is also to be supplied with a fully maintained motor vehicle to a value of $30,000 per year.
- Payment of a bonus of $25,000 gross upon commencement of plant construction at Westonia and a bonus of $25,000 upon successful commissioning of the plant.
- Payment of termination benefit on early termination by the employer, other than for gross misconduct, includes any accrued long service leave and annual entitlements, superannuation, retiring allowance, superannuation gratuity to the value of which does not exceed the maximum amount ascertained in accordance with the formula set out in section 200G of the *Corporations Act 2001*.

D Share-based compensation (audited)

Options are issued to directors and executives as part of their remuneration. The options are not issued based on performance criteria, but are issued to the majority of directors and executives of Westonia Mines Limited to increase goal congruence between executives, directors and shareholders. The following options were granted to or vested with key management personnel during the year:

	Grant Date	Granted Number	Vesting Date	Expiry Date	Exercise Price (cents)	Value per option at grant date (cents)	Exercised Number	% of Remuneration
Directors								
David Hatch	15/03/2006	200,000	22/11/2006	22/11/2009	11	16.9	N/A	5.9%
David Hatch	15/03/2006	200,000	22/11/2007	22/11/2010	11	17.8	N/A	4.1%
Other key management personnel								
John Fitzgerald	03/04/2007	200,000	03/04/2007	03/04/2010	20	6.8	N/A	17.4%
John Fitzgerald	03/04/2007	800,000	(1)	03/04/2010	20	6.8	N/A	N/A

(1) The vesting of these options are based on a number of performance hurdles that had not been met prior to the resignation of Mr Fitzgerald.

There were no ordinary shares issued upon exercise of remuneration options to directors or other key management personnel of Westonia Mines Limited during the year. Refer to note 27 for model inputs for the options granted.

E Additional information – unaudited

Performance income as a proportion of total compensation

No performance based bonuses have been paid to key management personnel during the financial year.

Directors' Report continued

DIRECTORS' MEETINGS

During the year the company held thirteen meetings of directors. The attendance of directors at meetings of the board were:

	Directors' Meetings		Audit Committee	
	A	B	A	B
Mark Fitzpatrick	12	13	2	2
David Hatch	13	13	*	*
Murray Pollock	12	13	2	2
Chris Melloy	11	13	2	2
John Rowe	9	9	1	1

Notes

A - Number of meetings attended.

B - Number of meetings held during the time the director held office during the year.

* - Not a member of the Audit Committee.

SHARES UNDER OPTION

At the date of this report there are 42,475,256 unissued ordinary shares in respect of which options are outstanding.

	Number of options
Balance at the beginning of the year	30,564,669
Movements of share options during the year	
Exercised at 20 cents (20 August 2006, unlisted)	(155,550)
Expired (20 cents, 20 August 2006, unlisted)	(27,249,119)
Expired (36 cents, 27 April 2007, unlisted)	(30,000)
Expired (42 cents, 27 April 2007, unlisted)	(30,000)
Issued, exercisable at 20 cents, on or before 2 April 2010 (unlisted)	1,000,000
Total number of options outstanding as at 30 June 2007	**4,100,000**
Issued, exercisable at 10 cents, on or before 30 June 2010 (listed)	38,375,256
Total number of options outstanding as at the date of this report	**42,475,256**

The balance is comprised of the following:

Expiry date	Exercise price (cents)	Number of options
22 Nov 2008	11	200,000
22 Nov 2009	11	200,000
22 Nov 2010	11	700,000
2 Apr 2010	20	1,000,000
30 Jun 2010	10	38,375,256
22 Nov 2010	20	2,000,000
Total number of options outstanding at the date of this report		**42,475,256**

No person entitled to exercise any option referred to above has or had, by virtue of the option, a right to participate in any share issue of any other body corporate.

INSURANCE OF DIRECTORS AND OFFICERS

During or since the financial year, the company has paid premiums insuring all the directors of Westonia Mines Limited against costs incurred in defending proceedings for conduct involving:

(a) a wilful breach of duty; or

(b) a contravention of sections 182 or 183 of the *Corporations Act 2001*,

as permitted by section 199B of the *Corporations Act 2001*.

The total amount of insurance contract premiums paid is confidential under the terms of the insurance policy.

The Company has entered into a Deed of Indemnity, Insurance and Access with each Director. In summary the Deed provides for:

- Access to corporate records for each Director for a period after ceasing to hold office in the Company,
- The provision of Directors and Officers Liability Insurance, and
- Indemnity for legal costs incurred by Directors in carrying out the business affairs of the Company.

Directors' Report continued

NON-AUDIT SERVICES

The following non-audit services were provided by the entity's auditor, Ord Partners or associated entities. 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. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- All non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor;
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risk and rewards.

Ord Partners received or are due to receive the following amounts for the provision of non-audit services:

	2007 $	2006 $
Department of Industry & Resources tenement audits	2,500	-

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 11.

ROUNDING OF AMOUNTS

The amounts contained in this report and in the financial statements have been rounded to the nearest $1 (where rounding is applicable) under the option available to the company under ASIC Class Order 98/100. The company is an entity to which the Class Order applies.

Signed in accordance with a resolution of the directors.

Mark Fitzpatrick
Chairman
Perth, 27 September 2007

Directors' Report continued

O | R | D
PARTNERS
CHARTERED ACCOUNTANTS

Ian K Macpherson CA

Robert W Parker CA

Craig A Vivian CA

27 September 2007

To the Board of Directors of Westonia Mines Limited

Dear Sirs

AUDITORS INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

I declare that, to the best of my knowledge and belief, in relation to the audit for the year ended 30 June 2007, there have been:

- no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

Yours faithfully
ORD PARTNERS

Robert Parker
Partner

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Corporate Governance Statement

This statement outlines the main corporate governance practices in place for the financial year ended 30 June 2007 which comply with the ASX Corporate Governance Council principles of Good Corporate Governance and Best Practice Recommendations, unless otherwise stated.

The Board of Directors

The company's constitution provides that the number of directors shall not be less than three and not more than nine. There is no requirement for any share holding qualification.

As and if the company's activities increase in size, nature and scope the size of the board will be reviewed periodically and the optimum number of directors required to supervise adequately the company's constitution determined within the limitations imposed by the constitution and as circumstances demand.

The membership of the board, its activities and composition, is subject to periodic review. The criteria for determining the identification and appointment of a suitable candidate for the board shall include quality of the individual, background of experience and achievement, compatibility with other board members, credibility within the company's scope of activities, intellectual ability to contribute and the physical ability to undertake a director's duties and responsibilities.

Directors are initially appointed by the full board subject to election by shareholders at the next general meeting. Under the company's constitution the tenure of a director (other than managing director, and only one managing director where the position is jointly held) is subject to reappointment by shareholders not later than the third anniversary following his or her last appointment. Subject to the requirements of the Corporations Act 2001, the board does not subscribe to the principle of retirement age and there is no maximum period of service as a director. A managing director may be appointed for any period and on any terms the directors think fit and, subject to the terms of any agreement entered into, the directors may revoke any appointment.

The board considers that the company is not currently of a size, nor are its affairs of such complexity to justify the formation of separate or special committees at this time. The board as a whole is able to address the governance aspects of the full scope of the company's activities and to ensure that it adheres to appropriate ethical standards.

Role of the Board

The board's primary role is the protection and enhancement of long-term shareholder value.

To fulfil this role, the board is responsible for oversight of management and the overall corporate governance of the company including its strategic direction, establishing goals for management and monitoring the achievement of these goals.

Appointments to Other Boards

Directors are required to take into consideration any potential conflicts of interest when accepting appointments to other boards.

Independent Professional Advice

The board has determined that individual directors have the right in connection with their duties and responsibilities as directors, to seek independent professional advice at the company's expense. With the exception of expenses for legal advice in relation to director's rights and duties, the engagement of an outside adviser is subject to prior approval of the Chairman and this will not be withheld unreasonably.

Continuous Review of Corporate Governance

Directors consider, on an ongoing basis, how management information is presented to them and whether such information is sufficient to enable them to discharge their duties as directors of the company. Such information must be sufficient to enable the directors to determine appropriate operating and financial strategies from time to time in light of changing circumstances and economic conditions. The directors recognise that mineral exploration is an inherently risky business and that operational strategies adopted should, notwithstanding, be directed towards improving or maintaining the net worth of the company.

ASX Principles of Good Corporate Governance

The board has reviewed its current practices in light of the ASX Principles of Good Corporate Governance and Best Practice Guidelines with a view to making amendments where applicable after considering the company's size and the resources it has available.

As the company's activities develop in size, nature and scope, the size of the board and the implementation of any additional formal corporate governance committees will be given further consideration.

The following table sets out the recommendations that the Company did not follow during the financial period and the reasons for non-compliance.

Corporate Governance Statement continued

ASX Principle		Reference/comment
Principle 1:	**Lay solid foundations for management and oversight**	
1.1	Formalise and disclose the functions reserved to the board and those delegated to management	The company has not adopted this recommendation to formalise and disclose the functions reserved to the board and those delegated to management. The company has a small board, comprising five directors, four of whom are non-executive (including the chairman). The full board currently meets every month. In addition, strategy meetings and any extraordinary meetings are held at such other times as may be necessary to address any specific significant matters that may arise.
Principle 2:	**Structure the board to add value**	
2.1	A majority of board members should be independent directors	Given the company's background, the nature and size of its business and the current stage of its development, the board comprises five directors, four of whom are non-executive (including the independent chairman). Of the non-executive directors, only three are independent. The board believes that this is both appropriate and acceptable at this stage of the company's development. The company considers the expense of sourcing additional directors at this stage of its development is unwarranted. The roles and functions within the company must remain flexible in order for it to best function within its level of available resources. The board believes the alignment of the interests of directors with those of shareholders as being the most efficient way to ensure shareholders interests are protected.
2.4	The board should establish a nomination committee	The board has no formal nomination committee. Acting in its ordinary capacity from time to time as required, the board carries out the process of determining the need for, screening and appointing new directors. In view of the size and resources available to the company, it is not considered that a separate nomination committee would add any substance to this process.
Principle 4:	**Safeguard integrity in financial reporting**	
4.2	The board should establish an audit committee	The board is of the view that due to the small size of the board and the company, a separate committee would not provide any additional efficiencies or safeguards in fulfilling the company's financial reporting obligations. The board may from time to time delegate issues to a sub-committee who report their findings back to the board. The board as part of its on-going financial reporting processes meets with audit personnel to discuss audit related issues.
Principle 5:	**Make timely and balanced disclosure**	
5.1	Establish written policies and procedures designed to ensure compliance with ASX listing rule disclosure requirements and to ensure accountability at a senior management level for that compliance	The company has instigated internal procedures designed to provide reasonable assurance as to the effectiveness and efficiency of operations, the reliability of financial reporting and compliance with relevant laws and regulations. The board is acutely aware of the continuous disclosure regime and there are systems in place to ensure compliance, underpinned by experience.
Principle 7:	**Recognise and manage risk**	
7.1	The board or appropriate board committee should establish policies on risk oversight and management	While the company does not have formalised policies on risk management the board recognises its responsibility for identifying areas of significant business risk and for ensuring that arrangements are in place for adequately managing these risks. This issue is regularly reviewed at board meetings and risk management culture is encouraged amongst employees and contractors.

Corporate Governance Statement continued

ASX Principle		Reference/comment
Principle 8:	**Encourage enhanced performance**	
8.1	Disclose the process for performance evaluation of the board, its committees and individual directors, and key executives	The remuneration of executive and non-executive directors is reviewed by the board with the exclusion of the director concerned. The remuneration of management and employees is reviewed and approved by the board. Acting in its ordinary capacity, the board from time to time carries out the process of considering and determining performance issues including the identification of matters that may have a material effect on the price of the company's securities. Whenever relevant, any such matters are reported to ASX.
Principle 9:	**Remunerate fairly and responsibly**	
9.2	The board should establish a remuneration committee	The company does not consider it appropriate to have a sub-committee of the board to consider remuneration matters as this function is carried out by the full board.

Income Statements

YEAR ENDED 30 JUNE 2007	Notes	Consolidated		Parent Entity	
		2007	2006	2007	2006
		$	$	$	$
REVENUE FROM CONTINUING OPERATIONS	4	**387,038**	427,088	**387,038**	427,088
EXPENDITURE					
Depreciation expense	5	**(122,030)**	(109,530)	**(122,030)**	(109,530)
Corporate expenses		**(321,650)**	(252,442)	**(321,650)**	(252,442)
Occupancy expenses		**(231,071)**	(164,302)	**(231,071)**	(164,302)
Employee and consultant expenses		**(899,649)**	(474,404)	**(899,649)**	(474,404)
Travel and accommodation expenses		**(72,668)**	(83,018)	**(72,668)**	(83,018)
Impairment of exploration and development expenditure		**(8,513,181)**	(6,901,270)	**(8,513,181)**	(6,901,270)
Provision for impairment of plant & equipment		**-**	(4,600,000)	**-**	(4,600,000)
Other expenses		**(65,528)**	(464,749)	**(65,528)**	(464,749)
LOSS BEFORE INCOME TAX		**(9,838,739)**	(12,622,627)	**(9,838,739)**	(12,622,627)
INCOME TAX BENEFIT / (EXPENSE)	6	**108,542**	15,834	**108,542**	15,834
NET LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF WESTONIA MINES LIMITED		**(9,730,197)**	(12,606,793)	**(9,730,197)**	(12,606,793)
Basic and diluted loss per share for loss attributable to the ordinary equity holders of the company (cents per share)	26	**(3.5)**	(5.6)		

The above Income Statements should be read in conjunction with the Notes to the Financial Statements.

Balance Sheets

AT 30 JUNE 2007	Notes	Consolidated		Parent Entity	
		2007	2006	2007	2006
		$	$	$	$
CURRENT ASSETS					
Cash and cash equivalents	7	**1,075,686**	5,014,414	**1,075,686**	5,014,414
Trade and other receivables	8	**294,577**	130,742	**294,575**	130,740
Other assets	9	**1,902,872**	1,967,284	**1,892,872**	1,967,284
TOTAL CURRENT ASSETS		**3,273,135**	7,112,440	**3,263,133**	7,112,438
NON-CURRENT ASSETS					
Other financial assets	10	**1,500**	35,500	**11,502**	35,502
Property, plant and equipment	11	**3,600,080**	3,260,908	**3,600,080**	3,260,908
Mining properties	12	**-**	4,703,501	**-**	4,703,501
TOTAL NON-CURRENT ASSETS		**3,601,580**	7,999,909	**3,611,582**	7,999,911
TOTAL ASSETS		**6,874,715**	15,112,349	**6,874,715**	15,112,349
CURRENT LIABILITIES					
Trade and other payables	13	**392,618**	2,020,608	**392,618**	2,020,608
Provisions	14	**805,578**	5,223,543	**805,578**	5,223,543
TOTAL CURRENT LIABILITIES		**1,198,196**	7,244,151	**1,198,196**	7,244,151
TOTAL LIABILITIES		**1,198,196**	7,244,151	**1,198,196**	7,244,151
NET ASSETS		**5,676,519**	7,868,198	**5,676,519**	7,868,198
EQUITY					
Issued capital	15	**30,088,089**	22,591,978	**30,088,089**	22,591,978
Reserves	16(a)	**498,673**	456,266	**498,673**	456,266
Accumulated losses	16(b)	**(24,910,243)**	(15,180,046)	**(24,910,243)**	(15,180,046)
TOTAL EQUITY		**5,676,519**	7,868,198	**5,676,519**	7,868,198

The above Balance Sheets should be read in conjunction with the Notes to the Financial Statements.

Statements of Changes in Equity

CONSOLIDATED AND PARENT ENTITY

YEAR ENDED 30 JUNE 2007

		Share Capital Ordinary	(Accumulated Losses)	Reserves	Total
		$	$	$	$
BALANCE AT 1 JULY 2005		20,507,406	(2,573,253)	2,464	17,936,617
Loss for the year		-	(12,606,793)	-	(12,606,793)
Income tax on items taken directly to equity		(15,834)	-	-	(15,834)
TOTAL RECOGNISED INCOME AND EXPENSE FOR THE YEAR ATTRIBUTABLE TO MEMBERS OF WESTONIA MINES LIMITED		(15,834)	(12,606,793)	-	(12,622,627)
Contributions to equity net of transactions costs		2,100,406	-	-	2,100,406
Share based payments		-	-	453,802	453,802
TRANSACTIONS WITH EQUITY HOLDERS IN THEIR CAPACITY AS EQUITY HOLDERS		2,100,406	-	453,802	2,554,208
BALANCE AT 30 JUNE 2006		22,591,978	(15,180,046)	456,266	7,868,198
BALANCE AT 1 JULY 2006		**22,591,978**	**(15,180,046)**	**456,266**	**7,868,198**
Loss for the year	16(b)	**-**	**(9,730,197)**	**-**	**(9,730,197)**
Income tax on items taken directly to equity		**(108,542)**	**-**	**-**	**(108,542)**
TOTAL RECOGNISED INCOME AND EXPENSE FOR THE YEAR ATTRIBUTABLE TO MEMBERS OF WESTONIA MINES LIMITED		**(108,542)**	**(9,730,197)**	**-**	**(9,838,739)**
Contributions to equity net of transactions costs	15	**7,604,653**	**-**	**-**	**7,604,653**
Share based payments	16(a)	**-**	**-**	**42,407**	**42,407**
TRANSACTIONS WITH EQUITY HOLDERS IN THEIR CAPACITY AS EQUITY HOLDERS		**7,604,653**	**-**	**42,407**	**7,647,060**
BALANCE AT 30 JUNE 2007		**30,088,089**	**(24,910,243)**	**498,673**	**5,676,519**

The above Statements of Changes in Equity should be read in conjunction with the Notes to the Financial Statements.

Statements of Cash Flows

YEAR ENDED 30 JUNE 2007	Notes	Consolidated		Parent Entity	
		2007	2006	2007	2006
		$	$	$	$
CASH FLOWS FROM OPERATING ACTIVITIES					
Research and development grant received		-	161,147	-	161,147
Payments to suppliers and employees		**(1,536,833)**	(917,590)	**(1,536,833)**	(917,590)
Interest received		**472,798**	236,234	**472,798**	236,234
NET CASH (OUTFLOW) FROM OPERATING ACTIVITIES	25(a)	**(1,064,035)**	(520,209)	**(1,064,035)**	(520,209)
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale of plant and equipment		-	2,727	-	2,727
Purchase of property, plant and equipment		**(461,202)**	(433,301)	**(461,202)**	(433,301)
Payments for exploration activities		**(1,612,080)**	(501,815)	**(1,612,080)**	(501,815)
Payment for project development		**(6,634,664)**	(3,107,231)	**(6,634,664)**	(3,107,231)
Payment for bonds		-	(1,631,311)	-	(1,631,311)
NET CASH (OUTFLOW) FROM INVESTING ACTIVITIES		**(8,707,946)**	(5,670,931)	**(8,707,946)**	(5,670,931)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issues of ordinary shares		**6,150,818**	2,234,100	**6,150,818**	2,234,100
Subscriptions received prior to allotment		-	1,771,400	-	1,771,400
Payment of share issue costs		**(317,565)**	-	**(317,565)**	-
NET CASH INFLOW FROM FINANCING ACTIVITIES		**5,833,253**	4,005,500	**5,833,253**	4,005,500
NET (DECREASE) IN CASH AND CASH EQUIVALENTS		**(3,938,728)**	(2,185,640)	**(3,938,728)**	(2,185,640)
Cash and cash equivalents at the beginning of the financial year		**5,014,414**	7,200,054	**5,014,414**	7,200,054
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	7	**1,075,686**	5,014,414	**1,075,686**	5,014,414

The above Statements of Cash Flows should be read in conjunction with the Notes to the Financial Statements.

Notes to the Financial Statements

30 JUNE 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for Westonia Mines Limited as an individual entity and the consolidated entity consisting of Westonia Mines Limited and its subsidiaries.

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Australian Interpretations and the *Corporations Act 2001*.

Compliance with IFRS

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the consolidated financial statements and notes and the parent entity financial statements and notes of Westonia Mines Limited comply with International Financial Reporting Standards (IFRS).

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, certain classes of property, plant and equipment and investment property.

(b) Principles of consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Westonia Mines Limited ("company" or "parent entity") as at 30 June 2007 and the results of all subsidiaries for the year then ended. Westonia Mines Limited and its subsidiaries together are referred to in this financial report as the Group or consolidated entity.

Subsidiaries are all of those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group.

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of identifiable net assets of the subsidiary.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Minority interests in the results and equity of subsidiaries are shown separately in the consolidated income statement and balance sheet respectively.

Investments in subsidiaries are accounted for at cost in the individual financial statements of Westonia Mines Limited.

(c) Segment reporting

A business segment is identified for a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is identified when products or services are provided within a particular economic environment subject to risks and returns that are different from those of segments operating in other economic environments.

Notes to the Financial Statements continued

30 JUNE 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(d) Revenue recognition

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial assets.

(e) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

(f) Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

Leases where a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (note 21). Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(g) Business combinations

The purchase method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the fair value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the Group's share of the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Notes to the Financial Statements continued

30 JUNE 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(h) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(i) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value, and bank overdrafts.

(j) Trade and other receivables

Receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

(k) Investments and other financial assets

Classification

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

(iv) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed to the income statement. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities.

Notes to the Financial Statements continued

30 JUNE 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Subsequent measurement

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of revenue from continuing operations when the Group's right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in equity. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity.

Fair value

The fair values of quoted investments are based on last trade prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Impairment

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments classified as available-for-sale are not reversed through the income statement.

(l) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the last trade price.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature.

(m) Property, plant and equipment

Land is carried at historical cost. All plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the reporting period in which they are incurred.

Land is not depreciated. Depreciation of plant and equipment is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. The rates vary between 10% and 33% per annum.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(h)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement. When revalued assets are sold, it is Group policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

Notes to the Financial Statements continued

30 JUNE 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(n) Exploration, evaluation and development expenditure

Exploration and evaluation costs, including the costs of acquiring licences, are capitalised as exploration and evaluation assets on an area of interest basis. Costs incurred before the consolidated entity has obtained the legal rights to explore an area are recognised in the income statement.

Exploration and evaluation assets are only recognised if the rights of the area of interest are current and either:

(i) the expenditures are expected to be recouped through successful development and exploitation of the area of interest; or

(ii) activities in the area of interest have not at the reporting date, reached a stage which permits a reasonable assessment of the existence or other wise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount (see impairment accounting policy (h)). For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating unit shall not be larger than the area of interest.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets.

(o) Site restoration

In accordance with the consolidated entity's published environmental policy and applicable legal requirements, a provision for site restoration in respect of contaminated land is recognised when the land is contaminated.

The provision is the best estimate of the present value of the expenditure required to settle the restoration obligation at the reporting date, based on current legal requirements and technology. Future restoration costs are reviewed annually and any changes are reflected in the present value of the restoration provision at the end of the reporting period.

The amount of the provision for future restoration costs is capitalised and is depreciated in accordance with the policy set out in note 1(m). The unwinding of the effect of discounting on the provision is recognised as a finance cost.

(p) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are paid on normal commercial terms.

(q) Employee benefits

(i) Wages and salaries, annual leave and other employee benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave, and long service leave.

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liability, are used.

(ii) Share-based payments

The consolidated entity has an 'Employee and Contractor Option Plan' ("ECOP") for employees, contractors and executives (including executive directors) of the company.

The plan permits the company, at the discretion of the directors, to grant options over unissued ordinary shares of the company to eligible directors, members of staff and contractors as specified in the plan rules.

The options, issued for nil consideration, are granted in accordance with performance guidelines established by the directors of the company.

Notes to the Financial Statements continued

30 JUNE 2007

The options are issued for a specified period and each option is convertible into one ordinary share. The exercise price of the options, determined in accordance with the rules of the plan, is based on the market price of a share on invitation date, grant date, or another specified date after grant close. All options expire on the earlier of their expiry date or termination of the employee's employment.

Options do not vest until a specified period after granting and their exercise is conditional on the consolidated entity achieving certain performance hurdles.

There are no voting or dividend rights attached to the options. Voting rights will attach to the ordinary shares when the options have been exercised. The options cannot be transferred and will not be quoted on the ASX.

(r) 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. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

(s) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(t) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

(u) Share based payments

Equity-settled share-based payments are measured at fair value at the date of grant. Fair value is measured by use of the Black & Scholes option pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the consolidated entity's estimate of shares that will eventually vest.

For cash-settled share based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

(v) Rounding of amounts

The company is a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest $1.

Notes to the Financial Statements continued

30 JUNE 2007

(w) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2007 reporting periods. The Group's and the parent entity's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 7 Financial Instruments: Disclosures and AASB 2005-10 Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038]

AASB 7 and AASB 2005-10 are applicable to annual reporting periods beginning on or after 1 January 2007. The Group has not adopted the standards early. Application of the standards will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Group's and the parent entity's financial instruments.

(ii) AASB-I 10 Interim Financial Reporting and Impairment

AASB-I 10 is applicable to reporting periods commencing on or after 1 November 2006. The Group has not recognised an impairment loss in relation to goodwill, investments in equity instruments or financial assets carried at cost in an interim reporting period but subsequently reversed the impairment loss in the annual report. Application of the interpretation will therefore have no impact on the Group's or the parent entity's financial statements.

(x) Critical accounting judgements, estimates and assumptions

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are:

Share based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an internal valuation using a Black-Scholes option pricing model, using the assumptions detailed in note 27.

Impairment of exploration and development expenditure

At the end of the financial year the Company assessed the impairment of the exploration and development expenditure carried forward with regard to the current status of the Westonia Gold Project at the prevailing gold prices. As a result of the impairment assessment all capitalised expenditure totalling $5,540,866 of exploration expenditure and $2,972,315 of development expenditure was written off as at 30 June 2007.

Notes to the Financial Statements continued

30 JUNE 2007

2. FINANCIAL RISK MANAGEMENT

(a) Financial risk management objectives

The consolidated entity's financial control function provides services to the business, co-ordinates access to domestic and international financial markets, and manages the financial risks relating to the operations of the consolidated entity.

(b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

(c) Interest rate risk

The Group's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at the balance date, are as follows:

2007		**Fixed interest rate maturing in:**					
Financial instrument	**Floating interest rate**	**1 year or less**	**1 to 5 years**	**More than 5 years**	**Non interest bearing**	**Total carrying amount as per the balance sheet**	**Weighted average effective interest rate**
	$	**$**	**$**	**$**	**$**	**$**	**%**
Financial assets							
Cash and cash equivalents	**1,075,686**	-	-	-	-	**1,075,686**	**5.7**
Trade and other receivables	-	-	-	-	**294,577**	**294,577**	-
Term and bond deposits	-	**1,895,355**	-	-	-	**1,895,355**	**5.7**
Total financial assets	**1,075,686**	**1,895,355**	-	-	**294,577**	**3,265,618**	
Financial liabilities							
Trade creditors	-	-	-	-	**(298,751)**	**(298,751)**	-
Other creditors and accruals	-	-	-	-	**(93,867)**	**(93,867)**	-
Total financial liabilities	-	-	-	-	**(392,618)**	**(392,618)**	

2006		**Fixed interest rate maturing in:**					
Financial instrument	**Floating interest rate**	**1 year or less**	**1 to 5 years**	**More than 5 years**	**Non interest bearing**	**Total carrying amount as per the balance sheet**	**Weighted average effective interest rate**
	$	**$**	**$**	**$**	**$**	**$**	**%**
Financial assets							
Cash and cash equivalents	4,712,371	295,641	-	-	6,402	5,014,414	4.0
Trade and other receivables	-	-	-	-	130,742	130,742	-
Term and bond deposits	-	1,967,284	-	-	35,000	2,002,284	-
Total financial assets	4,712,371	2,262,925	-	-	172,144	7,147,440	
Financial liabilities							
Trade creditors	-	-	-	-	(205,818)	(205,818)	-
Other creditors and accruals	-	-	-	-	(1,814,789)	(1,814,789)	-
Total financial liabilities	-	-	-	-	(2,020,607)	(2,020,607)	

Notes to the Financial Statements continued

30 JUNE 2007

2. FINANCIAL RISK MANAGEMENT (cont'd)

(d) Net fair values

All financial assets and liabilities have been recognised at the balance date at amounts approximating their carrying value.

(e) Liquidity risk management

The consolidated entity manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

5. SEGMENT INFORMATION

Description of segments

The Group's operations are in the mining industry in Australia.

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	$	$	$	$
4. REVENUE				
From continuing operations				
Other revenue				
Interest income	**386,788**	263,123	**386,788**	263,123
Research and development grant	**-**	161,147	**-**	161,147
Other income	**250**	2,818	**250**	2,818
	387,038	427,088	**387,038**	427,088
5. EXPENSES				
Loss before income tax includes the following specific expenses:				
Depreciation				
Motor vehicles	**10,442**	8,821	**10,442**	8,821
Office furniture and equipment	**14,262**	16,704	**14,262**	16,704
Computer equipment	**3,612**	1,753	**3,612**	1,753
Mining machinery and equipment	**93,714**	82,252	**93,714**	82,252
Total depreciation	**122,030**	109,530	**122,030**	109,530
Rental of premises under operating lease	**144,745**	125,832	**144,745**	125,832
Net loss on disposal of plant and equipment	**-**	5,164	**-**	5,164
6. INCOME TAX				
(a) Income tax expense/(benefit)				
Deferred tax benefit on origination and reversal of temporary differences	**(108,542)**	(15,834)	**(108,542)**	(15,834)
Total income tax benefit per income statement	**(108,542)**	(15,834)	**(108,542)**	(15,834)

Notes to the Financial Statements continued

30 JUNE 2007

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	$	$	$	$
6 INCOME TAX (cont'd)				
(b) Numerical reconciliation of income tax benefit to prima facie tax payable				
Loss from continuing operations before income tax benefit	**(9,838,739)**	(12,622,627)	**(9,838,739)**	(12,622,627)
Prima facie tax benefit at the Australian tax rate of 30% (2006: 30%)	**(2,951,622)**	(3,786,788)	**(2,951,622)**	(3,786,788)
Add tax effect of:				
Non-deductible expenses	**15,891**	138,454	**15,891**	138,454
Effect of current year tax losses not recognised	**1,323,199**	1,302,319	**1,323,199**	1,302,319
Effect of reversal of previously recognised prior year tax losses	-	2,150,629	-	2,150,629
Effect of reversal of temporary differences	**1,586,035**	292,508	**1,586,035**	292,508
	2,925,125	3,883,910	**2,925,125**	3,883,910
Less tax effect of:				
(Over) provision for prior year	**(4,198)**	-	**(4,198)**	-
Tax deductible equity raising costs	**(77,847)**	(64,612)	**(77,847)**	(64,612)
Non assessable income	-	(48,344)	-	(48,344)
	(82,045)	(112,956)	**(82,045)**	(112,956)
Income tax (benefit)	**(108,542)**	(15,834)	**(108,542)**	(15,834)
© Amounts recognised directly in equity				
Relating to equity raising costs	**(108,542)**	(15,834)	**(108,542)**	(15,834)
Deferred tax expense/(benefit) attributable to entity recognised in equity	**(108,542)**	(15,834)	**(108,542)**	(15,834)

(d) Recognised deferred tax assets & liabilities

Consolidated & Parent Entity

	Assets		Liabilities		Net	
	2007	2006	2007	2006	2007	2006
	$	$	$	$	$	$
Plant and equipment	-	3,632	-	-	-	3,632
Big Bell asset & provision	-	1,162,492	-	(75,000)	-	1,087,492
Exploration & mine properties	-	97,200	-	(1,320,699)	-	(1,223,499)
Equity raising	-	108,542	-	-	-	108,542
Accruals & provisions	**3,699**	19,355	-	-	**3,699**	19,355
Prior year expensed blackhole costs	-	301	-	-	-	301
Other items	-	12,244	**(3,699)**	(8,067)	**(3,699)**	4,177
	3,699	1,403,766	**(3,699)**	(1,403,766)	-	-

Notes to the Financial Statements continued

30 JUNE 2007

6. INCOME TAX (cont'd)

(e) Movement in temporary differences recognised during the year

	Balance at 1 July 2006 $	Recognised in income $	Recognised in equity $	Balance at 30 June 2007 $
Plant and equipment	**3,632**	**(3,632)**	-	-
Big Bell asset & provision	**1,087,492**	**(1,087,492)**	-	-
Exploration & mine properties	**(1,223,499)**	**1,223,499**	-	-
Equity raising	**108,542**	-	**(108,542)**	-
Accruals & provisions	**19,355**	**(15,656)**	-	**3,699**
Prior year expensed blackhole costs	**301**	**(301)**	-	-
Other items	**4,177**	**(7,876)**	-	**(3,699)**
Net tax assets/(liabilities)	-	**108,542**	**(108,542)**	-

	Balance at 1 July 2005 $	Recognised in income $	Recognised in equity $	Balance at 30 June 2006 $
Plant and equipment	(11,553)	15,185	-	3,632
Big Bell asset & provision	-	1,087,492	-	1,087,492
Exploration & mine properties	(2,307,481)	1,083,982	-	(1,223,499)
Equity raising	124,376	-	(15,834)	108,542
Accruals & provisions	26,862	(7,507)	-	19,355
Prior year expensed blackhole costs	602	(301)	-	301
Tax value of losses recognised	2,150,628	(2,150,628)	-	-
Other items	16,566	(12,389)	-	4,177
Net tax assets/(liabilities)	-	15,834	(15,834)	-

(f) Unrecognised deferred tax assets

	Consolidated		Parent Entity	
	2007 $	2006 $	2007 $	2006 $
Deferred tax assets at 30% have not been recognised in respect of the following:				
Deductible temporary differences	**2,036,636**	292,508	**2,036,636**	292,508
Tax losses	**5,216,267**	4,082,322	**5,216,267**	4,082,322
Capital losses	**32,812**	32,812	**32,812**	32,812
	7,285,715	4,407,642	**7,285,715**	4,407,642

No income tax is payable by the consolidated entity. The directors have considered it prudent not to bring to account the future income tax benefit of income tax losses and exploration deductions until there is virtual certainty of deriving assessable income of a nature and amount to enable such benefit to be realised.

This future income tax benefit will only be obtained if:

(a) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;

(b) the conditions for deductibility imposed by tax legislation continue to be complied with; and

© no changes in tax legislation adversely affect the consolidated entity in realising the benefit.

Notes to the Financial Statements continued

30 JUNE 2007	Notes	Consolidated 2007 $	Consolidated 2006 $	Parent Entity 2007 $	Parent Entity 2006 $
7. CURRENT ASSETS – CASH AND CASH EQUIVALENTS					
Cash and cash equivalents as shown in the balance sheets and the statements of cash flows		**1,075,686**	5,014,414	**1,075,686**	5,014,414
8. CURRENT ASSETS – TRADE AND OTHER RECEIVABLES					
Government taxes receivable		**265,421**	75,787	**265,421**	75,787
Other receivables		**29,156**	54,955	**29,154**	54,953
		294,577	130,742	**294,575**	130,740
9. CURRENT ASSETS – OTHER ASSETS					
Prepayments		**9,017**	12,226	**9,017**	12,226
Term deposits	9(a)	**1,893,855**	1,955,058	**1,883,855**	1,955,058
		1,902,872	1,967,284	**1,892,872**	1,967,284

(a) Term deposits are tenement and performance bonds in relation to various assets. These deposits are not at call.

10. NON-CURRENT ASSETS – OTHER FINANCIAL ASSETS					
Shares in unlisted controlled entity – at cost	23	**-**	-	**2**	2
Loan to controlled entity		**-**	-	**10,000**	-
Term and bond deposits		**1,500**	35,500	**1,500**	35,500
		1,500	35,500	**11,502**	35,502
11. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT					
Freehold land					
Cost	11(a)	**391,301**	-	**391,301**	-
Motor vehicles					
Cost		**51,789**	51,789	**51,789**	51,789
Accumulated depreciation		**(34,755)**	(24,313)	**(34,755)**	(24,313)
	11(a)	**17,034**	27,476	**17,034**	27,476
Office furniture and equipment					
Cost		**106,714**	93,124	**106,714**	93,124
Accumulated depreciation		**(71,034)**	(56,772)	**(71,034)**	(56,772)
	11(a)	**35,680**	36,352	**35,680**	36,352
Computer equipment					
Cost		**16,354**	10,043	**16,354**	10,043
Accumulated depreciation		**(10,548)**	(6,936)	**(10,548)**	(6,936)
	11(a)	**5,806**	3,107	**5,806**	3,107
Mining machinery and equipment					
Cost		**7,942,980**	7,892,980	**7,942,980**	7,892,980
Accumulated depreciation		**(192,721)**	(99,007)	**(192,721)**	(99,007)
Provision for impairment		**(4,600,000)**	(4,600,000)	**(4,600,000)**	(4,600,000)
	11(a)	**3,150,259**	3,193,973	**3,150,259**	3,193,973
Total property, plant and equipment at cost		**8,509,138**	8,047,936	**8,509,138**	8,047,936
Accumulated depreciation		**(309,058)**	(187,028)	**(309,058)**	(187,028)
Provision for impairment		**(4,600,000)**	(4,600,000)	**(4,600,000)**	(4,600,000)
Net book amount		**3,600,080**	3,260,908	**3,600,080**	3,260,908

Notes to the Financial Statements continued

30 JUNE 2007	Notes	Consolidated		Parent Entity	
		2007	2006	2007	2006
		$	$	$	$
11. NON-CURRENT ASSETS – PLANT AND EQUIPMENT (cont'd)					
(a) Reconciliations of the carrying amounts of plant and equipment					
Freehold land					
Opening net book amount		-	-	-	-
Additions		**391,301**	-	**391,301**	-
Closing net book amount		**391,301**	-	**391,301**	-
Motor vehicles					
Opening net book amount		**27,476**	36,297	**27,476**	36,297
Additions		-	-	-	-
Depreciation charge		**(10,442)**	(8,821)	**(10,442)**	(8,821)
Closing net book amount		**17,034**	27,476	**17,034**	27,476
Office furniture and equipment					
Opening net book amount		**36,352**	49,608	**36,352**	49,608
Additions		**13,590**	3,448	**13,590**	3,448
Depreciation charge		**(14,262)**	(16,704)	**(14,262)**	(16,704)
Closing net book amount		**35,680**	36,352	**35,680**	36,352
Computer equipment					
Opening net book amount		**3,107**	1,863	**3,107**	1,863
Additions		**6,311**	2,997	**6,311**	2,997
Depreciation charge		**(3,612)**	(1,753)	**(3,612)**	(1,753)
Closing net book amount		**5,806**	3,107	**5,806**	3,107
Mine machinery and equipment	(i)				
Opening net book amount		**3,193,973**	2,596,932	**3,193,973**	2,596,932
Additions		**50,000**	5,287,184	**50,000**	5,287,184
Disposals		-	(7,891)	-	(7,891)
Depreciation charge		**(93,714)**	(82,252)	**(93,714)**	(82,252)
Impairment charge		-	(4,600,000)	-	(4,600,000)
Closing net book amount		**3,150,259**	3,193,973	**3,150,259**	3,193,973

(i) Mine machinery includes the Big Bell Mill which had a carrying value at the beginning of the prior year of $2,550,000. During the prior year the Company carried out an impairment assessment of the Big Bell Mill. An estimate of the cost of the Company's obligation to relocate the mill and rehabilitate the site was conducted, which resulted in a provision of $4,850,000 being recorded at 30 June 2006. This amount has been included in 'Additions' for the prior year. This brought the total carrying value of the mill to $7,400,000. The impairment assessment based on an independent appraisal, concluded that a value for the mill of $2,800,000 was appropriate resulting in a provision for impairment of $4,600,000.

Notes to the Financial Statements continued

30 JUNE 2007	Consolidated		Parent Entity	
	2007	2006	2007	2006
	$	$	$	$
12. NON-CURRENT ASSETS – MINING PROPERTIES				
Exploration and evaluation costs carried forward in respect of mining areas of interest				
Opening net book amount	**3,915,850**	8,014,172	**3,915,850**	8,014,172
Incurred during the year	**1,625,016**	439,752	**1,625,016**	439,752
Transferred to Development	**-**	(1,290,208)	**-**	(1,290,208)
Provision for impairment	**(5,540,866)**	(3,247,866)	**(5,540,866)**	(3,247,866)
Closing net book amount	**-**	3,915,850	**-**	3,915,850
Development costs carried forward in respect of mining areas of interest				
Opening net book amount	**787,651**	-	**787,651**	-
Incurred during the year	**2,184,664**	2,826,847	**2,184,664**	2,826,847
Transferred from Exploration	**-**	1,290,208	**-**	1,290,208
Provision for rehabilitation costs	**-**	324,000	**-**	324,000
Provision for impairment	**(2,972,315)**	(3,653,404)	**(2,972,315)**	(3,653,404)
Closing net book amount	**-**	787,651	**-**	787,651
Total expenditure carried forward in respect of mining properties	**-**	4,703,501	**-**	4,703,501

The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective mining areas. Amortisation of the costs carried forward for the development phase is not being charged pending the commencement of production.

At the end of the financial year the Company assessed the impairment of the exploration and development expenditure carried forward with regard to the current status of the Westonia Gold Project at the prevailing gold prices. As a result of the impairment assessment all capitalised expenditure totalling $5,540,866 of exploration expenditure and $2,972,315 of development expenditure was written off as at 30 June 2007.

13. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES				
Trade payables	**298,751**	205,819	**298,751**	205,819
Other payables and accruals	**93,867**	43,389	**93,867**	43,389
Subscriptions received	**-**	1,771,400	**-**	1,771,400
	392,618	2,020,608	**392,618**	2,020,608
14. CURRENT LIABILITIES – PROVISIONS				
Employee benefits	**81,578**	49,543	**81,578**	49,543
Site restoration	**724,000**	5,174,000	**724,000**	5,174,000
	805,578	5,223,543	**805,578**	5,223,543

Notes to the Financial Statements continued

30 JUNE 2007

14. CURRENT LIABILITIES – PROVISIONS (cont'd)

Movements in provisions

Consolidated & Parent Entity 2007	Employee entitlements $	Site restoration $
Current		
Carrying amount at start of year	**49,543**	**5,174,000**
Provisions made during the year	**46,222**	**650,000**
Provisions used during the year	**(14,187)**	**(5,100,000)**
Carrying amount at end of year	**81,578**	**724,000**

Site restoration

The relocation of the Big Bell Mill was completed during the year which accounted for the provisions used of $5,100,000 during the year. The remaining provision relates to completing the site restoration as required under the agreement between the Company and Harmony Gold Mines, vendor of Big Bell Mill, and rehabilitation of the evaporative ponds at the Westonia Mine site. Under certain conditions, Newmont Mining Corporation is responsible for some rehabilitation of M77/88 and M77/110.

15. ISSUED CAPITAL

(a) Share capital

		2007		2006	
	Notes	**Number of shares**	**$**	**Number of shares**	**$**
Ordinary shares fully paid	15(b), 15(d)	**307,002,051**	**30,088,089**	234,157,498	22,591,978
Total contributed equity		**307,002,051**	**30,088,089**	234,157,498	22,591,978

(b) Movements in ordinary share capital

	2007		2006	
	Number of shares	**$**	**Number of shares**	**$**
Beginning of the financial year	**234,157,498**	**22,591,978**	220,998,086	20,507,406
Issued during the year:				
– Placement of shares to raise additional capital at 17 cents per share	**10,420,000**	**1,771,400**	13,109,412	2,228,600
– Issued on exercise of options	**155,550**	**31,110**	50,000	5,500
– Renounceable rights issue at 10 cents per share	**61,197,083**	**6,119,708**	-	-
– Issued as consideration for sub-underwriting fees in relation to the renounceable rights issue	**1,071,920**	**107,192**	-	-
Less items taken direct to equity	**-**	**(108,542)**	-	(15,834)
Less transaction costs	**-**	**(424,757)**	-	(133,694)
End of the financial year	**307,002,051**	**30,088,089**	234,157,498	22,591,978

Notes to the Financial Statements continued

30 JUNE 2007

15. ISSUED CAPITAL (cont'd)

© Movements in options on issue	Number of options	
	2007	2006
Beginning of the financial year	**30,564,669**	28,164,669
Issued/(lapsed) during the year:		
– Exercisable at 20 cents, on or before 20 August 2006	**(27,249,119)**	-
– Exercisable at 20 cents, on or before 27 April 2010	**1,000,000**	-
– Exercisable at 36 cents, on or before 27 April 2007	**(30,000)**	-
– Exercisable at 42 cents, on or before 27 April 2007	**(30,000)**	-
– Exercisable at 11 cents, on or before 22 November 2008	-	200,000
– Exercisable at 11 cents, on or before 22 November 2009	-	200,000
– Exercisable at 11 cents, on or before 22 November 2010	-	750,000
– Exercisable at 20 cents, on or before 22 November 2010	-	2,000,000
– Exercisable at 40 cents, on or before 31 May 2006	-	(700,000)
Options exercised during the year:		
– Exercisable at 20 cents, on or before 20 August 2006	**(155,550)**	-
– Exercisable at 11 cents, on or before 22 November 2010	-	(50,000)
End of the financial year	**4,100,000**	30,564,669

(d) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	$	$	$	$
16. RESERVES AND ACCUMULATED LOSSES				
(a) Reserves				
Share-based payments reserve				
Balance at beginning of year	**456,266**	2,464	**456,266**	2,464
Employee share options	**42,407**	453,802	**42,407**	453,802
Balance at end of year	**498,673**	456,266	**498,673**	456,266
(b) Accumulated losses				
Balance at beginning of year	**(15,180,046)**	(2,573,253)	**(15,180,046)**	(2,573,253)
Net loss for the year	**(9,730,197)**	(12,606,793)	**(9,730,197)**	(12,606,793)
Balance at end of year	**(24,910,243)**	(15,180,046)	**(24,910,243)**	(15,180,046)

© Nature and purpose of reserves

Share-based payments reserve

The share-based payments reserve is used to recognise the fair value of options issued.

17. DIVIDENDS

No dividends were paid during the financial year. No recommendation for payment of dividends has been made.

Notes to the Financial Statements continued

30 JUNE 2007

18. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Details of key management personnel

(i) Directors

The following persons were directors of Westonia Mines Limited during the financial year:

Mark Fitzpatrick	Chairman	
David Hatch	Managing Director	
Murray Pollock	Non Executive Director	
Chris Melloy	Non Executive Director	
John Rowe	Non Executive Director	*appointed 12 October 2006*

(ii) Other Key Management Personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the financial year:

John Fitzgerald	Company Secretary	*appointed 6 March 2007*
John Hannaford	Company Secretary	*resigned 6 March 2007*
Rowan Johnston	Resident Manager	

(b) Key management personnel compensation

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	$	$	$	$
Short-term benefits	**797,771**	612,197	**797,771**	612,197
Post employment benefits	**53,395**	44,039	**53,395**	44,039
Other long-term benefits	-	-	-	-
Termination benefits	-	-	-	-
Share-based payments	**42,407**	402,172	**42,407**	402,172
	893,573	1,058,408	**893,573**	1,058,408

The company has taken advantage of the relief provided by Corporations Regulation 2M.6.04 and has transferred the detailed remuneration disclosures to the directors' report. The relevant information can be found in sections A-C of the remuneration report on pages 5 to 8.

c) Equity instrument disclosures relating to key management personnel

(i) Options provided as remuneration and shares issued on exercise of such options

Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, can be found in section D of the remuneration report on page 8.

Notes to the Financial Statements continued

30 JUNE 2007

18. KEY MANAGEMENT PERSONNEL (cont'd)

(ii) Option holdings

The numbers of options over ordinary shares in the company held during the financial year by each director of Westonia Mines Limited and other key management personnel of the Group, including their personally related parties, are set out below:

2007	Balance at start of the year	Granted as compensation	Exercised	Other changes	Balance at end of the year	Vested and exercisable	Unvested
Directors of Westonia Mines Limited							
Mark Fitzpatrick	-	-	-	-	-	-	-
David Hatch	**2,600,000**	-	-	-	**2,600,000**	**2,400,000**	**200,000**
Murray Pollock	**3,750,477**	-	-	**(3,750,477)**	-	-	-
Chris Melloy	**23,333**	-	-	**(23,333)**	-	-	-
John Rowe	-	-	-	-	-	-	-
Other key management personnel of the Group							
John Fitzgerald	-	**1,000,000**	-	-	**1,000,000**	**200,000**	**800,000**
John Hannaford	-	-	-	-	-	-	-
Rowan Johnston	**250,000**	-	-	-	-	-	-

All vested options are exercisable at the end of the year.

2006	Balance at start of the year	Granted as compensation	Exercised	Other changes	Balance at end of the year	Vested and exercisable	Unvested
Directors of Westonia Mines Limited							
Mark Fitzpatrick	-	-	-	-	-	-	-
David Hatch	-	2,600,000	-	-	2,600,000	2,200,000	400,000
Murray Pollock	3,750,477	-	-	-	3,750,477	3,750,477	-
Chris Melloy	23,333	-	-	-	23,333	23,333	-
Other key management personnel of the Group							
John Hannaford	-	-	-	-	-	-	-
Rowan Johnston	-	250,000	-	-	250,000	250,000	-

(iii) Share holdings

The numbers of shares in the company held during the financial year by each director of Westonia Mines Limited and other key management personnel of the Group, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

2007	Balance at start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at end of the year
Directors of Westonia Mines Limited				
Ordinary shares				
Mark Fitzpatrick	**650,000**	-	**162,500**	**812,500**
David Hatch	**367,334**	-	**191,834**	**559,168**
Murray Pollock	**13,854,000**	-	**936,054**	**14,790,054**
Chris Melloy	**1,070,000**	-	**267,500**	**1,337,500**
John Rowe	-	-	-	-
Other key management personnel of the Group				
Ordinary shares				
John Fitzgerald	-	-	-	-
John Hannaford	-	-	-	-
Rowan Johnston	-	-	-	-

Notes to the Financial Statements continued

30 JUNE 2007

18. KEY MANAGEMENT PERSONNEL (cont'd)

2006	Balance at start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at end of the year
Directors of Westonia Mines Limited				
Ordinary shares				
Mark Fitzpatrick	-	-	650,000	650,000
David Hatch	-	-	367,334	367,334
Murray Pollock	13,590,054	-	263,946	13,854,000
Chris Melloy	1,070,000	-	-	1,070,000
Other key management personnel of the Group				
Ordinary shares				
John Hannaford	-	-	-	-
Rowan Johnston	-	-	-	-

(d) Loans to key management personnel

There were no loans to key management personnel during the year.

(e) Other transactions with key management personnel

Refer to note 22 for other transactions and balances with key management personnel.

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	$	$	$	$

19. REMUNERATION OF AUDITORS

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

Audit services				
Ord Partners – audit and review of financial reports	**27,500**	23,250	**27,500**	23,250
Department of Industry & Resources tenement audits	**2,500**	-	**2,500**	-
	30,000	23,250	**30,000**	23,250

20. CONTINGENCIES

The company has an obligation to rehabilitate a tenement currently being used as an evaporation pond. A bond of $324,000 has been committed as the estimated rehabilitation cost. A provision has been raised for this amount.

The company has a contractual obligation to rehabilitate the former site of the Big Bell plant following the relocation of the plant during the year. A bond of $400,000 has been committed as the estimated rehabilitation cost. A provision has been raised for this amount.

Apart from the above there are no material contingent liabilities or contingent assets of the Group at balance date.

Notes to the Financial Statements continued

30 JUNE 2007	Consolidated		Parent Entity	
	2007	2006	2007	2006
	$	$	$	$

21. COMMITMENTS

(a) Exploration commitments

All of the company's tenements are situated in the state of Western Australia.

In order to maintain an interest in the mining and exploration tenements in which the company is involved, the company is committed to meet the conditions under which the tenements were granted and the obligations of any joint venture agreements. The timing and amount of exploration expenditure commitments and obligations of the company are subject to the minimum expenditure commitments required as per the Mining Act, as amended, and may vary significantly from the forecast based upon the results of the work performed which will determine the prospectivity of the relevant area of interest. These obligations are not provided for in the financial report and are payable.

Outstanding exploration commitments are as follows (no estimate has been given of expenditure commitments beyond 12 months as this is dependent on the directors' ongoing assessment of operations and, in certain circumstances, Native Title negotiations):

within one year	**541,122**	596,469	**541,122**	596,469

(b) Lease commitments: Group as lessee

Operating leases (non-cancellable):

Minimum lease payments				
within one year	**103,860**	91,300	**103,860**	91,300
later than one year but not later than five years	**26,260**	119,900	**26,260**	119,900
Aggregate lease expenditure contracted for at reporting date but not recognised as liabilities	**130,120**	211,200	**130,120**	211,200

The property lease is a non-cancellable lease with a five-year term, with rent payable monthly in advance. Contingent rental provisions within the lease agreement require the minimum lease payments to be increased by fixed amounts on the annual anniversary dates. An option exists to renew the lease at the end of the five-year term for an additional term of two years. The lease allows for subletting of all lease areas.

22. RELATED PARTY TRANSACTIONS

5. **Parent entity**

The ultimate parent entity within the Group is Westonia Mines Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in note 23.

© Key management personnel

Apart from the details disclosed in this note and note 18, no director has entered into a material contract with the company since the end of the previous financial year and there were no material contracts involving directors' interests existing at year end except as disclosed below.

Lion Manager

The company paid $38,000 (2006: $22,333) in lieu of directors fees, and expense reimbursements totalling $23,633, to Lion Manager, the management company responsible for the operation of Lion Selection Group, for the services or Mr Chris Melloy as a Non Executive director. Mr Melloy is an Executive Director of Lion Manager. Lion Selection Group is a substantial shareholder in Westonia Mines Limited. Lion Selection Group also received 1,071,920 ordinary shares in the Company with a deemed value of $107,192 in satisfaction of a sub-underwriting fee in relation to the rights issue conducted in November 2006. An amount of $10,000 (2006: $6,000) was owing to Lion Manager at 30 June 2007, included in creditors.

Payments were made at commercial rates and on an arm's length basis.

Ventnor Capital Pty Ltd

Ventnor Capital, a company of which Mr Hannaford is a Director, provided company secretarial and other corporate services to Westonia Mines Limited during the year until his resignation on 6 March 2007. The amounts paid were at arms length and are disclosed at note 18(b) above.

An amount of nil (2006: $6,944) was owing to Ventnor Capital at 30 June 2007.

Notes to the Financial Statements continued

30 JUNE 2007

23. SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiary in accordance with the accounting policy described in note 1(b):

Name	Country of Incorporation	Class of Shares	Equity Holding*	
			2007 %	2006 %
Westonia Mines Minerals Pty Ltd	Australia	Ordinary	**100**	100

*The proportion of ownership interest is equal to the proportion of voting power held.

24. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

In July 2007 the Company completed a rights issue of 38,375,256 ordinary shares at 8 cents per share with one free attaching option per share, to raise a gross amount of $3.07 million.

No other matter or circumstance has arisen since 30 June 2007, which has significantly affected, or may significantly affect the operations of the Group, the result of those operations, or the state of affairs of the Group in subsequent financial years.

25. CASH FLOW STATEMENT

	Consolidated		Parent Entity	
	2007 $	2006 $	2007 $	2006 $
(a) Reconciliation of net loss after income tax to net cash outflow from operating activities				
Net loss for the year	**(9,730,197)**	(12,606,793)	**(9,730,197)**	(12,606,793)
Non-Cash Items				
Depreciation of non-current assets	**122,030**	109,530	**122,030**	109,530
Share based payments	**42,407**	453,802	**42,407**	453,802
Net (profit)/loss on disposal of plant and equipment	**-**	(5,164)	**-**	(5,164)
Impairment of exploration expenditure	**5,540,866**	3,247,866	**5,540,866**	3,247,866
Impairment of development expenditure	**2,972,315**	3,653,404	**2,972,315**	3,653,404
Income tax benefit	**(108,542)**	-	**(108,542)**	-
Provision for impairment of plant and equipment	**-**	4,600,000	**-**	4,600,000
Change in operating assets and liabilities, net of effects from purchase of controlled entities				
(Increase)/decrease in trade and other receivables	**(152,772)**	-	**(152,772)**	-
(Increase)/decrease in prepayments	**74,412**	(12,226)	**74,412**	(12,226)
(Decrease)/increase in trade and other payables	**143,411**	27,715	**143,411**	27,715
Increase in employee entitlement provisions	**32,035**	11,657	**32,035**	11,657
Net cash outflow from operating activities	**(1,064,035)**	(520,209)	**(1,064,035)**	(520,209)

(b) Non-cash investing and financing activities

1,071,920 ordinary shares in the Company with a deemed value of $107,192 were issued in consideration of a sub-underwriting fee in relation to the rights issue conducted in November 2006.

26. LOSS PER SHARE

	Consolidated	
	2007 $	2006 $
(a) Reconciliation of earnings used in calculating loss per share		
Loss attributable to the ordinary equity holders of the company used in calculating basic and diluted loss per share	**(9,730,197)**	(12,606,793)

Notes to the Financial Statements continued

30 JUNE 2007

26. LOSS PER SHARE (cont'd)

	Number of shares	Number of shares
(b) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted loss per share	**278,207,244**	224,558,623

© Information on the classification of options

As the Group has made a loss for the year ended 30 June 2007, all options on issue are considered antidilutive and have not been included in the calculation of diluted loss per share. These options could potentially dilute basic loss per share in the future.

27. SHARE-BASED PAYMENTS

Employees and Contractors Option Plan ("ECOP")

An Employees and Contractors Option Plan ("ECOP") has been established, approved by the board on 18 April 2002 and at the Annual General Meeting on 5 June 2002. The plan permits the company, at the discretion of the directors, to grant options over unissued ordinary shares of the company to eligible directors, members of staff and contractors as specified in the plan rules.

The options, issued for nil consideration, are granted in accordance with performance guidelines established by the directors of the company. In exercising their discretion under the rules, the directors will take into account matters such as the position of the eligible person, the role they play in the company group, the nature or terms of their employment or contract and the contribution they make to the company group as a whole.

The options are issued for a specified period and each option is convertible into one ordinary share. The exercise price of the options, determined in accordance with the rules of the plan, is based on the market price of a share on invitation date, grant date, or another specified date after grant close. All options expire on the earlier of their expiry date or termination of the employee's employment.

Options do not vest until a specified period after granting and their exercise is conditional on the achievement of certain performance hurdles.

There are no voting or dividend rights attached to the options. Voting rights will attach to the ordinary shares when the options have been exercised. The options cannot be transferred and will not be quoted on the ASX.

Set out below are summaries of the options granted:

	Consolidated and Parent Entity			
	2007		2006	
	Number of options	Weighted average exercise price cents	Number of options	Weighted average exercise price cents
Outstanding at the beginning of the year	**3,160,000**	**17.2**	60,000	39.0
Granted	**1,000,000**	**20.0**	3,100,000	16.8
Forfeited	**-**	**-**	-	-
Exercised	**-**	**-**	-	-
Expired	**(60,000)**	**39.0**	-	-
Outstanding at year-end	**4,100,000**	**17.6**	3,160,000	17.2
Exercisable at year-end	**3,100,000**	**17.4**	2,760,000	18.1

The weighted average remaining contractual life of share options outstanding at the end of the financial year was 3.1 years (2006: 0.55 years), with exercise prices ranging from 11 to 20 cents.

Notes to the Financial Statements continued

30 JUNE 2007

27. SHARE-BASED PAYMENTS (cont'd)

The fair value of the options granted during the year was calculated by using the Black-Scholes European Option Pricing Model applying the following inputs:

Grant Date	Expiry Date	Number Granted	Exercise Price (cents)	Life of the Option (years)	Share Price at Grant Date (cents)	Volatility	Risk Free Interest Rate	Fair Value at Grant Date (cents)
2007								
03/04/2007	03/04/2010	1,000,000	20	3.0	11.8	106%	6.25%	6.8
2006								
15/03/2006	22/11/2010	1,500,000	20	4.7	21.0	106%	5.50%	16.4
15/03/2006	22/11/2010	200,000	11	4.7	21.0	106%	5.50%	17.8
15/03/2006	22/11/2009	200,000	11	3.7	21.0	106%	5.50%	16.9
24/01/2006	22/11/2010	500,000	20	4.8	20.5	106%	5.50%	16.1
24/01/2006	22/11/2010	200,000	11	4.8	20.5	106%	5.50%	17.4
24/01/2006	22/11/2008	200,000	11	2.8	20.5	106%	5.50%	15.5
14/11/2005	22/11/2010	300,000	11	5.0	8.1	106%	5.50%	6.2

Historical volatility has been used as the basis for determining expected share price volatility as it assumed that this is indicative of future trends, which may not eventuate.

Total expenses arising from share-based payment transactions recognised during the period were as follows:

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	$	$	$	$
Options issued to employees and contractors as part of:				
Other expenses	**42,407**	453,802	**42,407**	453,802

Directors' Declaration

In the directors' opinion:

(a) the financial statements and notes set out on pages 15 to 41 are in accordance with the *Corporations Act 2001*, including:

  (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

  (ii) giving a true and fair view of the company's and the consolidated entity's financial position as at 30 June 2007 and of their performance for the financial year ended on that date; 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; and

(c) the audited remuneration disclosures set out on pages 5 to 8 of the directors' report comply with Accounting Standards AASB 124 *Related Party Disclosures* and the *Corporations Regulations 2001*.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the directors.

Mark Fitzpatrick
Chairman

Perth, 27 September 2007

O|R|D
PARTNERS
CHARTERED ACCOUNTANTS

Ian K Macpherson CA

Robert W Parker CA

Craig A Vivian CA

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WESTONIA MINES LIMITED

We have audited the accompanying financial report of Westonia Mines Limited, which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

We have also audited the remuneration disclosures contained in the directors' report. As permitted by the *Corporations Regulations 2001*, the company has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), required by Accounting Standard AASB 124 *Related Party Disclosures*, under the heading "remuneration report" in pages 5 to 8 of the directors' report and not in the financial report.

Directors' responsibility for the financial report and the AASB 124 remuneration disclosure contained in the directors' report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes complies with International Financial Reporting Standards.

The directors of the company are also responsible for the remuneration disclosures contained in the directors' report.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report and the remuneration disclosures contained in the directors' report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report and the remuneration disclosures contained in the directors' report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of Westonia Mines Limited on 27 September 2007, would be in the same terms if provided to the directors as at the date of this auditor's report.

Auditor's opinion on the financial report

In our opinion:

(a) the financial report of Westonia Mines Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2007 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

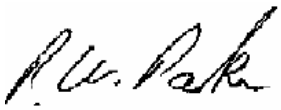
(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Auditor's opinion on the AASB 124 remuneration disclosures contained in the directors' report

In our opinion, the remuneration disclosures that are contained in pages 5 to 8 of the directors' report comply with Accounting Standard AASB 124.

ORD PARTNERS

Chartered Accountants



Robert Parker
Partner

Perth, 27 September 2007

ASX Additional Information

Additional information required by Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 27 September 2007.

(a) Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

			Ordinary shares	
			Number of holders	**Number of shares**
1	-	1,000	30	8,930
1,001	-	5,000	180	649,781
5,001	-	10,000	307	2,618,649
10,001	-	100,000	1,249	49,013,633
100,001		and over	333	293,086,314
			2,099	345,377,307
The number of shareholders holding less than a marketable parcel of shares are:			265	981,121

(b) Twenty largest shareholders

The names of the twenty largest holders of quoted ordinary shares are:

		Listed ordinary shares	
		Number of shares	**Percentage of ordinary shares**
1	Lion Selection Group Ltd	152,096,301	44.04%
2	Goldrich Holdings Pty Ltd	14,000,000	4.05%
3	Zero Nominee Pty Ltd	8,859,375	2.57%
4	HSBC Custody Nominee Australia Ltd	7,000,000	2.03%
5	ANZ Nominee Ltd	6,040,024	1.75%
6	Drummond Shay Margaret	5,022,792	1.45%
7	Charlemagne Investments Pty Ltd	2,475,000	0.72%
8	Exwere Investments Pty Ltd	1,954,688	0.57%
9	Readco Management Pty Ltd	1,897,444	0.55%
10	Inmont Pty Ltd	1,525,125	0.44%
11	R O stone Pty Ltd	1,141,000	0.33%
12	Pretorius Leon Eugene	1,450,000	0.42%
13	Auselect Ltd	1,312,500	0.38%
14	Jayleaf Holdings Pty Ltd	1,300,000	0.38%
15	Willstreet Pty Ltd	1,266,000	0.37%
16	Hooper Bailie Industries	1,250,000	0.36%
17	Kwort Joseph & Fokas K A	1,200,000	0.35%
18	Andrew Drummond & Associate Partners	1,114,550	0.32%
19	Geddes Angus Wiliam S	525,000	0.15%
20	Fortis Clearing Nominee Pty Ltd	1,560,363	0.45%
		212,990,162	61.68%

ASX Additional Information

Additional information required by Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 27 September 2007.

(c) Distribution of options securities

Analysis of numbers of option holders by size of holding:

			Options	
			Number of holders	**Number of options**
1	-	1,000	40	26,157
1,001	-	5,000	160	460,334
5,001	-	10,000	92	704,393
10,001	-	100,000	1300	6,094,391
100,001		and over	43	31,089,981
			535	38,375,256
The number of options holders holding less than a marketable parcel of options are:			12	38,375,256

(d) Twenty largest option holders

The names of the twenty largest option holders of quoted options are:

		Listed ordinary shares	
		Number of shares	**Percentage of ordinary shares**
1	Lion Selection Group Ltd	16,899,589	44.04%
2	HSBC Custody Nominee Australia Ltd	1,031,250	2.69%
3	Fortis Clearing Nominee Pty Ltd	1,016,348	2.65%
4	Zero Nominee Pty Ltd	984,375	2.57%
5	Brycki Christopher	952,000	2.48%
6	Robert Macfadyen Pty Ltd	943,750	2.46%
7	Goldrich Holdings Pty Ltd	879,648	2.29%
8	ANZ Nominee Ltd	523,644	1.36%
9	Lawrence Crowe Cons Pty Ltd	500,000	1.30%
10	Rubiton Pty Ltd	500,000	1.30%
11	Geddes Angus William S	358,210	0.93%
12	Verbier Investments Pty Ltd	350,121	0.91%
13	Bosch Katrina Alison	350,000	0.91%
14	Charlemagne Investments Pty Ltd	325,000	0.85%
15	Geijera Pty Ltd	290,000	0.76%
16	Proe D J& Charmberlain J	269,000	0.70%
17	Maverick Exploration Pty Ltd	254,084	0.66%
18	Treacy Joseph	252,521	0.66%
19	Poon Jane Yuet Kiu Or	250,763	0.65%
20	Goffacan Pty Ltd	250,500	0.65%
		27,180,991	70.82%

ASX Additional Information continued

(e) Substantial shareholders

The names of substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act 2001 are:

	Number of Shares
Lion Selection group	152,096,301

(f) Voting rights

All ordinary shares (whether fully paid or not) carry one vote per share without restriction.

(g) Schedule of interests in mining tenements

Location	Status	Tenement	Percentage held / earning
BODALIN			
Bodalin SW	Granted	E77/1165	100%
BODALIN SOUTH			
Kent Road	Application	E77/1452	100%
DICKS REWARD			
Dicks Rewards	Granted	E77/898	Option to acquire 100%
JILBADGIE			
Jilbadgie East	Granted	E77/1132	Earning 65%
MINE			
Paddock	Granted	M77/110	100%
Golden Point East	Granted	M77/124	100%
Mine	Granted	M77/88	100%
SANDFORD ROCKS			
Sandford Rocks	Application	E77/1494	100%
WESTONIA			
Begley	Granted	E77/1069	100%
Westonia N.E.	Granted	E77/1324	100%
Westonia Belt	Granted	E77/516	100%
Westonia West	Granted	E77/990	100%
		L77/18	100%
Le Trois	Application	M77/827	100%
Great Battler	Application	M77/841	100%
Le Trois East	Application	M77/842	100%
Westonia NW	Application	P77/3712	100%
West Westonia	Application	P77/3713	100%
Westonia NE	Application	P77/3714	100%
Bodallin	Application	P77/3875	100%
Corsini Road	Application	P77/3876	100%
Hitching Road	Application	P77/3877	100%
Stoneman Road	Application	P77/3878	100%
Kaolin Street	Application	P77/3879	100%