ANNUAL REPORT

YEAR ENDED
30 JUNE 2012

Western Desert
RESOURCES

ABN 48 122 301 848

Corporate Directory

Office Holders:
Richard Hugh Allert, AO *(Chairman)*
Norman Wayne Gardner *(Managing Director)*
David John Cloke *(Non Executive Director)*
Graham John Bubner *(Executive Director)*
Michael Kevin Ashton *(Non Executive Director)*
Phillip Clive Lockyer *(Non Executive Director)*
Scott Douglas Perrin *(Non Executive Director)*
Laurie Ackroyd *(Chief Financial Officer/Secretary)*

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Share Registrar:
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Level 5, 115 Grenfell Street,
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(GPO Box 1903 ADELAIDE SA 5001)
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Auditor:
Deloitte Touche Tohmatsu
11 Waymouth Street,
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Solicitors to the Company:
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Ground Floor,
60 Hindmarsh Square,
Adelaide, S.A. 5000

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2012 ANNUAL REPORT – CHAIRMAN'S REPORT

By Rick Allert

Dear Fellow Shareholders,

The major highlight for this year has been the progress we have made in the development of our Roper Bar iron ore project.

In this respect, in recent months we have achieved some major milestones towards this goal. These include:-

- Reaching agreement with Mt Isa Mines Ltd to use their Loading facility at Bing Bong in the Gulf of Carpentaria.
- Reaching and signing agreement with the Northern Land Council on behalf of the traditional owners for the use of the land for mining operations.
- Obtained major project status from the Northern Territory Government.
- The Roper Bar Environmental Impact Statement was recommended for approval by the Northern Territory Minister for the Environment.

These major hurdles have been reached through the hard work of our Managing Director, Norm Gardner, and his team, ably assisted by our Director Scott Perrin who has put in a huge effort on almost a daily basis. We are now pushing ahead with our development plans that are expected to result in the shipment of Iron Ore in the middle of next year.

Obviously the Company requires a significant amount of funding to finance infrastructure requirements and working capital necessary to commence mining operations. To this end in recent months we have undertaken capital raisings to secure a total of up to $108.95 million before costs, assuming all options issued under the June placement are exercised.

These capital raisings were:-

- A placement to professional and sophisticated investors in March, 2012 of 10,000,000 shares raising $6.15 million (before costs).

- A placement to professional and sophisticated investors in June, 2012 of 100,000,000 shares raising $70.0 million (before costs). Shares were allotted for this placement in two separate tranches in July and August, 2012. In addition these investors were granted options to take up a further 25,000,000 shares at 70c each exercisable by 2nd November 2012. This has the potential to raise $17.5 million (before costs).

- An Entitlement Offer to all existing shareholders (excluding the placement conducted in June 2012), of one new share for every 10 shares held at 70c each amounting to 21,881,920 shares to raise $15.3 million (before costs). This rights offer has been fully underwritten.

In addition to the capital raisings the Company is also seeking to secure project finance for the balance of the capital proceeds required to bring Roper Bar into production. In this respect, the Company is continuing discussions on debt funding and will seek a conclusion as we finalise project definition work. An Independent Technical Engineer will undertake a complete analysis of Roper Bar and is to assist the Company in seeking credit approvals from potential lenders for Project Funding based upon the usual metrics and parameters for projects of this nature.

I take this opportunity of thanking all of our shareholders for their continued support as the Company endeavours to bring our exciting prospects to fruition.

On 18th September 2012 WDR announced it has received a conditional takeover offer from the Meijin Energy Group for the purchase of the issued shares and options of the Company at a price of $1.08 per share. The conditions include the carrying out of due diligence by Meijin, an application to the Foreign Investment Review Board and approvals from relevant Chinese Government authorities. Further announcements will be made in relation to the offer in due course.

On behalf of the Board, I thank the Managing Director and his Management team, our geologists, and all of our support staff for their considerable contribution during the year.

Rick Allert, AO
Chairman
Western Desert Resources Limited

MANAGING DIRECTORS REPORT **by Norm Gardner**

In my report last year I started with a whinge about the state of the economy; well 12 months on and times are still very tough.

It would be easy to take a negative approach and sit on your hands at times like these however that has never been our approach at WDR. We believe we have a great iron ore project at Roper Bar and will continue to develop it and add value to our company.

This year has been spectacular as far as project driven results go; we have made some significant progress on a number of fronts. Project security has been enhanced with the signing of a mining agreement with Traditional Owners, which is a significant step. As part of that process we have also secured five mining leases.

The local Traditional Owners and the Northern Land Council have worked very hard with WDR to ensure that we get a speedy resolution to our proposals.

The Company has also entered into a 20 year agreement with Mount Isa Mines Limited for access to the existing Bing Bong loading facility located in the Gulf of Carpentaria. This single element has made a significant difference to our capacity for early development of our project. Roper Bar has always had the capacity to sustain a long term beneficiable ore project however we can now look at a much reduced capital intensive Direct Shipping Ore project ("DSO") and hope to be producing by mid-2013.

Following on from these announcements the NT government awarded Roper Bar "Major Project Status " which will warrant that government assistance will be given to ensure that regulatory process is as smooth as possible.

Western Desert Resources has lodged an Environmental Impact Study ("EIS") for the DSO project and we have received public response. At the time of writing WDR has lodged a supplementary EIS to respond to the very small number of queries raised. We have an expectation that sometime this calendar year Western Desert Resources will receive approvals to start full blown development of our DSO project.

To facilitate this development we have recently embarked on a very successful capital raising during one of the toughest markets encountered for some years.

The $85 million raised to date plus a potential $17.5 million from the exercise of options will substantially underwrite the DSO project development and the Company is currently in negotiation with a number of banking groups to secure final project funding for this stage. Perhaps one of the most rewarding aspects to our capital raising was the interest and response from Northern Territory based investors.

We have finalized our scope of work and have a number of major project components ordered and construction contractors ready to start subject to final approvals.

During the last 12 months we have built a very good engineering and construction team to take on the development of the Roper Bar project. This team has worked very hard to convert the DSO opportunity into a reality.

These are very exciting times for all involved at WDR. Our project will change dramatically over the next 12 months as we move from exploration to development and onto export.

While all of this development work has been racing ahead at a corporate level our hard working exploration team have also made significant progress at a number of our projects.

The level of resource continues to grow at Roper Bar, where we currently have 400 million tons and growing steadily each year. At the Roper Bar exploration site there are currently 2 rigs drilling and following sterilization and metallurgical test work drilling we will spend the rest of the year following up DSO targets identified during last years' drill campaign.

We have also spent funds to improve access to the Roper Bar exploration site and to our camp and hope that we will extend our exploration season as a result of these works.

The combined Roper Bar, Mountain Creek and the Tianda joint venture will continue to be the focus of exploration for WDR over the next 3 or 4 years however we also have a number of other potentially exciting projects and we have made significant headway on these also.

The team are currently drilling at our exciting Tennant Creek projects where we have some great anomalies to drill and test following significant amounts of geophysical exploration. The Tenant Creek exploration area really is a needle in a haystack exploration however the rewards, if positive, will be well worth the effort based on historical results from what is potentially one of the most exciting Gold and Copper areas of Australia.

Following on from Tennant Creek our exploration crew will move North and drill our projects in the Larrimah region where WDR has an approved government co- funded drill program of 1200 Metres for 3 interesting targets.

We are also currently negotiating access to our exciting Musgraves blocks in the south western corner of the Territory and are looking forward to boldly going where no explorer has been before.

I can honestly say that the past 12 months have not only been the busiest we have had as a company but also has been the most exciting; we have potentially a great project at Roper Bar where we are now working towards full development. We also have a number of very exciting exploration projects still underway and a great team to work with.

Since joining our Board Scott Perrin has proved to be a very valuable member of the team with a work ethic second to none and we are very lucky to have him as a Director. I wish to publicly acknowledge his hard work and dedication. We are also lucky to have a great cornerstone investor in Permat Holdings Pty Ltd who has supported the Company well.

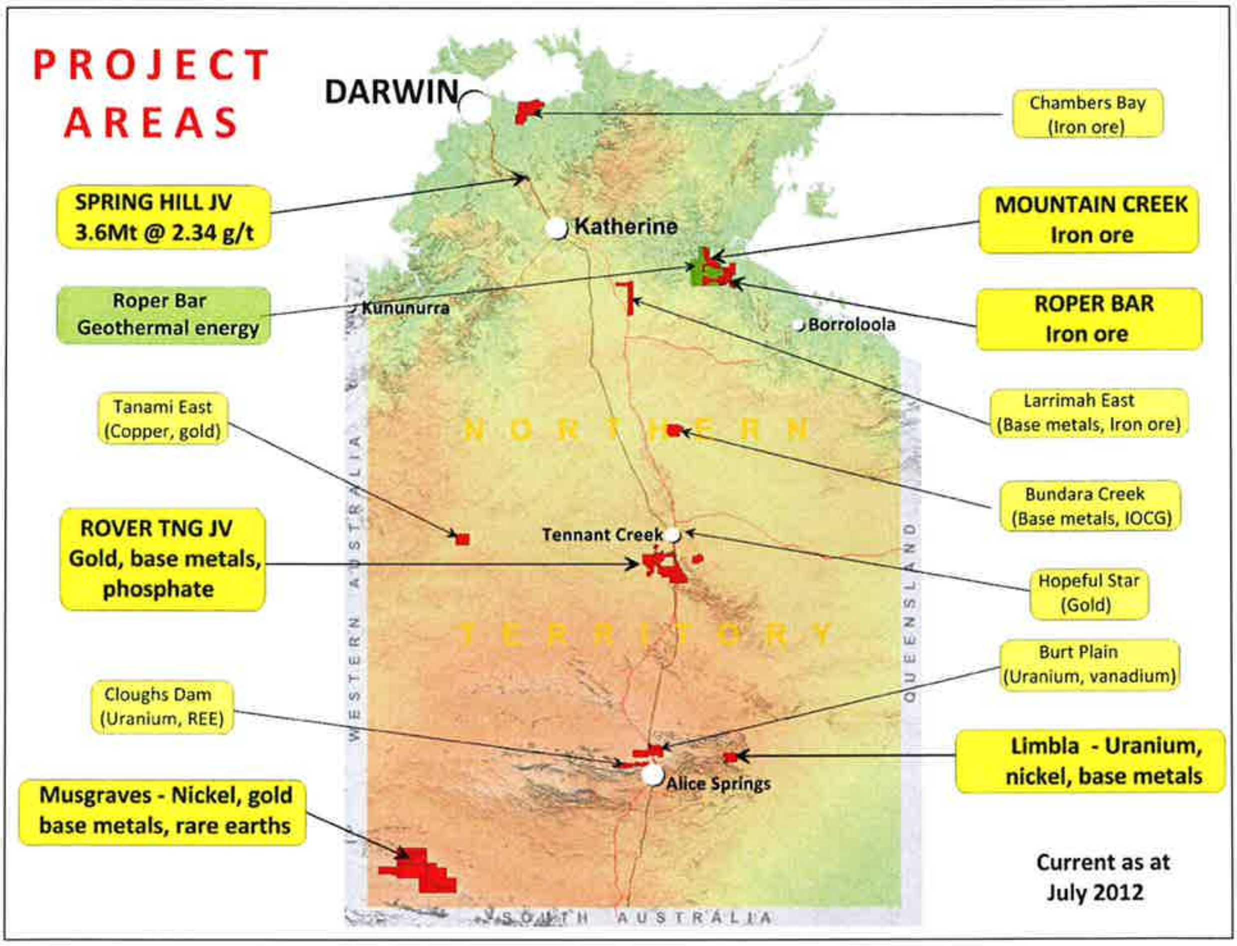
I would like to thank all of our shareholders both old and new for sticking it out with us during trying times. I would also like to thank my fellow board members and Chairman for their unwavering support throughout the year.

Most importantly, thank you to our staff that have over the past 12 months performed above and beyond as we strive to develop our project in record time. Thank you all for your help and commitment.

Norm Gardner
Managing Director

REVIEW OF EXPLORATION PROJECTS

LOCATION OF PRINCIPAL COMPANY INTERESTS



Location of the Company's Exploration Leases

Competent Person Statement

The information in this report that relates to Exploration Results is based on information compiled by Graham Bubner who is a Member of the Australian Institute of Geoscientists. Mr Bubner is a full-time employee of Western Desert Resources Ltd and has sufficient experience relevant to the styles of mineralisation under consideration and to the subject matter of the report to qualify as a Competent Person as defined in the 2004 edition of the Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC code). Mr Bubner consents to the inclusion in the report of the matters based on his information in the form and context in which they occur.

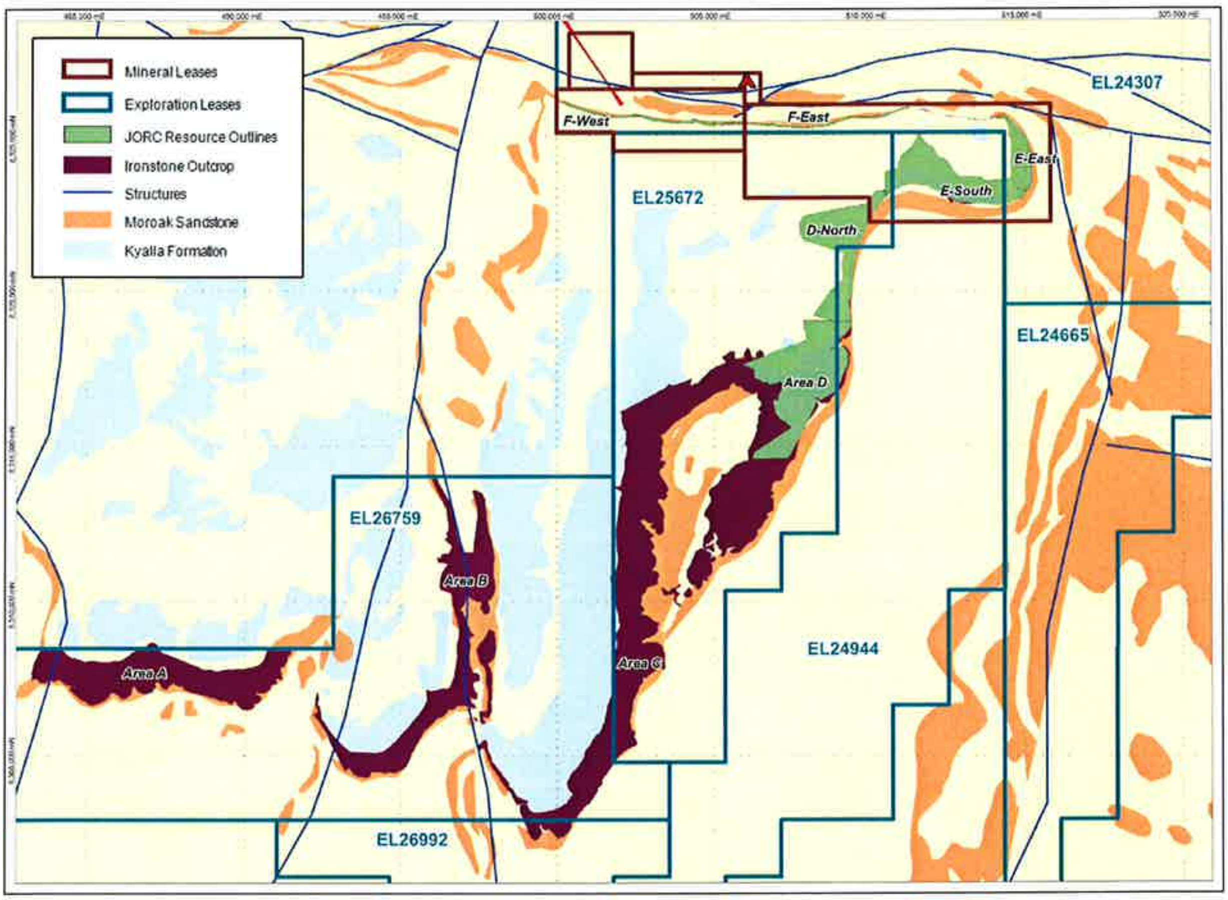
ROPER BAR IRON PROJECT

Summary

The project consists of six granted exploration licences (EL24307, EL24655, EL24944, EL25672, EL26759 and EL26992) and five Mineral Leases (ML28264, ML28266, ML28267, ML28692 and ML28693) which are located about 240km east of Mataranka in the Gulf Country of the Northern Territory. The project contains JORC resources of 402Mt @ 40% Fe, including a high grade portion of 32.1Mt @ 56.8%Fe, which are hosted within the Sherwin Iron Member (SIM) of the Mesoproterozoic Roper Bar Group. Development of the project has been declared "Major Project" status by the Northern Territory Government. The first production of iron ore is on track for June 2013.

Exploration Activities

Drilling continued during much of the wet season, which is a benefit of the Company owning its own drill rig as well as good access using the onsite airstrip. This has led to a particularly productive season, with 738 RC holes completed (34,302m) and 67 diamond core holes completed (2428.3m). Drilling has focussed on extending and defining existing resources, as well as collecting the necessary geotechnical and metallurgical data for mine design.

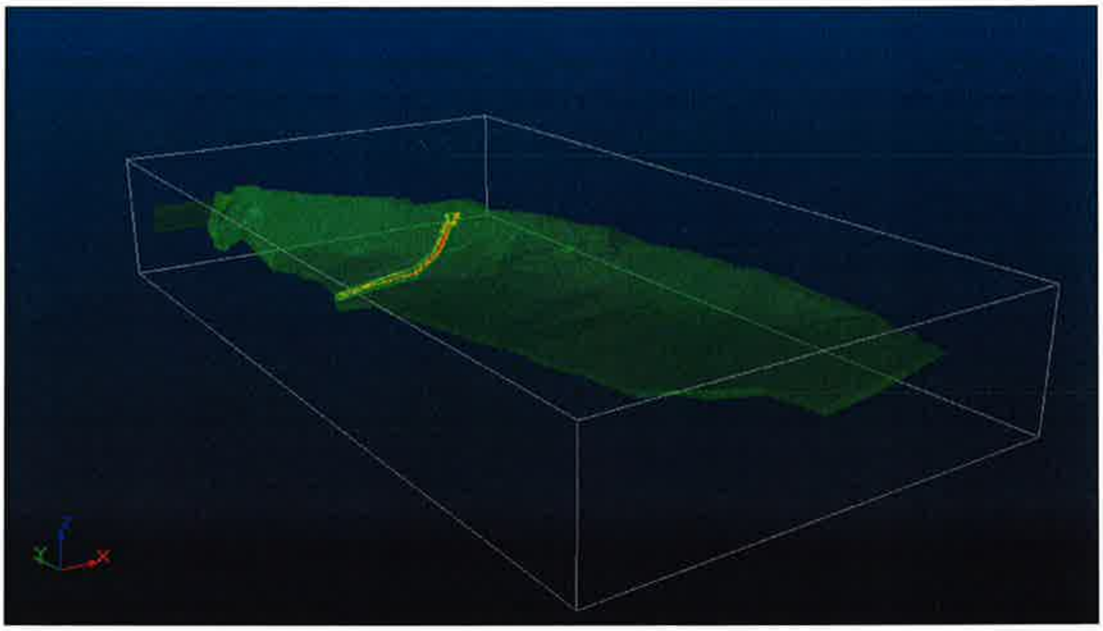


Simplified outcrop map of Roper Bar iron deposits

Landscape at Roper Bar Project

Exploration Drilling in Process at Roper Bar

Updated resource estimates were undertaken at Area E and Area F during the year. At Area E, total resources nearly doubled from 84.2Mt to 164.8Mt, with a high grade portion of 16.6Mt @ 54.2% Fe. At Area F, there was a 48% increase in total resources, from 20.4Mt to 30.1Mt, with a high grade portion of 15.5Mt @ 59.5% Fe.



3D perspective image shown the Sherwin Iron Formation in green and a west-east slice through the E-east resource model

JORC Mineral Resource estimates from WDR's Roper Bar Project (30% Fe cut-off)

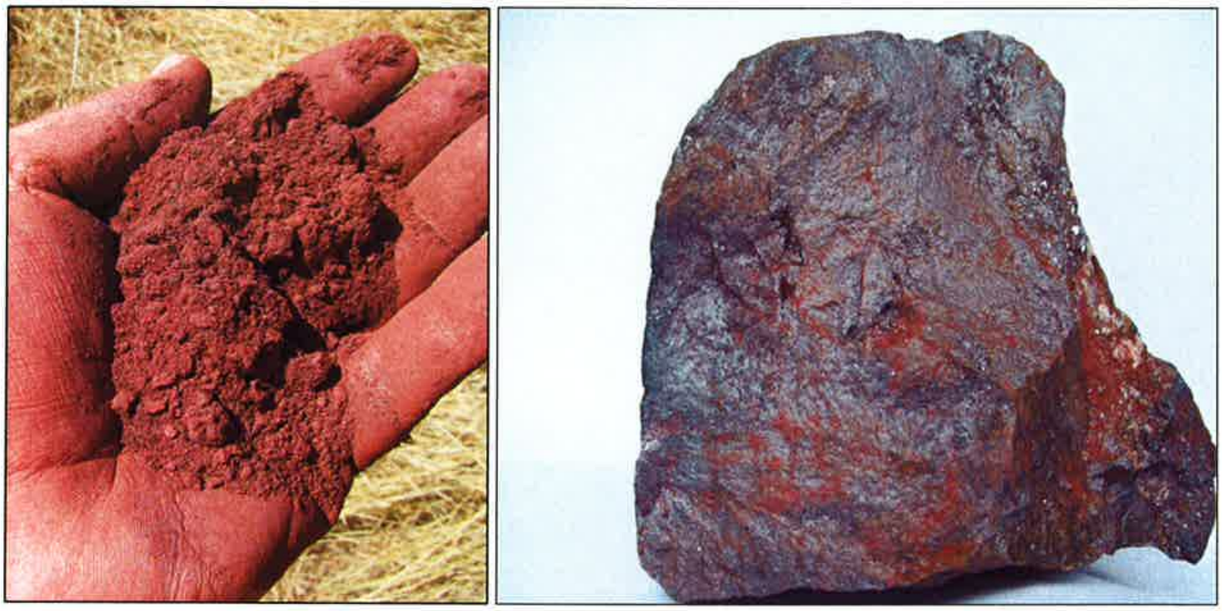
DEPOSIT AREA	Category	Mt	Fe %	SiO_2 %	P %	Al_2O_3 %	LOI %	Published
Area D	Inferred	90.7	37.2	31.5	0.008	3.2	9.6	Oct-09
Area D (north)	Inferred	116.5	40.3	26.3	0.002	2.2	11	Feb-11
Area E (south)	Inferred	17.5	36.1	30.8	0.003	2.4	12.4	Jun-12
Area E (south)	Indicated	75.8	38.7	29.9	0.005	2.6	9.9	Jun-12
Area E (east)**	Inferred	27.6	41	26.3	0.004	1.8	10.2	Jun-12
Area E (east)**	Indicated	15.6	41.2	26.3	0.004	1.9	10	Jun-12
Area E (east)**	Measured	28.3	42.2	26.4	0.004	2	8.9	Jun-12
Area F *	Inferred	5.5	46.6	22.7	0.006	2.7	6.1	Feb-12
Area F *	Indicated	24.6	49.3	22	0.006	3.2	2.6	Feb-12
TOTAL		**402**	**40**	**28**	**0.005**	**2.5**	**9.7**	

*** Includes DSO grade of 15.5Mt @ 59.5% Fe, 9.6% SiO_2, 2.2% Al_2O_3, 0.01% P and 2.1% LOI**

**** Includes DSO grade of 16.6Mt @ 54.2% Fe, 15.9% SiO_2, 1.2% Al_2O_3, 0.01% P and 4.0% LOI**

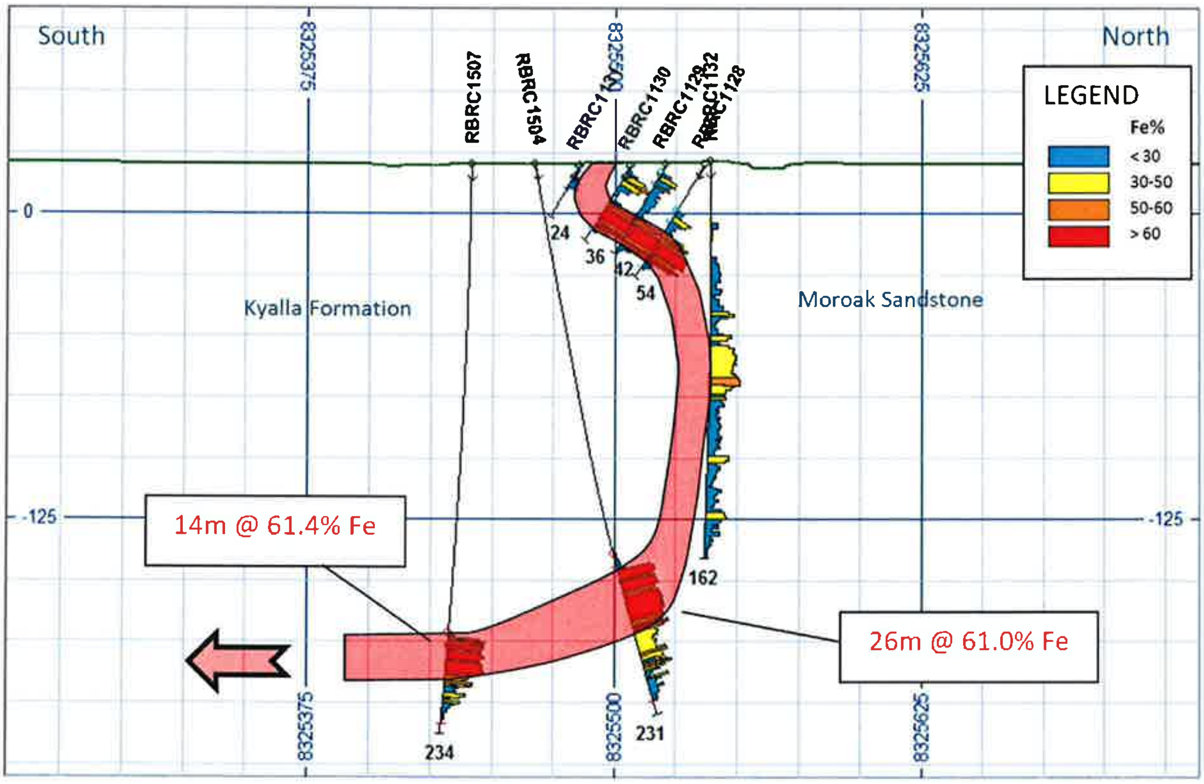
Competent Person's Statement for Roper Bar Resource:

The information in this report that relates to Mineral Resources is based on information compiled by Sharron Sylvester who is a full-time employee of AMC Consultants Pty Ltd and a Member of the Australian Institute of Geoscientists and has sufficient experience relevant to the styles of mineralisation and type of deposit under consideration to qualify as a Competent Person as defined in the 2004 edition of the Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC code). Sharron Sylvester consents to the inclusion of this information in the form and context in which they occur.



Examples of DSO High grade ore from Roper Bar Project Area

One of the highlights of exploration results has been the discovery during deeper drilling that the orebody at F-east is sharply folded at approximately 175m depth, confirming the theory that this zone is continuous into Area E. High grades typical of Area F are consistent even at these greater depths as shown on the accompanying cross section.



Cross Section 509200E showing high grade mineralisation folded and continuous at depths >150m

Project Development Activities

The project has entered a new phase of development, with some key approvals achieved during the year, as summarised below:

- Exclusion of the project from the proposed Limmen National Park.
- Grant of the five Mineral Leases for mining and associated infrastructure
- A Loading Facility Agreement, which provides WDR with 20 years access to Mount Isa Mines Limited's port at Bing Bong in the Gulf of Carpentaria.
- A Native Title Agreement, between WDR, the Northern Land Council and the Native Title Holders.

Photographs from Native Title Signing Ceremony

Feedback on announcement of Project:

This proposed project will provide a **significant economic boost to the region and create jobs and training opportunities** never before seen in the region.

We've made the decision to award Major Project status to this project to ensure all arms of Government are working together **to capitalise on the huge economic benefits this project will bring**.

Chief Minister: Paul Henderson, 29 May 2012

…the Western Desert agreement has shown that **a new breed of resources bosses are in town – people who are willing to sit down and talk with local people honestly and respectfully**. It is, in some ways, a new era.

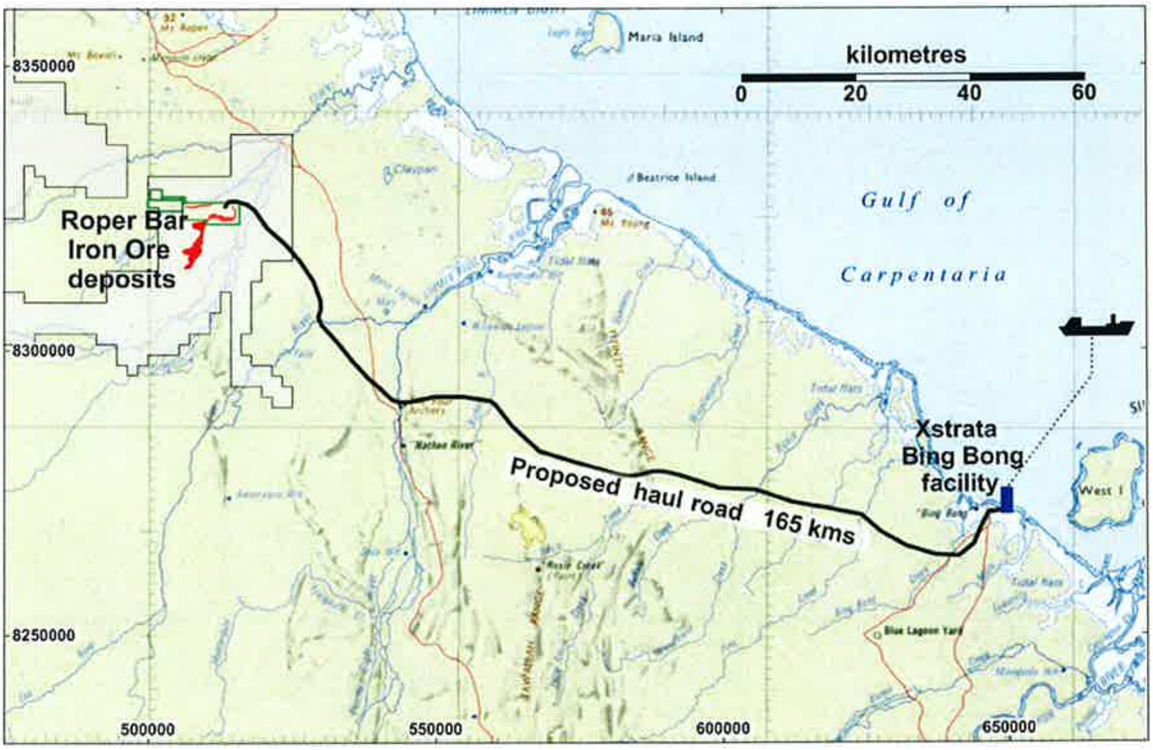
Northern Territory News, 30 May 2012

…the **agreement is wide-ranging, and based on best practice precedents** and the experience developed by the NLC in over 35 years of agreement-making…**Among other things, we have negotiated significant employment opportunities for traditional owners and Aboriginal people**…

Northern Land Council Chief Executive: Mr Kim Hill, 28 May 2012

The plan for Stage 1 of the operation is to start mining DSO grade iron ore at a rate of about 3Mt per annum and truck the ore via a new 165km haul road to a new loading facility at the existing Bing Bong port, where the ore will be barged to ocean going vessels in the Gulf. Stage 2 envisages a beneficiation plant capabale of upgrading the lower grades of iron. Engineering studies continue to work on optimising the project, with mine development, metallurgical, infrastructure, hydrogeological and geotechnical studies advancing accordingly. In addition, the detailed engineering and procurement phases have commenced.

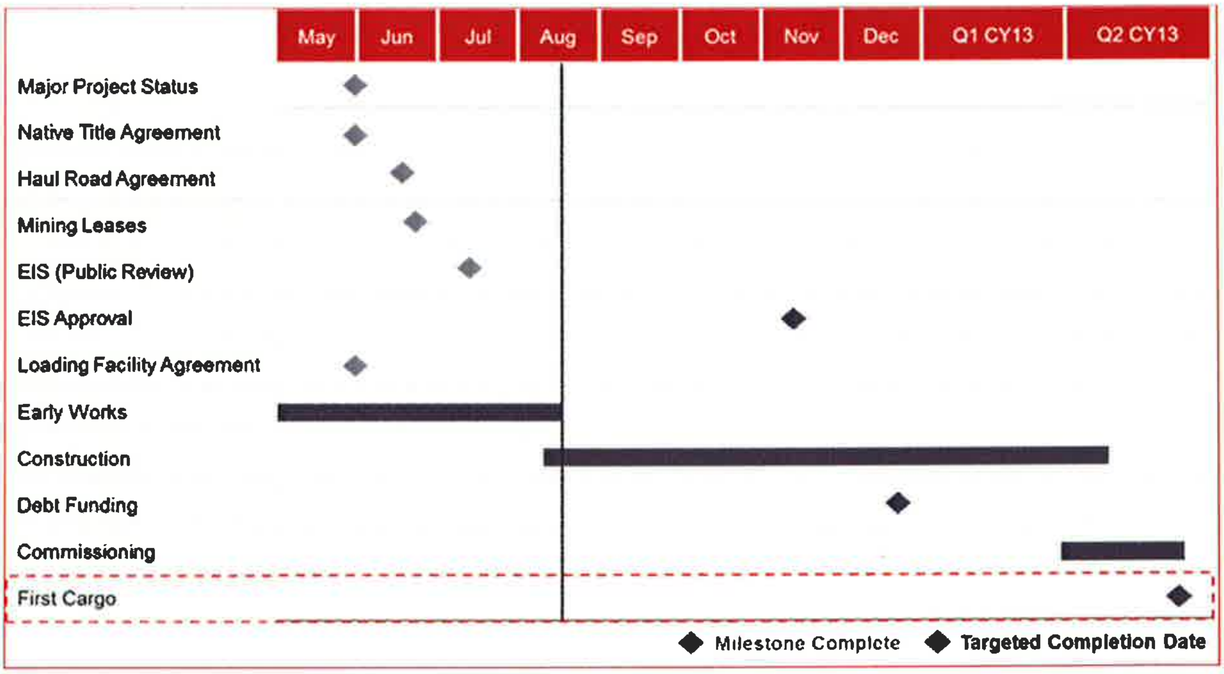
Example of Iron Ore shipping vessel in the Gulf



Roper Bar project area showing iron ore deposits and proposed transport route

A major effort has been devoted to the Environmental Impact Statement for the project during the year. This sets the framework for considering the environmental, social, cultural and economic impacts of the proposed mine in the context of legislative and policy requirements. The draft EIS was submitted in June 2012 and the public consultation & assessment process is well underway.

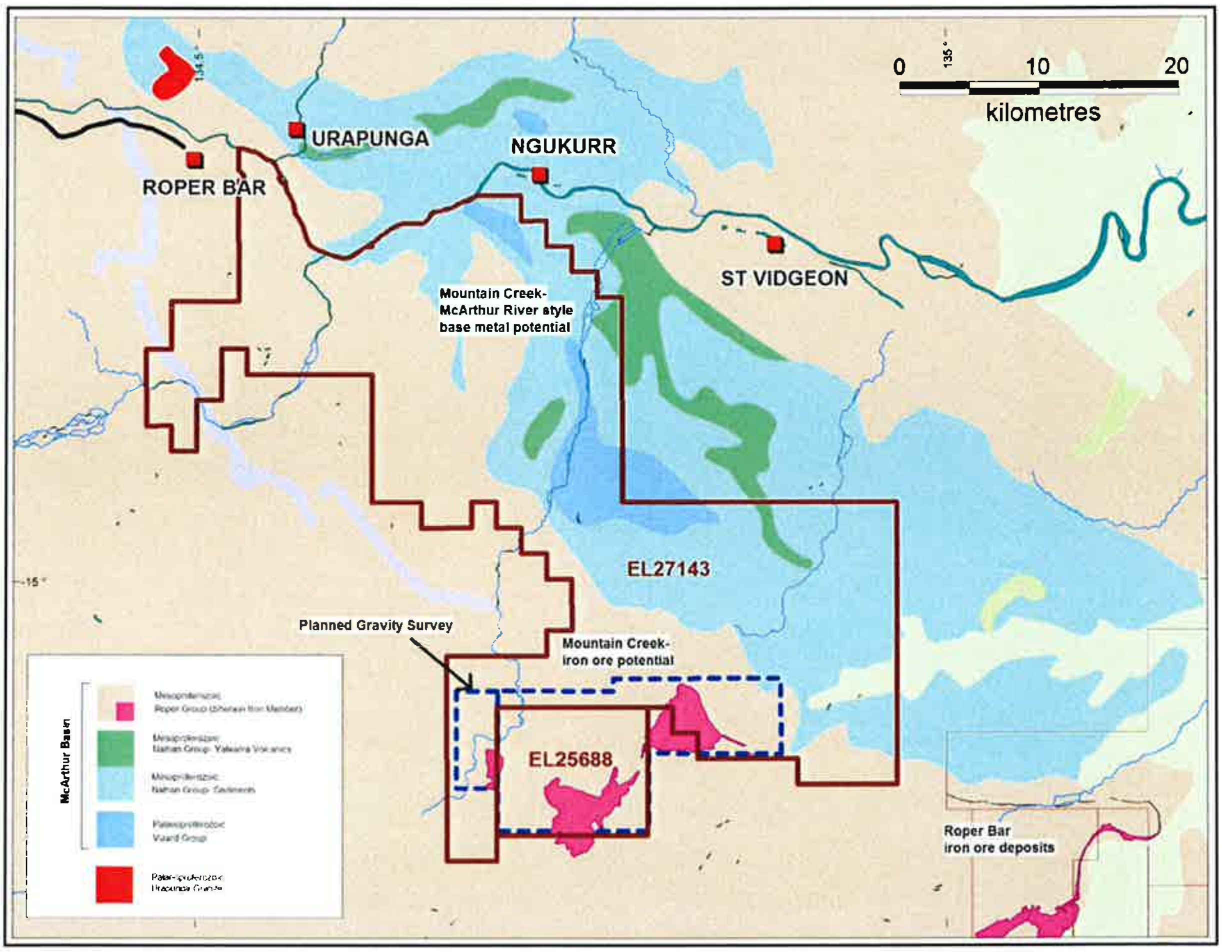
Roper Bar Project development schedule



MOUNTAIN CREEK PROJECT

Summary

The Mountain Creek Project is a large area of exploration tenure which lies immediately to the northwest of the Roper Bar Iron Ore Project, targeting the same oolitic ironstone unit that hosts the Roper Bar iron deposits. The project consists of EL27143 (100% WDR) and EL25688 (WDR earnt 70% in joint venture with Tianda Resources). The exploration strategy is to identify DSO opportunities to complement the Roper Bar Stage 1 project, and also to identify large tonnage, lower grade mineralisation for the longer term beneficiation plant under consideration at Roper Bar. The project is also prospective for McArthur River style base metal mineralisation.

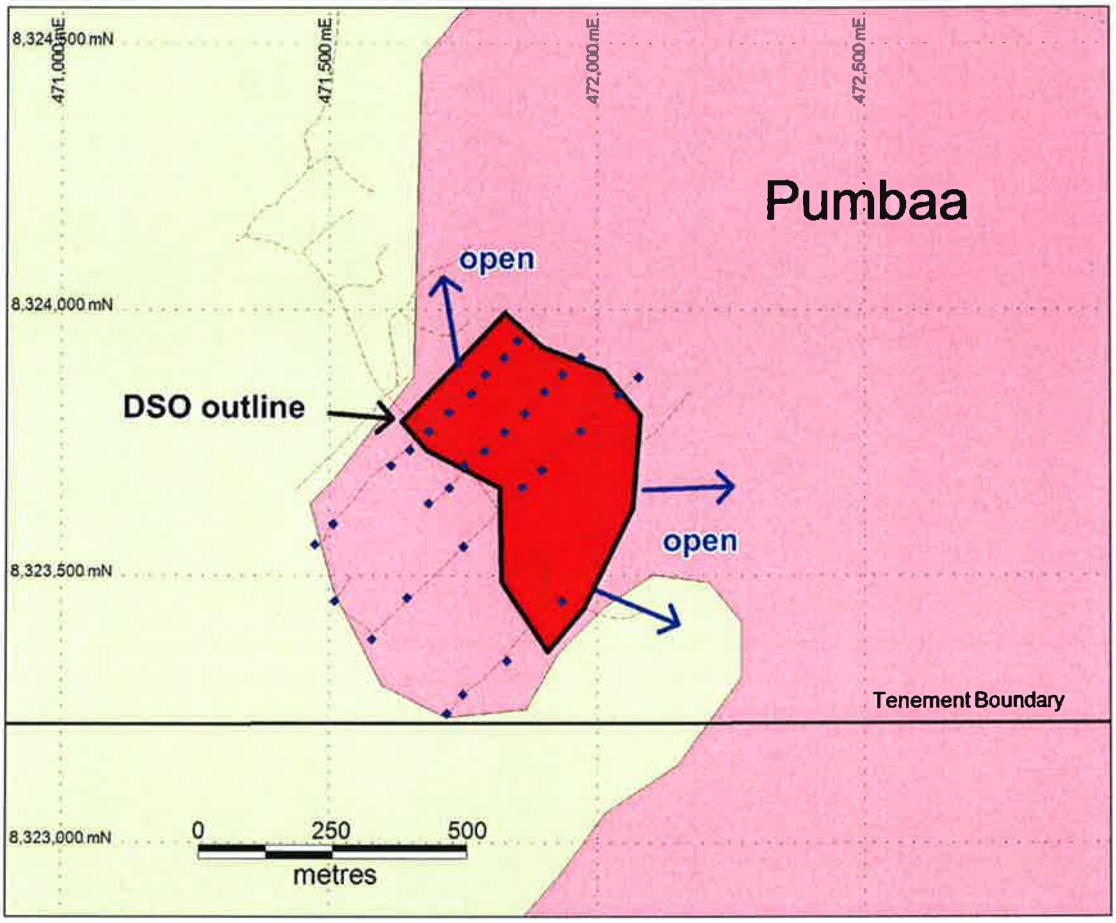


Mountain Creek tenements and regional geology

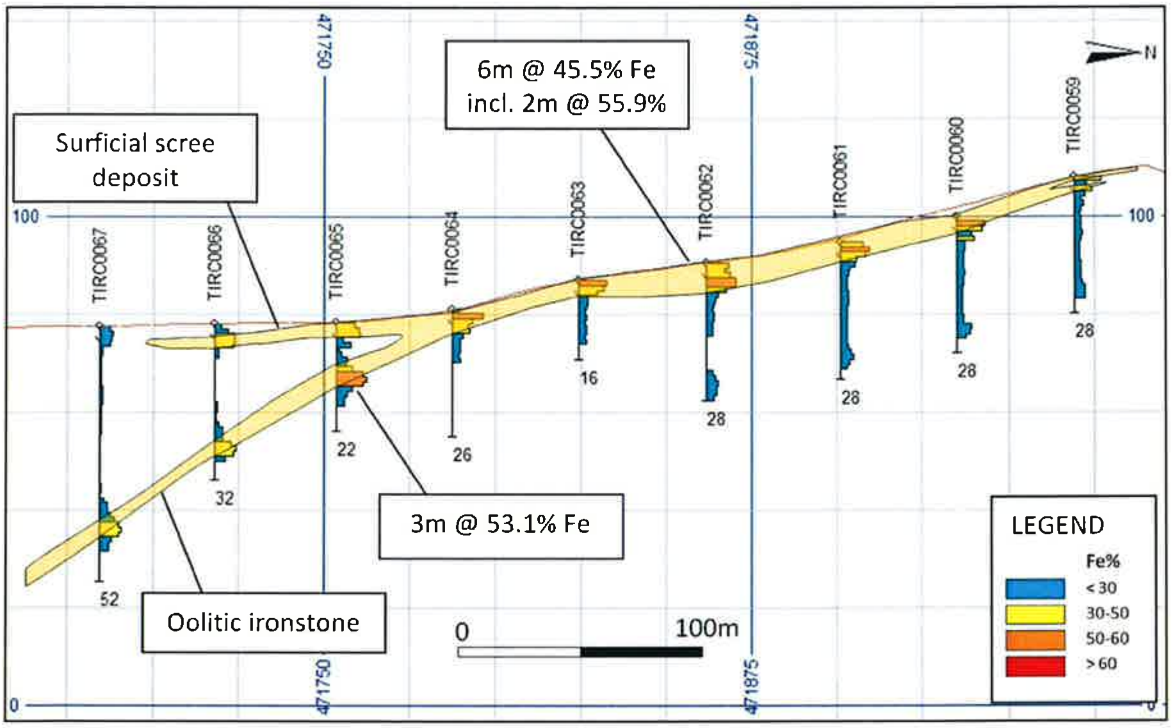
Exploration Activities

WDR carried out the first ever drilling program within the EL25688 lease in follow up of strong iron mineralisation observed during surface sampling. Three prospects were tested with shallow RC drilling, for a total of 81 holes (2360m). A further five RC holes (271m) were drilled on EL27143.

The highlight of the program was the discovery of a shallow, flat-lying, laterally extensive zone of DSO grade mineralisation at the Pumbaa target on EL25688. Mineralisation extends at least 300m along strike, with a width of 250m and thickness of 2m, and is open along strike to the NW and SE. The best intersection to date is 2m@ 60.9% Fe. Lower grade mineralisation has been intersected at the other targets.



Location of drilling at Pumbaa prospect on EL25688, with ironstone outcrop shown in pink



Cross Section (SW-NE) at Pumbaa iron prospect

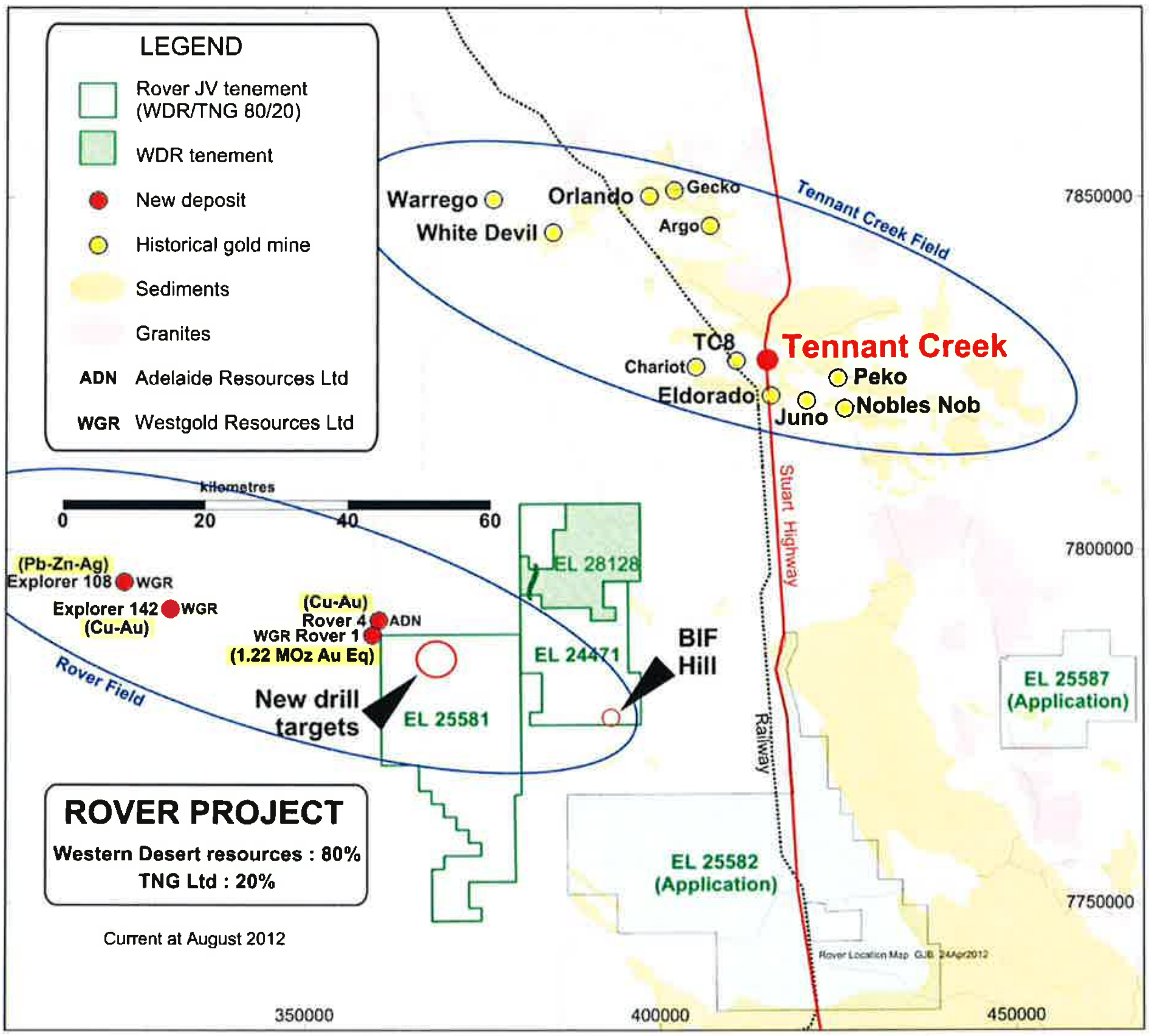
An airborne gravity survey was undertaken in August 2011. Results have identified a number of new iron ore targets under cover where mapping is ineffective. Further reconnaissance drilling will be planned to test the strongest anomalies.

WDR drill rig set up at Tianda JV

EAST ROVER COPPER-GOLD PROJECT

Summary

The Rover Project covers three granted exploration licences in the Tennant Creek district. The Company has earned an 80% interest in two of the tenements (EL24471 and EL25581) from Tennant Creek Gold (NT) Pty Ltd, (a wholly owned subsidiary of TNG Ltd) and holds one tenement (EL28128) outright. The Tennant Creek Goldfields have produced over 160 tonnes of gold and 240,000 tonnes of copper since 1930. The deposit style is characterised by small tonnages with very high grades. Recent success at the adjacent Rover 1 and Rover 4 deposits on adjoining leases show that the Company is ideally situated in the emerging new Rover goldfield.

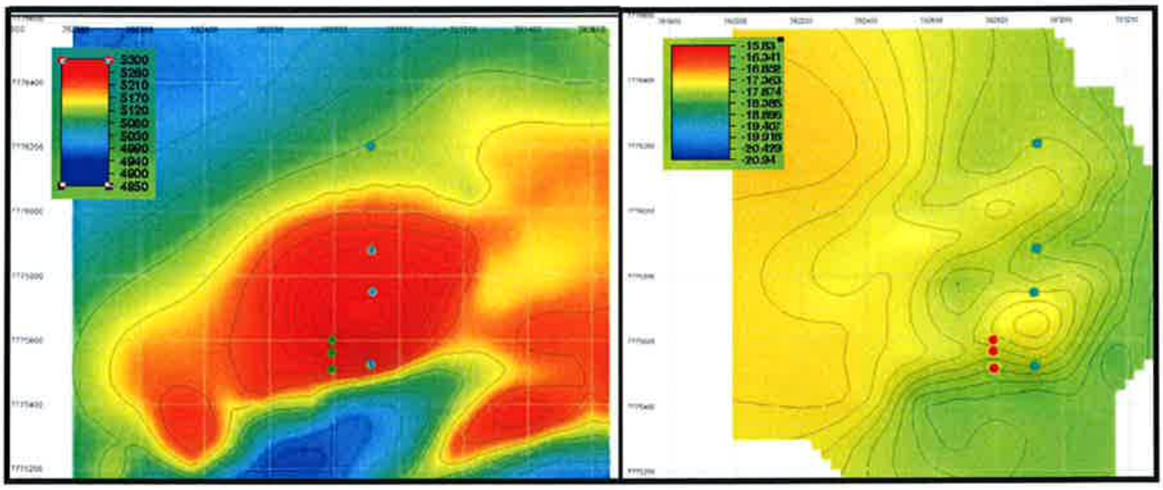


Plan showing lease holding and deposits in the East Rover Project

Exploration Activities

Exploration activities during the year focussed on building up a portfolio of targets based on the geophysical data. There were 1845 new gravity stations collected on EL24471 and a further 4574 stations collection on EL25581. This has led to the identification of new target areas immediately adjacent to the Rover 1 deposit (1.2Moz Aueq). Reprocessing of last year's airborne EM data has further refined and prioritised these targets.

Of particular interest is a prospect named "BIF Hill" on EL24471, which consists of a series of outcropping banded iron and jaspilite beds over a major coincident gravity and magnetic anomaly. The strength and geometry of the anomaly is consistent with other Tennant Creek style ironstone hosted orebodies. Interestingly, three historical drill holes from the early 1970's tested the edge of the anomaly and although none of them penetrated to the source, there were some very encouraging near surface results, including 15m @ 1.03 g/t Au (DDH 426 from 3m). Furthermore, of the 32 historical rock chip samples taken, every sample had an elevated gold value, in the range 50-250ppb. Approvals were obtained for commencement of drilling in July 2012.



BIF Hill prospect showing aeromagnetic image (left) and gravity image (right). The light blue dots are proposed drill hole locations, other dots are historical hole locations

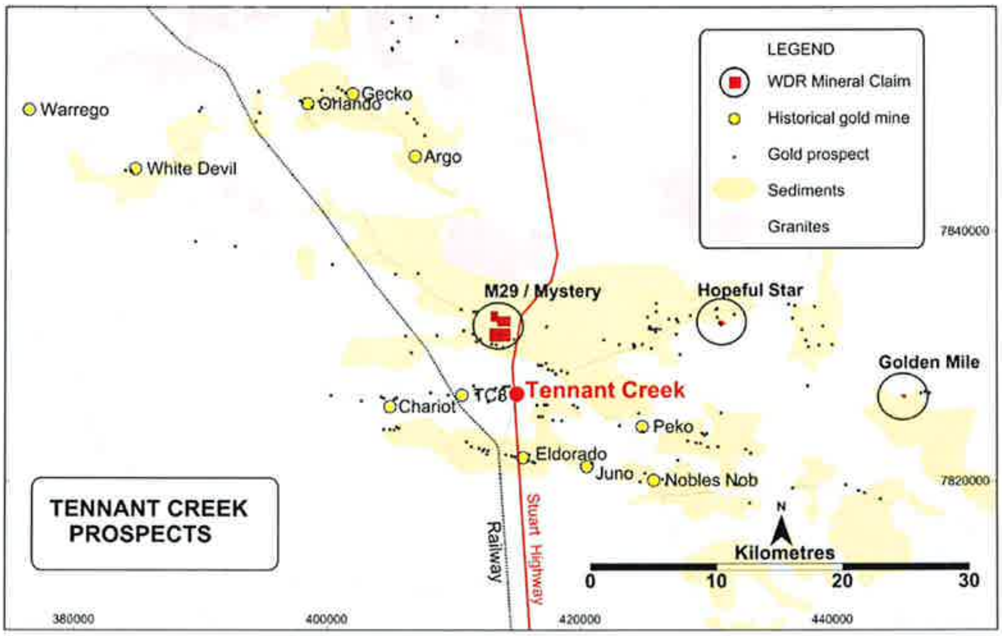
Photo looking northeast from BIF Hill

Photo of outcropping folded ironstone at BIF Hill

TENNANT CREEK GOLD PROJECT

The Company holds a number of small mining leases and mineral claims in the Tennant Creek goldfield, including Hopeful Star (ML624), Hopeful Star East (ML632), Golden Mile (ML625), Mystery (MCC1089-1091) and M29 (MCC1092-1095). Most of these have produced gold in the past, but have not been explored in recent decades and so have not seen the benefit of modern exploration techniques.

Ground magnetic data was collected over Hopeful Star and Golden Mile. New target zones were identified, and a drilling program has been designed, which should be implemented during the calendar year.



Location of WDR tenements in the Tennant Creek Goldfields

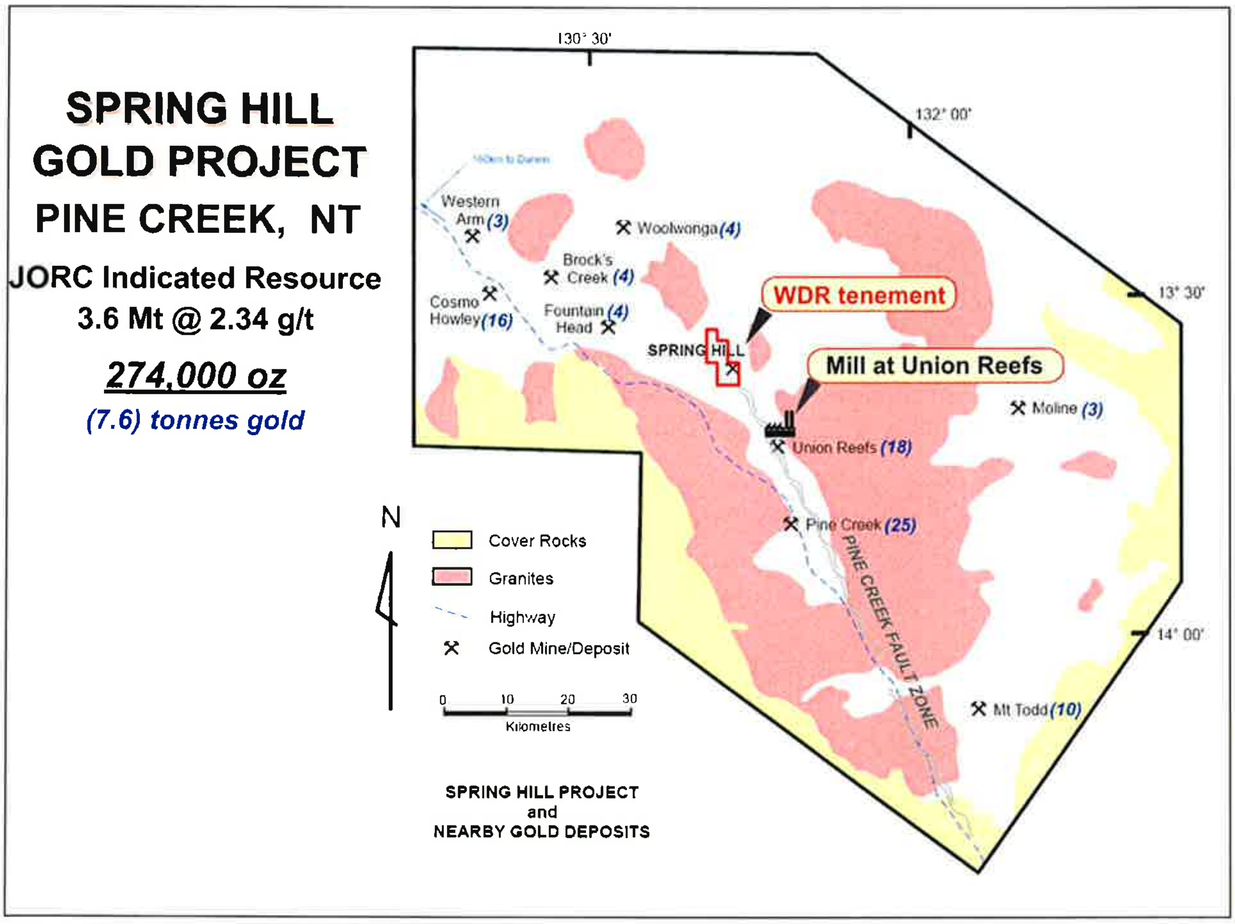
Historical shaft at Hopeful Star mine *Mineralised vein hoisted in ironstone at Hopeful Star*

SPRING HILL JOINT VENTURE

Summary

Spring Hill is on the site of an historical gold mine in the Pine Creek Goldfield, 150 kilometres south of Darwin. The tenement package comprises a 1035 hectare Mining Lease (ML23812) surrounded by EL22957. In 2003, a JORC compliant resource was calculated as 3.6 Mt at 2.34 g/t containing 274,000 ounces of gold.

The final condition precedents for the divestment of the initial 25% interest in the Spring Hill project to Thor Mining PLC were met during the year and the acquisition completed in return for the issue to WDR of 40 million ordinary shares in Thor, plus $250,000 cash payment. Under the staged agreement, Thor has the right to earn up to 80% interest in project via total expenditure of $4.5 million.



Spring Hill Gold project summary plan

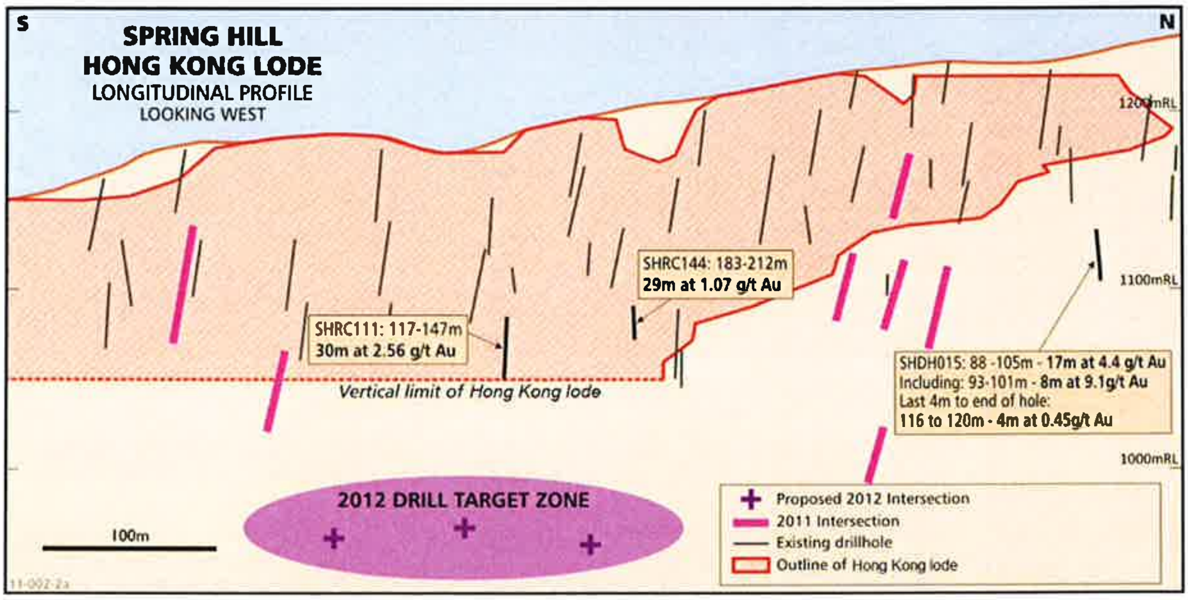
Exploration Activities

Joint venture partners Thor Mining PLC completed a diamond drilling program at Spring Hill and released results to the ASX on 20th December. Highlights from the program were:

- Potentially economic mineralisation extends up to 100m below historical resource drilling
- Good correlation between diamond drill holes and historical RC gold intersections in the upper levels

- Notable intersections included:

SHDD001	3.6m @ 0.7 g/t Au from 191m, incl. 0.6m @ 3.9g/t from 194m
SHDD004	3.4m @ 9.7 g/t Au from 24.6m, incl. 1.0m @ 31.4g/t from 25m
SHDD005	4.7m @ 5.7 g/t Au from 28.6, incl. 0.7m @ 36.2 g/t from 30.8m
SHDD005	5.0m @ 2.1 g/t Au from 106m, incl. 0.1m @ 78.5 g/t from 109.2m
SHDD007	20m @ 1.6g/t Au from 100m, incl. 3.1m @ 5.1g/t from 115m



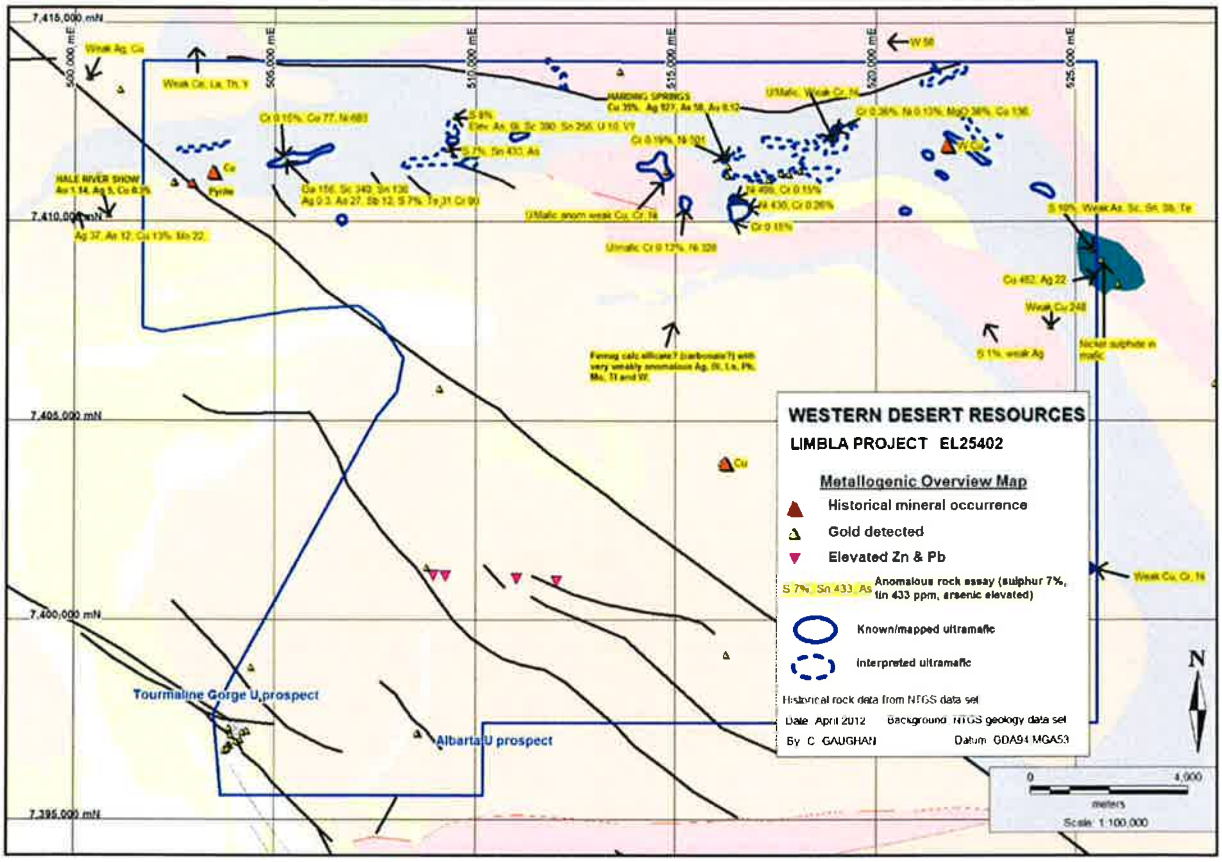
Longitudinal section through the Hong Kong Lode at Spring Hill

LIMBLA PROJECT

Summary

The project consist of a single lease, EL25402, located about 120 kilometres east of Alice Springs in the Northern Territory in an area which is emerging as a major new mineral field, with significant discoveries of copper, nickel, cobalt, gold and PGE's. There has been minimal past exploration, but WDR has undertaken surface rock and soil sampling, airborne magnetic-radiometric surveys, an airborne EM survey and structural interpretation, all of which has added to interest in the project.

Exploration during the year has concentrated on geochemical sampling within the Illogwa Shear Zone, which is a major crustal thrust zone with known mineralisation over a 24km strike length which contains the Harding Springs mineral occurrence (35% Cu and 0.12g/t Au) as well as numerous new prospects identified by WDR sampling. The most exciting of these is where coherent MMI/ionic leach soil anomalies coincide with conductive bodies identified in EM data, which is a good indication of base metal sulfide and/or gold mineralisation. In addition, two new shear zones have been identified, namely the Albarta Shear Zone and Leaky Bore Shear Zone. No drilling has been undertaken to test the subsurface expression of any these target zones.



Limbla Project summary plan highlighting anomalous geochemical results

WDR and NT department geologists inspecting an outcrop at Limbla

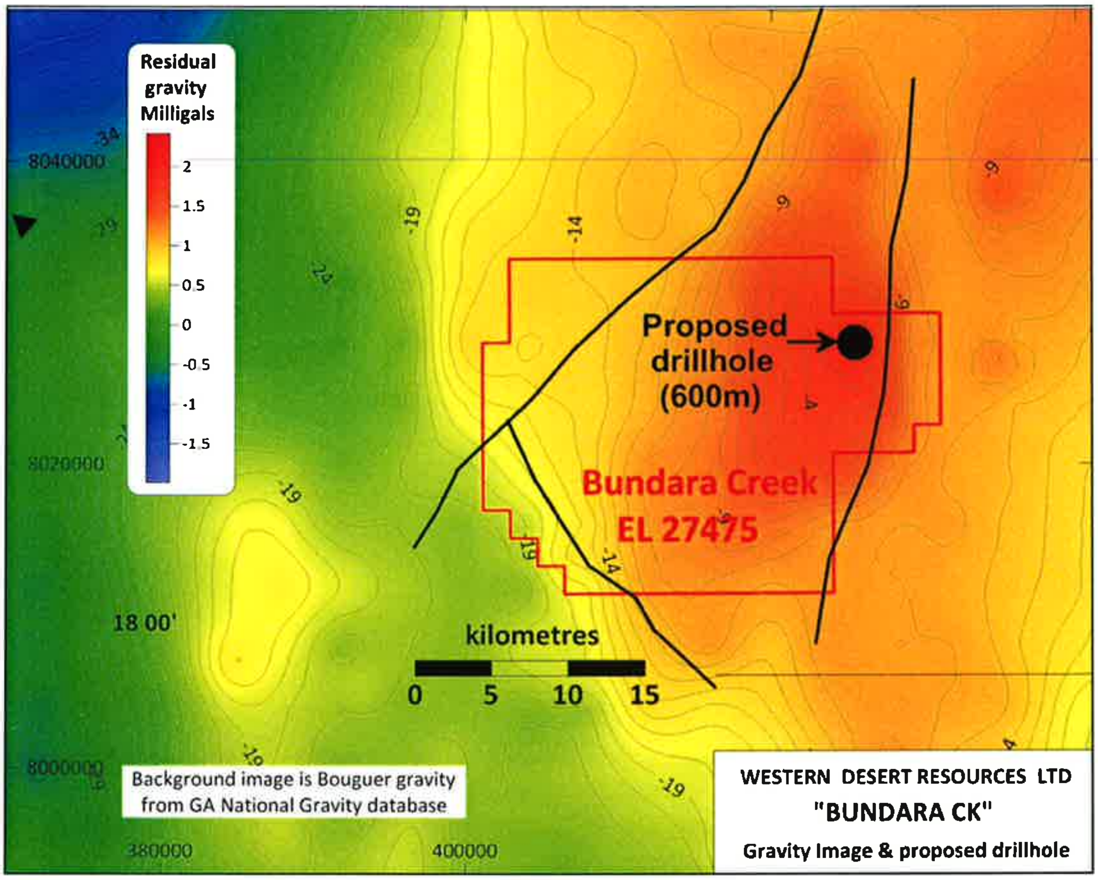
Copper mineralisation (malachite-green) observed in float sample at the Tourmaline Gorge Prospect at Limbla

BUNDARA CREEK PROJECT

The Bundara Creek Project is a single exploration lease, EL27475 (total 542.6km^2) in the Dunmarra Basin region, approximately 225km north of Tennant Creek. The Company carried out a regional gravity survey over the leases in 2010 and identified a nine milligal gravity anomaly, which is of similar dimension and magnitude to that observed over the massive Olympic Dam deposit.

During the year, EL27458 and EL27459 were relinquished, as the geophysical work failed to identify further targets. However, an application was successful in receiving government funding assistance to drill a 600m deep hole into the nine milligal gravity anomaly to test for IOCG and Zambian copper-belt style mineralisation on EL27475. Drilling is expected to commence in September 2012.

While it is recognised that exploration in this terrane is indeed in the greenfields category, the target size is considered very large, with the potential to open up a new province for mineral exploration



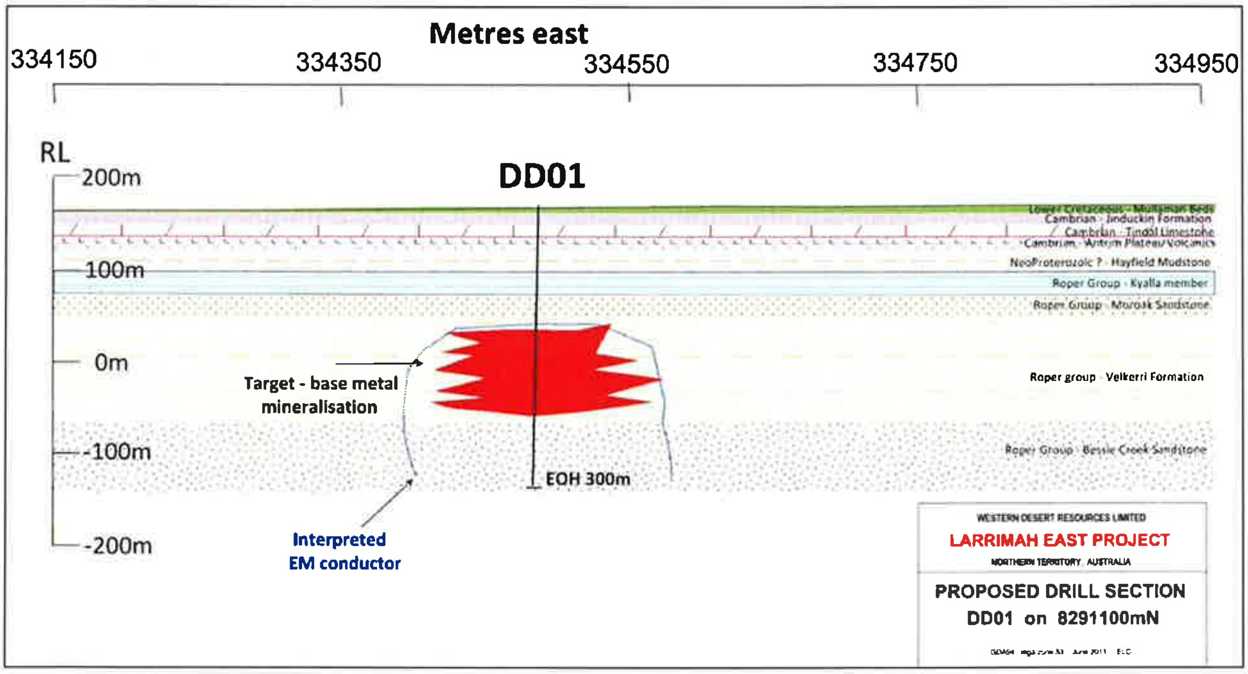
Gravity target at Bundara Creek, showing proposed drill hole

LARRIMAH EAST PROJECT

The Larrimah East Project comprises two exploration leases, EL27472 and EL27473 (total 692km^2) in the Dunmarra Basin region, approximately 80km southeast of the town of Mataranka and close to a major transport corridor- the Stuart Highway. The Company is primarily targeting McArthur River–style base metal deposits in sedimentary rocks of Proterozoic or Cambrian age. Minimal previous exploration in the vicinity has indicated that the prospective Velkerri Formation occurs at relatively shallow depths and is anomalous in base metals.

In 2010, the Company carried out a helicopter-borne EM survey and identified 48 conductive targets. During the current year, an application was successful in receiving government funding assistance to drill two 300m deep holes to test the two strongest EM conductors, which are potentially caused by McArthur River style Pb-Zn orebodies. Drilling is scheduled to start in the first or second quarter of next year.

Historical reports also note the occurrence of iron rich horizons up to 44% Fe near surface. The assay results were sub-economic at the time of drilling in 1995. However, considering the Company's expertise at upgrading low grade iron resources, and the location only 70km from the railway line, there is considered to be good potential for iron ore.



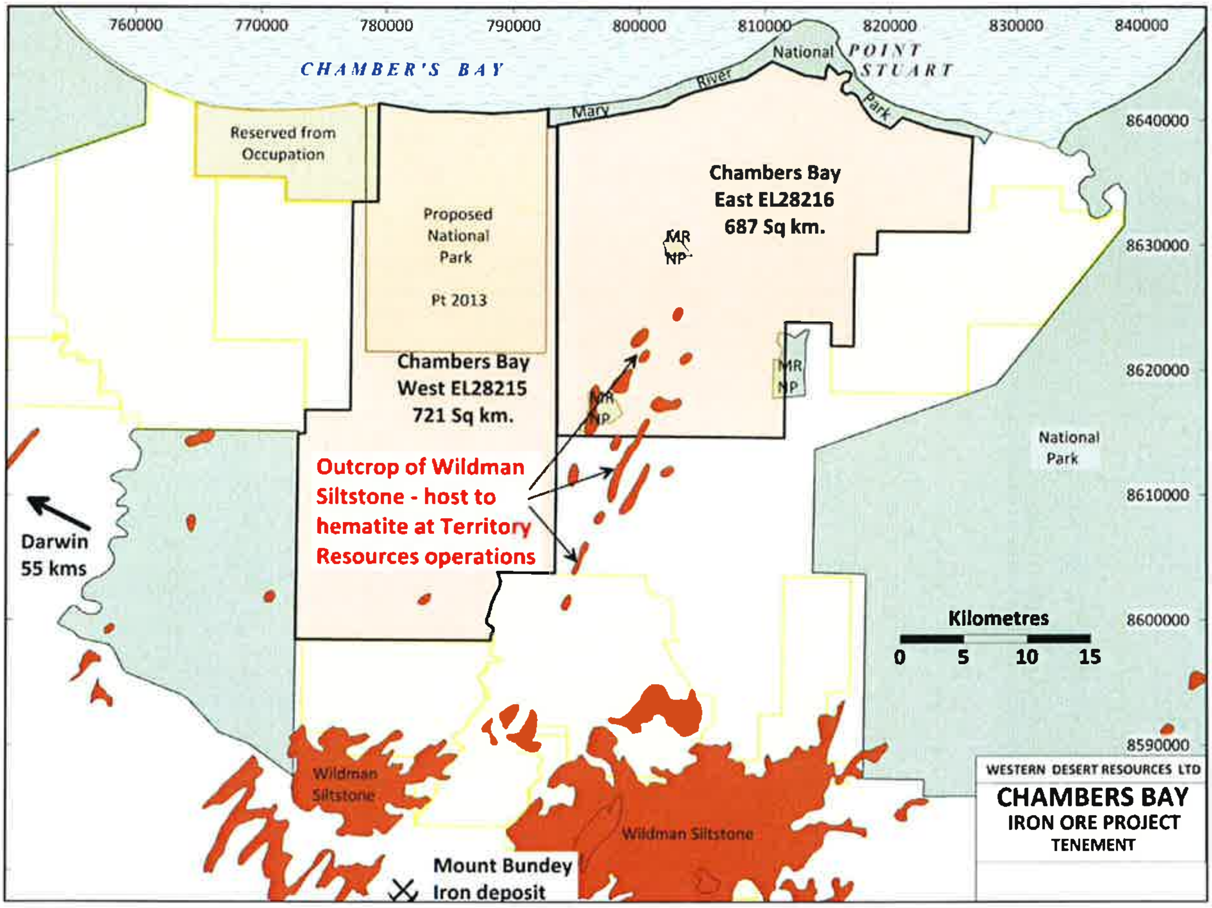
Schematic cross section of proposed drill hole at Larrimah East to test conductive rocks which are a McArthur River style Pb-Zn target

CHAMBERS BAY PROJECT

The Chambers Bay iron ore project area comprises two granted EL's of 1,400 square kilometres located east of Darwin. Applications for the ground were lodged in 2010 on the basis of:

- Outcrop and subcrop of Wildman Siltstone which hosts the Francis Creek iron ore deposits near Pine Creek.
- The area has previously been explored for uranium and gold, but not for iron ore. This parallels the exploration history of the Roper Bar Iron ore Province.
- The land tenure is Pastoral Lease. There is no Freehold land involved.
- It is located on the coast, and is only 80 kilometres from Darwin, thereby offering infrastructure and workforce solutions.

The licences were granted in 2012 for a period of six years. Fieldwork is yet to commence.

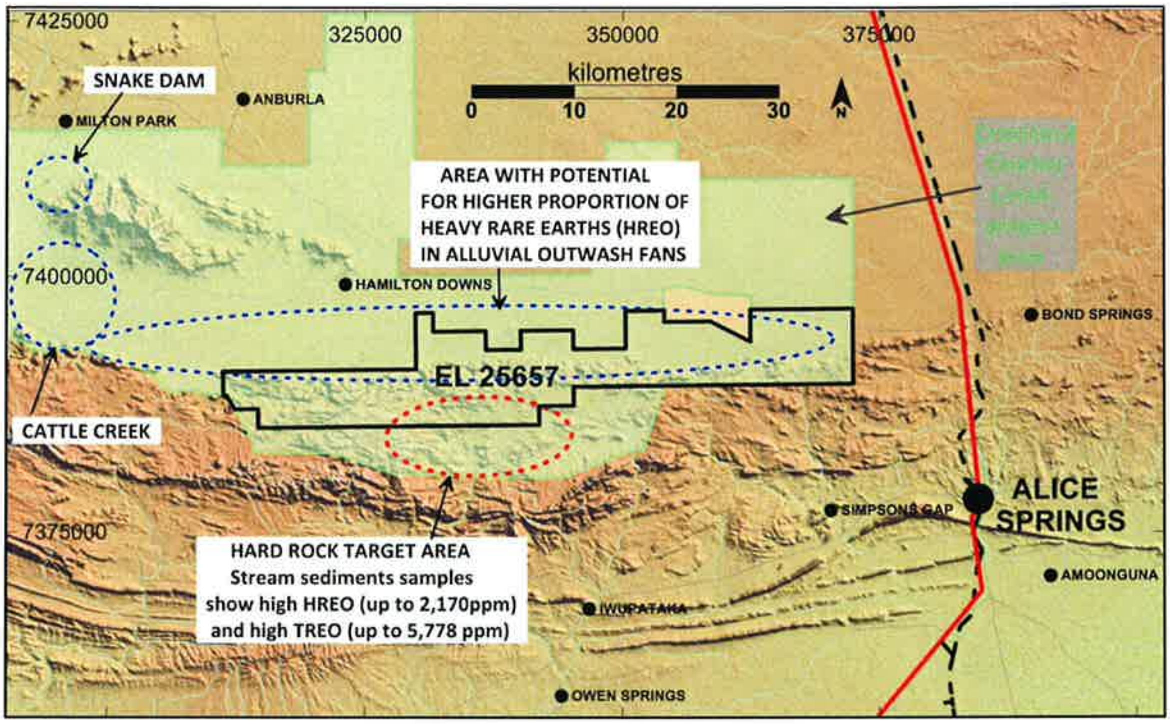


Chambers Bay iron ore project location map

CLOUGHS DAM JOINT VENTURE

The Cloughs Dam Project comprises a single exploration lease, EL25657, to the west-north-west of Alice Springs, and is a joint venture with Crossland Uranium Mines Limited (ASX:CUX). It forms a part of Crossland's larger Charley Creek Project. Under the terms of the joint venture, which began in 2010, Crossland can earn a 60% interest by spending $500,000 on the project within three years. Crossland have recently announced an initial Indicated Resource of 387Mt within the extensive alluvial rare earth element (REE) deposits which lie adjacent to EL25657.

Crossland, as operators of the project, has carried out stream sediment sampling across the tenement and identified elevated heavy rare earth element (HREE) mineralisation hosted within xenotime in shallow alluvial deposits. The alluvial deposits are considered lucrative, because they are easy and low cost to explore and mine.



Cloughs Dam project location map with REE results from Crossland Uranium Mines Ltd

BURT PLAIN JOINT VENTURE

The Burt Plain project area comprises one granted tenement (EL25338) about 40 kilometres north of Alice Springs. This is a joint venture with NuPower Resources Ltd (ASX:NUP) which is the operator of the project. In 2011 NuPower satisfied the requirements to attain 51% interest in the project.

ROPER BAR GEOTHERMAL PROJECT

This comprises one granted Geothermal Exploration Permit (GEP27829) located near the Roper Bar Iron ore Province. The area was identified based on the Australia-wide heat flow data as having potential for geothermal energy.

During the year, the Company commission Hot Dry Rock Pty Ltd to undertake a Geothermal Systems Assessment. Preliminary heat flow modelling suggests surface heat flow for two petroleum wells located within GEP27829 is 84 mW/m^2, which is significantly higher than expected for a Proterozoic-aged basin. The company is continuing with its program of desktop analysis and is acquiring temperature data from exploration holes in the Roper Bar and Mountain Creek iron projects to better understand the regional temperature gradients.

MUSGRAVES JOINT VENTURE

The Musgraves project consists of six exploration licence applications covering almost 5700 square kilometres of Aboriginal freehold land. Five of the licence applications are subject to a Joint Venture with Tennant Creek Gold (NT) Ltd.

The project is near the West Australian and South Australian borders, which is part of the barely explored Musgrave Block. The geological equivalents in Western Australia have delivered exploration success in recent years for nickel and gold. On the basis of studies carried out by government agencies, the Musgraves are highly prospective for gold, base metals, rare earths and nickel.

All of the Musgraves project ground is Aboriginal freehold land. The Company continues to negotiate with the Central Land Council for a Deed of Exploration, with the first meetings held with traditional owners in 2010. It is anticipated that an Exploration Agreement can be concluded in 2013. This will allow the first commercial investigations of the land to commence in the modern exploration age.

TANAMI EAST

This is one small exploration licence application. Previous explorers noted evidence of copper and gold mineralisation. It is located on Aboriginal Freehold. Land access negotiations have not yet commenced.

Schedule of Exploration and Mining Tenements as at 30 June 2012.

Project Name	Tenement	Tenement Name	Area Sq km	Registered Holder or Applicant	Nature and % of Company's Interest	Joint Venture Partner
Roper Bar	EL24307	Roper Bar North	278.50	WDR Iron Ore Pty Ltd	100%	
Roper Bar	EL24665	Roper Bar Extended	152.37	WDR Iron Ore Pty Ltd	100%	
Roper Bar	EL24944	Roper Bar East	139.16	WDR Iron Ore Pty Ltd	100%	
Roper Bar	EL25672	Roper Bar 1	129.20	WDR Iron Ore Pty Ltd	100%	
Roper Bar	EL26759	St.Vidgeon South	396.74	WDR Iron Ore Pty Ltd	100%	
Roper Bar	EL26992	Roper Bar South	49.43	WDR Iron Ore Pty Ltd	100%	
Mountain Creek	EL27143	Mountain Creek	615.88	WDR Iron Ore Pty Ltd	100%	
Tianda JV	EL25688	Tianda	99.47	Tianda Resources (Aust) Pty Ltd	(a)	Tianda Resources
Roper Bar	ML28264	Mineral Lease	34.07	WDR Iron Ore Pty Ltd	100%	
Roper Bar	ML28266	Mineral Lease	3.60	WDR Iron Ore Pty Ltd	100%	
Roper Bar	ML28267	Mineral Lease	1.80	WDR Iron Ore Pty Ltd	100%	
Roper Bar	MLA28692	Mineral Lease	0.50	WDR Iron Ore Pty Ltd	100% (f)	
Roper Bar	MLA28693	Mineral Lease	10.92	WDR Iron Ore Pty Ltd	100% (f)	
Chambers Bay	EL28215	Chambers Bay West	424.94	WDR Iron Ore Pty Ltd	100%	
Chambers Bay	EL28216	Chambers Bay East	674.53	WDR Iron Ore Pty Ltd	100%	
East Rover JV	EL24471	Explorer	307.26	TNG Limited	51% (b)	TNG Limited
East Rover JV	EL25581	Rover	566.63	TNG Limited	51% (b)	TNG Limited
East Rover JV	MLC647	Kovacs	0.08	TNG Limited	51% (b)	TNG Limited
Rover	EL28128	Kelly Well	184.59	WDR Base Metals Pty Ltd	100%	
NuPower JV	EL25338	Burt Plan	405.80	WDR Base Metals Pty Ltd	49% (d)	NuPower Resources Ltd
Crossland JV	EL25657	Clough's Dam	397.56	WDR Base Metals Pty Ltd	100% (e)	Crossland Nickel Pty Ltd
Limbla	EL25402	Limbla 4	364.90	Red Desert Minerals Pty Ltd	100%	
Spring Hill JV	ML23812	Spring Hill ML	10.35	WDR Gold Pty Ltd	75% (c)	
Spring Hill JV	EL22957	Spring Hill EL	16.68	WDR Gold Pty Ltd	75% (c)	
Tennant Creek	MLC624	Hopeful Star	0.05	WDR Gold Pty Ltd	100%	
Tennant Creek	MLC632	Hopeful Star	0.04	WDR Gold Pty Ltd	100%	
Tennant Creek	MLC625	Golden Mile	0.08	WDR Gold Pty Ltd	100%	
Tennant Creek	MCC1089	M29	0.36	WDR Gold Pty Ltd	100%	
Tennant Creek	MCC1090	M29	0.40	WDR Gold Pty Ltd	100%	
Tennant Creek	MCC1091	M29	0.40	WDR Gold Pty Ltd	100%	
Tennant Creek	MCC1092	M29	0.40	WDR Gold Pty Ltd	100%	
Tennant Creek	MCC1093	M29	0.40	WDR Gold Pty Ltd	100%	
Tennant Creek	MCC1094	M29	0.40	WDR Gold Pty Ltd	100%	
Tennant Creek	MCC1095	M29	0.40	WDR Gold Pty Ltd	100%	
Geothermal	GEL27829	Roper Bar	3010.00	Western Desert Resources Ltd.	100%	
Antrim Area 5	EL27475	Bundara Creek	542.58	WDR Base Metals Pty Ltd	100%	
Antrim Area 8	EL27472	Larrimah East	271.40	WDR Gold Pty Ltd	100%	
Antrim Area 8	EL27473	Maryfield East	297.48	WDR Gold Pty Ltd	100%	

(a) Interest earned at 70% - awaiting completion of transfer.
(b) Interest earned at 80% - awaiting completion of transfer.
(c) Thor Mining PLC has 25% ownership with the right to earn up to 80% of the project.
(d) Each party is contributing to joint venture expenses in according with the level of participating interests.
(e) Crossland Nickel Pty Ltd can earn up to 60% interest subject to a spend of $500,000 over a 3 year term.
(f) Announcement of the grant of mineral lease was released to the market on 5th July 2012.

DIRECTORS' REPORT

Board of Directors:

Back Row (L to R): Phil Lockyer, Mick Ashton, Scott Perrin, David Cloke (all Non-Executive Directors)
Front Row (L to R): Graham Bubner (Exploration Director); Rick Allert (Chairman); Norm Gardner (Managing Director)

Directors' Report

The Directors present this directors report and the attached annual financial report of Western Desert Resources Limited ("the Company", or "WDR") for the financial year ended 30 June 2012. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

DIRECTORS AND OFFICERS

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

***Richard Hugh Allert AO** – Chairman of the Board (Appointed 27th January, 2011)*
Mr. Allert is currently Deputy Chairman of Gerard Lighting Group Ltd., and a Director of AMP Limited, Genesee & Wyoming Australia Pty Ltd and Genesee & Wyoming Inc., Cavill Power Products Pty Ltd., and RG & RT Trott Pty Ltd (Wirra Wirra Wines). Mr. Allert is Chairman of The Aboriginal Foundation of South Australia, a Member of the Australian Forces Entertainment Board and Chairman and non-executive Director of Ikara Wilpena Enterprises Pty Ltd and Wilpena Pound Aerodrome Services Pty Ltd.

Mr. Allert was formerly Chairman and Director of Coles Group Limited, Southcorp Limited, Voyages Hotels & Resorts Pty Ltd., AXA Asia Pacific Holdings Limited and the AustralAsia Railway Corporation.

***David John Cloke** FCA - Non-Executive Director (Appointed 20th October 2006)*
David is a founding Director of the company and was Company Secretary until June 2007. He was a partner with Deloitte's for 30 years and has had over 40 years' experience in the accounting profession in Australia and Central Africa. He was Managing Partner of Deloitte's three offices in the Northern Territory and a member of that partnership's national management board in Australia.

Mr. Cloke has a strong audit background and has been the lead partner responsible for the audits of national and international mining companies. He is Finance Director for a substantial property company in the Northern Territory.

***Norman Wayne Gardner** – Managing Director (Appointed 20th October 2006)*
Norm Gardner is a founding Director of the company which was incorporated in October 2006. Norm established and is sole owner of a concrete construction business based in the Northern Territory. His company has been involved in significant mining projects in the Northern Territory, South Australia and Western Australia, including development and operation of the backfill plant at the Granites Gold Mine. Norm has an in depth knowledge of the construction requirements of the mining industry. He has also been involved in a number of successful property developments.

***Graham John Bubner BSc**(Hons) - Non-Executive Director (Appointed 20th October 2006)*
Graham is a founding Director of the company. Graham graduated from Adelaide University with a double geology/geophysics degree in 1976 and a first class Honors' degree in geophysics the following year. He gained experience in exploration for multiple commodities including base metals, precious metals, uranium, diamonds, iron ore and coal throughout west-central Australia with CRA Exploration Pty Ltd for 16 years. During this time he participated in major discoveries, such as diamonds at Argyle and uranium at Kintyre. Four years in the Middleback Ranges on Eyre Peninsula with first BHP Billiton Limited and then Onesteel Limited afforded specific experience in exploration for iron ore.

Mr. Bubner is a member of the Australian Society of Exploration Geophysicists, Society of Economic Geologists and the Australian Institute of Geoscientists.

***Michael Kevin Ashton** – Non-Executive Director (Appointed 1st May, 2009)*
Mick Ashton was a founding Director of the company. He owns a timber manufacturing business located in South Australia and is a major shareholder in a successful exploration drilling company located in Victoria, which has both Australian and international activities. Mick has extensive knowledge and experience in the exploration and mining industries, which dates back 40 years.

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

***Phillip Clive Lockyer** – Non Executive Director (Appointed 1st June, 2010)*
Phil Lockyer has more than 40 years' experience in the minerals industry and has held managerial positions in nickel, gold, lead and zinc operations, including managerial positions with WMC Resources Limited; as Executive Director of Operations and Projects for Dominion Mining Limited; and as Executive Director of Operations for Resolute Limited. A graduate from the WA School of Mines (Mining Engineering) and the former Ballarat School of Mines (Metallurgy), Mr Lockyer is currently Chairman of the Minerals and Energy Research Institute of W.A. and is non-executive Director of St Barbara Limited, Focus Minerals Limited, CGA Mining Limited and Swick Mining Services Limited.

Mr Lockyer is a Chartered Professional (Management) of the Australian Institute of Mining and Metallurgy and a Fellow of the Australian Institute of Company Directors.

***Scott Douglas Perrin** – Non-Executive Director (Appointed 24th June, 2011)*
Scott Perrin was admitted as a Solicitor in 1988 where he practiced in the area of Banking and Securities. He was a major shareholder and Director of Billabong International Limited until July 2000, which he guided in the transition from a family owned business through to an ASX listed entity.

Mr Perrin is currently a Director of Perrin Legal Pty Ltd. and Permat Holdings Pty Ltd.

***Laurie Ackroyd** — Chief Financial Officer/Company Secretary (Appointed 14th April, 2009)*
Mr Laurie Ackroyd was appointed as Chief Financial Officer and Company Secretary in April 2009. Laurie is an accountant with over 45 years' experience in the building services, manufacturing and transportation industries where he has held Director, Senior financial executive and Company secretarial positions.

***Directorships of other listed companies*:**

Name	Company	Period of Directorship
R H Allert AO	AMP Limited	Since 31 March 2011
	Gerard Lighting Group Ltd	Since March 2010
	Genesee & Wyoming Inc	Since July 2011
M K Ashton	Thor Mining PLC	Since April 2008
P C Lockyer	St Barbara Limited	Since December 2006
	Focus Minerals Limited	Since December 2005
	CGA Mining Limited	Since January 2009
	Swick Mining Services Limited	Since February 2008

Principal Activities
The principal continuing activity of the consolidated entity is the exploration for iron ore, gold, base metal and other economic mineral deposits, and the development of Mining Operations at the Roper Bar project, Northern Territory.

Financial Results
The net result of operations for the year was a loss after income tax of $3,363,200 (2011: $2,001,381)

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

REVIEW OF OPERATIONS

a) Overview

During the year the Company continued with exploration on its tenements with the objective of identifying iron ore, manganese, gold, base metals and other economic mineral deposits.

In respect of the Roper Bar, Northern Territory Iron Ore project the Company has identified and enhanced the level of resources at the project site and has significantly moved towards the development of a mining and exporting operation during the year with the meeting of a number of significant milestones which are discussed below.

b) Review of Operations during the year:

Divestment:

In August 2011 the company completed the proposed part divestment of the Spring Hill gold project to a subsidiary entity of Thor Mining PLC. The 25% interest was sold for a cash payment of $250,000 and 40 million Thor CDI's (held in escrow for 12 months). Thor Mining PLC has the right to earn up to an 80% interest in the project subject to staged expenditure and the issue of additional Thor shares to WDR.

Exploration and resource levels:

Exploration drilling has been focused upon the Roper Bar project during the year. Firstly via the company owned drilling rig and the adding of a second rig during July, 2011. High grade drill results were reported to the market during October 2011 from Area F of the project where the continuity of known mineralisation and a high grade zone was announced. The total inferred and indicated Mineral Resource estimate for the project increased to 312,000,000 tonnes.

Further drilling assay results were announced to the market during December 2011.

Over the past 6 months the Company has been further successful in increasing the level of inferred and indicated mineral resources estimates which supported positive market announcements. Towards the end of January, 2012 the Company announced a new deposit at Roper Bar Area B of near surface hematite mineralisation located some 20 kilometres south-west of the high grade deposits at Area F (east). Further drilling results were delivered during February

2012 this time from Area E (South) and Area E (east). In March 2012 a new discovery located within 30 kilometres from existing JORC resources at the Mountain Creek tenement was announced. In May, 2012 WDR announced significant JORC Upgrades at the Roper Bar iron ore project that increased the total inferred and indicated Mineral Resource estimate to 352.6 million tonnes. The following month the resource estimate was upgraded to 402,000,000 tonnes.

Milestone achievements:

During November 2011 the company announced to the market that it had signed a memorandum of understanding with Mount Isa Mines Limited (Xstrata Zinc), to investigate the possibility of gaining access to loading facilities in the Gulf of Carpentaria which if successful would accelerate production and export of iron ore and reduce the capital expenditure requirements by eliminating the pipeline infrastructure previously proposed as a transportation option. Later that month WDR announced the appointment of a strengthened leadership team for the Roper Bar project with the aim of getting the project into production. Following a period of review and negotiation WDR entered into a legally binding Load Facility Agreement in late May 2012 with Mount Isa Mines Limited for a 20 year period that provides for the access by WDR to an area on MIM's Mineral Lease at Bing Bong in the Gulf of Carpentaria.

During March, 2012 the Northern Territory government announced the formation of a major new National Park and Marine Park. Directors of WDR welcomed the announcement as it excluded the Roper Bar Iron Ore project from the proposed park providing some certainty for WDR and for mining within the Roper Bar project area.

On 28th May 2012, WDR was able to announce to the market that the Company had that day at Kakadu in the Northern Territory reached agreement with the Full Council of the Northern Land Council ("NLC") that endorsed a Native Title Agreement between the NLC, Native Title holders and WDR for Mining Leases at the Roper Bar project. The agreement will allow our Territory focused Resources Company to mine iron ore from a site in the central area of the old St Vidgeon pastoral station, 60 kilometres south of Ngukurr. Directors were pleased that after a long process that the company has reached agreement with the Traditional Owners of the Roper Bar project land and proud that the agreement is one that has been accepted unanimously. The NLC Chief Executive noted that the new mine in this region will provide significant economic development opportunities to traditional owners.

Two days later the Chief Minister of the Northern Territory announced Major Project Status for the Roper Bar iron ore project, another important milestone for the company.

On 25th June 2012 the company announced that the Northern Territory Government had granted three Mineral Leases at the Roper Bar project which provide a tenement base for mining operations and supporting infrastructure. The granting of two more Mineral Leases followed shortly after in the new financial year.

Project Development Activities – Environmental & Access Agreements

The Roper Bar project has entered a new phase of development, with some key approvals achieved during the year, as summarised below:

- Exclusion of the project from the proposed Limmen National Park. This decision provides certainty for Western Desert Resources and the Northern Territory mining industry.
- Grant of the five Mineral Leases for mining and associated infrastructure.
- A Loading Facility Agreement, which provides WDR with 20 years access to Mount Isa Mines Limited's port at Bing Bong in the Gulf of Carpentaria.
- A Native Title Agreement, between WDR, the Northern Land Council and the Native Title Holders.

In addition; a major effort has been devoted to developing & completing the Environmental Impact Statement for the project during the year. This sets the framework for considering the environmental, social, cultural and economic impacts of the proposed mine in the context of legislative and policy requirements.

Environmental Impact Study

In March 2012, the Roper Bar Iron Ore Project was declared as requiring assessment of an Environmental Impact Statement (EIS) by the Minister for Natural Resources, Environment, the Arts and Sport under the *NT Environmental Assessment Act* and by the Commonwealth Environment Minister and that the project would be assessed under the bilateral agreement between the Northern Territory and Australian Governments.

The EIS for the proposed mine presents the project in considerable detail and outlines the investigative work conducted to fully identify the potential impacts of the project and to develop appropriate mitigation measures.

The initial draft of the EIS was submitted in June 2012. Information presented in the EIS included:

- The existing social, economic and natural environment
- A detailed description of the proposed project and objectives
- Potential impact of the project on the social, economic and natural environment
- The requirement for, and the scope of, environmental management plans (for construction and operation of the project) to mitigate potential adverse impacts

All EIS investigations and studies have been transparent with full stakeholder engagement and Western Desert Resources has undertaken a rigorous and independent approach.

The Roper Bar Iron Ore project team has worked collaboratively with the Northern Territory and Australian Governments towards approvals for the project.

A significantly low number of public comments were received during the public consultation and feedback periods for the EIS, somewhat due to the detailed level of investigation, assessment, mitigation, management and information presented within the document.

The Roper Bar Environmental Impact Statement has now been recommended for approval by the Northern Territory Minister for Environment and a final recommendation from the Federal Government is due in October, 2012.

Capital raising:

To finance the expanded drilling activity it has been necessary to raise additional funds during the year of review. The company placed 10,000,000 new ordinary shares at 61.5 cents per share on 9th March 2012. On 26th June 2012 WDR announced Capital Raising plans to raise up to A$102.5 million through a combination of a placement of new shares and options to professional and sophisticated investors and an entitlement offer to existing shareholders. Proceeds of the first tranche of the placement were received on 29th June 2012 and 16,000,000 new shares, raising $11.2 million (before costs) were allotted on 2nd July 2012. The second tranche was subject to approval by shareholders at a General Meeting of the Company held 10th August 2012. Following that approval the company received $58.8 million (before costs) on 15th August 2012 and 84,000,000 new shares were allotted on 16th August 2012.

The placement shareholders were issued with options, on the basis of 1 new share for every 4 shares subscribed, at a price of 70c per share that may be exercised between 22nd October 2012 and 2nd November 2012. This has the potential to raise $17.5 million (before costs).

The Entitlement Offer to existing shareholders on the basis of one new share for every ten held closed on 16th August 2012. Acceptances were received for 2,326,826 new shares which raised $1.6 million. The fully underwritten offer will result in the allotment of 19,555,094 new shares and raise a further $13.6 million (before costs) upon settlement.

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

CHANGES IN STATE OF AFFAIRS

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

SUBSEQUENT EVENTS

On 2nd July, 2012 the Company caused the Share Registry to allot and issue 16,000,000 new ordinary shares and 4,000,012 options to professional and sophisticated investors pursuant to tranche 1 of the share placement. Proceeds of $11.2 million for the tranche 1 share placement were received by the company on 29th June, 2012.

On 10th August 2012 Shareholders at a General Meeting approved the issue of tranche 2 of the placement to professional and sophisticated investors comprising of 84,000,000 new ordinary shares, at $0.70 per share, which raised $58.8 million, before costs, and a grant of 21,000,000 options.

On 17th September 2012 the Company received an offer for the purchase of the issued shares and options. The offer from Meijin Energy Group of China on behalf of an entity within that group offers $1.08 cash for each of the issued shares, which assumes that all existing outstanding options are exercised, subject to satisfaction of conditions referred to in the Term Sheet. The conditions include the carrying out of a satisfactory due diligence period, application to the Foreign Investment Review Board for approval, the preparation of an Implementation Agreement that provides for the acquisition by way of a scheme of arrangement and Meijin obtaining relevant Chinese Government Authority approvals. Meijin have emphasized that the Roper Bar project is to be continued under the present plans and budget. The terms of the Offer have been released to the market and further updates will be provided in due course.

On 24th September 2012 the Company informed the market that the Roper Bar Environment Impact Statement was recommended for approval by the Northern Territory Minister for Environment.

ENVIRONMENTAL DEVELOPMENTS

The consolidated entity carries out exploration activities on its properties in the Northern Territory. No mining activity has been conducted by the consolidated entity on its properties. The consolidated entity's exploration operations are subject to environmental regulations under the various laws of the Northern Territory and the Commonwealth.

While its exploration activities to date have had no environmental impact, the consolidated entity has adopted a best practice approach in satisfaction of the regulations of relevant government authorities.

FUTURE DEVELOPMENTS

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

DIRECTORS AND OFFICERS SHAREHOLDINGS

The following table sets out each director and officer's relevant interest in fully paid ordinary shares and options in the company as at 30th June 2012.

Directors & Officers	Fully paid ordinary shares - Number	Listed Options to acquire ordinary shares - Number	Unlisted Options to acquire ordinary shares - Number
R H Allert AO	850,000	-	3,000,000
D J Cloke	2,209,856	-	3,000,000
N W Gardner	7,520,394	-	6,000,000
G J Bubner	4,232,101	-	3,000,000
P C Lockyer	200,000	-	2,000,000
M K Ashton	16,730,015	-	3,000,000
S D Perrin	40,000,000	-	10,000,000
L Ackroyd	562,500	-	1,400,000
	72,304,866	-	31,400,000

The above table includes shares held by related parties of Directors and Officers.

REMUNERATION REPORT (AUDITED)

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

Director and other key Management Personnel Details:

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

R H Allert AO (Non-executive Director and Chairman)
D J Cloke (Non-executive Director)
N W Gardner (Managing Director)
G J Bubner (Non-executive Director)
P C Lockyer (Non-executive Director)
M K Ashton (Non-executive Director)
S D Perrin (Non-executive Director)

The following persons acted as Key Management Personnel of the Company during the financial year:

A P Bennett (Exploration Manager)
Laurie Ackroyd (Chief Financial Officer / Company Secretary)
Patrick Collins (General Manager - NT Operations) – Appointed 21 November 2011
Graham Younge (Mining Engineer) – Appointed 23 January 2012
Claude Severino (Roper Bar project Manager) – Appointed 10 October 2011
Bob Howard (Roper Bar project Manager) – Resigned 6 July 2011

Relationship between the Remuneration Policy and Company Performances

There is no link between the company's performance and the setting of remuneration except as discussed below in relation to options granted to directors and key personnel. No bonuses have been paid by the Company during the year.

Remuneration Philosophy

The performance of the Group relies on the quality of its Directors and other key management personnel and therefore the Group must attract, motivate and retain appropriately qualified industry personnel. The Group embodies the following principles within its remuneration framework:

- provide industry competitive rewards to attract and retain high calibre Directors and key management personnel;
- link executive rewards to shareholder value (by the granting of options);
- link rewards with the strategic goals and performance of the company; and
- ensure total remuneration is competitive by market standards.

Performance is measured through the monitoring of achievement goals set by the Directors from time to time which include, but are not limited to, financial budgets, exploration work carried out and other key strategic outcomes.

Compensation Policy

Due to its size, the company does not have a remuneration committee. The compensation of executives and non-executive Directors is reviewed by the Board with the exclusion of the Director concerned. The compensation of other key management personnel is reviewed by the Board.

The Board assesses the appropriateness of the nature and amount of remuneration of such persons on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum shareholder benefit from retention of high quality directors and other key management personnel. External advice on remuneration matters is sought whenever the Board deems it necessary.

Performance Conditions

Performance conditions are determined by the directors in consultation with the Managing Director. The Directors have determined that after consideration of industry practice in circumstances where recognition of sound achievement should not only be recognised but also warrants further incentive, the Board considers the granting of non-listed options to Directors and other key personnel as responsible practice.

The table below sets out summary information about the consolidated entity's earnings and movements in shareholders wealth for the five years since incorporation:

	30 June 2012	30 June 2011	30 June 2010	30 June 2009	30 June 2008
Revenue		-	$750,000	$2,008,390	$366,326
Net loss before tax	$3,363,200	$2,001,381	$2,034,540	$7,078,377	$3,025,962
Net loss after tax	$3,363,200	$2,001,381	$2,034,540	$7,078,377	$3,229,820
Share price at start of year	0.295	0.31	0.12	0.22	0.24
Share price at end of year	0.755	0.295	0.31	0.12	0.22
Basic loss per share	(1.59)	(1.34)	(1.60)	(3.25)	(4.93)
Diluted loss per share	(1.59)	(1.34)	(1.60)	(3.25)	(4.93)

Non-executive Director Remuneration

The Board seeks to set remuneration of non-executive Directors at a level which provides the company with the ability to attract and retain high calibre Directors, whilst incurring a cost which is appropriate at this stage of the company's development.

A fee of $100,000, inclusive of the Statutory superannuation contribution, per annum is payable to the Chairman to reflect the additional day to day duties and involvement. Currently, the Non-Executive Directors fee is set at $45,000 per annum plus the statutory superannuation contribution.

In addition, certain Directors or their associated related entities receive amounts as set out in consultancy agreements with the Company. Details of amounts paid to related entities of non-executive Directors are set out in the section headed "Service and Key Management Agreements". In addition, non-executive Directors are entitled to be paid reasonable travelling, accommodation and other expenses incurred as a consequence of their attendance at meetings of Directors or otherwise in the execution of their duties as Directors.

Managing Director and Remuneration

The company aims to reward the Managing Director with a level and mix of remuneration commensurate with his position and responsibilities within the company to:

- align the interests of the Managing Director with those of shareholders;
- link reward with the strategic goals and performance of the company; and
- ensure total remuneration is competitive by market standards.

The company has a service agreement with a related entity associated with and controlled by Mr. N W Gardner, the detail of which is set out in the Service and Key Management Agreement section.

Summary of amounts paid to Directors and Key Management Personnel.

The following table discloses the compensation of the Directors and the key management personnel of the Group during the year.

2012	Salary and Fees.	Post Employ-ment Super - annuation	Total employee benefits Salary & Fees	Share Options Granted during the year*	Exercise Price	Expiry Date	Options (based upon Black-Scholes formula)*	Total Benefit.
	$	$	$	No.	$	Date	$	$
Directors:								
R H Allert AO	91,743	8,257	100,000	0				100,000
N W Gardner	429,167	34,687	463,854	0				463,854
G J Bubner [A]	204,516	17,739	222,255	0				222,255
D J Cloke	45,000	4,050	49,050	0				49,050
M K Ashton	45,000	4,050	49,050	0				49,050
P C Lockyer	45,000	4,050	49,050	0				49,050
S D Perrin	45,863	4,128	49,991	0				49,991
Key Personnel:								
P J Collins [2]	134,444	11,000	145,444	2,500,000	0.54	23/11/2013	375,750	521,194
A P Bennett	202,500	18,225	220,725	200,000	0.54	25/01/2015	37,220	257,945
C Severino [6]	158,230	13,321	171,551	250,000	0.54	23/11/2013	37,575	209,126
G Younge [7]	114,623	10,316	124,939	500,000	0.54	23/11/2013	75,150	200,089

L Ackroyd	216,666	19,500	236,166	200,000	0.54	25/01/2015	37,220	273,386
R Howard [5]	15,278	1,375	16,653	-			-	16,653
Total 2012	1,748,030	150,698	1,898,728	3,650,000			562,915	2,461,643

[A] Director, Mr. G J Bubner became an Executive Director with effect from 4th October 2011.
[2] Mr. P. J. Collins joined the Company on 21st November 2011.
[6] Mr. C. Severino joined the Company on 10th October 2011
[7] Mr G. Younge joined the Company on 23rd January, 2012

2011	Salary and Fees.	Post Employ-ment Super - annuation	Total employee benefits Salary & Fees	Share Options Granted during the year*	Exercise Price	Expiry Date	Options (based upon Black-Scholes formula)*	Total Benefit.
	$	$	$	No.	$	Date	$	$
Directors:								
R H Allert AO [1]	39,459	3,551	43,010	3,000,000	0.38	29/11/2013	345,393	388,403
N W Gardner	212,500	16,763	229,263	5,000,000	0.38	29/11/2013	323,825	553,088
G J Bubner	45,000	4,050	49,050	2,000,000	0.38	29/11/2013	129,530	178,580
D J Cloke	57,000	5,130	62,130	2,000,000	0.38	29/11/2013	129,530	191,660
M K Ashton	45,000	4,050	49,050	2,000,000	0.38	29/11/2013	129,530	178,580
P C Lockyer	45,000	4,050	49,050	2,000,000	0.38	29/11/2013	129,530	178,580
S D Perrin	-	-	-	-			-	-
Key Personnel:								
J F Fabray	102,463	9,221	111,684	-			-	111,684
A P Bennett [3]	66,250	5,963	72,213	500,000	0.40	24/01/2014	57,286	129,499
R Howard [5]	167,500	15,075	182,575	500,000	0.38	29/11/2013	55,093	237,668
B Sando [4]	47,257	4,253	51,510	-			-	51,510
C Gaughan	147,885	13,309	161,194	100,000	0.38	29/11/2013	10,076	171,270
L Ackroyd	185,000	16,650	201,650	1,000,000	0.38	29/11/2013	100,764	302,414
Total 2011	1,160,314	102,065	1,262,379	18,100,000			1,410,557	2,672,936

*Options are granted at an exercise price which is above the existing share price as at the date of grant. The exercise price is payable by the recipient to the Company upon exercise of the options.

Grants of unlisted options were made to new key employees on 4th January 2012 and to Key Personnel on 24th January, 2012, pursuant to the Employee Share Option Plan, approved by Shareholders.

Amounts paid to Directors in the above table exclude amounts paid pursuant to Service Agreements which is identified separately under the heading of "Service and Key Management Agreements", which is paid to related parties of the Directors.

No Director or Key Management personnel appointed during the period received a payment as part of their consideration for agreeing to hold the position.

[1] Mr. Allert was appointed a Director on 27th January, 2011
[3] Mr. A P Bennett joined the Company on 24 January 2011.
[4] Mr. B Sando left the employ of the Company on 8 October 2010
[5] Mr R Howard left the employ of the Company on 6th July, 2011

Fair value of share options granted during the year:

For the purposes of the above tables the fair value of options granted during the period has been calculated by reference to the Black-Scholes formula method on the basis of the following inputs:-

Inputs into the model:	4 January 2012	24 January 2012	22 February 2012	04 April 2012
Grant date share price	0.45	0.44	0.71	0.90
Exercise price	0.54	0.54	0.54	0.54
Expected volatility [1]	70.25%	69.09%	70.48%	72.10%
Option life	2 years	3 years	2 years	3 years
Dividend yield	-	-	-	-
Risk free interest rate	3.43%	3.43%	3.76%	3.56%

[1] The Expected Volatility Rate has been based upon an expected volatility having taken into consideration such factors as changes in the market price of the company's ordinary shares in the period 12 months from the date of the grant.

Share based payments granted as compensation for the current financial year:

Bonuses:

No bonus payments were made during the year.

Employee Share Option Plan:

Western Desert Resources Limited operates an Employee Share Option Plan for executives and employees of the consolidated entity. In accordance with the plan provisions, as approved by shareholders at a previous annual general meeting, executives and employees may be granted options to purchase parcels of ordinary shares at an exercise price determined by and at the discretion of the Directors from time to time. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

At the end of the financial year, the following employee share-based payment arrangements were in existence:

Option Series	Grant Date	Date of Expiry	Quantity at 30 June 2012	Fair Value at grant date	Face Exercise Price	Adjusted Exercise Price [1]	Vesting Terms
Series H	20-Jan-2010	31-Dec-2012	350,000	67,095	$0.60	$0.582635	Vests at date of Grant
Series K	25-Jan-2011	29-Nov-2013	1,325,000	142,438	$0.38	$0.362635	Vests at date of Grant
Series K	08-Apr-2011	29-Nov-2013	-	-	$0.38	$0.367417	Vests at date of Grant
Series M	15-Apr-2011	24-Jan-2014	375,000	42,975	$0.40	$0.382635	Vests at date of Grant
Series P	04-Jan-2012	23-Nov-2013	3,250,000	488,475	$0.54	$0.535218	Vests at date of Grant
Series Q	24-Jan-2012	25-Jan-2015	975,000	181,448	$0.54	$0.535218	Vests at date of Grant
Series Q	04-Apr-2012	25-Jan-2015	-	-	$0.54	$0.540000	Vests at date of Grant
Series R	22-Feb-2012	05-Feb-2014	250,000	86,475	$0.54	$0.535218	Vests at date of Grant
Total			6,525,000	1,008,906			

[1] The exercise price of options has been reduced as a result of the terms of previous Rights Issues, an equal distribution of capital and during the current year an Entitlement Offer, announced in June 2012, which were not available to option holders.

There is no further service or performance criteria that need to be met in relation to options granted under series H to R as shown above before the beneficial interest vests in the recipient.

The following grants of share based payment compensation to employees relate to the current financial year:

Name	Option Series	Quantity granted	Quantity Vested	% of Grant Vested	% of Compen-sation	Fair Value at grant date
C Severino	Series P	250,000	250,000	100%	15.67%	37,575
P J Collins	Series P	2,500,000	2,500,000	100%	172.36%	375,750
G Younge	Series P	500,000	500,000	100%	26.52%	75,150
A P Bennett	Series Q	200,000	200,000	100%	17.07%	37,220
L Ackroyd	Series Q	200,000	200,000	100%	15.52%	37,220
Other Employees	Series Q	650,000	650,000	100%	-	139,400
Other Employees	Series R	250,000	250,000	100%	-	86,475
Total for the year		4,550,000	4,550,000			788,790

The following table summarises the value of options to key management personnel granted, exercised or lapsed during the year. Each option converts into one ordinary share of Western Desert Resources Limited.

Name	Quantity Granted	Fair Value at Grant date	Quantity Exercised	Fair Value of Options Exercised	Lapsed during the year	Fair Value of Options Lapsed
C Severino	250,000	37,575	-	-	-	-
P J Collins	2,500,000	375,750	-	-	-	-
G Younge	500,000	75,150	-	-	-	-
A P Bennett	200,000	37,220	125,000	14,325	-	-
L Ackroyd	200,000	37,220	-	-	-	-
Other Employees	900,000	225,875	100,000	32,393	1,275,000	179,162
Total for the year	4,550,000	788,790	225,000	46,718	1,275,000	179,162

(i) The value of options granted during the period is recognised in compensation over the vesting period of the grant in accordance with Australian Accounting Standards.

(ii) The options lapsing during the year is due to resignation of employment where the employee declined to exercise options within the required time frame.

Service and Key Management Agreements

The consolidated entity entered into service agreements with Messrs Gardner, Bubner and Cloke on 2 May 2007. An agreement was entered into with Perrin Legal on 19th August 2011 for the services of Mr S D Perrin. These agreements have no fixed term and may be terminated by either party giving three months' notice in writing. There are no minimum payments specified in the agreements nor do the agreements provide for termination payments.

No agreements with Key Management personnel are in existence other than letters of confirmation of employment terms and conditions.

Details of payments, which are made to related entities controlled by Director and Officers, pursuant to the service agreements during the year, are set out below:

Director	Current Terms	$ **2012**	$ 2011
G J Bubner	$1200 per day for each day in excess of 2 days within a month	94,306	222,000
S D Perrin	$1200 per day for each day in excess of 2 days within a month	223,575	-
	Total	317,881	222,000

The payments reported above are also shown in Note 25 to the accounts – related party disclosures.

Other related party payments

The following transactions occurred with related entities of Directors during the year based upon normal market terms and conditions:

Entity	Related Party	Nature of Transactions	$ **2012**	$ 2011
Titeline Drilling Pty Ltd	M K Ashton	Drilling Services	2,790,875	1,042,555
Silverstone Drilling Services Pty Ltd	M K Ashton	Drilling Services	310,292	-
Remote Contracting Services Pty Ltd	N W Gardner	Equipment Hire and Civil Works	1,571,984	909,767

Options Issued as Remuneration for the Year Ended 30 June 2012

The company issued options to key management personnel during the year as part of their remuneration. No ordinary shares were issued during the year to Directors or other key management personnel other than as a consequence of exercising options or their participation in the non-renounceable rights issue and its underwriting.

Movement in options granted to Directors and key personnel during the year were:-

2012	Opening Balance 01/07/2011		Options Exercised during the year			Options Granted / (Lapsed) during the year [1]			Balance Held 30/06/2012 [2]	
	Listed	Unlisted	Quantity	Expiry Date	Price [3]	Quantity [2]	Expiry Date	Price [3]	Listed	Unlisted
Directors:										
R H Allert	-	3,000,000							-	3,000,000
M K Ashton	354,611	3,000,000	354,611	30/11/2011	0.129567				-	3,000,000
NW Gardner	-	6,000,000							-	6,000,000
P C Lockyer	-	2,000,000							-	2,000,000
G J Bubner	-	3,000,000							-	3,000,000
D J Cloke	126,363	3,000,000	126,363	30/11/2011	0.129567				-	3,000,000
S D Perrin	-	-							-	-
Sub-Total	480,974	20,000,000	480,974							20,000,000
Key Personnel:										
C Severino	-	-				250,000	23/11/2013	0.535218	-	250,000
P J Collins	-	-				2,500,000	23/11/2013	0.535218	-	2,500,000
A P Bennett	-	500,000	125,000	24/01/2014	0.387417	200,000	25/01/2015	0.535218	-	575,000

R Howard	-	500,000				(500,000)	31/12/2012	0.587417	-	-
R Howard		500,000				(500,000)	29/11/2013	0.367417	-	-
L Ackroyd	-	1,200,000				200,000	25/01/2015	0.535218	-	1,400,000
G Younge	-	-				500,000	23/11/2013	0.535218	-	500,000
Sub-Total		2,700,000	125,000			2,650,000			-	5,225,000
Total Directors & Key Personnel	480,974	22,700,000	605,974			2,650,000			-	25,225,000

[1] During the year a total of 1,000,000 Options granted to former Key Management Personnel lapsed in August 2011 which are recorded as negative quantities in the Options Granted / (Lapsed) column above.

[2] Options granted during the year and those held by Directors and Senior Management vest in the individual at date of grant.

[3] The exercise price of options has been reduced as a result of the terms of the Entitlement Offer announced in June 2012 which is not available to option holders

Meetings of Directors

The number of meetings of the company's Board of Directors attended by each director during the year ended 30 June 2012 was:

2012	Meetings held while in office 2011/2012 year	Meetings attended
R H Allert AO	13	13
N W Gardner	13	13
P C Lockyer	13	9
G J Bubner	13	13
D J Cloke	13	13
M K Ashton	13	11
S D Perrin	13	13

Due to its size and activities the Company does not have any separate board committees.

Non-Audit Services

The Board of Directors is satisfied that the provision of the non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- All non-audit services are reviewed and approved by the board prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- The nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

The following fees for non-audit services were paid to the external auditors during the period ended 30 June 2012:

- Strategic Development Review. $ Nil (2011: $38,717)

Total Options on issue at date of this report:

(a) Unlisted Options:

Grant Date	Date of Expiry	Face Exercise Price	Adjusted Exercise Price [1]	Granted during the year	Exercised during the year	Lapsed during the year	2012 Quantity under option	2011 Quantity under option
25-Sep-2008	30-Nov-2013	$0.20	$0.144785		-	-	4,000,000	4,000,000
31-Mar-2009	30-Sep-2011	$0.18	$0.129567		100,000	-	-	100,000
20-Jan-2010	30-Nov-2011	$0.18	$0.167417		400,000	-	-	400,000
20-Jan-2010	31-Dec-2012	$0.60	$0.582635		-	500,000	350,000	850,000
29-Nov-2010	29-Nov-2013	$0.38	$0.362635		-	-	13,000,000	13,000,000
27-Jan-2011	29-Nov-2013	$0.38	$0.362635		25,000	775,000	1,325,000	2,125,000
08-Apr-2011	29-Nov-2013	$0.38	$0.367417		50,000	-	-	50,000
15-Apr-2011	24-Jan-2014	$0.40	$0.382635		125,000	-	375,000	500,000
14-Jun-2011	29-Nov-2013	$0.38	$0.369468		-	-	3,000,000	3,000,000
24-Jun-2011	24-Dec-2013	$0.50	$0.495218		-	-	10,000,000	10,000,000
04-Jan-2012	23-Nov-2013	$0.54	$0.535218	3,250,000	-	-	3,250,000	-
24-Jan-2012	25-Jan-2015	$0.54	$0.535218	1,000,000	25,000	-	975,000	-
22-Feb-2012	05-Feb-2014	$0.54	$0.535218	250,000	-	-	250,000	-
04-Apr-2012	25-Jan-2015	$0.54	Not Applic.	50,000	50,000	-	-	-
				4,550,000	775,000	1,275,000	36,525,000	34,025,000

[1] The exercise price of options has been reduced as a result of the terms of the Entitlement Offer announced in June 2012 which was not available to option holders.

(b) Listed Options:

Grant Date	Date of Expiry	Exercise Price	Adjusted Exercise Price	Exercised during the year	Lapsed during the year	2012 Quantity under option	2011 Quantity under Option
18-Jul-2008	30-Nov-2011	$0.18	$0.129567	1,108,289	63,206	-	1,171,495

Indemnification of Officers and Auditors

During the period the company arranged insurance cover and paid a premium for directors, the Company Secretary and all executive offers of the company and of its related body corporates in respect of indemnity against third party liability. In accordance with the terms and conditions of the insurance policy, the amount of the premium paid has not been disclosed on the basis of confidentiality, as is permitted under Section 300 (9) of the Corporations Act 2001.

The company has not otherwise, during or since the financial period, indemnified or agreed to indemnify an officer or auditor of the company or of any related body corporate against a liability incurred by an officer or auditor.

Proceedings on Behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings. The company was not a party to such proceedings during the year.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 46 of the financial report.

This directors' report is signed at Adelaide this 27th day of September 2012 in accordance with a resolution of directors made pursuant to s298(2) of the Corporations Act 2001.

On behalf of the Directors

R H Allert, AO
Chairperson

N W Gardner
Managing Director

Deloitte.

Deloitte Touche Tohmatsu
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The Board of Directors
Western Desert Resources Limited
Level 1, 26 Greenhill Road
WAYVILLE SA 5034

27 September 2012

Dear Board Members

Western Desert Resources Limited

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

As lead audit partner for the audit of the financial statements of Western Desert Resources Limited for the financial year ended 30 June 2012, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Stephen Harvey
Partner
Chartered Accountants

CORPORATE GOVERNANCE STATEMENT

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

Since its listing with ASX Western Desert Resources Limited has made it a priority to adopt systems of control and accountability as the basis for the administration of corporate governance. Whilst Western Desert Resources has not adopted all of the ASX best practice recommendations it has followed each of the ASX recommendations where the Board has considered the recommendation to be appropriate. Where the Company corporate governance practices depart from the recommendations the Board provides full disclosure of the reason for the adoption of its own practice. However the Board is committed to ensuring that appropriate Corporate Governance practices are in place for the proper direction and management of the Company.

This statement outlines the main Corporate Governance practices of the Company disclosed under the principles outlined in the ASXCGC including those that comply with best practice that, unless otherwise disclosed, were in place during the whole of the financial year ended 30 June 2012.

Principle 1: Lay solid foundations for management and oversight

Role of the Board

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

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

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

Board processes and management

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

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

Principle 2: Structure the Board to add value

Composition of the Board

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

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

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

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

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

Principle 3: Promote ethical and responsible decision making

Ethical standards

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

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

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

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

Trading in the Company's Securities

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

Principle 4: Safeguard integrity in financial reporting

Financial Reports

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

Audit Committee

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

Principle 5: Make timely and balanced disclosure

Continuous Disclosure

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

Principle 6: Respect the rights of shareholders

Communication with shareholders

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

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

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

Principle 7: Recognise and manage risk

Risk Assessment and Management

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

Principle 8: Remunerate fairly and responsibly

Remuneration Policy

The Company's Constitution specifies that the total amount of remuneration of non-executive Directors shall be fixed from time to time by a general meeting. The current maximum cash component aggregate remuneration for non-executive directors is set at $500,000 per annum. Directors may apportion any amount up to this maximum amount amongst the non- executive directors as they determine. Directors are also entitled to be paid reasonable travelling, accommodation and other expenses incurred in performing their duties as directors.

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

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

Diversity Statement

The Board recognises the benefits of diversity in terms of both the composition of the Board and senior executives of the Company. However, the Board does not have specific objectives in relation to the gender, age, cultural background or ethnicity of its Board or senior executives. Board members and senior executives are appointed or employed based on their skills and experience and candidates are not discriminated against based on age, gender or background.

The Board currently has no female representation. The Company has one woman in a senior executive role, and of the Company's 21 permanent employees as of the date of this Annual Report, 15 are male and 6 are female.

Consolidated statement of comprehensive income

for the year ended 30 June 2012

	Note	**Year ended 30-Jun 2012**	Year ended 30-Jun 2011
		$	**$**
Continuing operations			
Revenue	5	-	-
Less Cost of sales	6	-	-
		-	-
Other Income and expenditures:			
Other income	7	19,952	962,023
Interest on bank deposits		356,620	212,021
Salaries and wages		(824,241)	(573,776)
Directors fees		(309,766)	(252,291)
Shareholder relations		(355,686)	(397,261)
Corporate consulting expenses		(453,234)	(225,017)
Administration expenses		(136,880)	(140,682)
Occupancy expenses		(205,130)	(150,310)
Travel		(173,014)	(157,060)
Depreciation		(13,765)	(362,190)
Share based payments		(788,790)	(1,463,458)
Exploration expense written off		(189,591)	(320,831)
Other Provisions		(6,352)	(374,048)
Loss on disposal of Plant & Equipment	8	-	(18,508)
Loss arising from impairment of financial assets		(283,323)	-
Share of Losses of associates	16	-	(246,001)
Unwinding of equity accounted investment	16	-	830,775
Recovery / (Loss) for Impairment		-	346,518
Loss before income tax expense		(3,363,200)	(2,001,381)
Income tax expense		-	-
Loss for the period attributable to members	8	(3,363,200)	(2,001,381)
Other Comprehensive Income:			
Share of comprehensive (Loss) / income of associate	16	-	28,184
Transfer as a result of cessation of equity accounting	16	-	(346,507)
Total Comprehensive Loss for the Period (Net of Tax) attributable to members		(3,363,200)	(2,319,704)
Earnings (Loss) per share:			
Basic (cents per share)	9	(1.59)	(1.34)
Diluted (cents per share)	9	(1.59)	(1.34)

The Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated statement of financial position at 30 June 2012

	Note	**30-Jun 2012 $**	30-Jun 2011 $
Current assets			
Cash and cash equivalents	10	10,197,907	14,503,586
Trade and other receivables	11	10,867	58,604
Other current assets	12	637,337	1,352,671
Total current assets		10,846,111	15,914,861
Non - current assets			
Plant, equipment and infrastructure	13	2,190,851	1,681,270
Exploration and evaluation expenditure	14	38,146,633	17,683,407
Deposits for performance bonds	15	915,688	822,363
Other financial assets	16	944,415	187,738
Total non - current assets		42,197,587	20,374,778
Total assets		53,043,698	36,289,639
Current liabilities			
Trade and other payables	17	2,923,984	789,728
Finance leases	18	36,554	40,724
Employee benefit provisions		108,012	66,846
Exploration tenement rehabilitation provisions	19	516,800	361,000
Total current liabilities		3,585,350	1,258,298
Non - current liabilities			
Finance leases	18	-	36,837
Exploration Tenements rehabilitation provisions	19	-	-
Total non - current liabilities		-	36,837
Total liabilities		3,585,350	1,295,135
Net assets		49,458,348	34,994,504
Issued capital	20	64,459,621	47,178,909
Reserves	21	2,774,904	2,228,572
Accumulated losses	21	(17,776,177)	(14,412,977)
Total equity		49,458,348	34,994,504

The Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity for the year ended 30 June 2012

	Issued Capital $	Share Options Reserve $	Accumulated Losses $	Share of Associates Comprehensive Income $	Total Equity $
Balance at 1 July 2010	26,477,372	915,229	(12,411,596)	318,323	15,299,328
Loss attributable to the members of parent entity	-	-	(2,001,381)	-	(2,001,381)
Share of associates Comprehensive income	-	-	-	28,184	28,184
Transfer to the Income Statement as a result of the cessation of equity accounting	-	-	-	(346,507)	(346,507)
Total Comprehensive Income for the Period	-	-	(2,001,381)	(318,323)	(2,319,704)
Shares issued during the period	21,919,160	-	-	-	21,919,160
Transfers on exercise of options	57,090	(57,090)	-	-	-
Transfers on lapse of options	93,025	(93,025)	-	-	-
Cost of capital raising	(407,794)	-	-	-	(407,794)
In-specie distribution	(959,944)	-	-	-	(959,944)
Fair value of share options issued	-	1,463,458	-	-	1,463,458
Balance at 30 June 2011	47,178,909	2,228,572	(14,412,977)	-	34,994,504
Balance at 1 July 2011	47,178,909	2,228,572	(14,412,977)	-	34,994,504
Loss attributable to the members of parent entity	-	-	(3,363,200)	-	(3,363,200)
Share of associates Comprehensive income	-	-	-	-	-
Transfer to the Income Statement as a result of the cessation of equity accounting	-	-	-	-	-
Total Comprehensive Income for the Period	-	-	(3,363,200)	-	(3,363,200)
Shares issued during the period	17,690,004	-	-	-	17,690,004
Transfers on exercise of options	64,355	(64,355)	-	-	-
Transfers on lapse of options	178,103	(178,103)	-	-	-
Cost of capital raising	(651,750)	-	-	-	(651,750)
In-specie distribution	-	-	-	-	-
Fair value of share options issued	-	788,790	-	-	788,790
Balance at 30 June 2012	64,459,621	2,774,904	(17,776,177)	-	49,348,348

The Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated statement of cash flows for the year ended 30 June 2012

	Note	Year ended 30-Jun 2012	Year ended 30-Jun 2011
		$	$
Cash flows from operating activities			
Other income received		61,429	211,169
Interest paid		(4,474)	(8,656)
Payments to suppliers and employees		(2,297,560)	(1,764,284)
Net cash used by operating activities	10	(2,240,605)	(1,561,771)
Cash flows from investing activities			
Interest received		361,592	439,370
Payments for exploration expenditure		(18,112,029)	(10,358,053)
Proceeds from Re-imbursement of exploration expenditure		-	146,497
Payments for Plant, equipment and infrastructure		(1,218,559)	(1,744,607)
Payments of deposits for security performance bonds		(93,325)	(514,360)
Payments for Investment in associate		-	(150,000)
Proceeds from Sale of assets		-	408,465
Net cash used in investing activities		(19,062,321)	(11,772,688)
Cash flows from financing activities			
Proceeds from issue of shares		17,690,004	21,919,160
Payments for capital raising costs		(651,750)	(407,794)
Repayment of borrowings		(41,006)	(38,538)
Net cash provided by financing activities		16,997,248	21,472,828
Net increase (decrease) in cash held		(4,305,679)	8,138,369
Cash at beginning of period		14,503,586	6,365,217
Cash at end of period		10,197,907	14,503,586

The Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

NOTES TO FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Western Desert Resources Limited (the company) is a listed public company, incorporated and domiciled in Australia.

The principal activities of the company involve exploration for iron ore, gold, base metals and other economic mineral deposits, and the development of Mining Operations at the Roper Bar project, Northern Territory.

Western Desert Resources Limited's registered office and its principal place of business are as follows:

Level 1, 26 Greenhill Road
Wayville, South Australia 5034

2. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS:

The following new and revised Standards and Interpretations have been adopted in the current year and have affected the amounts reported in these financial statements. Details of other Standards and Interpretations adopted in these financial statements but that have had no effect on the amounts reported are set out below.

Standards affecting presentation and disclosure

Amendments to AASB 7 Financial Instruments: Disclosure'	The amendments (part of AASB 2010-4 'Further Amendments Australian Accounting Standards arising from the Annual Improvements Project'1) clarify the required level of disclosures about credit risk and collateral held and provide relief from disclosures previously required regarding renegotiated loans.
Amendments to AASB 101 Presentation of Financial Statements' The amendments (part of AASB 2010-4 'Further Amendments)	Australian Accounting Standards arising from the Annual Improvements Project'1) clarify that an entity may choose to present the required analysis of items of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements.
AASB 1054 'Australian Additional Disclosures' and AASB 2011-1 'Amendments to Australian Accounting Standards arising from Trans-Tasman Convergence Project'	AASB 1054 sets out the Australian-specific disclosures for entities that have adopted Australian Accounting Standards. This Standard contains disclosure requirements that are in addition to IFRSs in areas such as compliance with Australian Accounting Standards, the nature of financial statements (general purpose or special purpose), audit fees, imputation (franking) credits and the reconciliation of net operating cash flow to profit (loss). AASB 2011-1 makes amendments to a range of Australian Accounting Standards and Interpretations for the purpose of closer alignment to IFRSs and harmonisation between Australian and New Zealand Standards. The Standard deletes various Australian-specific guidance and disclosures from other Standards (Australian-specific disclosures retained are now contained in AASB 1054), and aligns the wording used to that adopted in IFRSs.
AASB 124 'Related Party Disclosures' (revised December 2009)	AASB 124 (revised December 2009) has been revised on the following two aspects: (a) AASB 124 (revised December 2009) has changed the definition of a related party and (b) AASB 124 (revised December 2009) introduces a partial exemption from the disclosure requirements for government-related entities. The Company and its subsidiaries are not government-related entities.

Standards and Interpretations affecting the reported results or financial position

There are no new and revised Standards and Interpretations adopted in these financial statements affecting the reporting results or financial position.

Standards and Interpretations adopted with no effect on financial statements

The following new and revised Standards and Interpretations have also been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

AASB 2010-5 'Amendments to Australian Accounting Standards'	The Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations. The application of AASB 2010-5 has not had any material effect on amounts reported in the Group's consolidated financial statements.
AASB 2010-6 'Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets'	The application of AASB 2010-6 makes amendments to AASB 7 'Financial Instruments – Disclosures' to introduce additional disclosure requirements for transactions involving transfer of financial assets These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred and derecognised but the transferor retains some level of continuing exposure in the asset. To date the Group has not entered into any transfer arrangements of financial assets that are derecognised but with some level of continuing exposure in the asset. Therefore the application of the amendments has had no effect on the disclosures made in the consolidated financial statements.

Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', AASB 200911 'Amendments to Australian Accounting Standards arising from AASB 9' and AASB 2010-7 'Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)'	1 January 2015	30 June 2016
AASB 10 'Consolidated Financial Statements'	1 January 2013	30 June 2014
AASB 11 'Joint Arrangements'	1 January 2013	30 June 2014
AASB 12 'Disclosure of Interests in Other Entities'	1 January 2013	30 June 2014
AASB 127 'Separate Financial Statements' (2011)	1 January 2013	30 June 2014
AASB 128 'Investments in Associates and Joint Ventures' (2011)	1 January 2013	30 June 2014
AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'	1 January 2013	30 June 2014
AASB 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011)'	1 January 2013	30 June 2014
AASB 2010-8 'Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets'	1 January 2012	30 June 2013
AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'	1 July 2013	30 June 2014

Standard/Interpretation (Continued)	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
AASB 2011-9 'Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income'	1 July 2012	30 June 2013
AASB2012-3 Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)	1 January 2014	30 June 2015
AASB2012-2 Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)	1 January 2013	30 June 2014
Mandatory Effective Date of IFRS 9 and Transition Disclosures (Amendments to IFRS 9 and IFRS 7)	1 January 2015	30 June 2016
AASB 2012-5 Amendments to Australian Accounting Standards arising from annual improvements 2009-2011 cycle.	1 January 2013	30 June 2014

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and comply with other requirements of the law.

The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity.

Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the company and the Group comply with International Financial Reporting Standards ('IFRS').

3.2 Basis of preparation

The consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below. Historical cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report.

3.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

3.4 Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration of each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

3.5 Investment in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those polices.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with AASB 5 *Non-Current Assets held for Sale and Discontinued Operations*. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of the acquisition, after reassessment, is recognised immediately in profit or loss.

When a group entity transacts with an associate of the Group, profit and losses are eliminated to the extent of the Group's interest in the relevant associate.

3.6 Interests in joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control (i.e. when the strategic financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control).

When a group entity undertakes its activities under joint venture arrangements directly, the Group's share of jointly controlled assets and any liabilities incurred jointly with other venturers are recognised in the financial statements of the relevant entity and classified according to their nature. Liabilities and expenses incurred directly in respect of interest in jointly controlled assets are accounted for on an accruals basis, income from the sale or use of the Group's share of the output of jointly controlled assets, and its share of joint venture expenses, are recognised when it is probable that the economic benefits associated with the transaction will flow to/from the Group and their amount can be measured reliably.

3.7 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and bank deposits.

3.8 Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave (where applicable), and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of short term employee benefits, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Liabilities recognised in respect of long term employee benefits are measured as the present value of the estimated future cash outflows to be made by the consolidated entity in respect of services provided by employees up to reporting date.

Contributions to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

3.9 Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable.

3.9.1 *Rendering of services*

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract.

3.9.2 *Interest revenue*

Interest revenue is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3.10 Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset it if is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3.11 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards or ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3.12 Foreign currencies

The individual financial Statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purposes of the consolidated financial statements, the results and financial position of each group entity are expressed in Australian dollars ("$'), which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

3.13 Taxation

Tax consolidation

The company and all its wholly-owned Australian resident entities are part of a tax-consolidated group under Australian taxation law. Western Desert Resources Limited is the head entity in the tax-consolidated group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by the company (as head entity in the tax-consolidated group).

Due to the existence of a tax funding arrangement between the entities in the tax-consolidated group, amounts are recognised as payable to or receivable by the company and each member of the group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax-consolidated group in accordance with the arrangement. Where the tax contribution amount recognised by each member of the tax-consolidated group for a particular period is different to the aggregate of the current tax liability or asset and any deferred tax asset arising from unused tax losses and tax credits in respect of that period, the difference is recognised as a contribution from (or distribution to) equity participants.

Income tax expense represents the sum of the tax currently payable and deferred tax.

3.13.1 Current Tax

The tax currently payable is based on taxable result for the year. Taxable result differs from the result as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

3.13.2 Deferred Tax

Deferred tax is recognised on temporary difference between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than a business combination) of other assets and liabilities in a transaction that effects nether the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interest in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects that tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when here is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

3.13.3 Current and deferred tax for the period

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is included in the accounting for the business combination.

3.14 Plant and Equipment

Plant and equipment are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The following estimated useful lives are used in the calculation of deprecation:

- Plant and equipment – at cost 3-10 years

3.15 Intangible assets acquired separately.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Intangible assets with finite lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over the estimated useful life. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

3.16 Impairment of tangible and intangible assets (excluding goodwill)

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior periods. A reversal of an impairment loss is recognised in profit or loss immediately.

3.17 Financial assets

All financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as a FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in profit or loss.

3.17.1 Effective Interest Method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

3.17.2 Loans and Receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivable when the recognition of interest would be immaterial.

3.17.3 Impairment of Financial Assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3.18 Exploration and Evaluation Expenditure

Exploration and evaluation expenditures in relation to each separate area of interest are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

a) the rights to tenure of the area of interest are current; and

b) at least one of the following conditions is also met:

(i) The exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale: or

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

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploration drilling, trenching and sampling and associated activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are relate directly to operational activities in a particular area of interest.

Exploration and evaluation assets are assessed for impairment when facts and circumstances (as defined in AASB 6 "Exploration for and Evaluation of Mineral Resources") suggest that the carrying amount of exploration and evaluation assets may exceed its recoverable amount. The recoverable amount of the exploration and evaluation assets (or the cash-generating unit(s) to which it has been allocated, being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any).

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision is made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment, reclassified to development properties, and then amortised over the life of the reserves associated with the area of interest once mining operations have commenced.

3.19 Goods and service tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

(i) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense or;

(ii) for receivables and payables which are recognised inclusive of GST.

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

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

3.20 Payables

Trade payables and other accounts payable are recognised when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and services.

3.21 Government grants

Government grants are assistance by government in the form of transfers of resources to the consolidated entity in return for past or future compliance with certain conditions by the entity. Government grants are not recognised until there is reasonable assurance that the consolidated entity will comply with the conditions attached to them and the grant will be received. Government grants whose primary condition is to assist with exploration activities are recognised as deferred income in the balance sheet and recognised as income on a systematic basis when the related exploration and evaluation is written off or amortised.

Other government grants are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate on a systematic basis. Government grants receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the consolidated entity with no future related costs are recognised as income in the period in which it becomes receivable.

3.22 Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

3.23 Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

3.24 Financial liabilities and equity instruments issued by the Group

3.24.1 Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

3.24.2 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

3.24.3 Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

3.24.4 Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

3.25 Provision for restoration and rehabilitation.

A provision for restoration and rehabilitation is recognised when there is a present obligation, as a result of undertaking exploration activities, it is probable that an outflow of economic benefits will be required to settle the obligation and the amount of the provision can be measured reliably. The estimated future obligations include the costs of removing facilities and restoring the affected areas.

The provision for future restoration costs is the best estimate of the present value of the expenditure required to settle the restoration obligation at the reporting date, based on current estimated rehabilitation costs. Future restoration costs are reviewed annually and any changes in the estimate are reflected in the present value of the restoration provision at each reporting date.

The initial estimate of the restoration and rehabilitation provision relating to exploration has been charged as an increase in provisions within the statement of Comprehensive Income as the projects to which the expense estimates relate to are not at a certain stage of development. Where the project is in a certain stage of development rehabilitation costs will be capitalised into the cost of the related asset and amortised on the same basis as the related asset, unless the present obligation arises from the production of inventory in the period, in which case the amount is included in the cost of production for the period. Changes in the estimate of the provision for restoration and rehabilitation are treated in the same manner, except that the unwinding of the effect of discounting on the provision is recognised as a finance cost rather than being capitalised into the cost of the related asset.

4. Critical Accounting Estimates and Judgement

In the application of the Group's accounting policies, which are described in note 3, the directors are required to make judgements, estimates and assumptions about carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision effects both current and future periods.

4.1 Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Exploration and evaluation

The consolidated entity's policy for exploration and evaluation is discussed at note 3.*18*. The application of this policy requires management to make certain estimates and assumptions as to future events and circumstances. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised exploration and evaluation expenditure, management concludes that the capitalised expenditure is unlikely to be recovered by future sale or exploitation, then the relevant capitalised amount will be written off through the income statement.

5	REVENUE	2012 $	2011 $
	Sales Revenue	-	-
		-	-

6	COST OF SALES	2012 $	2011 $
	Cost of sales	-	-
		-	-

7	OTHER INCOME	2012 $	2011 $
	Administration services	-	98,630
	Grant for trainee employment	14,981	-
	Gain on disposal of tenement interest	-	863,393
	Miscellaneous Interest Received	4,971	-
		19,952	962,023

8	OTHER GAINS AND LOSSES FOR THE YEAR	2012 $	2011 $
(a)	**The following expenditures were included in the loss for the year:**		
	Loss on disposal of fixed assets	-	(18,508)
	Depreciation	13,765	362,190
	Share option based payments	788,790	1,463,458
	Increase in provisions	6,352	13,048
	Rental expense on operating leases	129,150	94,565
(b)	**Employment related costs:**		
	Employee benefits expense	2,997,950	1,675,344
	Employee oncost	213,623	122,033
	Less Exploration payroll capitalised as asset	(2,804,597)	(1,423,523)
	Share option based payments	788,790	1,463,458
	Superannuation guarantee charge [1]	256,971	142,597
	Employee benefit (annual leave liability)	41,166	11,816

[1] The total expense recognised in the consolidated statement of comprehensive income represents contributions payable pursuant to statutory rates of superannuation contributions to the Retirement Benefit fund of each individual employee.

	FINANCE COSTS FOR THE YEAR	2012 $	2011 $
(c)	**The following expenditures were included in the loss for the year:**		
	Interest on obligations under finance leases	8,095	7,741
	Incidental interest paid	146	915
	Total interest expense for financial liabilities not classified as at fair value through profit or loss.	8,241	8,656

9	LOSS PER SHARE	2012 Cents per share	2011 Cents per share
	Basic loss per share	(1.59)	(1.34)
	Diluted loss per share	(1.59)	(1.34)
	Loss	(3,363,200)	(2,001,381)
		No.	No.
	Weighted average number of ordinary shares	210,896,282	149,002,101

The weighted average number of ordinary shares used in the calculation of diluted earnings per share is the same as the number used in the calculation of basic earnings per share, as the company is loss-making hence options and performance shares are considered non-dilutive.

10 STATEMENT OF CASH FLOWS

	2012 $	2011 $
Note (a) Reconciliation of loss for the year to net cash flow from ordinary activities:		
Loss for the period	(3,363,200)	(2,001,381)
Non-cash items:		
Share based remuneration	788,790	1,463,458
Depreciation	13,765	362,190
Exploration written off	189,591	320,831
Loss on assets sold	-	18,508
Gain on tenements sold	-	(863,393)
Interest earned	(361,592)	(212,021)
Share of associates loss	-	246,001
Recovery of prior Impairment of investment	-	(346,518)
Unwind of equity accounting	-	(830,775)
Impairment of Investment	283,323	-
Changes in operating assets and liabilities:		
Increase/(decrease) in provisions	47,518	385,864
Increase/(decrease) in payables	439,786	(161,014)
(Increase)/decrease in receivables	(278,586)	56,479
Net operating cash flows	(2,240,605)	(1,561,771)

Note (b) Reconciliation of cash and cash equivalents:

	2012 $	2011 $
Cash at bank and in hand	10,197,907	14,503,586

11 CURRENT TRADE AND OTHER RECEIVABLES

	2012 $	2011 $
Trade receivables	8,237	55,606
Interest receivables	2,630	2,998
	10,867	58,604

Receivables are on terms of 14 to 30 days – no interest is chargeable. None of the current receivables are impaired or past due not impaired. Interest receivable refers to accumulated bank interest on deposits.

There is no allowance for doubtful debts in the current and prior year.

12 OTHER CURRENT ASSETS

	2012 $	2011 $
Other assets	28,250	133,723
Less provision for impairment	(18,000)	(13,048)
Springhill sale consideration (40,000,000 Thor shares)	-	1,040,000
Prepaid expenditures	41,771	27,048
Re-imbursement of Goods & Services Tax due	585,316	164,948
	637,337	1,352,671

13 PLANT, EQUIPMENT AND INFRASTRUCTURE

	2012 $	2011 $
At cost	3,209,874	2,127,177
Accumulated depreciation	(1,019,823)	(445,907)
	2,190,851	1,681,270

(a) Plant, equipment and infrastructure:

	2012 $	2011 $
Gross carrying amount:		
Carrying amount at beginning of year	2,004,259	679,163
Additions during the year	1,158,714	1,687,323
Disposals during the year	-	(362,227)
Carrying amount at end of year	3,162,973	2,004,259

Accumulated depreciation:		
Opening balance at beginning of year	(411,052)	(218,766)
Depreciation this year	(618,320)	(331,460)
Depreciation on disposals	-	139,174
Closing balance at end of year	(1,029,372)	(411,052)
Net Book Value:		
Balance at 30 June	2,133,601	1,593,207

Assets pledged as security:
The group's plant, equipment and infrastructure assets have not been pledged as security for borrowings. The group's obligations under finance lease for vehicles, as below, are secured by the Lessor's title to the leased assets which have a carrying amount of $57,250 (2011: $88,063).

(b) Vehicles under finance lease:	**2012**	**2011**
Gross carrying amount:	**$**	**$**
Opening balance	122,918	122.918
Additions during the year	-	-
Disposals during the year	-	-
Closing balance at end of year	122,918	122,918
Accumulated depreciation:		
Opening balance	(34,855)	(4,125)
Depreciation this year	(30,813)	(30,730)
Depreciation on disposals	-	-
Closing balance at end of year	(65,668)	(34,855)
Net book value:		
Balance at 30 June	57,250	88,063
Total Plant, Equipment, Vehicles and Infrastructure	2,190,851	1,681,270

The useful life used in the calculation of depreciation for vehicles under finance lease is 4 years.

14 EXPLORATION AND EVALUATION EXPENDITURE

	2012	2011
	$	$
Costs brought forward	17,683,407	7,976,606
Expenditure incurred during the year	20,652,817	10,577,875
Proceeds from NT Government subsidies	-	(123,636)
Costs of 25% of Spring Hill project sold	-	(426,607)
Expenditure written off	(189,591)	(320,831)
	38,146,633	17,683,407

15 DEPOSITS FOR PERFORMANCE BONDS

	2012	2011
	$	$
Bank deposits securing bank guarantees	825,103	750,000
NT Government environmental bonds/other bonds.	90,585	72,363
Total Deposits for performance bonds	915,688	822,363

Cash bonds to the value of $90,585 (2011 $72,363) have been lodged with the Northern Territory Government to secure environmental rehabilitation commitments; $6,000 (2011 $6,000) to secure premises on a short term lease basis and $12,222 in respect of new premises in Darwin, N.T.

Bank deposits of $825,103 (2011 $750,000) were pledged to bankers to secure the issuance of bank guarantees on behalf of the Company. The guarantees covered environmental bonds secured to the value of $763,585 (2011 $605,219) in favour of the Northern Territory Government; $15,840 (2011 $15,840) lodged with the agent of the lessor to secure an office lease, and a performance bond lodged with Central Land Council of $25,000 (2011 $25,000).

16 INVESTMENTS

		2012	2011
(a)	**Shares held:**	$	$
	ASX Quoted shares at fair value: Thor Mining PLC		
	Opening Balance:	187,728	384,714
	Additions during the year:	-	-
	40,000,000 new CDI's were issued to the Company in August 2011 covering the settlement of a 25% interest in the Spring Hill project.	1,040,000	150,000
	Share of Loss after tax	-	(246,001)
	Share of other reserves after tax	-	28,184
	Unwind of equity accounting	-	830,775
	In-specie distribution	-	(959,944)
	Impairment (Loss) during the year	(283,323)	-
	Balance at 30 June		
	47,220,296 (2011: 7,220,296) Chess Depository Interests at Market Value of $0.02 (2011: $0.026)	944,405	187,728
(b)	Unquoted shares at cost	10	10
	Total Investments	944,415	187,738

(c) Investment in Thor Mining PLC

Principal Activity	Type of Investment	Ownership Interest 2012 %	2011 %
Exploration	Chess Depositary Interests (CDI's)	6.20	1.36

(d) Share options held at balance date:
The Company held share options issued by Thor Mining PLC that expired during the year. The Company did not exercise those options.

17 CURRENT LIABILITIES – TRADE & OTHER PAYABLES

	2012	2011
	$	$
Trade payables	2,247,170	640,831
Accruals	545,400	135,529
Other	131,414	13,368
	2,923,984	789,728

The average credit period on purchases of certain goods is 7-30 days. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms. No interest is charged on the trade payables.

18 FINANCE LEASES

	2012	2011
	$	$
Minimum lease payments due within one year	37,676	45,211
Less future finance charges	1,122	4,487
Present value of lease payments	36,554	40,724
Included in the consolidated financial statements as:		
Current liabilities	36,554	40,724
Minimum lease payments due later than one year and less than five years	-	37,676
Less future finance charges	-	839
Present value of lease payments	-	36,837
Included in the consolidated financial statements as:		
Non - current liabilities	-	36,837
	36,554	77,561
Book and fair value of the vehicles under finance lease	57,250	88,063

Western Desert Resources has leased two vehicles used in exploration under finance leases. The lease term was 36 months and the interest rate is 8.14% per annum. The lease obligations are secured by title to the vehicles.

19	EXPLORATION TENEMENTS REHABILITATION PROVISION	2012	2011
		$	$
	Provision to rehabilitate tracks and drill pads.	516,800	361,000
		516,800	361,000

The provision is based on the present value of the cost of work of rehabilitation as assessed internally to cover the un-rehabilitated drill pads and access tracks.

20	ISSUED CAPITAL	2012 No.	2012 $	2011 No.	2011 $
	Issued share capital:				
	Fully paid ordinary shares [1]	218,819,203	64,459,621	206,935,914	47,178,909

	Movement in issued shares for the year:	2012 No.	2012 $	2011 No.	2011 $
	Balance at beginning of financial period	206,935,914	47,178,909	134,511,656	26,477,372
	Issued at 32 cents (Placement)	-	-	20,170,000	6,454,400
	Issued at 30 cents (Non Renounceable Rights Issue)	-	-	11,160,351	3,348,107
	Issued at 30 cents (Placement)	-	-	40,000,000	12,000,000
	Issued at 61.5 cents (Placement)	10,000,000	6,150,000	-	-
	Issued at 70.0 cents (Placement) [1]	16,000,000	11,200,000	-	-
	Issued on exercise of options	1,883,289	340,004	1,093,907	116,653
	Costs associated with issue of shares	-	(651,750)	-	(407,794)
	Share premium arising from share options exercised	-	64,355	-	57,090
	Share premium arising from share options lapsed	-	178,103	-	93,025
	In-specie distribution to shareholders	-	-	-	(959,944)
	Tax effect of transaction costs	-	-	-	-
	Balance at end of financial period	234,819,203	64,459,621	206,935,914	47,178,909

[1] Payment for this placement was received 29th June 2012; the allotment was carried out 2nd July, 2012.

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the company does not have a limited amount of authorised capital and issued shares do not have a par value.

Fully paid ordinary shares carry one vote per share and carry a right to dividends.

21	RESERVES AND ACCUMULATED LOSSES	2012 $	2011 $
	(a) Share option reserve		
	Opening balance	2,228,572	915,229
	Options exercised and transferred to equity	(64,355)	(57,090)
	Options cancelled and transferred to equity	(178,103)	(93,025)
	Share based payments	788,790	1,463,458
	Closing balance	2,774,904	2,228,572

The above equity-settled employee benefits reserve relates to share options granted by the Company to its employees under its employee share option plan. Further information about share-based payments to employees is set out in Note 28.

		2012 $	2011 $
	(b) Accumulated losses		
	Opening balance	(14,412,977)	(12,093,273)
	Net loss for the year	(3,363,200)	(2,319,704)
	Closing balance	(17,776,177)	(14,412,977)

(c) Share of Associates Reserve

	2012	2011
Balance at beginning of year	-	318,323
Share of associate's comprehensive income	-	28,184
Transfer to the Income Statement as a result of the cessation of equity accounting	-	(346,507)
Balance at 30 June	-	-

The Share of associate's comprehensive income represents income arising from a foreign currency translation reserve.

22 SHARES IN SUBSIDIARIES

Name of Entity:	Sub Note	Country of Incorporation	Ownership Interest	
			2012 %	2011 %
Parent Entity:				
Western Desert Resources Limited	(i)	Australia		
Subsidiary:				
Red Desert Minerals Pty Ltd	(ii),(iii)	Australia	100%	100%
WDR Base Metals Pty Ltd	(ii),(iii)	Australia	100%	100%
WDR Gold Pty Ltd	(ii),(iii)	Australia	100%	100%
WDR Iron Ore Pty Ltd	(ii),(iii)	Australia	100%	100%

(i) Head entity in tax consolidated group
(ii) Members of tax consolidated group
(iii) These wholly-owned subsidiaries have entered into a deed of cross guarantee with Western Desert Resources Limited pursuant to ASIC Class Order 98/1418 and are relieved from the requirement to prepare and lodge an audited financial report.

The Company has not prepared the Income Statement and statement of financial position of the entities party to the deed of cross guarantee as this is reflected on the face of the financial statements.

23 DIRECTOR AND KEY MANAGEMENT COMPENSATION AND EQUITY HOLDINGS.

The Directors and key management personnel of Western Desert Resources Limited during the year were:

Directors:

- R H Allert AO (Non-Executive chairman)
- N W Gardner (Managing director),
- G J Bubner (Executive director),
- D J Cloke (Non-executive director),
- M K Ashton (Non-executive director),
- P C Lockyer (Non-executive director),
- S D Perrin (Non-executive director)

Key Management:

- L Ackroyd (Company Secretary / Chief Financial Officer),
- A P Bennett (Exploration Manager)
- Patrick Collins (General Manager NT Operations), appointed 21 November, 2011.
- Graham Younge (Mining Engineer), appointed 23 January, 2012
- Claude Severino (Roper Bar project Manager) appointed 10 October 2011
- Bob Howard (Roper Bar project Manager) resigned 6 July 2011

The aggregate compensation of Directors and key management personnel of the consolidated entity is set out as follows:

Aggregate compensation:	Consolidated 2012 $	Consolidated 2011 $
Short-term employee benefits	1,748,030	1,160,314
Post-employment benefits	150,698	102,065
Share-based payments – Directors[1]	-	1,187,338
Share-based payments - Employees[1]	562,915	223,219
Total	2,461,643	2,672,936

[1] Share based payments relate to share options granted during the year to Directors and to key management personnel which reflect the difference between the exercise price and its then current market value based upon the Black-Scholes calculation method. That exercise price is payable by the recipient upon exercise of the options. Share options do not represent cash payments to Directors and Key Management Personnel and those share options granted may or may not ultimately be exercised by Directors and/or Key Management personnel.

The consolidated entity has applied the exemption under Corporations Amendments Regulations 2005 which exempts listed companies from providing compensation disclosures in relation to their key management personnel in their annual financial reports by Accounting Standard AASB 124 Related Party Disclosures". These Compensation disclosures are provided in the "Remuneration Report" of the Directors' Report and designated as "Audited".

Equity holdings of Directors and Key Management personnel are detailed as follows:

(i) Fully paid ordinary shares held by Directors and Key Management:

Year Ended 30 June 2012	Balance 30/06/2011	Net Changes [a]	Balance 30/06/2012	Balance held Nominally [b], [c].
Directors:				
R H Allert	600,000	250,000	850,000	-
N W Gardner	7,520,394	-	7,520,394	-
G J Bubner	4,312,101	(80,000)	4,232,101	-
D J Cloke	2,308,493	(98,637)	2,209,856	-
M K Ashton [b]	6,021,832	354,611	6,376,443	10,353,572
P C Lockyer	200,000	-	200,000	-
S D Perrin [c]	-	-	-	40,000,000
Key Management:				
L Ackroyd	562,500	-	562,500	-
A P Bennett	12,619	(12,619)	-	-
P J Collins [d]	-	503,069	503,069	-
G Younge [e]	-	-	-	-
C Severino [f]	-	36,395	36,395	-

(a) *Net changes are the result of the exercise of options during the year by Directors, Cloke and Ashton. Directors Bubner and Cloke sold shares during the year. Director, R H Allert purchased shares during the year.*

(b) *Mr M K Ashton is a part owner of a major shareholder, Greenstone Property Pty Ltd.*

(c) *Mr S D Perrin is a part owner of the Company's largest shareholder, Permat Holdings Pty Ltd.*

(d) *Mr P J Collins commenced employment on 21 November, 2011.*

(e) *Mr G Younge commenced employment on 23 January, 2012*

(f) *Mr C Severino commenced employment on 10 October, 2011*

Year ended 30 June 2011	Balance 30/06/10	Net Changes	Balance 30/06/11	Balance held Nominally
Directors:				
R H Allert	-	600,000	600,000	-
N W Gardner	6,621,966	898,428	7,520,394	-
G J Bubner	4,209,191	102,910	4,312,101	-
D J Cloke	2,426,998	(118,505)	2,308,493	-
M K Ashton	5,056,440	965,392	6,021,832	10,125,000
P C Lockyer	-	200,000	200,000	-
S D Perrin	-	-	-	40,000,000
Key Management:				
L Ackroyd	-	562,500	562,500	-
A P Bennett	-	12,619	12,619	-
R L Howard	-	-	-	-
C Gaughan	245,994	300,000	545,994	-

(ii) Options to acquire fully paid ordinary shares held by Directors and Key Management:

Year Ended 30 June 2012	**Balance 30/6/2011**	**Granted**	**Date of Grant**	**Exercised**	**Lapsed**	**Balance 30/6/2012**	**Vested and exercisable**
Directors:							
R H Allert	3,000,000	-	-	-	-	3,000,000	3,000,000
N W Gardner	6,000,000	-	-	-	-	6,000,000	6,000,000
G J Bubner	3,000,000	-	-	-	-	3,000,000	3,000,000
D J Cloke	3,000,000	-	-	-	-	3,000,000	3,000,000
M K Ashton	3,000,000	-	-	-	-	3,000,000	3,000,000
P C Lockyer	2,000,000	-	-	-	-	2,000,000	2,000,000
S D Perrin	-	-	-	-	-	-	-
Key Management:							
L Ackroyd	1,200,000	200,000	24/01/2012	-	-	1,400,000	1,400,000
A P Bennett	500,000	200,000	24/01/2012	125,000	-	575,000	575,000
P J Collins	-	2,500,000	04/01/2012	-	-	2,500,000	2,500,000
G Younge	-	500,000	04/01/2012	-	-	500,000	500,000
C Severino	-	250,000	04/01/2012	-	-	250,000	250,000

Notes to above table:

Options granted during the year and those held by Directors and Senior Management vest in the individual at date of grant.

The exercise price of options has been reduced as a result of the terms of the Non Renounceable Rights issue of May 2011, an equal distribution of capital to shareholders in June 2011, and the Entitlement Offer which closed in August 2012, which were not available to option holders.

All share options issued to key management personnel were made in accordance with the provisions of the employee share option plan.

Year Ended 30 June 2011	Balance at 30/6/2010	Granted	Date of Grant	Exercised	Balance 30/6/2011	Vested and exercisable
Directors:						
R H Allert	-	3,000,000	14/06/2011	-	3,000,000	3,000,000
N W Gardner	1,000,000	5,000,000	29/11/2010	-	6,000,000	6,000,000
G J Bubner	1,000,000	2,000,000	29/11/2010	-	3,000,000	3,000,000
D J Cloke	1,000,000	2,000,000	29/11/2010	-	3,000,000	3,000,000
M K Ashton	1,000,000	2,000,000	29/11/2010	-	3,000,000	3,000,000
P C Lockyer	-	2,000,000	29/11/2010	-	2,000,000	2,000,000
Key Management:						
L Ackroyd	700,000	1,000,000	25/01/2011	500,000	1,200,000	1,200,000
A P Bennett	-	500,000	28/03/2011	-	500,000	500,000
R L Howard	500,000	500,000	25/01/2011	-	1,000,000	1,000,000
C Gaughan	400,000	100,000	25/01/2011	300,000	200,000	200,000

24 REMUNERATION OF AUDITORS

	Consolidated 2012 $	2011 $
Auditing relating to the financial report.	38,767	33,774
Other services	24,600	-
Consultancy Services - Corporate Strategy	-	38,717
Tax disclosures and consultation	3,000	-
	66,367	72,491

The auditor of Western Desert Resources Limited is Deloitte Touche Tohmatsu.

25 RELATED PARTY DISCLOSURES

a) **Equity interests in related parties.**

Equity interests in subsidiaries

Details of the percentage of ordinary shares held in subsidiaries are disclosed in Note 22 to the financial statements.

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

b) **Key Management Personnel compensation**

Details of the aggregate compensation to key management personnel are disclosed in Note 23.

c) **Transactions with Key Management Personnel**

The following transactions occurred with Key Management personnel or their personally related entities during the year ended 30 June 2012:

Entity	Related Party	$	Nature of Transaction
ASIS Pty Ltd	G J Bubner	94,306	Drafting and Geophysical Services
Titeline Drilling Pty Ltd	M K Ashton	2,790,875	Drilling Services
Silverstone Drilling Services Pty Ltd	M K Ashton	310,292	Drilling Services
Remote Contracting Services Pty Ltd	N W Gardner	1,571,984	Equipment Hire and Civil works
Perrin Legal Pty Ltd	S D Perrin	223,575	Consulting Services

As at 30 June 2012 the following unsecured balances were owed by the Company to related parties of Key Management, payable on normal commercial trading terms:

Entity	Related Party	Amount $
ASIS Pty Ltd	G J Bubner	-
Titeline Drilling Pty Ltd	M K Ashton	120,280
Silverstone Drilling Services Pty Ltd	M K Ashton	188,246
Remote Contracting Services Pty Ltd	N W Gardner	295,517
Perrin Legal Pty Ltd	S D Perrin	30,690

No guarantees or loans have been given to or received from related parties or Key Management Personnel.

No expense has been recognised in the current or prior periods for bad or doubtful debts in respect of the amounts owed by related parties, if any.

Amounts paid or payable to ASIS Pty Ltd and Perrin Legal Services Pty Ltd in the above tables have been paid pursuant to a Service Agreement between the Company and Mr G J Bubner and Mr S D Perrin, directors of the Company. Those agreements have no fixed term and may be terminated by either party by the giving of three months' notice in writing. There are no minimum payments specified in the agreement.

Directors, Gardner, Cloke and Lockyer also have Service Agreements with the Company on identical terms and conditions. No payments pursuant to those agreements have been made during the year.

Amounts paid or payable to Titeline Drilling Pty Ltd., Silverstone Drilling Services Pty Ltd and Remote Contracting Services Pty Ltd in the above table have or will be made on the basis of "arm's length terms" on a competitive tender basis.

d) **Equity interests in associates and joint ventures**
Nil.

e) **Transactions with other related parties**
Other related parties include:
- The parent entity
- Entities with joint control or significant influence over the Group
- Associates
- Joint ventures in which the entity is a venturer
- Subsidiaries
- Other related parties

f) **Transactions within wholly owned group**
The ultimate parent entity in the wholly-owned group is Western Desert Resources Limited. During the financial year Western Desert Resources Limited provided accounting and administrative services at no cost to controlled entities and interest free advances.

26 COMMITMENTS FOR EXPENDITURE AND CONTINGENT LIABILITIES

(a) Exploration Expenditure Commitments

The consolidated entity has certain obligations to perform exploration work and expend minimum amounts of money on such works on mineral exploration tenements.

These obligations will vary from time to time, subject to statutory approval. The terms of current and future joint ventures, the grant or relinquishment of licences and changes to licence areas at renewal or expiry, will alter the expenditure commitments of the company.

Total expenditure commitments at balance date in respect of minimum expenditure requirements not provided for in the financial statements are approximately:

	2012	2011
	$	$
Not later than one year:	3,113,247	2,225,252
Later than one year but not later than two years:	1,220,700	1,997,905
Later than two years but not later than five years:	1,509,489	1,869,878
Later than five years	2,318,222	41,181
	8,161,658	6,134,216

(b) Native Title

Native Title claims have been made with respect to tenements in the Northern Territory in which Western Desert Resources Limited has interests. The consolidated entity is unable to determine the prospects for success or otherwise of the claims and, in any event, whether or not and to what extent the claims may significantly affect the company or its projects.

(c) Bank Guarantee

- As at 30 June 2012, the consolidated entity has given a bank guarantee of $15,840 (2011: $15,840) to Jones Lang LaSalle as a security bond in respect to its office premises.
- As at 30 June 2012, the consolidated entity has given Bank guarantees in respect of rehabilitation of exploration projects:-

Project:	**Purpose**	**2012**	2011
		$	$
Roper Bar	Land rehabilitation	174,371	174,371
Roper Bar	Airstrip and site rehabilitation	352,001	352,001
Roper Bar	Mining Management Plan	109,854	-
Mountain Creek	Land rehabilitation	78,847	78,847
Mountain Creek	Mining Management Plan	16,029	-
East Rover	Central Land Council	25,000	25,000
East Rover	Mining Management Plan	32,483	-

Note 15 refers' to deposits placed with Bankers in support of performance guarantees.

At the close of the year the Company estimated $516,800 is required as a provision for future rehabilitation costs in respect of the Roper Bar, Mountain Creek and Rover East projects.

(d) Operating Lease

Operating leases relate to leases of office space and storage shed with lease terms not exceeding three years. The operating leases generally contain a market review clause in the event that the consolidated entity exercises an option to renew. The Group does not have options to purchase the leased assets at the expiry of the lease periods.

Non-cancellable operating lease commitments:	**Consolidated**	
	2012	2011
	$	$
Not longer than 1 year	162,810	141,810
Longer than 1 year and not longer than 5 years	211,656	19,800
Longer than 5 years	-	-
	374,466	161,610

Finance lease liabilities are disclosed in Notes 18 to the financial statements.

27 FINANCIAL INSTRUMENTS

Capital management

Management controls the capital of the group in order to maintain a good debt to equity ratio, and ensure the group continues as a going concern.

There are no externally imposed capital requirements.

Management effectively manages the group's capital by assessing the financial risks and adjusting the capital structure in response to those risks. These responses include new share issues.

27.1 Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the bases of measurement, and the bases for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in note 3.

(a) Financial Risk Management Policies

The group's financial instruments consist mainly of deposits with banks, accounts receivable and payable, and loans to and from subsidiaries.

(i). Treasury Risk Management:

The board meets on a regular basis and analyses financial risk exposure. The board's overall risk management strategy seeks to assist the consolidated group in meeting its financial targets whilst minimising potential adverse effects on financial performance. Risk management is reviewed by the board on a regular basis and includes review of the group's cash flow requirements.

(ii). Financial Risk Exposures and Management

The main risks the group is exposed to through its financial instruments are liquidity risk, credit risk and interest rate risk.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Group's short-, medium- and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring budgets and forecast to actual cash flows and by matching the maturity profiles of financial assets and liabilities.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are at floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period. The contractual maturity is based on the earliest date on which the Group may be required to pay.

	Weighted average effective interest rate	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	5+ years	Total
	%	$	$	$	$	$	$
30 June 2012							
Non-interest bearing (payables)	-	-	2,923,984	-	-	-	2,923,984
Finance Lease Liability	8.14	3,768	7,535	26,373	-	-	37,676
30 June 2011							
Non-interest bearing (payables)	-	-	789,728	-	-	-	789,728
Finance Lease Liability	8.14	3,768	7,535	33,909	37,676	-	82,888

The following table details the Group's expected maturity for its non-derivative financial assets. The table has been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Group's liquidity risk management as the liquidity is managed on a net asset and liability basis.

	Weighted average effective interest rate	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	5+ years	Total
	%	$	$	$	$	$	$
30 June 2012							
Non-interest bearing	-	-	606,433	-	-	90,585	697,018
Variable interest rate instruments	3.50	-	10,197,907	-	-	-	10,197,907
Fixed interest rate instruments	5.00	-	-	-	-	1,769,508	1,769,508
30 June 2011							
Non-interest bearing	-	-	1,411,275	-	-	72,363	1,483,638
Variable interest rate instruments	4.73	-	14,503,586	-	-	-	14,503,586
Fixed interest rate instruments	6.08	-	-	-	-	750,000	750,000

The amounts included above for variable interest rate instruments for both non-derivative financial assets and liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets as disclosed in the balance sheet and notes to the financial reports.

There is no material amounts of collateral held as security at 30 June 2012.

The consolidated group does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the consolidated group.

(b) Fair value measurements recognised in the statement of financial position

Where applicable financial instruments that are measured subsequent to initial recognition at fair value are grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial Assets at FVTPL - 2012	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Unquoted equities	-	-	-	-
Quoted equities	944	-	-	-

Financial Assets at FVTPL - 2011	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Unquoted equities	-	-	-	-
Quoted equities	188	-	-	-

(c) Categories of Financial Instruments:

	2012 **$**	2011 $
Financial assets:		
Cash and bank balances	11,023,010	15,253,586
Loans and receivables	538,439	357,275
Held to Maturity Investments	115,585	72,363
Fair value through profit and loss (FVTPL) Designated as at FVTPL – Quoted shares	944,415	1,227,727
Financial liabilities:		
Amortised Cost	3,068,550	934,135

The group manages the financial risks relating to the operations of the group through internal risk reports which analyse exposures. These risks include market risk (including currency risk, interest rate and price risk), credit risk, and liquidity.

(d) Net Fair Values

The carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective net fair values, determined in accordance with the accounting policies determined in Note 3 to the financial statements.

There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

(e) Other price risks

The Group is exposed to equity price risks arising from equity investments. Equity investments are held for strategic rather than trading purposes. The Group does not actively trade these investments.

(f) Equity price sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the end of the reporting period.

If equity prices had been 5% higher/lower:

- net profit for the year ended 30 June 2012 would have increased/decreased by $47,220.
- The Group's sensitivity to equity prices has not changed significantly from the prior year.

(g) Sensitivity analysis

The group has performed a sensitivity analysis relating to its exposure to interest rate risk.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on exposure to interest rates for non-derivative instruments at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period.

At the reporting date, if interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's and the company's net profit would increase/decrease by $18,259 and $18,259 respectively (2011: $15,516). This is mainly attributable to interest rates on bank deposits.

(h) Financing Facilities

	2012 $	2011 $
Secured bank loan facilities with various maturity dates, which may be extended by mutual agreement:		
- amount used	826,072	660,697
- amount unused	49,031	139,303

The amount used above of $826,072 has been utilised to provide Bank Guarantees in lieu of cash bonds in respect of exploration projects [refer note 26 (c)].

28 SHARE OPTION PLAN

Employee share option plan

The Consolidated entity has an ownership-based compensation plan for employees. In accordance with the provisions of the Employee Share Option Plan, as approved by shareholders, Directors may issue options to purchase shares in the company to employees at an issue price determined by reference to the market price of ordinary shares at the time the option is granted. No directors participate in the Employee Share Option Plan.

In accordance with the terms of the Employee Share Option Plan, options vest at grant date and may be exercised at any time from the date of their grant to the date of their expiry.

Share options are not listed, carry no rights to dividends and no voting rights.

The following share based payment arrangements were in existence during the year:

Employee Share Option Plan:	In existence at beginning of year.	Grant Date	Expiry Date	Face Exercise Price	Adjusted Exercise Price	Fair value at grant date	Lapsed during the year	Exercised during the year
Options – Series								
Series H	850,000	20/01/2010	31/12/2012	$0.60	$0.582635	$0.1917	500,000	-
Series K	1,825,000	25/01/2011	29/11/2013	$0.38	$0.362635	$0.1075	775,000	25,000
Series K	300,000	08/04/2011	29/11/2013	$0.38	$0.362635	$0.1075	-	-
Series M	500,000	15/04/2011	24/01/2014	$0.40	$0.382635	$0.1146	-	125,000
Series P	3,250,000	04/01/2012	23/11/2013	$0.54	$0.535218	$0.1503	-	-
Series Q	1,000,000	24/01/2012	25/01/2015	$0.54	$0.535218	$0.1861	-	25,000
Series R	250,000	22/02/2012	05/02/2014	$0.54	$0.535218	$0.3459	-	-
Series Q	50,000	04/04/2012	25/01/2015	$0.54	Not Applic.	$0.5548	-	50,000
Totals	8,025,000						1,275,000	225,000

The weighted average fair value of the employee share options in existence at balance date is $0.1546 (2011: 0.13).

Details of share-based payment compensation to Key Management employees during the year were:-

2012	Opening Balance 01/07/2011	Options Exercised during the year			Options granted during the year			$ Option Value	Balance held 30/06/2012
	Unlisted	Quantity	Expiry Date	Price [1]	Quantity	Expiry Date	Price		Unlisted
L Ackroyd	1,200,000	-	-	-	200,000	25/01/2015	0.54	37,220	1,400,000
A P Bennett	500,000	125,000	24/01/2014	-	200,000	25/01/2015	0.54	37,220	575,000
P J Collins	-	-	-	-	2,500,000	23/11/2013	0.54	375,750	2,500,000
G Younge	-	-	-	-	500,000	23/11/2013	0.54	75,150	500,000
C Severino	-	-	-	-	250,000	23/11/2013	0.54	37,575	250,000
Total Key Personnel	1,700,000	125,000			3,650,000			562,915	5,225,000

[1] Options are granted at an exercise price which is above the existing share price as at the date of grant. The exercise price is payable by the recipient to the Company upon exercise of the options. For the purposes of the above table the value of options granted during the period has been calculated by reference to the Black-Scholes formula method.

Fair value of share options granted during the year:

The fair value of options granted during the period has been calculated by reference to the Black-Scholes formula method on the basis of the following inputs:-

Inputs into the model:	4 January 2012	24 January 2012	22 February 2012	04 April 2012
Grant date share price	0.45	0.44	0.71	0.90
Exercise price [2]	0.535218	0.535218	0.535218	0.535218
Expected volatility [1]	70.25%	69.09%	70.48%	72.1%
Option life	2.0 years	3.0 years	2.0 Years	3.0 years
Dividend yield	-	-	-	-
Risk free interest rate	3.43%	3.43%	3.76%	3.56%

[1] The Expected Volatility Rate has been based upon an expected volatility having taken into consideration such factors as changes in the market price of the company's ordinary shares in the twelve month period prior to the date of grant.

[2] Applicable exercise prices have been adjusted from the original grant pricing due to the effect of a non-renounceable Entitlement issue announced in June 2012 as Option holders did not participate in this event. The exercise pricing has been adjusted pursuant to ASX Listing Rule 7.22.

The following tables reconcile the outstanding share options granted under the Employee Share Option Plan at the beginning and end of the financial year:

Share Option Plan	2012		2011	
(i) Movements during the year	**Number of options**	**Weighted average exercise price**	**Number of options**	**Weighted average exercise price**
Balance at beginning of financial year	3,475,000	$0.4367	2,100,000	$0.4089
Granted during the financial year	4,550,000	$0.5400	2,625,000	$0.3838
Exercised during the financial year (ii) (iii)	(225,000)	$0.4444	(800,000)	$0.0958
Lapsed during the financial year	(1,275,000)	$0.4663	(450,000)	$0.6000
Balance at end of the financial year (iv)	6,525,000	$0.5027	3,475,000	$0.4367

	2012			
(ii) Employee Options exercised during the year:	**Number of options**	**Weighted average exercise price**	**Exercise date**	**Share price at exercise date**
April 2011 (Series M)	125,000	$0.387417	06/03/2012	$0.665
January 2011 (Series K)	25,000	$0.367417	09/05/2012	$0.875
January 2012 (Series Q)	25,000	$0.540000	09/05/2012	$0.875
April 2012 (Series Q)	50,000	$0.540000	12/06/2012	$0.880
Total employee options exercised 2012	225,000			

(iii) Employee Options exercised during the previous year:	Number of options	Weighted average exercise price	Exercise date	Share price at exercise date
	2011			
March 2009 (Series F)	300,000	$0.135317	2/06/2011	$0.32
April 2009 (Series G	500,000	$0.072150	3/05/2011	$0.35
Total employee options exercised 2011	800,000			

(iv) Employee Options outstanding at end of the 2012 financial year	No.	Grant Date	Expiry Date	Exercise Price
Options – Series				
January 2011 (Series K)	1,325,000	25/01/2011	29/11/2013	$0.3800
April 2009 (Series M)	375,000	27/04/2009	24/01/2014	$0.4000
January 2010 (Series H)	350,000	20/01/2010	31/12/2012	$0.6000
January 2012 (Series P)	3,250,000	04/01/2012	23/11/2013	$0.5400
January 2012 (Series Q)	975,000	24/01/2012	25/01/2015	$0.5400
February 2012 (Series R)	250,000	22/02/2012	05/02/2014	$0.5400
Employee options outstanding 30 June 2012.	6,525,000			

Total Options Granted by the Company:

The company has granted options whereby each option is exercisable for conversion into one ordinary share at a specified exercise price and expiring on dates as detailed below.

Movement in options during the year:	**2012 No.**	2011 No.
Total Options on issue at the beginning of period	35,196,495	8,065,402
Total Options issued during the year [1]	4,550,000	28,675,000
Total Options exercised during the year	(1,883,289)	(1,093,907)
Total Options cancelled during the year	(1,338,206)	(450,000)
Total Options on issue at the end of year	36,525,000	35,196,495

[1] *Comprises of grants to employees.*

Details of Total Options Outstanding:

Grant Date	Date of Expiry	Type and Series	Exercise Price *	Number under Option
25-Sep-2008	30-Nov-2013	Unlisted - E	$0.144785	4,000,000
20-Jan-2010	31-Dec-2012	Unlisted - H	$0.582635	350,000
29-Nov-2010	29-Nov-2013	Unlisted - J	$0.362635	13,000,000
25-Jan-2011	29-Nov-2013	Unlisted - K	$0.362635	1,325,000
15-Apr-2011	24-Jan-2014	Unlisted - M	$0.382635	375,000
14-June-2011	29-Nov-2013	Unlisted - N	$0.369468	3,000,000
14-June-2011	24-Dec-2013	Unlisted - O	$0.495128	10,000,000
	23-Nov-2013	Unlisted - P	$0.535218	3,250,000
	25-Jan-2015	Unlisted - Q	$0.535218	975,000
	05-Feb-2014	Unlisted - R	$0.535218	250,000
				36,525,000

**The exercise price of options has been reduced as a result of the terms of the Non-Renounceable Entitlement Offer announced in June 2012 which was not available to option holders.*

29 PARENT COMPANY INFORMATION

The accounting policies of the parent entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements. Refer to Note 3 for a summary of the significant accounting policies relating to the Group.

	2012 $	2011 $
(a) Financial position		
Assets		
Current assets	10,846,111	15,914,861
Non-current assets	41,680,787	20,013,778
Total assets	52,526,898	35,928,639
Liabilities		
Current liabilities	3,068,550	897,298
Non-current liabilities	-	36,837
Total liabilities	3,068,550	934,135
Net assets	49,458,348	34,994,504
Equity		
Issued capital	64,459,621	47,178,909
Share option reserve	2,774,904	2,228,572
Accumulated Losses	(17,776,177)	(14,412,977)
Total equity	49,458,348	34,994,504
(b) Financial performance		
Loss for the year	(3,363,200)	(3,263,704)
Other comprehensive income	-	-
Total comprehensive income	(3,363,200)	(3,263,704)

(c) Guarantees entered into by the parent company

The wholly-owned subsidiaries have entered into a deed of cross guarantee with Western Desert Resources Limited pursuant to ASIC Class Order 98/1418.

(d) Contingent liabilities of the parent company

The parent entity has no contingent liabilities

(e) Capital commitments of the parent

The parent entity has no capital commitments

30 INCOME TAX

	2012 $	2011 $
(a) The components of income tax expense comprise:		
Current tax expense in respect of financial year	(7,124,806)	(3,095,716)
Deferred tax expense/(income) relating to the origination and reversal of temporary differences and tax losses	7,124,806	3,095,717
Total tax expense/(income)	-	-
The prima facie income tax expense on the loss before income tax reconciles to the tax expense/(income) in the financial statements as follows:		
Loss from continuing operations	(3,363,200)	(2,001,381)
Income tax benefit calculated at 30%	(1,008,960)	(600,414)

Add/(less):		
Effect of share based payments	236,637	439,037
Effect of In-specie distribution	(150,334)	(177,470)
Effect of expenses that are not deductible in determining taxable profit	24,504	20,144
Temporary differences not recognised as a deferred tax asset	-	-
Temporary differences now recognised	(6,247,269)	(4,890,603)
Prior year recognition of deferred tax liability	216,141	2,183,095
Tax losses not recognised as a deferred tax asset	7,124,806	3,132,203
Other Tax adjustments	(195,525)	(105,992)
Income tax expense (income)	-	-

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate since incorporation.

(b) Recognised deferred tax assets and liabilities		**Consolidated**
	2012	2011
	$	$
Trade and other receivables	5,400	3,914
Exploration and evaluation expenditure	(11,443,864)	(5,196,595)
Trade and other payables	-	-
Employee provisions	32,404	20,054
Share issue costs	352,592	282,024
Investments	233,736	148,739
Rehabilitation provision	155,040	108,300
	(10,664,692)	(4,633,564)
Temporary difference not recognised	-	-
Temporary differences now recognised	-	-
Tax losses recognised	10,664,692	4,663,564
Tax losses not recognised	-	-
	-	-

A deferred tax balance has been recognised in the parent entity so as to offset the DTL recognised in the subsidiaries as a result of the expenditure incurred on exploration activities. On consolidation the DTA and DTL are net off and give a more accurate picture of what is the overall tax position of the group.

(c) Unrecognised tax assets:
Deferred tax assets have not been recognised in respect of the following:

Recognised deferred tax assets and liabilities		**Consolidated**
	2012	2011
	$	$
Temporary Differences	184,000	184,000
Tax losses on Revenue account	11,122,546	3,997,740
Tax losses on Capital account	847,955	847,955
	12,154,501	5,029,695

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group and the Company can utilise the benefits.

(d) Movements in recognised deferred tax balances		**Consolidated**
	2012	2011
	$	$
Balance at the beginning of the period	-	-
Transfer from subsidiaries	-	-
Recognised in income	-	-
Closing balance	-	-

(e) Tax Consolidation

Relevance of tax consolidation to the Group

The Company, Red Desert Minerals Pty Ltd, WDR Base Metals Pty Ltd, WDR Gold Pty Ltd and WDR Iron Ore have formed a tax-consolidated group with effect from 1 July 2008 and are therefore taxed as a single entity from that date. The head entity within the tax consolidated group is Western Desert Limited. The members of the tax-consolidated group are identified at note 22.

Nature of tax funding arrangements and tax sharing agreements

Entities within the tax-consolidated group have entered into a tax funding arrangement and a tax-sharing arrangement with the head entity. Under the terms of the tax funding arrangement, Western Desert Resources Limited and each of the entities in the tax-consolidated group has agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity. Such amounts are reflected in amounts receivable from or payable to other entities in the tax-consolidated group.

The tax sharing agreement entered into between members of the tax-consolidated group provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations or if an entity should leave the tax-consolidated group. The effect of the tax sharing agreement is that each member's liability for tax payable by the tax-consolidated group is limited to the amount payable to the head entity under the tax funding agreement.

31 SEGMENT INFORMATION

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

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

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

32 SUBSEQUENT EVENTS

At the date these financial statements were approved, the Directors were not aware of any significant post balance sheet events other than those set out in the notes to the financial statements and within the Directors Report. The company has made announcements since the close of the financial year of drilling activities and results in the normal course of business and as required pursuant to the ASX rules and disclosure obligations.

On 17th September 2012 the Company received an offer for the purchase of the issued shares and options. The offer from Meijin Energy Group of China on behalf of an entity within that group offers $1.08 cash for each of the issued shares, which assumes that all existing outstanding options are exercised, subject to satisfaction of conditions referred to in the Term Sheet. The conditions include the carrying out of a satisfactory due diligence period, application to the Foreign Investment Review Board for approval, the preparation of an Implementation Agreement that provides for the acquisition by way of a scheme of arrangement and Meijin obtaining relevant Chinese Government Authority approvals. Meijin have emphasized that the Roper Bar project is to be continued under the present plans and budget. The terms of the Offer have been released to the market and further updates will be provided in due course.

On 24th September 2012 the Company informed the market that the Roper Bar Environment Impact Statement was recommended for approval by the Northern Territory Minister for Environment.

33 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors and authorised for issue on 27th September 2012.

DIRECTORS' DECLARATION

The directors declare that:

a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;

b) the attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 3 to the financial statements;

c) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity; and

d) the directors have been given the declarations required by s.295A of the Corporations Act 2001

At the date of this declaration, the company is within a class of companies affected by ASIC Class Order 98/1418. The nature of the deed of cross guarantees is such that each company which is party to the deed guarantees to each creditor payment in full of any debt in accordance with the deed of cross guarantee.

In the Directors' opinion, there are reasonable grounds to believe that the company and the companies to which the ASIC Class Order applies, as detailed in note 22 to the financial statements will, as a group, be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.

Signed in accordance with a resolution of the directors made pursuant to Section 295(5) of the Corporations Act 2001.

On behalf of the directors:

R H Allert
Chairperson

N W Gardner
Managing Director

Adelaide, South Australia
27 September 2012

Deloitte.

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Independent Auditor's Report to the Members of Western Desert Resources Limited

We have audited the accompanying financial report of Western Desert Resources Limited, which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, 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 as set out on pages 50 to 86.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 3.1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the consolidated financial statements comply with International Financial Reporting Standards.

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. Those 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.

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 company's preparation of the financial report that gives a true and fair view, 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 company'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.

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

Auditor's Independence Declaration

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*, which has been given to the directors of Western Desert Resources Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Deloitte.

Opinion

In our opinion,

(a) the financial report of Western Desert Resources Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

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

(b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 3.1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 32 to 44 of the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Western Desert Resources Limited for the year ended 30 June 2012, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Stephen Harvey
Partner
Deloitte Touche Tohmatsu

ASX ADDITIONAL INFORMATION

As at 31 August 2012 the Company had issued the following securities:

	Fully Paid Ordinary Shares	Quantity of Options	Option Exercise Price	Option Expiry Date
Quoted Securities:	321,146,029	-	-	-
Unquoted Securities:				
Unlisted Director options "E"		4,000,000	$0.144785	30/11/2013
Unlisted Employee options "H"		350,000	$0.582635	31/12/2012
Unlisted Employee options "M"		375,000	$0.382635	24/01/2014
Unlisted Employee options "K"		1,325,000	$0.362635	29/11/2013
Unlisted Director options "J"		13,000,000	$0.362635	29/11/2013
Unlisted Director options "N"		3,000,000	$0.369468	29/11/2013
Unlisted options "O"		10,000,000	$0.495218	24/12/2013
Unlisted options "P"		3,250,000	$0.535218	23/11/2013
Unlisted options "Q"		975,000	$0.535218	25/01/2015
Unlisted options "R"		250,000	$0.535218	05/02/2014
Unlisted options "S"		25,000,023	$0.700000	02/11/2012
Total all Securities	**321,146,029**	**61,525,023**		

Distribution of Holders: **Range:**	**Fully Paid Ordinary Shares No. Holders**	**Listed Options No. Holders**	**Unquoted Options No. Holders**
1 - 1,000	1,015	-	44
1,001 - 5,000	1,102	-	142
5,001 - 10,000	695	-	84
10,001 - 100,000	1,526	-	143
100,001 - over	335	-	53
TOTAL	**4,673**	-	**466**

The number of holders holding less than a marketable parcel of ordinary shares was 857.

Voting Rights of Securities

Subject to any rights or restrictions for the time being attached to any class or classes of Shares (at present there is only one class of Shares), at meetings of the Shareholders of Western Desert Resources:

(a) each Shareholder entitled to vote may vote in person or by proxy, attorney or representative;

(b) on a show of hands, every person present who is a Shareholder or a proxy, attorney or representative of the Shareholder has one vote; and

(c) on a poll, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder shall, in respect to each Share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for the Share, but in respect to partly paid Shares, shall have such number of votes as bears the same proportion which the amount paid (not credited) is of the total amounts paid and payable (excluding amounts credited).

Options do not carry voting rights.

Substantial Shareholders

As at 31 August 2011 the substantial holders lodged with the company were:

Beneficial Owner	Number of Shares	% of Ordinary Shares Held
M K Ashton	17,930,015	5.59%
Permat Holdings Pty Ltd	40,000,000	14.46%

ASX Additional Information

Twenty largest holders of ordinary shares as at 31 August 2012

Name	Number of shares held	Percentage of issued shares held
Permat Holdings Pty Ltd	40,000,000	14.46%
Panchek Pty Ltd	17,142,857	5.34%
Mabra Resources Pty Ltd	14,175,260	4.41%
Greenstone Property Pty Ltd	11,553,572	3.60%
Devitt Superannuation Fund Pty Ltd	8,000,000	2.49%
Mr Norm Gardner	7,520,394	2.34%
Investment Holdings Pty Ltd	7,140,470	2.22%
Mr Mick Ashton	6,376,443	1.99%
Bell Potter Nominees Limited	5,841,774	1.82%
Gervale Nominees Pty Ltd	5,690,648	1.77%
Telunapa Pty Ltd	5,367,326	1.67%
National Nominees Limited	4,508,409	1.40%
Mr Graham Bubner	4,233,101	1.32%
Tolbush Pty Ltd	4,285,714	1.33%
Macquarie Bank Limited	3,571,429	1.11%
Beck Corporation Pty Ltd	2,630,000	0.82%
Gerard Ryan Superannuation Pty Ltd	2,400,000	0.75%
Mr David Cloke	2,299,856	0.72%
HSBC Custody Nominees (Australia) Limited	2,090,960	0.65%
Kinane Holdings Pty Ltd	2,000,000	0.62%
TOTAL	**153,028,213**	**47.65%**

Stock Exchange Listing

Western Desert Resources Limited shares and listed options are listed on the Australian Stock Exchange. The company's ASX coded is WDR.