Westonia Mines Limited

ABN 74 084 669 036

Annual Financial Report

for the year ended 30 June 2005

Corporate Information

ABN 74 084 669 036

Directors
Pieter W Greeff (Non-Executive Chairman)
David F Hatch (Managing Director)
Murray G Pollock (Non-Executive Director)
Chris P Melloy (Non-Executive Director)
Mark Fitzpatrick (Non-Executive Director)

Company Secretary
Dennis Wilkins

Registered Office
Level 1, 9 Havelock Street
West Perth WA 6005
(618) 9321 3088

Share Register
Security Transfer Registrars
770 Canning Highway
Applecross WA 6153
Tel: (618) 9315 2333
Fax: (618) 9315 2233

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

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

Internet Address
www.westoniamines.com.au

Contents

Directors' Report

Your directors submit their report for the year ended 30 June 2005.

DIRECTORS

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

Names, qualifications, experience and special responsibilities

Pieter W Greeff (60), BSc Eng (Mining), MEng, FAusIMM, FAICD (Non-Executive Chairman)

Mr Greeff is a mining engineer with 36 years experience in Australia and overseas based with major international mining companies, in the gold, base metal and coal sectors.

Peter was the Non-Executive Chairman of Austindo Resources Corporation from March 2001 to June 2005 and has been a Non-Executive Director of Alexander Resources Ltd since March 2005.

Andrew J Drummond (54), BSc (Hons), FAusIMM, CPMan, CPGeo, MAIG, MGSA, FAICD (Managing Director)

Mr Drummond is a geologist with 32 years experience in the exploration, mining and mineral consultancy industries. This has included directorships and managing directorships of several listed and non-listed public companies including Bonaparte Diamond Mines NL and Carpenter Resources NL.

Mr Drummond resigned on 31 March 2005.

David F Hatch (51), Assoc MEng, MAusIMM, MAICD (Managing Director)

Mr Hatch is a Mining Engineer with 29 years experience in a range of mineral commodities. His strong operations management and leadership background includes open pit and underground mines within Australia and several overseas locations.

Mr Hatch was appointed on 31 March 2005

Murray G Pollock (57), MAICD (Non-Executive Director)

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

Chris P Melloy (50), BE (Hons), MEngSc, GDipAppFin (Sec Inst), MAusIMM, ASIA (Non-Executive Director)

Mr Melloy is an Executive Director of Lion Manager, the management company responsible for the operation of Lion Selection Group as well as a Executive Director of Austindo Resources Corporation NL .

He has 28 years experience in the mining industry in both operations and finance, including mine planning, operating and senior mine management roles, as well as mining analysis and research in the stock broking industry.

David M Macoboy (56), BEc, B.Com, CPA (Non-Executive Director)

Mr Macoboy is currently a director of Consolidated Minerals Ltd and Monarch Resources Ltd. He has previously held senior management positions or directorships with Portman Mining Ltd, Australian Capital Equity, Merrill Lynch and Challenge Bank.

Mr Macoboy resigned on 26 June 2005.

Mark Fitzpatrick (53), B.E., MBA, MMR, FAIM,FAICD,MIEAust (Non-Executive Director)

As a venture capitalist, CEO and corporate consultant, Mr Fitzpatrick has been actively involved in the development and growth of a diverse range of businesses and resources projects in Australia over the last 30 years. He is an experienced company director and former CEO of the United Construction Group, with 'hands on' experience in resource project financing, project management and investment banking.

Mr Fitzpatrick was appointed on 03 August 2005.

Directors' Report continued

COMPANY SECRETARY

Dennis Wilkins (42), B.Bus., MAICD, MACIS

Mr Dennis Wilkins is an accountant who has been a director, company secretary or acted in a corporate advisory capacity to listed resource companies for over 20 years.

Mr Wilkins previously served as the Finance Director and Company Secretary for a mid tier gold producer and also spent five years working for a leading merchant bank in the United Kingdom. Resource postings to Indonesia, South Africa and New Zealand in managerial roles has broadened his international experience.

Mr Wilkins has extensive experience in capital raising specifically for the resources industry and is the principal of DWCorporate which provides advisory, funding and administrative management services to the resource sector. Mr Wilkins is a director of South Boulder Mines Limited, Marengo Mining Limited and Bonaparte Diamond Mines NL.

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

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

	Ordinary Shares	Options over Ordinary Shares
Pieter W Greeff	236,250	383,333
David F Hatch	-	-
Murray G Pollock	13,590,054	3,750,477
Chris P Melloy	1,070,000	23,333
Mark Fitzpatrick	391,667	-

DIVIDENDS

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

CORPORATE INFORMATION

Nature of operations and principal activities

In 2004, Westonia Mines Limited progressed towards developing the Westonia Gold Mine. Adverse cost movements during 2004 and the strengthening of the AUD resulted in the project as defined at the time becoming unviable. The board subsequently made the decision not to proceed with project development.

In early 2005, a strategic review of the project was carried out. This review concluded that there was a strong likelihood the geological resource was significantly understated and that realising the full potential of the open pit resource should result in a far more robust project. In order to demonstrate the believed resource upside, the company needed to dewater the open pit to gain access to the pit floor and then conduct a programme of targeted drilling.

After scoping and costing the proposed programme, management proceeded to raise new equity funds to implement the dewatering and drilling programmes. A total of $6.67 million of new funding was raised and was deposited into Westonia's accounts by 30 June 2005.

The company began the financial year with a cash reserve of $1.46 million. Funds continue to be used to actively advance the company's Westonia Gold Project located in Western Australia. Two raisings were completed during the year to facilitate the ongoing development work at the Westonia Gold Mine.

In December 2004, 4 million shares were placed at an issue price of $0.25 to raise an additional $1 million (gross). In June 2005 a further placement raised an additional $6.67 million at 6 cents per share and this resulted in the company having a cash surplus in excess of $7.2 million as at year end. This has strengthened the company's financial position to advance the evaluation of the Westonia Gold Project.

Apart from the above, there has been no significant change in the nature of the companys' activities during the year. The company remains committed to realising the full potential of developing the Westonia Gold Mine.

Employees

The consolidated entity employed 2 employees as at 30 June 2005 (2004: 3 employees).

Directors' Report continued

OPERATING AND FINANCIAL REVIEW

Operating Results for the Year

The operating loss after income tax of the consolidated entity for the year ended 30 June 2005 was $940,644 (2004: $1,011,125).

Summarised operating results are as follows:

	2005	
	Revenues	Results
	$	$
Geographic segments		
Australia	384,031	(940,644)
Consolidated entity revenues and loss from ordinary activities before income tax expense	384,031	(940,644)

Shareholder Returns

	2005	2004
Basic loss per share (cents)	**(0.9)**	(1.0)

Risk Management

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

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

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

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

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

As noted above the company has reassessed the development plans for the Westonia Gold Mine. This resulted in the development of a revised strategic plan for the company and necessitated the sourcing of additional equity capital (also noted above). In addition to this the company negotiated the terms of the Big Bell acquisition agreement to allow the company extra time to remove the plant from its current location. This renegotiation included an obligation to increase the performance guarantee from $250,000 to $1.5 million.

The performance guarantee was entered into prior to year-end with documentation being completed shortly afterwards. As noted below in "Significant Events after the Balance Date" the company cash backed the performance guarantee.

In addition to this the board has been restructured initially with the appointment of a new managing director and the subsequently with a new independent director.

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

Directors' Report continued

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

Subsequent to year end the company continued on with the implementation of its revised strategic plan. Significant events occurring after balance date included the following:

- The company placed $1.5 million on deposit to satisfy the terms of a performance bond entered into in order to guarantee the rehabilitation obligations related to the site upon which the company's plant (the Big Bell plant) is currently located. The posting of additional performance bonds over the Big Bell Mill,
- The commencement of dewatering of the Westonia Pit.

Apart from the matters disclosed above, or elsewhere in this report, 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 consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The likely developments and expected results of the company's operations will reflect the results of the review currently being conducted in accordance with the revised strategic plan for the company. The likely developments will include a greater understanding of the Westonia region to host further economic deposits of gold. The company is unable to forecast the expected results of these developments as the outcome of the review is uncertain and unknown at this stage.

ENVIRONMENTAL REGULATION AND PERFORMANCE

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

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

SHARE OPTIONS

Unissued shares

At the date of this report there are 28,164,669 unissued ordinary shares in respect of which options are outstanding. These options do not entitle the holders to participate in any share issue of the company or any other body corporate.

	Number of options
Balance at the beginning of the year	30,018,001
Share options issued/(exercised) during the year	
Exercisable at 20 cents, on or before 20 August 2006	(43,332)
Share options lapsed during the year	-
Exercisable at 30 cents, on or before 14 September 2004	(500,000)
Exercisable at 30 cents, on or before 31 May 2005	(800,000)
Exercisable at 36 cents, on or before 17 July 2006	(120,000)
Exercisable at 43 cents, on or before 17 July 2006	(120,000)
Exercisable at 50 cents, on or before 17 July 2006	(120,000)
Exercisable at 36 cents, on or before 27 April 2007	(75,000)
Exercisable at 42 cents, on or before 27 April 2007	(75,000)
Total options exercised/lapsed to 30 June 2005	(1,853,332)
Total number of options outstanding as at 30 June 2005	28,164,669
Issued subsequent to balance date	-
Total number of options outstanding at the date of this report	**28,164,669**

Directors' Report continued

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

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

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

(a) a wilful breach of duty; or

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

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

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

REMUNERATION REPORT

This report outlines the remuneration arrangements in place for directors and executives of Westonia Mines Limited.

Remuneration policy

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

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

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

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

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

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

All remuneration paid to directors and executives is valued at the cost to the company and expensed. Shares given to directors and executives are valued as the difference between the market price of those shares and the amount paid by the director or executive. Options are valued using the Black-Scholes methodology.

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

Performance based remuneration

The remuneration policy has been tailored to increase goal congruence between shareholders and directors and executives. Currently, this is facilitated through the issue of options to executives to encourage the alignment of personal and shareholder interests. The company believes this policy will be effective in increasing shareholder wealth. For details of directors and executives interests in options at year end, refer note 25.

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

The remuneration policy has been tailored to increase goal congruence between shareholders and directors and executives. Currently, this is facilitated through the issue of options to executives to encourage the alignment of personal and shareholder interests. The company believes this policy will be effective in increasing shareholder wealth. For details of directors and executives interests in options at year end, refer note 25.

Directors' Report continued

Employment contracts of directors and senior executives

The agreements relating to remuneration are set out below:

David Hatch, Managing Director:

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

Dennis Wilkins, Company Secretary:

- Term of agreement - 1 months notice of termination required.
- Fixed fee, $50,000 per annum (includes company secretarial and other corporate services).

Table 1: Director remuneration for the year ended 30 June 2005

	Primary benefits			Post Employment		Equity	Other	Total
	Salary & Fees	Cash STI	Non Monetary	Superan-nuation	Retirement benefits	Options	Bonuses	
Pieter W Greeff								
2005	**25,000**	-	-	**2,250**	-	-	-	**27,250**
2004	25,000	-	-	2,250	-	-	-	27,250
Andrew J Drummond								
2005*	**321,804**	-	-	**14,147**	-	-	-	**335,951**
2004	180,196	-	7,568	16,218	-	-	-	203,982
David F Hatch								
2005	**90,500**	-	**3,250**	**8,145**	-	-	-	**101,895**
2004	-	-	-	-	-	-	-	-
Murray G Pollock								
2005	**20,000**	-	-	**1,800**	-	-	-	**21,800**
2004	20,000	-	-	1,800	-	-	-	21,800
Chris P Melloy**								
2005	**20,000**	-	-	-	-	-	-	**20,000**
2004	20,000	-	-	-	-	-	-	20,000
David M Macoboy								
2005	**20,000**	-	-	**1,800**	-	-	-	**21,800**
2004	18,333	-	-	1,650	-	-	-	19,983
Mark Fitzpatrick								
2005	-	-	-	-	-	-	-	-
2004	-	-	-	-	-	-	-	-

* - Payments made to Mr Drummond include termination payments paid upon his resignation as a director.

** - These payments are payments to Lion Manager, the management company responsible for the operation of Lion Selection Group, for the services of Mr Chris Melloy as a Non-Executive director. Refer note 26.

Directors' Report continued

Table 2: Remuneration of the 5 named executives who receive the highest remuneration for the year ended 30 June 2005

	Primary benefits			Post Employment		Equity	Other	Total
	Salary & Fees	Cash STI	Non Monetary	Superannuation	Retirement benefits	Options	Bonuses	
Dennis Wilkins								
2005	**15,982**	-	-	-	-	-	-	**15,982**
2004	-	-	-	-	-	-	-	-
Mark Churchward								
2005	**63,353**	-	-	**5,702**	-	-	-	**69,055**
2004	-	-	-	-	-	-	-	-
Ian Kerr								
2005	**120,525**	-	-	**10,847**	-	-	-	**131,372**
2004	200,000	-	6,058	18,000	-	9,232	-	233,290

Table 3: Options granted as part of remuneration for the year ended 30 June 2005

Options are issued to directors and executives as part of their remuneration. The options are issued to encourage increased performance and goal congruence between executives, directors and shareholders. No options were granted as part of remuneration during the year. For details of directors and executives interests in options at year end, refer note 25.

Table 4: Performance Income as a proportion of total remuneration

No performance based bonuses have been paid to executive directors and executives during the financial year. However, as noted above the directors are recommending an option package be approved for the managing director and the forthcoming annual general meeting. In addition, it is the intent of the board to consider performance bonuses as part of remuneration packages when mine production commences.

DIRECTORS' MEETINGS

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of the company during the financial year are:

	Directors' Meetings		Meetings of Committees Audit	
	A	**B**	**A**	**B**
Number of meetings attended:				
Pieter W Greeff	8	9	*	*
Andrew J Drummond	6	6	*	*
David F Hatch	3	3	*	*
Murray G Pollock	9	9	2	2
Chris P Melloy	9	9	*	*
David M Macoboy	8	9	2	2
Mark Fitzpatrick	0	0	0	0

Notes

A - Number of meetings attended.

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

* - Not a member of the relevant committee

The audit committee comprises Murray Pollock and Mark Fitzpatrick with Dennis Wilkins in attendance.

Directors' Report continued

AUDITOR INDEPENDENCE

The auditors' independence declaration for the year ended 30 June 2005 has been received and can be found on page 43.

NON-AUDIT SERVICES

No non-audit services were provided by the entity's auditor, Ord Partners and no fees were paid or payable to Ord Partners for non-audit services for the year ended 30 June 2005.

Signed in accordance with a resolution of the directors.

David F Hatch
Managing Director

Perth, 30 September 2005

Corporate Governance Statement

The board of directors

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

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

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

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

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

Role of the board

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

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

Appointments to other boards

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

Independent professional advice

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

Continuous review of corporate governance

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

ASX principles of good corporate governance

The board has reviewed its current practices in light of the ASX principles of good corporate governance and best practice guidelines 2004 with a view to making amendments where applicable after considering the company's size and the resources it has available. As the company's activities develop in size, nature and scope, the size of the board and the implementation of any additional formal corporate governance committees will be given further consideration.

The following table sets out the company's present position with regard to adoption of these principles.

Corporate Governance Statement continued

	ASX Principle	Status	Reference/comment
Principle 1:	**Lay solid foundations for management and oversight**		
1.1	Formalise and disclose the functions reserved to the board and those delegated to management	**N/A**	The company has not adopted this recommendation to formalise and disclose the functions reserved to the board and those delegated to management. The company has a small board, comprising five directors, four of whom are non-executive (including the chairman). The company considers the expense of sourcing additional directors at this stage of its development is unwarranted. The roles and functions within the company must remain flexible in order for it to best function within its level of available resources. The full board currently meets every month. In addition, strategy meetings and any extraordinary meetings are held at such other times as may be necessary to address any specific significant matters that may arise. The board believes the alignment of the interests of directors with those of shareholders as being the most efficient way to ensure shareholders interests are protected.
Principle 2:	**Structure the board to add value**		
2.1	A majority of board members should be independent directors	**N/A**	Given the company's background, the nature and size of its business and the current stage of its development, the board comprises five directors, four of whom are non-executive (including the independent chairman). The board believes that this is both appropriate and acceptable at this stage of the company's development.
2.2	The chairperson should be an independent director	**A**	
2.3	The roles of chairperson and chief executive officer should not be exercised by the same individual	**A**	The positions of chairman and managing director are held by separate persons.
2.4	The board should establish a nomination committee	**N/A**	The board has no formal nomination committee. Acting in its ordinary capacity from time to time as required, the board carries out the process of determining the need for, screening and appointing new directors. In view of the size and resources available to the company, it is not considered that a separate nomination committee would add any substance to this process.
2.5	Provide the information indicated in guide to reporting on principle 2	**A (in part)**	The skills and experience of directors are set out in the company's annual report and on its website.
Principle 3:	**Promote ethical and responsible decision-making**		
3.1	Establish a code of conduct to guide the directors, the chief executive officer (or equivalent), the chief financial officer (or equivalent) and any other key executives as to: 3.1.1 the practices necessary to maintain confidence in the company's integrity 3.1.2 the responsibility and accountability of individuals for reporting or investigating reports of unethical practices	**A**	The company has formulated a code of conduct which can be viewed on the company's website.

A = Adopted
N/A = Not adopted

Corporate Governance Statement continued

	ASX Principle	Status	Reference/comment
Principle 3: *(continued)*	**Promote ethical and responsible decision-making**		
3.2	Disclose the policy concerning trading in company securities by directors, officers and employees	**A**	The company has formulated a securities trading policy which can be viewed on its website.
3.3	Provide the information indicated in guide to reporting on principle 3	**A**	The company has established an audit committee which comprises two non-executive directors. The charter for this committee is disclosed on the company's website. Sourcing alternative or additional directors to strictly comply with this principle is considered expensive with costs outweighing potential benefits. In addition, the board as a whole addresses the governance aspects of the full scope of the company's activities to ensure that it adheres to appropriate ethical standards. All matters which might properly be dealt with by special committees are subject to regular scrutiny at full board meetings.
Principle 4:	**Safeguard integrity in financial reporting**		
4.1	Require the chief executive officer (or equivalent) and the chief financial officer (or equivalent) to state in writing to the board 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	**A**	
4.2	The board should establish an audit committee	**A**	
4.3	Structure the audit committee so that it consists of:	**A (in part)**	
	• Only non-executive directors	✔	
	• A majority of independent directors	✘	
	• An independent chairperson who is not the chairperson of the board	✔	
	• At least three members	✘	
4.4	The audit committee should have a formal charter	**A**	
4.5	Provide the information indicated in guide to reporting on Principle 4	**A**	
Principle 5:	**Make timely and balanced disclosure**		
5.1	Establish written policies and procedures designed to ensure compliance with ASX listing rule disclosure requirements and to ensure accountability at a senior management level for that compliance	**N/A**	The company has instigated internal procedures designed to provide reasonable assurance as to the effectiveness and efficiency of operations, the reliability of financial reporting and compliance with relevant laws and regulations. The board is acutely aware of the continuous disclosure regime and there are strong informal systems in place to ensure compliance, underpinned by experience.
5.2	Provide the information indicated in guide to reporting on principle 5	**N/A**	The board receives monthly reports on the financial position of the company with performance being measured against approved budgets.

A = Adopted
N/A = Not adopted

Corporate Governance Statement continued

	ASX Principle	Status	Reference/comment
Principle 6:	**Respect the rights of shareholders**		
6.1	Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings	A	In line with adherence to continuous disclosure requirements of ASX all shareholders are kept informed of major developments affecting the company. This disclosure is through regular shareholder communications including the Annual Report, Quarterly Reports, the company website and the distribution of specific releases covering major transactions or events.
6.2	Request the external auditor to attend the annual general meeting and be available to answer shareholder questions about the audit and the preparation and content of the auditor's report	A	Shareholders are encouraged to exercise their right to vote, either by attending meetings, or by lodging a proxy. The company's auditors attend all shareholders' meetings.
Principle 7:	**Recognise and manage risk**		
7.1	The board or appropriate board committee should establish policies on risk oversight and management	N/A	While the company does not have formalised policies on risk management the board recognises its responsibility for identifying areas of significant business risk and for ensuring that arrangements are in place for adequately managing these risks. This issue is regularly reviewed at board meetings and risk management culture is encouraged amongst employees and contractors.
7.2	The chief executive officer (or equivalent) and the chief financial officer (or equivalent) should state to the board in writing that: 7.2.1 the statement given in accordance with best practice recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the polices adopted by the board 7.2.2 the company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects	A	Determined areas of risk which are regularly considered include: · performance and funding of exploration activities · budget control and asset protection · status of mineral tenements · land access and native title considerations · compliance with government laws and regulations · safety and the environment · continuous disclosure obligations
7.3	Provide information indicated in guide to reporting on principle 7	N/A	
Principle 8:	**Encourage enhanced Performance**		
8.1	Disclose the process for performance evaluation of the board, its committees and individual directors, and key executives	N/A	The company does not consider it appropriate to have a sub-committee of the board to consider remuneration matters. The remuneration of executive and non-executive directors is reviewed by the board with the exclusion of the director concerned. The remuneration of management and employees is reviewed by the board and approved by the chairman. Acting in its ordinary capacity, the board from time to time carries out the process of considering and determining performance issues including the identification of matters that may have a material effect on the price of the company's securities. Whenever relevant, any such matters are reported to ASX.

A = Adopted
N/A = Not adopted

Corporate Governance Statement continued

	ASX Principle	Status	Reference/comment
Principle 9:	**Remunerate fairly and responsibly**		
9.1	Provide disclosure in relation to the company's remuneration policies and benefits to these policies and (ii) the link between remuneration paid to directors and key executives and corporate performance.	**A**	The company discloses remuneration-related information in its annual report to shareholders in accordance with the Corporations Act 2001. Remuneration levels are determined by the board on an individual basis, the size of the company making individual assessment more appropriate than formal remuneration policies. In doing so, the board seeks to retain professional services as it requires, at reasonable market rates, and seeks external advice and market comparisons where necessary.
9.2	The board should establish a remuneration committee	**N/A**	
9.3	Clearly distinguish the structure of non-executive directors remuneration from that of executives	**A**	
9.4	Ensure that payment of equity-based executive remuneration is made in accordance with thresholds set in plans approved by shareholders	**A**	
9.5	Provide information indicated in ASX guide to reporting on principle 9	**A (in part)**	
Principle 10:	**Recognise legitimate interests of stakeholders**		
10.1	Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders	**A**	The company's code of conduct is set out in the company's website. The board continues to review existing procedures over time to ensure adequate processes are in place. All directors, employees and contractors are expected to act with the utmost integrity and objectivity in their dealings with other parties, striving at all times to enhance the reputation and performance of the company.

A = Adopted
N/A = Not adopted

Statement of Financial Performance

YEAR ENDED 30 JUNE 2005	Notes	Consolidated		The Company	
		2005	2004	2005	2004
		$	$	$	$
REVENUE FROM ORDINARY ACTIVITIES	2	**384,031**	164,288	**384,031**	164,288
Depreciation expense	3	**(51,943)**	(34,063)	**(51,943)**	(34,063)
Corporate expenses		**(298,905)**	(266,616)	**(298,905)**	(266,616)
Occupancy expenses		**(171,655)**	(108,646)	**(171,655)**	(108,646)
Employee and consultant expenses		**(703,705)**	(339,574)	**(703,705)**	(339,574)
Travel and accomodation expenses		**(33,834)**	(41,219)	**(33,834)**	(41,219)
Exploration expenditure written off	3	**-**	(171,592)	**-**	(171,592)
Other expenses from ordinary activities	3	**(64,633)**	(213,703)	**(64,633)**	(200,233)
LOSS FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE		**(940,644)**	(1,011,125)	**(940,644)**	(997,655)
INCOME TAX EXPENSE RELATING TO ORDINARY ACTIVITIES	4	**-**	-	**-**	-
NET LOSS ATTRIBUTABLE TO MEMBERS OF WESTONIA MINES LIMITED	17	**(940,644)**	(1,011,125)	**(940,644)**	(997,655)
Share issue costs	16	**(217,458)**	(100,000)	**(217,458)**	(100,000)
TOTAL REVENUES, EXPENSES AND VALUATION ADJUSTMENTS ATTRIBUTABLE TO MEMBERS OF WESTONIA MINES LIMITED AND RECOGNISED DIRECTLY IN EQUITY		**(217,458)**	(100,000)	**(217,458)**	(100,000)
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS ATTRIBUTABLE TO MEMBERS OF WESTONIA MINES LIMITED		**(1,158,102)**	(1,111,125)	**(1,158,102)**	(1,097,655)
Basic loss per share (cents per share)	23	**(0.9)**	(1.0)		

The Statement of Financial Performance is to be read in conjunction with the Notes to the Financial Statements.

Statement of Financial Position

AT 30 JUNE 2005	Notes	Consolidated		The Company	
		2005	2004	2005	2004
		$	$	$	$
CURRENT ASSETS					
Cash assets	18(b)	**7,200,054**	1,464,535	**7,200,054**	1,464,535
Receivables	6	**39,882**	74,061	**39,880**	74,059
Other	7	**335,973**	349,161	**335,973**	349,161
TOTAL CURRENT ASSETS		**7,575,909**	1,887,757	**7,575,907**	1,887,755
NON-CURRENT ASSETS					
Other financial assets	8	**-**	-	**2**	2
Plant and equipment	10	**2,684,700**	2,740,966	**2,684,700**	2,740,966
Intangible assets	11	**-**	-	**-**	-
Mineral properties	12	**8,014,172**	6,723,964	**8,014,172**	6,723,964
Other	13	**35,500**	35,500	**35,500**	35,500
TOTAL NON-CURRENT ASSETS		**10,734,372**	9,500,430	**10,734,374**	9,500,432
TOTAL ASSETS		**18,310,281**	11,388,187	**18,310,281**	11,388,187
CURRENT LIABILITIES					
Payables	14	**335,779**	223,009	**335,779**	223,009
Provisions	15	**37,885**	24,779	**37,885**	24,779
TOTAL CURRENT LIABILITIES		**373,664**	247,788	**373,664**	247,788
TOTAL LIABILITIES		**373,664**	247,788	**373,664**	247,788
NET ASSETS		**17,936,617**	11,140,399	**17,936,617**	11,140,399
EQUITY					
Contributed equity	16	**20,507,406**	12,770,544	**20,507,406**	12,770,544
Accumulated losses	17	**(2,570,789)**	(1,630,145)	**(2,570,789)**	(1,630,145)
TOTAL EQUITY		**17,936,617**	11,140,399	**17,936,617**	11,140,399

The Statement of Financial Position is to be read in conjunction with the Notes to the Financial Statements.

Statement of Cash Flows

YEAR ENDED 30 JUNE 2005	Notes	Consolidated		The Company	
		2005	2004	2005	2004
		$	$	$	$
CASH FLOWS USED IN OPERATING ACTIVITIES					
Research and development grant received		**295,812**	-	**295,812**	-
Payments to suppliers and employees		**(1,234,045)**	(825,143)	**(1,234,045)**	(785,977)
Interest received		**75,719**	171,659	**75,719**	171,659
NET CASH FLOWS (USED IN) OPERATING ACTIVITIES	18(a)	**(862,514)**	(653,484)	**(862,514)**	(614,318)
CASH FLOWS USED IN INVESTING ACTIVITIES					
Proceeds from sale of plant and equipment		**12,500**	13,886	**12,500**	13,886
Purchase of plant and equipment		**(6,845)**	(2,665,672)	**(6,845)**	(2,665,672)
Payments for exploration activities		**(1,143,448)**	(3,258,849)	**(1,143,448)**	(3,258,849)
Payment for project development		**-**	(249,262)	**-**	(249,262)
Payment for bonds		**(1,036)**	(347,195)	**(1,036)**	(347,195)
NET CASH FLOWS (USED IN) INVESTING ACTIVITIES		**(1,138,829)**	(6,507,092)	**(1,138,829)**	(6,507,092)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issues of ordinary shares		**7,954,320**	2,075,516	**7,954,320**	2,075,516
Payment of share issue costs		**(217,458)**	(100,000)	**(217,458)**	(100,000)
NET CASH FLOWS FROM FINANCING ACTIVITIES		**7,736,862**	1,975,516	**7,736,862**	1,975,516
NET INCREASE/(DECREASE) IN CASH HELD		**5,735,519**	(5,185,060)	**5,735,519**	(5,145,894)
Add opening cash brought forward		**1,464,535**	6,649,595	**1,464,535**	6,610,429
CLOSING CASH CARRIED FORWARD		**7,200,054**	1,464,535	**7,200,054**	1,464,535

The Statement of Cash Flows is to be read in conjunction with the Notes to the Financial Statements.

Notes to the Financial Statements

30 JUNE 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

The financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001 which includes applicable Accounting Standards. Other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) have also been complied with.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(b) Changes in accounting policies

The accounting policies adopted are consistent with those of the previous year.

(c) Principles of consolidation

The consolidated financial statements are those of the consolidated entity, comprising Westonia Mines Limited (the parent entity) and all entities which Westonia Mines Limited controlled from time to time during the year and at balance date.

Information from the financial statements of subsidiaries is included from the date the parent company obtains control until such time as control ceases. Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which the parent company has control.

Subsidiary acquisitions are accounted for using the purchase method of accounting.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies which may exist.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Notes continued

30 JUNE 2005

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

(d) Plant and equipment

Cost and valuation

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal. The expected net cash flows have not been discounted to their present values in determining recoverable amounts. The cost of fixed assets constructed within the economic entity includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Where assets have been revalued, the potential effect of the capital gains tax on disposal has not been taken into account in the determination of the revalued carrying amount. Where it is expected that a liability for capital gains tax will arise, this expected amount is disclosed by way of note.

Depreciation and Amortisation

The depreciable amount of all fixed assets, including building and capitalised lease assets, but excluding freehold land, is depreciated / amortised over their useful lives to the economic entity. Plant and equipment are depreciated on a diminishing value basis over their useful economic lives. Intangible assets are amortised on a straight line basis. Assets are depreciated from the date of acquisition, or in respect of constructed assets, from the time an asset is completed and held ready for use. Amortisation is not charged on costs carried forward in respect of areas of interest in the development phase until commercial production commences.

The depreciation and amortisation rates used for each class of assets are:

Class of Asset	Depreciation/Amortisation Rate 2005	Depreciation/Amortisation Rate 2004
Plant and equipment	0% - 33%	10% - 33%
Office equipment	10% - 33%	10% - 33%
Motor vehicles	20%	20%
Mine machinery and equipment	0% - 10%	10%

Depreciation and amortisation rates are reviewed annually for appropriateness.

(e) Recoverable Amount

Non-current assets measured using the cost basis are not carried at an amount above their recoverable amount, and where a carrying value exceeds this recoverable amount, the asset is written down. In determining recoverable amount, the expected net cash flows have not been discounted to their present values.

(f) Exploration, evaluation and development costs

Exploration, evaluation and development costs are accumulated in respect of each separate area of interest.

Exploration and evaluation costs are carried forward where right of tenure of the area of interest is current and they are expected to be recouped through sale or successful development and exploitation of the area of interest, or where exploration and evaluation activities in the area of interest have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Development costs related to an area of interest are carried forward to the extent that they are expected to be recouped either through sale or successful exploitation of the area of interest.

When an area of interest is abandoned or the directors decide that it is not commercial, any accumulated costs in respect of that area are written off in the financial year the decision is made.

Notes continued

30 JUNE 2005

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

(g) Intangibles

Goodwill

Goodwill represents the excess of the purchase consideration over the fair value of identifiable net assets acquired at the time of acquisition of a business or shares in a controlled entity.

(h) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating leases

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight line basis.

Lease incentives under operating leases are recognised as a liability. Lease payments received reduce the liability.

Contingent rentals are recognised as an expense in the financial year in which they are incurred.

Finance leases

Leases which effectively transfer substantially all of the risks and benefits incidental to ownership of the leased item to the group are capitalised at the present value of the minimum lease payments and disclosed as plant and equipment under lease. A lease liability of equal value is also recognised.

Capitalised lease assets are depreciated over the shorter of the estimated useful life of the assets and the lease term. Minimum lease payments are allocated between interest expense and reduction of the lease liability with the interest expense calculated using the interest rate implicit in the lease and charged directly to the Statement of Financial Performance.

(i) Taxes

Income tax

Tax-effect accounting is applied using the liability method whereby income tax is regarded as an expense and is calculated on the accounting profit after allowing for permanent differences. To the extent timing differences occur between the time items are recognised in the financial statements and when items are taken into account in determining taxable income, the net related taxation benefit or liability, calculated at current rates, is disclosed as a future income tax benefit or a provision for deferred income tax. The net future income tax benefit relating to tax losses and timing differences is not carried forward as an asset unless the benefit is virtually certain of being realised.

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

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

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

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(j) Payables

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the consolidated entity.

Notes continued

30 JUNE 2005

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

(k) Employee benefits

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

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

Employee benefit expenses and revenues arising in respect of the following categories:

- wages and salaries, non-monetary benefits, annual leave, long service leave, sick leave and other leave benefits; and
- other types of employee benefits

are charged against profits on a net basis in their respective categories.

(l) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest

Control of the right to receive the interest payment.

(m) Contributed equity

Issued and paid up capital is recognised at the fair value of the consideration received by the company.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(n) Earnings per share

Basic EPS is calculated as net profit attributable to members, adjusted to exclude costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as net profit attributable to members, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(o) Cash and cash equivalents

Cash on hand and in banks and short-term deposits are stated at nominal value.

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks, and money market investments readily convertible to cash within 2 working days, net of outstanding bank overdrafts.

Bank overdrafts are carried at the principal amount. Interest is charged as an expense as it accrues.

Notes continued

30 JUNE 2005

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

(p) Provisions

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the reporting date.

(q) Comparatives

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

(r) Going concern

The ability of the economic entity to continue operations and to meet its financial obligations, as and when incurred, is dependent upon the economic entity generating sufficient funds through its normal operations and/or in the successful conclusion of negotiations with financiers or equity investors for additional working capital.

The directors are of the opinion that, in view of their knowledge of the state of affairs of the economic entity and after taking into consideration the above, the accounts have been appropriately prepared on the concept of "a going concern basis".

Notes continued

30 JUNE 2005	Notes	Consolidated 2005 $	Consolidated 2004 $	The Company 2005 $	The Company 2004 $
2. REVENUE FROM ORDINARY ACTIVITIES					
Revenues from non-operating activities					
Interest income		**75,719**	164,288	**75,719**	164,288
Research and development grant		**295,812**	-	**295,812**	-
Proceeds from disposal of plant & equipment		**12,500**	-	**12,500**	-
Total revenues from ordinary activities		**384,031**	164,288	**384,031**	164,288
3. EXPENSES AND LOSSES/(GAINS)					
(a) Expenses					
Depreciation of non-current assets					
Motor vehicles		**14,106**	11,087	**14,106**	11,087
Office furniture and equipment		**19,073**	13,821	**19,073**	13,821
Computer equipment		**2,325**	2,108	**2,325**	2,108
Mining plant		**16,439**	7,047	**16,439**	7,047
Total depreciation of non-current assets		**51,943**	34,063	**51,943**	34,063
Amortisation of non-current assets		-	29,934	-	-
Exploration expenditure written off		-	171,592	-	171,592
Cost of investment in unit trust written off		-	13,143	-	13,143
(b) Losses/(gains)					
Net (gain) on disposal of plant and equipment		**(1,141)**	-	**(1,141)**	-
(c) Specific items					
Loss from ordinary activities before income tax expense includes the following specific revenues and expenses whose disclosure is relevant in explaining the financial performance of the entity:					
Option fee written off on unexercised purchase of gold processing plant		-	97,000	-	97,000

Notes continued

30 JUNE 2005	Notes	Consolidated		The Company	
		2005	2004	2005	2004
		$	$	$	$
4. INCOME TAX					
The prima facie tax, using tax rates applicable in the country of operation, on operating loss differs from the income tax provided in the financial statements as follows:					
Prima facie tax benefit on loss from ordinary activities before income tax at 30%		**(282,193)**	(303,338)	**(282,193)**	(299,297)
Non-deductible items		**11,349**	19,536	**11,349**	10,556
Non-assessable items - R&D grant		**(88,744)**	-	**(88,744)**	-
Future income tax benefit not brought to account		**359,588**	283,802	**359,588**	288,741
Income tax expense attributable to ordinary activities		-	-	-	-
Income tax losses					
Future income tax benefit arising from tax losses of the group not recognised at reporting date as realisation of the benefit is not regarded as virtually certain		**819,662**	460,074	**819,662**	460,074

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

This future income tax benefit will only be obtained if:

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

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

(c) no changes in tax legislation adversely affect the consolidated entity in realising the benefit.

5. DIVIDENDS PAID OR PROVIDED FOR ON ORDINARY SHARES

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

		Consolidated 2005	Consolidated 2004	The Company 2005	The Company 2004
6. RECEIVABLES (CURRENT)					
Sundry debtors		**18,950**	15,787	**18,948**	15,785
Goods and Services Tax receivable		**20,932**	58,274	**20,932**	58,274
		39,882	74,061	**39,880**	74,059
7. OTHER CURRENT ASSETS					
Prepayments		-	14,224	-	14,224
Term deposits at call		**335,973**	334,937	**335,973**	334,937
		335,973	349,161	**335,973**	349,161

Notes continued

30 JUNE 2005	Notes	Consolidated 2005 $	Consolidated 2004 $	The Company 2005 $	The Company 2004 $
8. OTHER FINANCIAL ASSETS (NON-CURRENT)					
Investments at cost comprise:					
Shares					
Controlled entities - unlisted	9	-	-	**2**	2
		-	-	**2**	2

9. INTERESTS IN CONTROLLED ENTITIES

Name	Country of incorporation	Percentage of equity interest held by the consolidated entity 2005 %	2004 %	Investment 2005 $	2004 $
Westonia Mines Minerals Pty Ltd	Australia	**100**	100	**2**	2
				2	2

10. PLANT AND EQUIPMENT

	Notes	Consolidated 2005 $	Consolidated 2004 $	The Company 2005 $	The Company 2004 $
Mining machinery and equipment					
At cost		**2,627,197**	2,627,197	**2,627,197**	2,627,197
Accumulated depreciation		**(30,265)**	(13,826)	**(30,265)**	(13,826)
	10(a)	**2,596,932**	2,613,371	**2,596,932**	2,613,371
Office furniture and equipment					
At cost		**89,675**	82,830	**89,675**	82,830
Accumulated depreciation		**(40,067)**	(20,994)	**(40,067)**	(20,994)
	10(a)	**49,608**	61,836	**49,608**	61,836
Motor vehicles					
At cost		**51,789**	71,334	**51,789**	71,334
Accumulated depreciation		**(15,492)**	(9,763)	**(15,492)**	(9,763)
	10(a)	**36,297**	61,571	**36,297**	61,571
Computer equipment					
At cost		**7,046**	7,046	**7,046**	7,046
Accumulated depreciation		**(5,183)**	(2,858)	**(5,183)**	(2,858)
	10(a)	**1,863**	4,188	**1,863**	4,188
Total plant and equipment at cost		**2,775,707**	2,788,407	**2,775,707**	2,788,407
Accumulated depreciation		**(91,007)**	(47,441)	**(91,007)**	(47,441)
Total written down amount		**2,684,700**	2,740,966	**2,684,700**	2,740,966

Notes continued

30 JUNE 2005	Notes	Consolidated		The Company	
		2005	2004	2005	2004
		$	$	$	$
(a) Reconciliations					
Reconciliations of the carrying amounts of plant and equipment at the beginning and end of the financial year.					
Mine machinery and equipment					
Carrying amount at beginning of year		**2,613,371**	46,218	**2,613,371**	-
Additions		-	2,574,200	-	-
Unit Trust assets transferred at fair value		-	-	-	2,620,418
Depreciation expense		**(16,439)**	(7,047)	**(16,439)**	(7,047)
Carrying amount at end of year		**2,596,932**	2,613,371	**2,596,932**	2,613,371
Office furniture and equipment					
Carrying amount at beginning of year		**61,836**	36,654	**61,836**	35,622
Additions		**8,855**	39,003	**8,855**	39,003
Disposals		**(2,010)**	-	**(2,010)**	-
Unit Trust assets transferred at fair value		-	-	-	1,032
Depreciation expense		**(19,073)**	(13,821)	**(19,073)**	(13,821)
Carrying amount at end of year		**49,608**	61,836	**49,608**	61,836
Motor vehicles					
Carrying amount at beginning of year		**61,571**	36,074	**61,571**	36,074
Additions		-	51,788	-	51,788
Disposals		**(11,168)**	(15,204)	**(11,168)**	(15,204)
Depreciation expense		**(14,106)**	(11,087)	**(14,106)**	(11,087)
Carrying amount at end of year		**36,297**	61,571	**36,297**	61,571
Computer equipment					
Carrying amount at beginning of year		**4,188**	4,956	**4,188**	4,956
Additions		-	1,340	-	1,340
Depreciation expense		**(2,325)**	(2,108)	**(2,325)**	(2,108)
Carrying amount at end of year		**1,863**	4,188	**1,863**	4,188

11. INTANGIBLES

Goodwill on consolidation - deemed cost		**33,260**	33,260	-	-
Accumulated amortisation		**(33,260)**	(33,260)	-	-
		-	-	-	-

12. MINERAL PROPERTIES

Exploration and evaluation costs carried forward in respect of mining areas of interest					
– Carrying amount at beginning of year		**6,723,964**	3,437,557	**6,723,964**	588,644
– Incurred during the year		**1,290,208**	3,457,999	**1,290,208**	342,171
– Unit Trust exploration expenditure transferred at fair value		-	-	-	5,964,741
– Written off during the year		-	(171,592)	-	(171,592)
		8,014,172	6,723,964	**8,014,172**	6,723,964

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

Notes continued

30 JUNE 2005	Notes	Consolidated 2005 $	Consolidated 2004 $	The Company 2005 $	The Company 2004 $
13. OTHER NON-CURRENT ASSETS					
Term and bond deposits		**35,500**	35,500	**35,500**	35,500
		35,500	35,500	**35,500**	35,500
14. PAYABLES (CURRENT)					
Trade creditors		**234,250**	157,280	**234,250**	157,280
Other creditors and accruals		**101,529**	65,729	**101,529**	65,729
		335,779	223,009	**335,779**	223,009
15. PROVISIONS (CURRENT)					
Employee benefits	20	**37,885**	24,779	**37,885**	24,779
		37,885	24,779	**37,885**	24,779
16. CONTRIBUTED EQUITY					
(a) Issued and paid up capital					
Ordinary shares fully paid		**20,507,406**	12,770,544	**20,507,406**	12,770,544
		20,507,406	12,770,544	**20,507,406**	12,770,544

(b) Movements in shares on issue

	2005 Number of shares	2005 $	2004 Number of shares	2004 $
Beginning of the financial year	**101,193,852**	**12,770,544**	95,853,785	10,795,029
Issued during the year				
– Issue on exercise of options	**43,332**	**8,666**	327,567	65,515
– Shares to raise additional capital	**4,000,000**	**1,000,000**	5,012,500	2,010,000
– Issue of shares - renounceable entitlement	**115,760,902**	**6,945,654**	-	-
less transaction costs	**-**	**(217,458)**	-	(100,000)
End of the financial year	**220,998,086**	**20,507,406**	101,193,852	12,770,544

(c) Share Options

Options over ordinary shares:

Employee share scheme

The company had on issue the following options as at 30 June 2005, issued to directors, employees and contractors of the company pursuant to the "Westonia Mines Limited Employees and Contractors Option Plan" ("ECOP"), (Note 20).

Number	Exercise Price	Expiry Date
700,000	0.40	31 May 2006
30,000	0.36	27 April 2007
30,000	0.42	27 April 2007

Other

The company had on issue the following options at 30 June 2005 issued independently of the ECOP:

Number	Type	Exercise Price	Expiry Date
27,404,669	Listed Bonus Options	0.20	20 August 2006

Notes continued

30 JUNE 2005	Notes	Consolidated 2005 $	Consolidated 2004 $	The Company 2005 $	The Company 2004 $

(d) Movements in options on issue

	Number of options 2005	Number of options 2004
Beginning of the financial year	**30,018,001**	29,775,568
Issued/(lapsed) during the year		
– Exercisable at 36c, on or before 17 July 2006	**(120,000)**	120,000
– Exercisable at 43c, on or before 17 July 2006	**(120,000)**	120,000
– Exercisable at 50c, on or before 17 July 2006	**(120,000)**	120,000
– Exercisable at 36c, on or before 27 April 2007	**(75,000)**	105,000
– Exercisable at 42c, on or before 27 April 2007	**(75,000)**	105,000
– Exercisable at 30c, on or before 14 September 2004	**(500,000)**	-
– Exercisable at 30c, on or before 31 May 2005	**(800,000)**	-
Less: Options exercised (20c, on or before 20 August 2006)	**(43,332)**	(327,567)
End of the financial year	**28,164,669**	30,018,001

(e) Terms and conditions of contributed equity

Ordinary shares

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the company.

17. ACCUMULATED LOSSES

	Notes	Consolidated 2005 $	Consolidated 2004 $	The Company 2005 $	The Company 2004 $
Balance at the beginning of the year		**(1,630,145)**	(619,020)	**(1,630,145)**	(611,304)
Vesting of accumulated losses of Westonia Mines Unit Trust		-	-	-	(21,186)
Net loss attributable to members of Westonia Mines Limited		**(940,644)**	(1,011,125)	**(940,644)**	(997,655)
Balance at the end of the year		**(2,570,789)**	(1,630,145)	**(2,570,789)**	(1,630,145)

18. STATEMENT OF CASH FLOWS

	Notes	Consolidated 2005 $	Consolidated 2004 $	The Company 2005 $	The Company 2004 $
(a) Reconciliation of the net loss after tax to the net cash flows from operations					
Net loss		**(940,644)**	(1,011,125)	**(940,644)**	(997,655)
Non-Cash Items					
Depreciation of non-current assets		**51,943**	34,063	**51,943**	34,063
Amortisation		-	16,791	-	-
Net (profit)/loss on disposal of plant and equipment		**(1,141)**	659	**(1,141)**	659
Exploration expenditure written off		-	171,592	-	171,592
Changes in assets and liabilities					
Decrease in trade and other receivables		-	128,517	-	171,004
Decrease in prepayments		**14,222**	-	**14,222**	-
Increase in trade and other creditors		-	6,019	-	6,019
Increase in employee entitlements		**13,106**	-	**13,106**	-
Net cash outflow from operating activities		**(862,514)**	(653,484)	**(862,514)**	(614,318)

Notes continued

30 JUNE 2005	Notes	Consolidated		The Company	
		2005	2004	2005	2004
		$	$	$	$

18. STATEMENT OF CASH FLOWS (cont'd)

(b) Reconciliation of cash

	2005 $	2004 $	2005 $	2004 $
Cash balance comprises:				
– cash assets	**7,200,054**	1,464,535	**7,200,054**	1,464,535
Closing cash balance	**7,200,054**	1,464,535	**7,200,054**	1,464,535

(c) Acquisition/disposal of controlled entity

There were no acquisitions or disposals of controlled entities during the year.

19. EXPENDITURE COMMITMENTS

(a) Exploration commitments

All of the company's tenements are situated in the state of Western Australia.
In order to maintain an interest in the mining and exploration tenements in which the company is involved, the company is committed to meet the conditions under which the tenements were granted and the obligations of any joint venture agreements. The timing and amount of exploration expenditure commitments and obligations of the company are subject to the minimum expenditure commitments required as per the Mining Act, as amended, and may vary significantly from the forecast based upon the results of the work performed which will determine the prospectivity of the relevant area of interest.
Outstanding exploration commitments are as follows (no estimate has been given of expenditure commitments beyond 12 months as this is dependent on the directors' ongoing assessment of operations and, in certain circumstances, Native Title negotiations):

	2005 $	2004 $	2005 $	2004 $
not later than one year	**309,150**	384,150	**309,150**	384,150
	309,150	384,150	**309,150**	384,150

(b) Lease expenditure commitments

	2005 $	2004 $	2005 $	2004 $
(i) Operating leases (non-cancellable):				
Minimum lease payments				
– not later than one year	**95,352**	74,800	**95,352**	74,800
– later than one year and not later than five years	**220,616**	208,000	**220,616**	208,000
– aggregate lease expenditure contracted for at reporting date	**315,968**	282,800	**315,968**	282,800

20. EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS

Employee Benefits

	2005 $	2004 $	2005 $	2004 $
The aggregate employee benefit liability is comprised of:				
Provisions (current)	**37,885**	24,779	**37,885**	24,779
	37,885	24,779	**37,885**	24,779

Notes continued

30 JUNE 2005

20. EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS (cont'd)

Employees and Contractors Option Plan ("ECOP")

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

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

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

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

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

There are currently four directors, one executive and six staff and contractors eligible for this scheme. For details of options on issue under the scheme, refer note 16(c).

21. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The company has an obligation to remove the Big Bell plant from its current location. The company has entered into a performance guarantee with the vendor of the plant for this removal. At 30 September 2005, a total of $1.5 million has been committed to the performance bonding, a figure which will not increase until Westonia Mines wishes to negotiate a further time extension for the removal of the Big Bell mill beyond 30 April 2007.

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

22. SUBSEQUENT EVENTS

The company has placed a deposit to secure its performance under commitments given to the vendor of the Big Bell plant. At 30 September 2005, a total of $1.5 million has been committed to the performance bonding, a figure which will not increase until Westonia Mines Limited wishes to negotiate a further time extension for the removal of the Big Bell plant beyond 30 April 2007.

No other matter or circumstance has arisen since 30 June 2005, that has significantly affected, or may significantly affect the operations of the consolidated entity, the result of those operations, or the state of affairs of the consolidated entity in subsequent financial years.

23. LOSS PER SHARE

The following reflects the income and share data used in the calculations of basic loss per share:

Net loss	**(940,644)**	(1,011,125)
Loss used in calculating basic loss per share	**(940,644)**	(1,011,125)
	Number of shares	**Number of shares**
Weighted average number of ordinary shares used in calculating basic loss per share	**105,982,490**	98,380,457

Effect of dilutive securities:

There were no dilutive potential ordinary shares on issue at balance date, accordingly diluted loss per share has not been disclosed.

Notes continued

30 JUNE 2005	Notes	Consolidated		The Company	
		2005	2004	2005	2004
		$	$	$	$
24. AUDITORS' REMUNERATION					
Amounts received or due and receivable by Ord Partners for:					
– an audit or review of the financial report of the entity and any other entity in the consolidated entity		**16,000**	10,237	**16,000**	10,237
– other services in relation to the entity and any other entity in the consolidated entity					
- other services		**-**	1,000	**-**	1,000
		16,000	11,237	**16,000**	11,237

25. DIRECTOR AND EXECUTIVE DISCLOSURES

(a) Details of specified directors and specified executives

(i) Specified directors

Pieter W Greeff	Non-Executive Chairman	*Appointed 27 February 2001*
Andrew J Drummond	Managing director	*8 October 1998 - 31 March 2005*
David F Hatch	Managing Director	*Appointed 31 March 2005*
Murray G Pollock	Non-Executive Director	*Appointed 21 October 2000*
Chris P Melloy	Non-Executive Director	*Appointed 2 April 2002*
David M Macoboy	Non-Executive Director	*1 August 2003 - 26 June 2005*
Mark Fitzpatrick	Non-Executive Director	*Appointed 3 August 2005*

(ii) Specified executives

Dennis Wilkins	Company Secretary	*Appointed 8 March 2005*
Mark Churchward	Company Secretary	*24 August 2004 - 4 March 2005*
Ian Kerr	Project Manager	*10 March 2003 - 4 February 2005*

Notes continued

30 JUNE 2005

25. DIRECTOR AND EXECUTIVE DISCLOSURES (cont'd)

(b) Remuneration of specified directors and specified executives

(i) Remuneration Policy

The objective of the company's executive reward framework is set to attract and retain the most qualified and experienced directors and senior executives. The board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- Competitiveness
- Acceptability to shareholders
- Performance linkage
- Capital management

Non executive directors

The constitution of the company provides that the non-executive directors may collectively be paid as remuneration for their services a fixed sum not exceeding the aggregate maximum sum per annum from time to time determined by the company in general meeting (currently $200,000). The chairman's fees are determined independently to the fees of non-executive directors based on comparative roles in the external market.

Directors fees

A director may be paid fees or other amounts as the directors determine where a director performs special duties or otherwise performs service outside the scope of the ordinary duties of a director. A director may also be reimbursed for out of pocket expenses incurred as a result of their directorship or any special duties.

Service agreements

The agreements relating to remuneration are set out below:

David Hatch, Managing Director:

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

Dennis Wilkins, Company Secretary:

- Term of agreement - 1 months notice of termination required.
- Fixed fee, $50,000 per annum (includes company secretarial and other corporate services).

Retirement benefits

Other retirement benefits may be provide directly by the company if approved by shareholders.

Notes continued

30 JUNE 2005

25. DIRECTOR AND EXECUTIVE DISCLOSURES (cont'd)

(ii) Remuneration of specified directors and specified executives

	Primary			Post Employment		Equity	Other	Total
	Salary & Fees	Cash Bonus	Non Monetary benefits	Superan-nuation	Retirement benefits	Options	Bonuses	
Specified directors								
Pieter W Greeff								
2005	**25,000**	**-**	**-**	**2,250**	**-**	**-**	**-**	**27,250**
2004	25,000	-	-	2,250	-	-	-	27,250
Andrew J Drummond								
2005*	**321,804**	**-**	**-**	**14,147**	**-**	**-**	**-**	**335,951**
2004	180,196	-	7,568	16,218	-	-	-	203,982
David F Hatch								
2005	**90,500**	**-**	**3,250**	**8,145**	**-**	**-**	**-**	**101,895**
2004	-	-	-	-	-	-	-	-
Murray G Pollock								
2005	**20,000**	**-**	**-**	**1,800**	**-**	**-**	**-**	**21,800**
2004	20,000	-	-	1,800	-	-	-	21,800
Chris P Melloy**								
2005	**20,000**	**-**	**-**	**-**	**-**	**-**	**-**	**20,000**
2004	20,000	-	-	-	-	-	-	20,000
David M Macoboy								
2005	**20,000**	**-**	**-**	**1,800**	**-**	**-**	**-**	**21,800**
2004	18,333	-	-	1,650	-	-	-	19,983
Total remuneration: Specified directors								
2005	**497,304**	**-**	**3,250**	**28,142**	**-**	**-**	**-**	**528,696**
2004	263,529	-	7,568	21,918	-	-	-	293,015

* - Payments made to Mr Drummond include termination payments paid upon his resignation as a director.

** - These payments are payments to Lion Manager, the management company responsible for the operation of Lion Selection Group, for the services of Mr Chris Melloy as a non-executive director. Refer note 26.

	Salary & Fees	Cash Bonus	Non Monetary benefits	Superan-nuation	Retirement benefits	Options	Bonuses	Total
Specified executives								
Dennis Wilkins								
2005	**15,982**	**-**	**-**	**-**	**-**	**-**	**-**	**15,982**
2004	-	-	-	-	-	-	-	-
Mark Churchward								
2005	**63,353**	**-**	**-**	**5,702**	**-**	**-**	**-**	**69,055**
2004	-	-	-	-	-	-	-	-
Ian Kerr								
2005	**120,525**	**-**	**-**	**10,847**	**-**	**-**	**-**	**131,372**
2004	200,000	-	6,058	18,000	-	9,232	-	233,290
Total remuneration: Specified executives								
2005	**199,860**	**-**	**-**	**16,549**	**-**	**-**	**-**	**216,409**
2004	200,000	-	6,058	18,000	-	9,232	-	233,290

(c) Remuneration options: Granted and vested during the year

No remuneration options were granted or vested during the year.

(d) Shares issued on exercise of remuneration options

There were no shares issued on exercise of remuneration options during the year.

Notes continued

30 JUNE 2005

25. DIRECTOR AND EXECUTIVE DISCLOSURES (cont'd)

(e) Option holdings of specified directors and specified executives

	Balance at beginning of year 1 July 2004	Granted as Remuneration	Options Exercised	Net Change Other	Balance at end of year 30 June 2005	Vested at 30 June 2005 Total	Not exercisable	Exercisable
Specified directors								
Pieter W Greeff	750,000	-	-	(366,667)	383,333	383,333	-	383,333
Andrew J Drummond	1,086,494	-	-	(400,000)	686,494	686,494	-	686,494
David F Hatch	-	-	-	-	-	-	-	-
Murray G Pollock	3,747,144	-	-	3,333	3,750,477	3,750,477	-	3,750,477
Chris P Melloy	-	-	-	23,333	23,333	23,333	-	23,333
David M Macoboy	-	-	-	-	-	-	-	-
Mark Fitzpatrick	-	-	-	-	-	-	-	-
Specified executives								
Dennis Wilkins	-	-	-	-	-	-	-	-
Mark Churchward	-	-	-	-	-	-	-	-
Ian Kerr	-	-	-	-	-	-	-	-
Total	**5,583,638**	**-**	**-**	**(740,001)**	**4,843,637**	**4,843,637**	**-**	**4,843,637**

(f) Shareholdings of specified directors and specified executives

	Balance 1 July 2004		Granted as Remuneration		On Exercise of Options		Net Change Other		Balance 30 June 2005	
	Ord	Pref	Ord	Pref	Ord	Pref	Ord	Pref	Ord	Pref
Specified Directors										
Pieter W Greeff	112,500	-	-	-	-	-	123,750	-	236,250	-
Andrew J Drummond	2,934,298	-	-	-	-	-	(1,802,400)	-	1,131,898	-
David F Hatch	-	-	-	-	-	-	-	-	-	-
Murray G Pollock	11,403,085	-	-	-	-	-	2,186,969	-	13,590,054	-
Chris P Melloy	70,000	-	-	-	-	-	1,000,000	-	1,070,000	-
David M Macoboy	100,000	-	-	-	-	-	110,000	-	210,000	-
Mark Fitzpatrick	-	-	-	-	-	-	-	-	-	-
Specified Executives										
Dennis Wilkins	-	-	-	-	-	-	-	-	-	-
Mark Churchward	-	-	-	-	-	-	-	-	-	-
Ian Kerr	-	-	-	-	-	-	-	-	-	-
Total	**14,619,883**	**-**	**-**	**-**	**-**	**-**	**1,618,319**	**-**	**16,238,202**	**-**

(g) Loans to specified directors and specified executives

There were no loans to specified directors and specified directors during the year.

(h) Other transactions and balances with specified directors and specified executives

Refer note 26 below for other transactions and balances with specified directors and specified executives.

Notes continued

30 JUNE 2005

26. RELATED PARTY DISCLOSURES

Ultimate Parent

Westonia Mines Limited is the ultimate parent company.

Directors

Apart from the details disclosed in this note and note 25, no director has entered into a material contract with the company since the end of the previous financial year and there were no material contracts involving directors' interests existing at year end except as elsewhere disclosed in this report.

Lion Manager

The company paid $20,000 (in lieu of directors fees) to Lion Manager, the management company responsible for the operation of Lion Selection Group, for the services or Mr Chris Melloy as a Non-Executive Director. Mr Melloy is an Executive Director of Lion Manager. Lion Selection Group is a substantial shareholder in Westonia Mines Limited.

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

DWCorporate

DWCorporate, a company of which Mr Wilkins is principal, provided company secretarial and other corporate services to Westonia Mines Limited during the year. The amounts paid were at arms length and are disclosed at note 25b(ii) above.

Other transactions with the company

The terms and conditions of the transactions with directors and director-related entities were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arms length basis.

27. SEGMENT INFORMATION

Segment products and locations

The consolidated entity operates in one industry and one geographical segment, namely the mining industry within Western Australia.

Notes continued

30 JUNE 2005

28. FINANCIAL INSTRUMENTS

28(a) Interest rate risk

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

Financial Instruments	Floating interest rate		Fixed interest rate maturing in: 1 year or less		Over 1 to 5 years		More than 5 years		Non-interest bearing		Total carrying amount as per the statement of financial position		Weighted average effective interest rate	
	2005 $	2004 $	2005 $	2004 $	2005 $	2004 $	2005 $	2004 $	2005 $	2004 $	2005 $	2004 $	2005 %	2004 %
(i) Financial assets														
Cash	**6,857,636**	708,066	**298,590**	746,492	**-**	-	**-**	-	**43,828**	9,977	**7,200,054**	1,464,535	**4.0**	3.8
Receivables and other debtors	**-**	-	**-**	-	**-**	-	**-**	-	**39,882**	74,061	**39,882**	74,061	**-**	-
Term and bond deposits	**-**	-	**335,973**	334,937	**-**	-	**-**	-	**35,500**	35,500	**371,473**	370,437	**-**	-
Total financial assets	**6,857,636**	708,066	**634,563**	1,081,429	**-**	-	**-**	-	**119,210**	119,538	**7,611,409**	1,909,033		
(ii) Financial liabilities														
Trade creditors	**-**	-	**-**	-	**-**	-	**-**	-	**(234,250)**	(157,280)	**(234,250)**	(157,280)	**-**	-
Other creditors and accruals	**-**	-	**-**	(3,776)	**-**	-	**-**	-	**(101,529)**	(61,953)	**(101,529)**	(65,729)	**-**	-
Total financial liabilities	**-**	-	**-**	(3,776)	**-**	-	**-**	-	**(335,779)**	(219,233)	**(335,779)**	(223,009)		

Notes continued

30 JUNE 2005

28. FINANCIAL INSTRUMENTS (cont'd)

28(b) Net fair values

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

28(c) Credit risk exposures

Concentrations of credit risk

The maximum exposure to credit risk at balance date is the carrying amount (net of provision of doubtful debts) of those assets as disclosed in the Statement of Financial Position and notes to the financial statements.

29. IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO IFRS

Westonia Mines Limited is in the process of transitioning its accounting policies and financial reporting from current Australian Accounting Standards (AGAAP) to Australian equivalents of International Financial Reporting Standards (AIFRS) which will be applicable for the financial year ended 30 June 2006. In 2004, the company allocated internal resources and engaged expert consultants to conduct impact assessments to identify key areas that would be impacted by the transition to AIFRS. As a result, Westonia Mines Limited established a project team to address each of the areas in order of priority. Priority has been given to the preparation of an opening balance sheet in accordance with AIFRS as at 1 July 2004, Westonia Mines Limited's transition date to AIFRS. This will form the basis of accounting for AIFRS in the future, and is required when Westonia Mines Limited prepares its first fully AIFRS compliant financial report for the year ended 30 June 2006.

Set out below is best estimate of the quantitative impact of the changes on total equity as at the date of transition and 30 June 2005 and on net loss for the year ended 30 June 2005.

The figures disclosed are management's best estimates of the quantitative impact of the changes as at the date of preparing the 30 June 2005 financial report. The actual effects of transition to AIFRS may differ from the estimates disclosed due to (a) ongoing work being undertaken by the AIFRS project team; (b) potential amendments to AIFRSs and Interpretations thereof being issued by the standard-setters and IFRIC; and (c) emerging accepted practice in the interpretation and application of AIFRS and UIG Interpretations.

(a) Reconciliation of equity as presented under AGAAP to that under AIFRS

	Notes	Consolidated		The Company	
		30 June 2005**	1 July 2004*	30 June 2005**	1 July 2004*
		$	$	$	$
Total equity under AGAAP		**17,936,617**	11,140,399	**17,936,617**	11,140,399
Adjustments to accumulated losses					
Share-based payment expense	(i)	**(3,285)**	(821)	**(3,285)**	(821)
		(3,285)	(821)	**(3,285)**	(821)
Adjustments to contributed equity					
Share-based payment expense	(i)	**3,285**	821	**3,285**	821
		3,285	821	**3,285**	821
Total equity under AIFRS		**17,936,617**	11,140,399	**17,936,617**	11,140,399

* This column represents the adjustments as at the date of transition to AIFRS.
** This column represents the cumulative adjustments as at the date of transition to AIFRS and those for the year ended 30 June 2005.

(i) Under AASB 2 (Share-Based Payments), the company would recognise the fair value of options issued to employees as remuneration as an expense on a pro-rata basis in the Income Statement. Share-based payment costs are not recognised under AGAAP. This would result in an increase in operating loss from AGAAP to AIFRS.

Notes continued

30 JUNE 2005

29. IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO IFRS (cont'd)

(b) Reconciliation of net loss under AGAAP to that under AIFRS

YEAR ENDED 30 JUNE 2005	Notes	Consolidated	The Company
		$	$
Net loss as reported under AGAAP		**(940,644)**	**(940,644)**
Share-based payment expense	(i)	**(2,464)**	**(2,464)**
Net loss under AIFRS		**(943,108)**	**(943,108)**

(i) Under AASB 2 (Share-Based Payments), the company would recognise the fair value of options issued to employees as remuneration as an expense on a pro-rata basis in the Income Statement. Share-based payment costs are not recognised under AGAAP. This would result in an increase in operating loss from AGAAP to AIFRS.

(c) Restated AIFRS Statement of Cash Flows for the year ended 30 June 2005

No material impacts are expected to the cash flows presented under AGAAP on adoption of AIFRS.

Directors' Declaration

In accordance with a resolution of the directors of Westonia Mines Limited, I state that:

(1) In the opinion of the directors:

 (a) the financial statements and notes of the company and of the consolidated entity are in accordance with the Corporations Act 2001, including:

  (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2005 and of their performance for the year ended on that date; and

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

 (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

(2) This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending 30 June 2005.

On behalf of the board

David F Hatch
Managing Director

Perth, 30 September 2005

INDEPENDENT AUDIT REPORT

O|R|D
PARTNERS
CHARTERED ACCOUNTANTS

Ian K Macpherson CA

Robert W Parker CA

Craig A Vivian CA

To the members of Westonia Mines Limited

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for both Westonia Mines Limited ("the company") and Westonia Mines Limited ("the consolidated entity"), for the year ended 30 June 2005 as set out on pages 16 to 40. The consolidated entity comprises both the company and the entities it controlled during the year.

The directors of the consolidated entity 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 in order to express an opinion to the members of the consolidated entity. 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. 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*, including compliance with Accounting Standards and other mandatory financial 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.

We formed our audit 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.

While 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

In conducting our audit we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

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Chartered Accountants

Audit Opinion

In our opinion, the financial report of Westonia Mines Limited is in accordance with:

(a) the *Corporations Act 2001*, including:

(i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2005 and of their performance for the year ended on that date; and

(ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) other mandatory financial reporting requirements in Australia.

ORD PARTNERS
Chartered Accountants

Ian Macpherson
Partner

Dated this 30th day of September, 2005

Perth, WA

O | R | D
PARTNERS
CHARTERED ACCOUNTANTS

Ian K Macpherson CA

Robert W Parker CA

Craig A Vivian CA

30 September 2005

The Board of Directors
Westonia Mines Limited
9 Havelock Street
WEST PERTH WA 6005

Dear Sirs

WESTONIA MINES 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 Westonia Mines Limited.

As partner for the audit of the financial statements of Westonia Mines Limited for the year ended 30 June 2005, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- The auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- Any applicable code of professional conduct in relation to the audit.

Yours sincerely
ORD PARTNERS

Ian Keith Macpherson
Partner

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ASX Additional Information

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 6 September 2005.

(a) Distribution of equity securities

The number of shareholders, by size of holding, in each class of share are:

	Ordinary shares		Options	
	Number of holders	**Number of shares**	Number of holders	Number of shares
1 - 1,000	**22**	**8,640**	10	3,328
1,001 - 5,000	**135**	**438,800**	117	394,299
5,001 - 10,000	**214**	**1,913,238**	25	203,775
10,001 - 100,000	**599**	**20,647,216**	50	1,422,804
100,001 and over	**120**	**197,990,192**	26	25,380,463
	1,090	**220,998,086**	228	27,404,669
The number of shareholders holding less than a marketable parcel of shares are:	**160**	**466,068**	180	1,050,123

(b) Twenty largest shareholders

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

		Listed ordinary shares	
		Number of shares	**Percentage of ordinary shares**
1	Lion Selection Group Limited	96,879,833	43.84
2	Westpac Custodian Nominee	13,051,393	5.91
3	Goldrich Holdings Pty Ltd	12,120,352	5.48
4	Zero Nominees Pty Ltd	7,100,000	3.21
5	J P Morgan Nominees Australia	6,818,515	3.09
6	Drummond Shay Margaret	6,638,233	3.00
7	Key International Pty Ltd	4,166,667	1.89
8	National Nominees Limited	4,109,619	1.86
9	Pacific Inland Invest Pty Ltd	2,745,501	1.24
10	Readco Managmement Pty Ltd	2,437,955	1.10
11	Pretorius Leon Eugene	2,000,000	0.90
12	Mechelle Securities Pty Ltd	1,786,959	0.81
13	E P Lawrence Nominees Pty Ltd	1,740,143	0.79
14	Parkheights Pty Ltd	1,666,667	0.75
15	Wuudee Australia Pty Limited	1,651,247	0.75
16	Sheppard Keith William	1,600,000	0.72
17	Vietnam Industrial Invest	1,500,000	0.68
18	R O Stone Pty Ltd	1,500,000	0.68
19	ANZ Nominees Limited	1,289,423	0.58
20	Jayleaf Holdings Pty Ltd	1,247,650	0.56
		172,050,157	77.84

(c) Twenty largest option holders

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

		Listed options	
		Number of options	**Percentage of total options**
1	Lion Selection Group Limited	11,515,499	42.02
2	Goldrich Holdings Pty Ltd	3,333,344	12.16
3	Drummond Shay Margaret	2,666,677	9.73

ASX Additional Information continued

4	Readco Management Pty Ltd	1,717,177	6.27
5	Pacific Inland Invest Pty Ltd	1,616,167	5.90
6	J P Morgan Nominees Australia	416,666	1.52
7	Mint Asset Managment Pty Ltd	336,999	1.23
8	Drummond Celia Marie	333,333	1.22
9	Drummond Simon James	333,333	1.22
10	Jayleaf Holdings Pty Ltd	310,350	1.13
11	R O Stone Pty Ltd	300,000	1.09
12	Andrew Drummond & Associates Pty Ltd	271,548	0.99
13	Westpac Custodian Nominee	206,866	0.75
14	Yandal Investments Pty Ltd	200,000	0.73
15	Bellmar Holdings Pty Ltd	186,000	0.68
16	Read Brian John	184,498	0.67
17	Travis Joan Stella	181,165	0.66
18	Geldard Pauline Mary	181,165	0.66
19	Tonks Carmel Madeline	181,165	0.66
20	Read Norma Teresa	181,165	0.66
		24,653,117	89.95

(d) Substantial shareholders

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

	Number of Shares
Lion Selection Group Limited	96,879,833
Westpac Custodian Nominee	13,051,393
Goldrich Holdings Pty Ltd	12,120,352

(e) Voting rights

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

(f) Schedule of interests in mining tenements

Location	Tenement	Percentage held
Westonia Mine	M77/88	100
Westonia Mine	M77/110	100
Westonia Mine	M77/124	100
Westonia Mine	M77/18	100
Bodallin	ELA77/1165	100
West Westonia	P77/3001	100
West Westonia	MLA77/827	100
Dicks Reward	E77/898	100
Westonia	E77/516	100
Westonia	E77/990	100
Westonia	E77/1069	100
Westonia	E77/965	100
Jilbadgie	E77/572	65
Jilbadgie	E77/1059	100
Jilbadgie	ELA77/1132	100