

WEST AUSTRALIAN METALS LIMITED

ABN 71 001 666 600

2007 ANNUAL REPORT

COMPANY INFORMATION

ACN

001 666 600

ABN

71 001 666 600

DIRECTORS

R S Johnston (Chairman)
L Reigys (Technical Director & Acting CEO)
T J Shanahan

SECRETARY

D J Semmens

REGISTERED OFFICE

Ground Floor, 47 Colin Street
WEST PERTH WA 6005
Tel: 61 8 9321 7355 Fax: 61 8 9321 7399

SHARE REGISTRY

Advanced Share Registry Services
110 Stirling Highway
NEDLANDS WA 6009
Tel: 61 8 9389 8033 Fax: 61 8 9389 7871

AUDITORS

Rothsay
Chartered Accountants
Level 1
2 Barrack Street
SYDNEY NSW 2000
Tel: 61 2 9299 0091 Fax: 61 2 9299 2595

STOCK EXCHANGE

Australian Stock Exchange Limited

HOME EXCHANGE

Perth

ASX CODES

WME
WME0

WEB SITE

www.wametals.com.au

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This financial report covers both West Australian Metals Ltd as an individual entity and the consolidated entity consisting of West Australian Metals Ltd and its subsidiaries. The financial report is presented in the Australian currency.

DIRECTORS' REPORT

Your Directors present their report on the consolidated entity consisting of West Australian Metals Ltd and the entities it controlled at the end of, or during, the year ended 30 June 2007.

DIRECTORS

The following persons were directors of West Australian Metals Ltd during the financial year and up to the date of this report:

R S Johnston, Non-Executive Chairman (appointed Director, 24 May 2005 and Chairman 16 September 2005)

L Reisgys, Technical Director & Acting CEO (appointed 22 May 2006)

T J Shanahan, Non-Executive Director (appointed 7 September 2005)

PRINCIPAL ACTIVITIES

The principal activity of the Company during the course of the financial year was the exploration and evaluation of the Marenica Uranium Project located in Namibia. The Company has earned its right to 80% of that project pursuant to a Joint Venture Agreement.

RESULTS

The loss of the consolidated entity for the financial year was \$1,581,667 (2006 \$840,903).

DIVIDENDS

No dividends have been paid by the economic entity during the financial year ended 30 June 2007, nor have the Directors recommended that any dividends be paid.

REVIEW OF OPERATIONS

The Company continued to explore for minerals on its projects during the year. There were no mineral reserves delineated during the year. The Company intends to continue exploration on its projects in the future and to continue to seek further projects.

A more detailed review of operations for the financial year, together with future prospects is set out in the Annual Report which will be available on the Company's web site.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

The following significant changes in the state of affairs of the consolidated entity occurred during the financial year:

- A total of \$2,119,448 was received from the issue of fully paid ordinary shares and the exercise of options, before the costs of issue.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

From 31st July – 10th August 2007, the Company received \$828,000 resulting from 36,000,000 Partly Paid Shares issued at 2.4 cents and paid to 0.1 cents being paid up in full.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of the Company, or the state of affairs of the Company in financial years subsequent to 30 June 2007.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The Company intends to continue exploration on its existing tenements, to acquire further tenements for exploration of all minerals, to seek other areas of investment, and to develop the resources on its tenements.

DIRECTORS' REPORT (Continued)

DIRECTORS' QUALIFICATIONS, EXPERIENCE AND SPECIAL RESPONSIBILITIES

Rodger S Johnston – Chairman (*Non-Executive Director*)

Mr Johnston has a Bachelor of Economics from the University of Sydney and was a member of the Australian Society of Accountants (CPA Australia) from 1976 to 1996. Mr Johnston commenced his career as an insolvency specialist, rising to the level of Senior Management. During the 1980s he managed a private investment company following which he was principal of a venture capital firm for a period of eight years. He is Chairman of ASX listed IC2 Global Limited, a director of Genesis Biomedical Limited and non-executive director of People's Merchant Bank Limited which is listed on the Colombo Stock Exchange. During the last three years Mr Johnston has also been a director of the following listed public companies: Rusina Mining NL (from November 2000 to August 2006). Member of the nomination and remuneration committees from date of appointment as a director. Member and chairman of the audit committee from 23 May 2006.

Terence J Shanahan – *Non-Executive Director*

Mr Shanahan was appointed to the Board on 7 September 2005. Mr Shanahan is a former funds manager and has consulted to various projects in the mining sector. He has experience in corporate matters including corporate restructures, new business acquisitions, new listings and capital raisings. No other directorships of listed companies in the past three years.

Member of the nomination and remuneration committees from date of appointment as a director.

Leon Reisgys – *Technical Director and Acting Chief Executive Officer*

Mr Reisgys was appointed to the Board on 22 May 2006. He has a Bachelor of Science (Honours) in Applied Geology from the University of New South Wales and a Graduate Diploma in Mineral Economics from Macquarie University. Mr Reisgys has extensive experience in the successful exploration for and/or the development of uranium, base metals, precious metals and mineral sand deposits in Australia and internationally. His experience includes 6 years as a uranium geologist with Pechiney Australia Pty Ltd and Minatome Pty Ltd, a joint venture company owned by the nuclear divisions of the French multinationals Pechiney and Total. Prior to joining the Company, he was consultant and Chief Geologist for Universal Resources Limited and previously served as Managing Director and Chief Executive Officer for several ASX listed companies. No other directorships of listed companies in the past three years.

Mr Reisgys is also a Chartered Professional (Geology), a Fellow of the Australian Institute of Mining and Metallurgy and a Member of the Australian Institute of Geoscientists.

Member of the nomination and remuneration committees from date of appointment as a director.

DIRECTORS' MEETINGS

During the financial year, eighteen (18) meetings of directors were held.

There was one (1) Audit, no Nomination and (1) Remuneration Committee Meetings held during the financial year.

The number of meetings attended by each director during the year is as follows:

Director	Number of meetings attended	Audit	Committee Meetings	
			Nomination	Remuneration
R S Johnston	18	1	-	1
L Reisgys	18	N/A	-	1
T J Shanahan	18	N/A	-	1

COMPANY SECRETARY

David J Semmens

Mr Semmens has a Bachelor of Business Degree and has had several years experience providing company secretarial, financial and corporate and other related services for a number of ASX listed companies. He is also the CFO of the Company.

Lindsay A Colless

Mr Colless is a Chartered Accountant and former director of the Company until his resignation as a Director in August 2005, continued after that date as Joint Company Secretary until his resignation from that position in February 2007.

DIRECTORS' REPORT (Continued)

AUDIT COMMITTEE

The only member of the audit committee is Mr R S Johnston, an independent director.

NOMINATION AND REMUNERATION COMMITTEE

The full Board carried out the functions of the Nomination and Remuneration Committees.

REMUNERATION REPORT

A. Principles used to determine the nature and amount of remuneration

The objective of the Company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms to market best practice for delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good reward corporate governance practices:

- Competitiveness and reasonableness
- Acceptability to shareholders
- Performance linkage/alignment of executive compensation
- Transparency
- Capital management

The Company has structured an executive remuneration framework that is market competitive and complementary to the reward strategy for the organisation.

Non-executive directors

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed by the Board. The Chairman's fees are determined independently to the fees of non-executive directors based on comparative roles in the external market. The Chairman is not present at any discussions relating to determination of his own remuneration.

Directors' fees

Directors' fees are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum currently stands at \$100,000 in aggregate. This amount is separate from any specific tasks the directors may take on for the Company in the normal course of business and at normal commercial rates.

DIRECTORS' REPORT (Continued)

REMUNERATION REPORT (Continued)

B. Details of remuneration

	Consolidated		Company	
	2007	2006	2007	2006
	\$	\$	\$	\$
Total income received, or due and receivable by the directors	781,848	398,716	756,567	398,716

The details of directors' remunerations paid or payable are as follows:

There are no other key management personnel, other than the directors and a former company secretary/chief financial officer.

Name	<u>Short-Term Benefits</u>	<u>Short-Term Benefits</u>	<u>Short-Term Benefits</u>	<u>Post-Employment Benefits</u>	<u>Share Based Payments</u>	<u>Total</u>	<u>Value of Options as a Proportion of Remuneration</u>
	Base Remuneration	Fees and Disbursements	Insurance Premiums	Super-annuation	Value of Options		
L Reigys							
- 2007	250,900	-	4,822	22,581	162,600	440,903	36.9%
- 2006	25,649	-	-	2,308	-	27,957	-
R Johnston							
- 2007	35,000	-	4,822	3,150	149,100	192,072	77.6%
- 2006	10,000	-	-	1,013	-	11,013	-
T Shanahan							
- 2007	25,000	-	4,822	2,250	79,520	111,592	71.3%
- 2006	8,142	-	-	-	-	8,142	-
R Martin							
- 2007	-	12,201	-	-	-	12,201	-
- 2006	9,166	85,967(a)	-	675	-	95,808	-
D Hamlyn							
- 2007	-	13,080	-	-	-	13,080	-
- 2006	183,796 (c)	-	-	12,375	-	196,171	-
L Colless							
- 2007	-	12,000(b)	-	-	-	12,000	-
- 2006	-	46,000(b)	-	-	-	46,000	-
D Semmens							
- 2007	-	46,900(d)	-	-	-	-	-

- Consulting fees of \$8,409 (2006 \$51,667) paid to a company in which Mr Martin a former Director has a substantial financial interest for services provided in the normal course of business and at normal commercial rates. Rent and outgoings of \$3,792 (2006 \$34,300) paid to a company in which Mr Martin has a substantial financial interest for office accommodation provided in the normal course of business and at normal commercial rates.
- Administration and secretarial fees of \$12,000 (2006 \$46,000) payable to a company in which Mr Colless, a former director until August 2005 and later company secretary/chief financial officer until his resignation from that position on 7 February 2007, has a substantial financial interest. The services were provided in the normal course of business and at normal commercial rates.
- Consulting fees of \$13,080 for geological services (2006: \$Nil). Mr Hamlyn's 2006 remuneration included termination payout of pro rata long service leave and unused annual leave.
- Mr Semmens the current Company Secretary was paid \$46,900 (2006: Nil) for administrative and secretarial fees.

C. Service agreements

Leon Reigys – *Technical Director and Acting Chief Executive Officer*

A formal written service agreement is in place. Details of Mr Reigys employment agreement are:

- Term of agreement – 3 years commencing 22 May 2006.

DIRECTORS' REPORT (Continued)

REMUNERATION REPORT (Continued)

- Base salary, inclusive of superannuation, is currently \$250,000 per annum, reviewable on an annual basis by the remuneration committee, plus an additional payment of \$10,000 per annum inclusive of superannuation, whilst Acting CEO.
- Other benefits, the use of a motor vehicle (vehicle cost not exceeding \$50,000) and incurred vehicle running and parking expenses.
- Payment of a termination benefit on early termination by the Company, other than for grave misconduct or long term incapacity, equal to five (5) months salary.
- The issue of 3,250,000 options exercisable at 10 cents each with 3,000,000 of the options subject to share price hurdles. At the AGM of 30 November 2006 shareholders approved the issue of those options.

D. Share Based Payments

All options refer to options over ordinary shares of West Australian Metals Limited, which are exercisable on a one-for-one basis.

Options and rights over equity instruments granted as compensation.

During the financial year, the Company issued options for no consideration over unissued ordinary shares in West Australian Metals Limited, pursuant to shareholders' approval, to the following Directors of the Company as part of their remuneration:

Director	Number of Options Granted	Date of Grant	Fair Value Each Option	Exercise Price	Expiry Date
Mr R Johnston	1,500,000	30 November 2006	\$0.0994	\$0.15	30 November 2009
Mr T Shanahan	800,000	30 November 2006	\$0.0994	\$0.15	30 November 2009
Mr L Reisgys	3,250,000	30 November 2006	\$0.05	\$0.10	30 November 2008 to 30 November 2009

The fair value of the above options was calculated at the date of grant using a Black & Scholes model which resulted in totals for fair value shown at Item B of the Remuneration Report.

During the previous financial year, the Company did not issue options over unissued ordinary shares in West Australian Metals Limited to Directors of the Company as part of their remuneration.

Options issued to Directors at any time and exercised during or since the end of the financial year were Nil.

Options are issued by the Company as an appropriate form of remuneration to provide Directors with incentives to maximise returns to shareholders.

E Analysis of Options and Rights Over Equity Instruments Granted as Remuneration

Details of vesting profile of options vested or expired during the year and those options unexercised at balance date granted as remuneration to Directors of the Company are detailed below:

Director	Options Granted Number	Date	% Vested in Financial Year	Forfeited in Financial Year	Financial Year in which Grant Vests	Value yet to Vest \$
Mr Johnston	1,500,000	30/11/2006	-	-	2007	-
Mr Shanahan	800,000	30/11/2006	-	-	2007	-
Mr Reisgys	2,250,000	30/11/2006	100	-	2007	-
Mr Reisgys	1,000,000	30/11/2006	-	-	2007	-

F. Insurance Premiums

Directors' Income includes amounts paid by the Company during the year to indemnify Directors and an allocation of insurance premiums paid by the Company or related parties in respect of Directors' and Officers' liabilities and legal expenses' insurance contracts, in accordance with common commercial practice.

DIRECTORS' REPORT (Continued)

DIRECTORS' INTERESTS

The interests of Directors in securities of the Company at the date of this report are:

Director	Fully Paid Ordinary Shares	Listed Options	Unlisted Options
R S Johnston	-	-	1,500,000
L Reisgys	-	-	3,250,000
T J Shanahan	-	-	800,000

SHARE OPTIONS

Options Granted to Directors and Executive Officers of the Company:

During or since the end of the year there were options over unissued ordinary shares in West Australian Metals Limited granted to Directors and Executive officers of the Company as part of their remuneration as follows:

Name	Number of Options Granted	Date of Grant	Exercise Price	Expiry Date
Mr Johnston	1,500,000	30 November 2006	\$0.15	30 November 2009
Mr Shanahan	800,000	30 November 2006	\$0.15	30 November 2009
Mr Reisgys	3,250,000	30 November 2006	\$0.10	30 November 2008 to 30 November 2009

The fair value of the above options was calculated using a Black & Scholes model which resulted in a fair value of \$162,600 for those options granted to Mr Reisgys, \$149,100 for those granted to Mr Johnston, and \$79,520 for those granted to Mr Shanahan.

Unissued Shares Under Options

At the date of this report unissued ordinary shares of the Company under option are:

Expiry Date	Exercise Price	Number of Shares
24 August 2008	\$0.05	69,066,324
24 November 2007	\$0.188	1,000,000
31 October 2007	\$0.188	2,000,000
30 November 2009	\$0.15	2,300,000
30 November 2008 to 30 November 2009	\$0.10	3,250,000

The Options do not entitle the holder to participate in any share issue of the Company or any other body corporate.

During or since the end of the financial year the Company issued Ordinary Shares as a result of the exercise of Options as follows:

Exercise Date	Exercise Price	Number of Shares
21 February 2007	\$0.05	116,167
10 May 2007	\$0.05	2,000,000
12 June 2007	\$0.05	36,750
20 June 2007	\$0.05	2,150,000
20 July 2007 to 3 September 2007	\$0.05	8,521,666

INDEMNIFICATION AND INSURANCE OF OFFICERS

The Company resolved that it would indemnify its current Directors and Officers. Coverage in respect of this indemnity has been provided via a Directors and Officers insurance policy negotiated at commercial terms.

Excluding the matter noted above the Company has not, during or since the financial year-end, in respect of any person who is, or has been an officer or auditor of the Company or a related body corporate:

- Indemnified or made any relevant agreement for indemnifying against a liability incurred as an officer, including costs and expenses in successfully defending legal proceedings; or
- Paid or agreed to pay a premium in respect of a contract insuring against a liability incurred as an officer for the costs or expenses to defend legal proceedings.

ENVIRONMENTAL REGULATIONS

The Company's environmental obligations are regulated by Australian State and Federal Law, and by the Laws of other countries in which it operates. The Company has complied with its environmental performance obligations. No environmental breaches have been notified by any Government agency to the date of the Directors' Report.

DIRECTORS' REPORT (Continued)

AUDIT INDEPENDENCE DECLARATION

Auditors' independence -section 307C

The following is a copy of a letter received from the Company's auditors:

Lead auditor's independence declaration under Section 307C of the Corporations Act 2001

To the directors of West Australian Metals Ltd,

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

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

Frank Vrachas
Lead auditor
Rothsay Chartered Accountants

NON-AUDIT SERVICES

During the year the following fees were paid or payable for services provided by the auditor:

	2007	2006
Audit Services		
- Audit and review of financial reports under the Corporations Act 2001	20,000	8,000
Non-Audit Services		
- Taxation Services	1,200	750

The Board has considered the position and, in accordance with the advice received from the audit committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are satisfied that the provision of non-audit services by the auditor, as set out above, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in Professional Statement F1, including acting in a management or a decision-making capacity for the Company or acting as advocate for the Company.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of West Australian Metals Ltd support and have adhered to the principles of corporate governance and have established a set of policies and manuals for the purpose of managing corporate governance. The Company's detailed corporate governance policy statement is contained in the additional Supplementary Information section of the annual report and can be viewed on the Company's web site at www.wametals.com.au.

Dated this 28th day of September 2007.

Signed in accordance with a resolution of the Directors:

L Reigys
Director

INCOME STATEMENT

For the year ended 30 June 2007

Continuing operations	Note	Consolidated		Company	
		2007	2006	2007	2006
Other revenues	2	181	12,022	-	29,592
Financial income	2	216,604	116,404	58,495	86,047
		216,785	128,426	58,495	115,639
Expenses					
Exploration and evaluation expenditure written off		30,391	469,033	17,493	18,865
Loss on sale of available-for-sale listed investments		15,000	-	15,000	-
Impairment in value / (reversal)					
- available-for-sale investments		(10,000)	27,500	-	117,500
- held-to-maturity investments		-	-	(141,360)	614,354
Administration expenses		1,345,697	467,431	1,331,853	247,961
Fair value of options granted as employee remuneration	12(c) (d)	391,220	-	391,220	-
Depreciation expense		26,144	5,365	25,956	6,708
Total expenses		1,798,452	969,329	1,640,162	1,005,388
Loss before income tax expense		(1,581,667)	(840,903)	(1,581,667)	(840,903)
Income tax expense	3	-	-	-	-
Net loss for the year		(1,581,667)	(840,903)	(1,581,667)	(840,903)
Earnings per share					
	20				
Basic loss per share (cents per share)		(0.80)	(0.48)		

Diluted losses per share are not disclosed as they are not materially different to basic losses per share.

The income statement should be read in conjunction with the accompanying notes.

BALANCE SHEET

as at 30 June 2007

	Note	Consolidated		Company	
		2007	2006	2007	2006
		\$	\$	\$	\$
ASSETS					
Current Assets					
Cash and cash equivalents	18	1,195,258	929,641	850,798	820,211
Trade and other receivables	4	67,479	100,369	62,909	73,460
Available-for-sale financial assets	5	390,000	660,000	-	190,000
Total Current Assets		1,652,737	1,690,010	913,707	1,083,671
Non-Current Assets					
Property, plant & equipment	6	118,688	56,545	118,688	54,038
Held-to-maturity investments	7	-	-	754,929	602,229
Exploration and evaluation expenditure	8	1,923,115	992,443	1,892,232	968,564
Other	9	20,403	-	20,403	-
Total Non-Current Assets		2,062,206	1,048,988	2,786,252	1,624,831
TOTAL ASSETS		3,714,943	2,738,998	3,699,959	2,708,502
LIABILITIES					
Current Liabilities					
Trade and other payables	10	268,812	129,605	253,828	99,109
Employee benefits	11	18,632	4,400	18,632	4,400
Total Current Liabilities		287,444	134,005	272,460	103,509
TOTAL LIABILITIES		287,444	134,005	272,460	103,509
NET ASSETS		3,427,499	2,604,993	3,427,499	2,604,993
Equity					
Issued capital	12	14,770,334	12,753,078	14,770,334	12,753,078
Reserves	12	756,917	1,180,000	756,917	1,180,000
Accumulated losses	13	(12,099,752)	(11,328,085)	(12,099,752)	(11,328,085)
TOTAL EQUITY		3,427,499	2,604,993	3,427,499	2,604,993

The above balance sheet should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2007

Total equity at the beginning of the financial year	2,604,993	1,482,928	2,604,933	1,482,928
Net expense recognised directly in equity				-
Loss for the year	(1,581,667)	(840,903)	(1,581,667)	(840,903)
<u>Transactions with equity holders in their capacity as equity holders</u>				
Contributions of equity, net of transaction costs	2,404,173	2,462,968	2,404,173	2,462,968
Equity distribution	-	(500,000)	-	(500,000)
Total equity at the end of the financial year	3,427,499	2,604,993	3,427,499	2,604,993

The above statement of changes in equity should be read in conjunction with the accompanying notes.

CASH FLOW STATEMENT

For the year ended 30 June 2007

	Note	Consolidated		Company	
		2007	2006	2007	2006
		\$	\$	\$	\$
Cash flows from operating activities					
Receipts from customers		-	21,123	-	21,123
Interest received		52,873	64,613	51,593	63,849
Payments to suppliers and employees		(1,148,754)	(502,194)	(1,145,449)	(493,915)
Net cash (outflow) from operating activities	19	(1,095,881)	(416,458)	(1,093,856)	(408,943)
Cash flows from investing activities					
Payments for property, plant & equipment		(90,606)	(56,804)	(90,606)	(54,391)
Loan to subsidiary		-	-	(11,340)	(492,300)
Purchase of tenements		-	(185,000)	-	(160,000)
Exploration expenditure		(961,063)	(492,238)	(941,161)	(38,428)
Proceeds from sale of plant & equipment		2,500	-	-	-
Proceeds from sale of available-for-sale investments		418,117	152,198	175,000	152,198
Payment of rental bonds		(20,403)	-	(20,403)	-
Net cash (outflow) from investing activities		(651,453)	(581,844)	(888,510)	(692,921)
Cash flows from financing activities					
Proceeds from issue of shares		2,115,146	1,884,499	2,115,146	1,884,499
Share issue costs		(102,193)	(186,532)	(102,193)	(186,532)
Net cash (outflow) inflow from financing activities		2,012,953	1,697,967	2,012,953	1,697,967
Net increase (decrease) in cash and cash equivalents		265,617	699,665	30,587	596,103
Cash and cash equivalents at the beginning of the financial year		929,641	229,976	820,211	224,108
Cash at the end of the financial year	18	1,195,258	929,641	850,798	820,211

The above cash flow statement should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2007

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRSs), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001.

Compliance with IFRSs

Australian Accounting Standards include AIFRS. Compliance with AIFRSs ensure that the financial statements and notes of West Australian Metals Ltd comply with International Financial Reporting Standards (IFRS).

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets (refer note 1 (g)).

Functional and Presentation Currency

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency and the functional currency of the majority of the Group's current financial transactions.

(b) Consolidation

The consolidated accounts incorporate the assets and liabilities of all entities controlled by West Australian Metals Ltd ("the Company") as at 30 June 2007 and the results of all controlled entities for the year then ended. West Australian Metals Ltd and its controlled entities are referred to in this financial report as the Group or the consolidated entity ("Consolidated").

The effects of all intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated in full.

(c) Income Tax

The income tax expense or revenue for the year is the tax payable on the current year's taxable income based on the national income tax rate, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

A deferred tax asset for unused tax losses is recognised only if it is probable that future taxable amounts will be available to utilise losses.

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

(d) Exploration Expenses

Exploration, evaluation, and relevant acquisition costs are accumulated separately for each area of interest. They comprise acquisition costs, direct exploration and evaluation costs, and an appropriate portion of related overhead expenditure. They do not include general overhead or administrative expenditure not having a specific nexus with a particular area of interest.

Expenditure on acquisition, exploration and evaluation relating to an area of interest is carried forward where rights to tenure of the area of interest are current and:

- i) the area has proven commercially recoverable reserves; or
- ii) exploration and evaluation activities are continuing in an area of interest but have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2007

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Exploration Expenses (Continued)

Economically recoverable reserves are defined as the estimated quantity of product in an area of interest, which can be expected to be profitably extracted, processed and sold under current and foreseeable economic conditions.

Exploration and evaluation expenditure which does not satisfy these criteria is written off.

At the end of each financial year the Directors assess the carrying value of the exploration expenditure carried forward in respect of each area of interest and where the carried forward carrying value is considered to be in excess of (i) above, the value of the area of interest is written down or provided against.

Revenue received from the sale or disposal of product, materials, or services during the exploration and evaluation phase of operations is not offset against expenditure in respect of the area of interest or mineral resource concerned but is taken into the financial statements as income.

(e) Cash and cash equivalents

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

(f) Plant and equipment

Plant and equipment is stated at historical cost less depreciation. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset during their expected useful life of 3 to 5 years.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not shown in the accounts at a value in excess of the recoverable amount from assets.

(g) Investments and other financial assets

Classification

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

Financial assets at fair value through profit and loss

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

Loans and receivables

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

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. Held-to-maturity investments are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

Available-for-sale financial assets

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

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus

transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed to the income statement. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

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

Subsequent measurement

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

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

Fair value

The fair value of quoted investments are based on last trade prices. If the market for financial assets is not active (and for unlisted securities), the Company establishes fair value by using valuation techniques.

Impairment

The Company assesses at each balance date whether there is objective evidence that a financial asset is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement.

(h) Employee benefits

Wages and salaries, annual leave and sick leave

Provision is made in respect of the Company's liability for annual leave at the reporting date. Employee benefits, including annual leave in respect of employee's service up to the reporting date, expected to be settled within twelve (12) months of the reporting date are recognised in provisions for employee benefits and are measured at the amounts expected to be paid when the liability is settled.

Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

Long service leave

The liability for long service leave expected to be settled within 12 months of the reporting date is recognised in the provision for employee benefits and is measured in accordance with wages and salaries above.

Superannuation

The amounts charged to the statement of financial performance for superannuation represents the contributions to superannuation funds in accordance with the statutory superannuation contributions requirements or an employee salary sacrifice arrangement. No liability exists for any further contributions by the Company in respect to any superannuation scheme.

Share Based Payment Transactions

The fair value of options granted to employees in relation to the employee share scheme is recognised as an employee expense, with a corresponding increase in equity, over the period in which the shares vest.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2007

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) **Share-based payments**

The Company recognises the goods or services received or acquired in a share-based payment transaction when it obtains the goods or as the services are received. The Company recognises a corresponding increase in equity if the goods or services were received in an equity-settled share-based payment transaction or a liability if the goods or services were acquired in a cash-settled shares-based payment transaction.

(j) **Earnings per share**

Basic earnings per share is determined by dividing the profit (loss) after income tax attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

(k) **Fair value estimation**

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

The fair value of financial instruments traded in active markets (such as shares in listed companies) is based on quoted market prices at the balance sheet date.

The nominal value, less any estimated credit adjustments, of trade receivables and payables are assumed to approximate their fair value.

(l) **Impairment of assets**

At each reporting date, the consolidated entity reviews the carrying amounts of its tangible 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).

(m) **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.

(n) **Provisions**

Provisions are recognised when the consolidated entity has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be reliably measured. The amount recognised as a provision is the best estimate of the of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation.

(o) **Revenue recognition**

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

(p) **Foreign Currency**

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australian dollars at foreign exchange rates ruling at the dates the fair value was determined.

(q) **Segment Reporting**

A segment is a distinguishable component of the consolidated entity that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

(r) **New accounting standards and UIG interpretations**

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

- (i) AASB7 Financial Instruments: Disclosures and AASB 2005-10 Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038] AASB 7 and AASB 2005-10 are applicable to annual reporting periods beginning on or after 1 January 2007. The Company has not adopted the standards early. Application of the standards will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Company's financial instruments.

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2007

	Consolidated		Company	
	2007	2006	2007	2006
	\$	\$	\$	\$
2. REVENUE FROM CONTINUING OPERATIONS				
Other revenues				
Profit on sale of tenements	-	12,022	-	-
Profit on sale of plant and equipment	181	-	-	-
Sundry income	-	-	-	29,592
	181	12,022	-	29,592
Financial income				
Interest received	63,487	64,614	58,495	63,849
Profit on sale of available-for-sale investments	153,117	22,198	-	22,198
	216,604	116,404	58,495	86,041
3. INCOME TAX				
Income tax expense	-	-	-	-
(Loss) for year	(1,581,667)	(840,903)	(1,581,667)	(840,903)
Add back unrealised gain on fair value increase in available-for-sale financial assets	-	(151,543)	-	(151,543)
Capitalised exploration expenditure	(961,063)	-	(941,161)	-
Non-deductible items	445,913	-	426,011	-
Unused tax losses for which no deferred tax asset has been recognised	(2,096,817)	(992,446)	(2,096,817)	(992,446)
Potential tax benefit at 30%	629,045	297,734	629,045	297,734
The directors estimate that the potential future income tax benefit, at the prevailing rate of 30% (2006 30%), at 30 June 2007 in respect of tax losses not brought to account is	4,440,318	3,811,273	4,440,318	3,811,273
No income tax expense has been provided in the accounts because the company has an operating loss for the year. No future tax benefit attributable to tax losses has been brought to account as recovery is not certain or assured.				
The benefit will only be obtained if the Company derives future assessable income of a nature and of an amount sufficient to enable the benefit to be realised, continues to comply with the conditions for deductibility imposed by taxation legislation and there are no changes in tax legislation adversely affecting the economic entity in realising the benefit.				
4. TRADE AND OTHER RECEIVABLES (Current asset)				
Debtors	21,335	48,993	16,903	22,084
GST refundable	46,144	42,805	46,006	42,805
Income tax franking credits	-	8,571	-	8,571
	67,479	100,369	62,909	73,460
5. AVAILABLE FOR SALE FINANCIAL ASSETS (Current asset)				
Shares in listed Australian companies at fair value	390,000	660,000	-	190,000

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2007

	Consolidated		Company	
	2007	2006	2007	2006
	\$	\$	\$	\$
6. PLANT AND EQUIPMENT				
(Non-current assets)				
At 1 July				
Cost	65,731	23,143	61,292	19,202
Less: Accumulated Depreciation	(9,186)	(13,702)	(7,254)	(10,426)
Net book value	56,545	9,441	54,038	8,776
Year ended 30 June 2007				
Opening net book amount	56,545	9,441	54,038	8,776
Additions	90,606	56,803	90,606	54,391
Disposals	(2,319)	(4,334)	-	(2,421)
Depreciation charge	(26,144)	(5,365)	(25,956)	(6,708)
Closing net book amount	118,688	56,545	118,688	54,038
At 30 June				
Cost	151,897	65,731	151,897	61,292
Less: Accumulated Depreciation	(33,209)	(9,186)	(33,209)	(7,254)
Net book value	118,688	56,545	118,688	54,038

7. HELD-TO-MATURITY INVESTMENTS (Non-current asset)

Loans to subsidiaries

At fair value

Opening balance at 1 July 2006	-	-	602,229	724,283
Addition	-	-	11,340	492,300
Net gain (loss) from fair value adjustment	-	-	141,360	(614,354)
Closing balance at 30 June 2007	-	-	754,929	602,229

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

Name	Country of Incorporation	Class of shares	Equity holding	
			2007	2006
Bronzewing Gold Ltd	Australia	Ordinary	100%	100%
West Australian Metals (Namibia) (Pty) Ltd	Namibia	Ordinary	100%	100%

	Company	
	2007	2006
	\$	\$
Contribution to group operating (loss)		
West Australian Metals Ltd	(1,723,027)	(226,549)
Bronzewing Gold Ltd	141,360	(614,354)
West Australian Metals (Namibia) (Pty) Ltd	0	0
	(1,581,667)	(840,903)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2007

	Consolidated		Company	
	2007	2006	2007	2006
	\$	\$	\$	\$
8. EXPLORATION AND EVALUATION EXPENDITURE				
(Non-current asset)				
EXPLORATION EXPENDITURE				
At fair value				
At beginning of year	992,443	722,216	968,564	24,000
Additional expenditure during year	961,063	492,238	941,161	38,429
Acquisition of tenements	-	950,000	--	925,000
Less: Disposals	-	(715,000)	-	-
Plus: Profit on disposals	-	12,022	-	-
Less: Expenditure written off	(30,391)	(469,033)	(17,493)	(18,865)
At end of year	1,923,115	992,443	1,892,232	968,564
The entity's activities in the Australian mining industry are subject to regulations and approvals including mining, heritage, environmental and the implications of the High Court of Australia decision in the "Mabo", "Wik" and other cases, the existing and future State and Federal legislation and any implications resulting from those. Approvals, although granted in most cases, are discretionary. The question of native title has yet to be determined on most tenement areas and could affect any mining title area whether granted by the State or not. At the date of this report the directors are unable to quantify the financial impact of any such claims.				
9. OTHER NON-CURRENT ASSETS				
Rental and security bonds	20,403	-	20,403	-
	20,403	-	20,403	-
10. PAYABLES				
(Current Liabilities)				
Trade payables	268,812	129,605	253,828	99,109
	268,812	129,605	253,828	99,109
11. PROVISIONS				
(Current Liabilities)				
Employee benefits - Annual Leave	18,632	4,400	18,632	4,400
Employee benefits - Long Service leave	-	-	-	-
	18,632	4,400	18,632	4,400

12. ISSUED CAPITAL AND RESERVES

(i) Issued Capital

	Consolidated		Company	
	2007	2006	2007	2006
	\$	\$	\$	\$
Total Issued Capital at beginning of period	12,753,078	11,160,110	12,753,078	11,160,110
(a) Ordinary Shares - Fully Paid				
Fully paid shares ordinary at 30 June 2006 191,972,746 (30 June 2005: 114,922,746)	12,717,078	11,160,110	12,717,078	11,160,110
Issuance of fully paid ordinary shares during the year: 9,500,000 (2005: 70,000,000)	1,900,000	1,680,000	1,900,000	1,680,000
Issue in connection with Marenica project Nil (2006: 3,000,000)	-	465,000	-	465,000
Options exercised: 4,302,917 (2006: 50,000)	219,449	2,500	219,449	2,500
Conversion of partly paid shares Nil: (2006: 4,000,000)	-	96,000	-	96,000
Distribution in specie	-	(500,000)	-	(500,000)
Transaction costs of issuing shares	(102,193)	(186,532)	(102,193)	(186,532)
205,775,663 fully paid ordinary shares at 30 June 2007 (30 June 2006: 191,972,746)	14,734,334	12,717,078	14,734,334	12,717,078
(b) Partly Paid ordinary shares issued at 2.4 cents and paid to 0.1 cent.				
Balance at beginning of year: 36,000,000 (2006: Nil)	36,000	-	36,000	-
Issuance of partly paid ordinary shares during the year Nil: (2006: 40,000,000)	-	40,000	-	40,000
Conversion to fully paid Nil: (2006: 4,000,000)	-	(4,000)	-	(4,000)
Balance at end of year: 36,000,000 (2006: 36,000,000)	36,000	36,000	36,000	36,000
Total Issued Capital at end of year	14,770,334	12,753,078	14,770,334	12,753,078

Notes

Ordinary shares participate in dividends and the proceeds on winding up of the Parent Entity in proportion to the number of shares held and the amounts paid on shares.

At shareholder meetings when a poll is called each ordinary share is entitled to one vote or proportion thereof in respect of partly paid shares, otherwise each shareholder has one vote on a show of hands.

12. ISSUED CAPITAL AND RESERVES - CONTINUED

(ii) Option Reserve

Option reserve comprises the consideration received for the issue of options over unissued ordinary shares of the Company and the fair value of options over unissued ordinary shares granted as employee remuneration until the options are exercised or expire.

	Consolidated		Company	
	2007	2006	2007	2006
	\$	\$	\$	\$
Total Option Reserve at beginning of year	370,000	-	370,000	-
(a) Listed Options to take up Ordinary Shares in the Company (exercisable up to expiry date of 24 August 2009 for a price of \$0.05 each)				
Balance at beginning of year: 72,950,000 (2006: Nil)	370,000	-	370,000	-
Issuance of this class of options during the year: 6,333,352 (2006: 70,000,000)	-	70,000	-	70,000
Issue in connection with Marenica Project Nil (2006: 3,000,000)	-	300,000	-	300,000
Exercise of options: 4,302,317: (2006: 50,000)	(4,303)	-	(4,303)	-
Balance at end of year: 74,980,435 (2006: 69,950,000)	365,697	370,000	365,697	370,000
(b) Unlisted Options to take up Ordinary Shares in the Company (exercisable up to expiry date in October and November 2007 for a price of \$0.188 each)				
Balance at beginning of year: 3,000,000 (2006: 3,000,000)	-	-	-	-
Movement: Nil	-	-	-	-
Balance at end of year: 3,000,000 (2006: 3,000,000)	-	-	-	-
(c) Unlisted Options to take up ordinary shares in the Company (exercisable up to expiry date of 30 November 2009 for a price of \$0.15 each)				
Balance at beginning of year: Nil (2006: Nil)	-	-	-	-
Issuance of this class of options during the year: 2,300,000 (2006: Nil)	228,620	-	228,620	-
Balance at the end of year: 2,300,000 (2006: Nil)	228,620	-	228,620	-
(d) Unlisted Options to take up ordinary shares in the Company (exercisable up to expiry dates from 30 November 2008 to 30 November 2009 for a price of \$0.10 each)				
Balance at beginning of year: Nil (2006: Nil)	-	-	-	-
Issuance of this class of options during the year: 3,250,000 (2006: Nil)	162,600	-	162,600	-
Balance at the end of year: 3,250,000 (2006: Nil)	162,600	-	162,600	-
Total Option Reserve at end of year	756,917	370,000	756,917	370,000

During the financial year, the Company issued options for no consideration over unissued ordinary shares in West Australian Metals Limited, pursuant to shareholders' approval, to the following Directors of the Company as part of their remuneration:

12. ISSUED CAPITAL AND RESERVES - CONTINUED

Director	Number of Options Granted	Date of Grant	Fair Value Each Option	Exercise Price	Expiry Date
Mr R Johnston	1,500,000	30 November 2006	\$0.0994	\$0.15	30 November 2009
Mr T Shanahan	800,000	30 November 2006	\$0.0994	\$0.15	30 November 2009
Mr L Reisgys	3,250,000	30 November 2006	\$0.05	\$0.10	30 November 2008 to 30 November 2009

The fair value of the above options was calculated at the date of grant using a Black & Scholes model which resulted in totals for fair value shown at Item B of the Remuneration Report.

During the previous financial year, the Company did not issue options over unissued ordinary shares in West Australian Metals Limited to Directors of the Company as part of their remuneration.

Options issued to Directors at any time and exercised during or since the end of the financial year were Nil.

Options are issued by the Company as an appropriate form of remuneration to provide Directors with incentives to maximise returns to shareholders.

(iii) Asset Revaluation Reserve

	Consolidated		Company	
	2007	2006	2007	2006
	\$	\$	\$	\$
Balance at beginning of year:	810,000	810,000	810,000	810,000
Transfer to accumulated losses after sale of asset in prior year	(810,000)	-	(810,000)	-
Balance at end of year:	-	810,000	-	810,000
(iv) Total Reserves at end of year	756,917	370,000	756,917	370,000
Share based payments				
Asset revaluation reserve	-	810,000	-	810,000
	756,917	1,180,000	756,917	1,180,000

13. ACCUMULATED LOSSES

Accumulated losses at beginning of year	(11,328,085)	(10,487,182)	(11,328,085)	(10,487,182)
Net losses attributable to members of the parent entity	(1,581,667)	(840,903)	(1,581,667)	(840,903)
Transfer from asset revaluation reserve	810,000	-	810,000	-
Accumulated losses at the end of the year	(12,099,752)	(11,328,085)	(12,099,752)	(11,328,085)

14. SEGMENTAL INFORMATION

The Company operated predominantly in one industry, in two geographic locations. The operations of the Company consisted of mineral exploration within Australia and Namibia.

Geographic Region	Revenue		Results		Assets	
	2007	2006	2007	2006	2007	2006
	\$	\$	\$	\$	\$	\$
Australia	216,785	128,426	(1,581,667)	(825,757)	1,868,756	1,798,542
Namibia	-	-	-	(15,146)	1,846,187	940,456
	216,785	128,426	(1,581,667)	(840,903)	3,714,943	2,738,998

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2007

15. RELATED PARTIES

During the previous financial year Mr Colless a former Director and later company secretary/chief financial officer had a significant financial interest in Mineral Administration Services Pty Ltd, a company that provided secretarial, accounting and financial administration services to the economic entity and was paid fees of \$12,000 including directors fees (2006: \$46,000). Mr Martin a former director had a significant financial interest in a company that provided consulting services and office accommodation to the economic entity and was paid fees of \$12,201 including directors fees and superannuation (2006: \$85,967). Mr Semmens the current Company Secretary was paid \$46,900 (2006: Nil) for administrative and secretarial fees. All dealings are in the ordinary course of business and on normal commercial terms and conditions.

Aggregate numbers of shares and share options of West Australian Metals Ltd acquired by directors or their director-related entities from the Company were as follows:-

	2007	2006
Ordinary shares	-	-
Options granted	5,550,000	-
Aggregate numbers of shares and share options of West Australian Metals Ltd held directly, indirectly or beneficially by directors or their director-related entities at balance date:-		
Ordinary shares	-	-
Options	5,550,000	-

16. INTEREST IN JOINT VENTURES

The Company has various interests in joint ventures over mineral projects. As at 30 June 2007, the joint ventures in existence were as follows:-

Badgebup - The Company has a 1.125% gross production income interest in a joint venture with Great Southern Resources Pty Limited.

Marenica, Namibia JV – The Company has earned the right to 80% interest in the Marenica Uranium Project in Namibia pursuant to a Joint Venture Agreement.

17. COMMITMENTS FOR EXPENDITURE

Mineral Tenement Leases

In order to maintain current rights of tenure to mining tenements, the economic entity will be required to outlay in 2007/08 amounts of approximately \$123,000 (2006: \$25,916) in respect of tenement lease rentals and in exploration expenditures to meet the minimum expenditure requirements of the various mines departments and farm-in obligations. These obligations will be fulfilled in the normal course of operations, which may include farm-out, joint venture and direct exploration expenditure. In the following four years the commitment is \$539,008 (2006: \$89,052).

Building Lease

The Company leases offices under a non-cancellable operating lease expiring within four years. Commitments for minimum lease payments are:

	Consolidated		Company	
	2007	2006	2007	2006
	\$	\$	\$	\$
Within one year	51,324	51,324	51,324	51,324
Later than one year but less than five years	103,560	154,884	103,560	154,884
	154,884	206,208	154,884	206,208

Administration Services

The Company entered into a non-cancellable service agreement on 16 May 2006, for a five year period. Commitments for payments are:

	Consolidated		Company	
	2007	2006	2007	2006
	\$	\$	\$	\$
Within one year	370,000	370,000	370,000	370,000
Later than one year but less than five years	693,750	1,063,750	693,750	1,063,750
	1,063,750	1,433,750	1,063,750	1,433,750

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2007

17. COMMITMENTS FOR EXPENDITURE (CONTINUED)

Employee Remuneration Commitments

Commitments under non-cancellable employment contracts with a Director not provided for in the financial statements.

	Consolidated		Company	
	2007	2006	2007	2006
	\$	\$	\$	\$
Within one year	260,000	260,000	260,000	260,000
Later than one year but less than five years	232,212	492,219	232,219	492,219
	492,219	752,219	492,219	752,219

18. RECONCILIATION OF CASH AND CASH EQUIVALENTS

Cash as at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the balance sheet as follows:

Cash at bank and on hand	99,072	271,573	83,537	162,143
Cash on deposit	1,096,186	658,068	767,261	658,068
Balance per statement of cash flows	1,195,258	929,641	850,798	820,211

19. RECONCILIATION OF LOSS AFTER INCOME TAX TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

Operating Profit (loss)	(1,581,667)	(840,903)	(1,581,667)	(840,903)
<u>Add (less) non cash items</u>				
(Profit) Loss on sale of available-for-sale investments	(138,117)	(22,198)	15,000	(22,198)
Depreciation	26,144	5,365	25,956	6,708
Exploration written off	30,391	287,433	17,493	2,825
Provision for exploration expenditure	-	(2,113,850)	-	16,040
(Profit) Loss on sale of investments	-	2,283,428	-	-
Provision annual leave	14,232	(19,304)	14,232	(19,304)
Provision long service leave	-	(13,930)	-	(13,930)
Provision for impairment/(reversal) of available-for-sale investments	(10,000)	27,500	-	(152,500)
Cost of fixed assets disposed	-	4,333	-	2,420
Loss on sale of plant and equipment	(181)	-	-	-
Fair value of options granted as employee remuneration	391,220	-	391,220	-
<u>Decrease/increase in operating assets and liabilities:</u>				
Administration receivables	32,873	(56,700)	10,551	(50,767)
Administration payables	139,224	42,368	154,719	13,311
<u>Add (less) items classified as investing or financing activities:</u>				
Provision for loan to subsidiary	-	-	(141,360)	649,354
Net cash (outflow) from operating activities	(1,095,881)	(416,458)	(1,093,856)	(408,943)

20. EARNINGS PER SHARE

(a) Basic earnings per share – cents per share

Loss attributable to the ordinary equity holders of the Company (0.80) (0.48)

(b) Diluted earnings per share

Diluted earnings per share are not disclosed as they are not materially different to basic earnings per share.

(c) Weighted average number of shares used as the denominator

Weighted average number of ordinary shares outstanding during the year used in calculation of basic earnings per share 197,385,941 175,446,445

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2007

21. AUDITORS' REMUNERATION

	Consolidated		Company	
	2007 \$	2006 \$	2007 \$	2006 \$
During the year the following fees were paid or payable for services provided by the auditor:				
(a) Audit services				
Audit and review of financial reports under the Corporations Act 2001	20,000	8,000	20,000	8,000
(b) Other services				
Income tax return preparation	1,200	750	1,200	750
Total remuneration of auditors	21,200	8,750	21,200	8,750

The Company has received notification from the Company's auditor that he satisfies the independence criterion and that there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct in relation to the audit. The Company is satisfied that the non-audit services provided is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

22. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

From 31st July – 10th August 2007, the Company received \$828,000 resulting from 36,000,000 Partly Paid Shares issued at 2.4 cents and paid to 0.1 cents being paid up in full.

23. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks.

Credit risk

The Company does not have any significant credit risk exposure to a single counterparty or any group of counterparties having similar characteristics.

The carrying amount of financial assets recorded in the financial statements, net of any provisions for losses, represents the Company's maximum exposure to credit risk without taking account of the fair value of any collateral or other security obtained.

Cash flow and fair value interest rate risk

Although the Company has significant interest bearing assets, the Company's income and operating cash flows are substantially independent of changes in market interest rates. The Company monitors interest rates to obtain the best terms and mix of cash flow.

24. CONTINGENT LIABILITIES

Payment

- (a) On 16 May 2006 the Company entered into a non-cancellation invoice agreement for a five year period. The agreement provides for a termination benefit payable to Corporate Admin Services Pty Ltd with a maximum termination liability at the date of these financial statements of \$740,000 plus GST.
- (b) On 7 April 2006, the Company entered into an Introduction Agreement with Mallee Minerals Pty Ltd in respect of a mineral licence in Namibia. Upon the Company receiving a Bankable Feasibility Study in respect of the Project or the Company delineating, classifying or reclassifying Uranium Resources in respect of the Project, the Company will pay to Mallee Minerals Pty Ltd:
 - (i) \$0.01 per tonne of Uranium Ore classified as Inferred Resources in respect of the Project;
 - (ii) \$0.02 per tonne of Uranium Ore classified as Indicated Resources in respect of the Project; and
 - (iii) \$0.03 per tonne of Uranium Ore classified as Measured Resources in respect of the Project

DIRECTORS' DECLARATION

The Directors declare that:

- a) the attached financial statements and notes thereto comply with Accounting Standards;
- b) the attached financial statements and notes thereto give a true and fair view of the financial position and performance of the Company and consolidated entity;
- c) in the directors opinion, the attached financial statements and notes thereto are in accordance with the Corporation Act 2001; and
- d) 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

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

Signed at Perth this 28th day of September 2007.

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

On behalf of the Directors

L Reigys
Director

INDEPENDENT AUDITOR'S REPORT **to the members of West Australian Metals Ltd**

Scope

The financial report comprises the income statement, statement of changes in equity, balance sheet, statement of cashflows, accompanying notes, the disclosures made as required by AASB 124 *Related party disclosures* of the remuneration report in the Directors' report and directors' declaration of the Group comprising West Australian Metals Ltd, the Company, and the entities it controlled at 30 June 2007 or from time to time during the financial year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement and the remuneration disclosures in the Directors' report comply with AASB 124. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly in accordance with the Corporations Act 2001, Australian Accounting Standards and other mandatory professional reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows and whether the remuneration disclosures in the Directors' report comply with AASB 124.

We formed our opinion on the basis of these procedures, which included:

- examining on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

Whilst we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Independence

We are independent of the company, and have met the independence requirements of Australian professional ethical requirements and the Corporations Act 2001.

Audit opinion

In our opinion:

- 1 the financial report of West Australian Metals Ltd is in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of West Australian Metals Ltd and the consolidated entity as at 30 June 2007 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001;
- 2 the remuneration disclosures in the Directors' report comply with AASB 124 *Related Party Disclosures*.

Rothsay

Frank Vrachas
Partner

Dated 28th September 2007

*The liability of Rothsay is limited by the Accountants' Scheme, approved
under the Professional Standards Act 1994 (NSW)*

CORPORATE GOVERNANCE

INTRODUCTION

West Australian Metals Limited ("**Company**") has adopted systems of control and accountability as the basis for the administration of corporate governance. Some of these policies and procedures are summarised below.

The following additional information about the Company's corporate governance practices is set out on the Company's website at www.wametals.com.au :

- Corporate Governance Disclosures and explanations;
- Statement of Board and Management Functions (Board Charter);
- Nomination Committee Charter;
- Policy and Procedure for Selection and Appointment of New Directors;
- Summary of Code of Conduct for Company Executives;
- Summary of Policy for Trading in Company Securities;
- Audit Committee Charter;
- Procedure for Selection, Appointment and Rotation of External Auditor;
- Summary of Compliance Procedures for ASX Listing Rule Disclosure;
- Shareholder Communication Strategy;
- Summary of Company's Risk Management Policy and Internal Compliance and Control System;
- Remuneration Committee Charter; and
- Corporate Code of Conduct.

COMPLIANCE WITH PRINCIPLES OF GOOD CORPORATE GOVERNANCE AND BEST PRACTICE RECOMMENDATIONS

The Company, during the financial year ended 30 June 2007 (the **Reporting Period**), has continued to follow the ASX Corporate Governance Council Principles of Good Corporate Governance and Best Practice Recommendations (**ASX Principles and Recommendations**).

1. Management and oversight

The Board has adopted a charter setting out the purpose and role of the Board, its responsibilities and powers and the way in which the Board functions.

Formal letters of engagement setting out key terms and conditions of appointment are in place for non executive directors and the Executive Director was employed pursuant to an engagement agreement including a formal job description.

2. Board structure

Throughout the Reporting Period the Board comprised three directors of which two were considered to be independent.

In accordance with the Constitution of the Company, all directors, other than the Managing Director, must retire from office no later than the third annual general meeting following their last election and that one third of the directors are to retire from office at each annual general meeting. Where eligible, a director may stand for re-election.

The Chairman is an independent non executive director.

CORPORATE GOVERNANCE

During the Reporting Period the directors were:

- Mr Rodger Stuart Johnston, independent non executive director, was appointed to the Board on 24 May 2005. Mr Johnston assumed the role of Chairman of the Board on 16 September 2005.
- Mr Leon Reisgys was appointed to the Board on the 22 May 2006 as Technical Director and Acting Chief Executive Officer.
- Mr Terence John Shanahan was appointed an independent non executive director on 7 September 2005.

Profiles of the directors are set out in the Directors' Report.

The independence of Mr Johnston and Mr Shanahan, the Company's two non-executive directors, was considered in the context of the ASX suggested criteria for independence, which was included in the commentary to the ASX Principles and Recommendations. Mr Johnston and Mr Shanahan are considered independent in accordance with the criteria.

If a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of his office as a director then, provided the director first obtains approval for incurring such expense from the Chairman, the Company will pay the reasonable expenses associated with obtaining such advice.

The full Board comprises the nomination committee which operates in accordance with the nomination committee charter.

3. Responsible decision making

The Board has adopted a code of conduct for directors and executives. The Board has also adopted a policy on trading in the Company's securities by directors, officers and employees of the Company.

4. Integrity of financial reporting

The Board has established a structure to independently verify and safeguard the integrity of the company's financial reporting and to ensure the independence and competence of the Company's external auditor.

The Board requires the Technical Director and the Company Secretary to state in writing that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards; that this opinion is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and that the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

The Board has established an audit committee which operates under a formal charter. The only member of the audit committee during is Mr Rodger Johnston, an independent , non executive director. The Board considers the composition of the audit committee, although not meeting the recommended size of at least three members, to be satisfactory in view of the Company's current scope of activities and the most appropriate structure to ensure the integrity of the Company's financial reporting. The audit committee reviews the Company's financial reporting systems on an ongoing basis.

5. Timely and balanced disclosure

The Board is committed to complying with the continuous disclosure obligations of the Corporations Act 2001 and the listing rules of Australian Stock Exchange Limited. The Board has established a policy and procedures for compliance with these requirements.

CORPORATE GOVERNANCE

6. Shareholder rights

The Board has established arrangements for communication and participation of shareholders.

The Company maintains an up to date website comprising corporate information, synopses of the Company's projects, periodic reports and announcements. Hard copies of publicly released documents are available from the Company on request.

Shareholders are given a reasonable opportunity to ask questions of the Board at general meetings. The external auditor is invited to such meetings to answer questions from shareholders on matters relating to the audit of the Company's financial statements.

7. Risk management

The Board has adopted an internal control framework and a risk management policy designed to ensure operational, legal and financial risks are identified, assessed, addressed and monitored. As stated previously, the Technical Director and the Company Secretary are required to provide a statement that the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects (see item 4 above).

8. Enhancement of performance

During the Reporting Period an evaluation of the Board and its members was carried out. The evaluation process comprised an ongoing review by the Chairman. The full Board reviews the performance of the Executive Director on an ongoing basis.

9. Remuneration

The Board's remuneration policy is set out in the Remuneration Report section of the Directors' Report.

The remuneration committee comprises the full Board. During the reporting period, the Board once considered remuneration matters. No director participated in any deliberation regarding his own remuneration or related issues.

10. Stakeholder interests.

The Board has adopted a corporate code of conduct setting out the standard which the Board, management and employees of the Company are encouraged to comply with when dealing with each other, shareholders and the broader community.