WESTONIA MINES LIMITED

# QUARTERLY REPORT FOR THREE MONTHS ENDED 31 MARCH 2005

## SUMMARY


- The Board of Directors has decided that at present the Westonia Project in its current form is too marginal to develop and that further investment is warranted in order to realise full value from the resource.
- Preparations to implement a new initiative, which comprises a dewatering programme followed by grade control and resource drilling programmes has commenced. The new initiative is aimed at significantly upgrading the overall robustness of the Westonia project and the subsequent development of the Westonia Gold Mine.
- In order to implement the new initiative, the Company has appointed a new Managing Director, Company Secretary (and Chief Financial Officer) and Westonia Resident Manager.
- A fully underwritten one for two non-renounceable entitlements issue at 10 cents will raise approximately $5 million (net of issue expenses) to fund the new initiative. Major shareholder Lion Selection Group will take up its full 37% entitlement.
- In addition to the entitlements issue, investors may also subscribe for shares at 10 cents by participating in the General Offer to raise up to $0.5M. The General Offer is not underwritten.
- Selective, targeted exploration will be undertaken to further test already identified anomalies on the substantial tenement position.



Contact Details: Westonia Mines Limited ABN 074 084 669 036
9 Havelock Street, West Perth, WA 6000 Telephone: +61 8 9321 3088 Facsimile: +61 8 9321 8804
Email: manager@westoniamines.com.au Web site: www.westoniamines.com.au
ASX Codes: WEZ, WEZO

## MANAGEMENT CHANGES

### Managing Director

Mr David Hatch joined Westonia as the Managing Director on 31st March 2005 following the resignation of Mr Andrew Drummond. Mr Hatch is an internationally experienced Mining Engineer with a strong operations track record in open pit and underground mines across a number of mineral commodities.

Mr Drummond will consult to the Company on an as required basis. Mr Drummond and family members remain as major shareholders.

### Company Secretary and Chief Financial Officer

Mr Dennis Wilkins also joined Westonia as Company Secretary and Chief Financial Officer during the quarter.

### Resident Manager

During the past week, the Company appointed a Resident Manager for the Westonia site. Mr Rowan Johnston is a Mining Engineer with a First Class Managers Certificate of Competency who has extensive senior operational management and feasibility study experience.

## NEW INITIATIVE

In mid 2004 Westonia Mines Limited announced that it had completed a Bankable Feasibility Study ('BFS') at its wholly owned Westonia gold project. Subsequently, the tender prices received from mining and construction contractors increased significantly from the indicative tenders on which the BFS was based. In combination with the continuing strong Australian dollar and rising fuel prices, project economics were downgraded.

The Company has spent the last few months trying to minimise the impact of these factors by critically examining every aspect of the project, for example, assessing different development routes, mill configurations and resource and reserve grade re-estimations. Following completion of this work, the Board reluctantly determined that proceeding with the project in its current form would not provide a satisfactory return to shareholders and that a new initiative was required.

A factor which adversely impacted upon the BFS economics is a 'data shadow' caused by the inability to drill immediately under the flooded open pit. This resulted in an inability to convert some resources to bankable reserves and, in the Company's opinion, a substantial shortfall in contained ounces of gold within any pit design. At Westonia, there is a broad correlation between drillhole density and estimated resource ounces. Consequently, it is believed that the poor drill density beneath the pit floor is compromising the ability of the mineral resource model to adequately predict ore tonnes and grade.

Accordingly, the Board decided to commit to a programme aimed at substantially upgrading the open pittable resource, which it believes will significantly improve the robustness of the Westonia project economics. Largely as a subset of mine development, the Company will undertake the following activities:

- Pit access and haul road remediation.
- Refurbishment of existing evaporation ponds and the construction of another pond if required.
- Access to power supply and services where required.
- Accelerated mine dewatering.
- Intensive RC grade control drill programme along dewatered pit floor.
- Subject to the outcome of the RC grade control programme, carry out the necessary resource infill drilling in the expectation of adding contained ounces and improving the levels of resource confidence.

Drilling programmes from the pit floor are aimed at achieving:

- Validation by intensive RC grade control of the degree of mineralisation currently modelled beneath the pit floor between 70 and 110 metres depth.

- Utilising the intensive grade control data if appropriate to calibrate the overall mineral resource.

- Infill drilling to address significant gaps in the drill dataset, between 110 and 200 metres depth, especially in proximity to the more highly mineralised footwall contact to add newly defined ounces.

- Conversion of JORC-compliant inferred resources to indicated status.

- A better understanding of the overall grade-tonnage distribution and whether in the shorter term higher mining cut-off grades are achievable to ensure early debt repayment.

The above programme, inclusive of re-assessment of project economics and the Bankable Feasibility Study, is expected to be concluded during the June 2006 quarter.

## FINANCING - CAPITAL RAISING

The Board announced a fully underwritten one-for-two non-renounceable entitlements issue at 10 cents a share to raise approximately $5 million (net of issue expenses) which is underwritten by Euroz Securities Limited. Our major shareholder, Lion Selection Group will take up its full 37% entitlement, thereby contributing $1.9M towards the required fund raising.

In addition to the entitlements issue, investors may also subscribe for shares at 10 cents by participating in the General Offer to raise up to $0.5M. The General Offer is not underwritten.

The Short Form Prospectus will be sent to shareholders next week and is also available on the Company's website, www.westoniamines.com.au.

## UNDERGROUND

The re-start of the Westonia project will be based on the establishment of a viable open pit mine. As previously stated, however, there is significant future underground mining potential.

Some consultant 3-D computer modelling of the high grade reefs is continuing. This will ultimately be integrated with the above-mentioned grade control modelling in order to plan and target deeper resource holes for both open pit and underground geological resources.

## EXPLORATION

The Company will over the next two months be developing a strategic twelve month exploration plan. The aim of the plan will be to add value to the Company's asset base by exploring on the substantial tenement position on the Westonia Greenstone Belt.

Accordingly, the strategy will integrate all known information, be used to generate and rank drill targets and will be aimed at producing results worthy of follow up.

Funding to implement the exploration strategic plan will be finite and will rank behind the requirements of the Westonia open pit project. Details of the exploration strategy will be advised once agreed by the Board of Directors.

## GREENFINCH

Due to its immediate proximity to Westonia, an integral aspect of the exploration strategy will be an assessment of the value-add potential of the Company's Greenfinch prospect.

This assessment will be undertaken in the context of whether Greenfinch is likely to contribute towards a more economically robust Westonia Project.

**For further information:**

**David Hatch**
**Managing Director**

**(08) 9321 3088**

**29th April 2005**