washington

WASHINGTON RESOURCES LIMITED
ACN 097 532 137

ANNUAL REPORT

30 June 2006

CORPORATE DIRECTORY

Directors:
Adrian Griffin – Chairman and Managing Director
Grant Button – Non-executive Director
K. Scott Huntly – Non-executive Director

Company Secretary:
Robert Hair

Auditor:
Ernst & Young
Ernst & Young Building
11 Mounts Bay Road
Perth WA 6000 AUSTRALIA
Telephone (+61 8) 9429 2222
Facsimile (+61 8) 9429 2436

Share Registry:
Computershare Investor Services Pty Limited
Level 2, 45 St Georges Terrace
Perth WA 6000 AUSTRALIA
Telephone (+61 8) 9323 2000
Facsimile (+61 8) 9323 2033

Registered and Principal Office
98 Colin Street
West Perth WA 6005 AUSTRALIA
Telephone (+61 8) 9485 0755
Facsimile (+61 8) 9324 2977
Website www.washingtonresources.com.au
Email admin@washingtonresources.com.au

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CONTENTS

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DIRECTORS' REPORT

The Directors of the Company present their report, together with the Report of the Chairman and Managing Director and the financial statements of the Company, to Shareholders for the year ended 30 June 2006.

1. DIRECTORS AND COMPANY SECRETARY

The names and qualifications of the Directors and Company Secretary of the Company holding office at the date of this report are:

Adrian Griffin *BSc (Hons)* (appointed as a Director on 7 September 2004)

Chairman and Managing Director

By background a geologist, Mr Griffin has extensive experience in operational and general management of exploration, mining and processing operations. Mr Griffin was, a director of Preston Resources Limited until 2003. He is a director of Dwyka Diamonds Limited and Hodges Resources Limited and has not been a director of any other listed company in the past three years to 30 June 2006. As chief executive officer of the Company, he is responsible for the overall leadership and general management of the Company. Mr Griffin is a member of the Board's audit committee and provides specialist qualifications and experience in the Board's deliberations on geoscientific, processing, mining and marketing matters. Mr Griffin has special responsibility for investor and media relations.

Grant Button *BBus, CPA* (appointed as a Director on 4 March 2005)

Non-executive Director

Mr Button is an accountant by background and has significant financial and other commercial management and transactional experience. Mr Button is a director of Sylvania Resources Limited and of Magnum Gold NL. He has not been a director of any other listed company in the past three years to 30 June 2006. Mr Button is the chairman of the Company's audit committee and provides specialist qualifications and experience in the Board's deliberations on financial and other commercial matters.

K. (Scott) Huntly *GDE, MSc (Eng)* (appointed as a Director on 7 September 2004)

Non-executive Director

Mr Huntly has a mining engineering and surveying background and has extensive operational management and government liaison experience, particularly in Southern Africa. Mr Huntly has a director of Sylvania Resources Limited since December 2002. He has not been a director of any other listed company in the past three years to 30 June 2006. Mt Huntly provides specialist qualifications and experience in engineering, mining operations and government liaison.

Robert Hair *BA (Hons)* (appointed as Secretary on 4 March 2005)

Company Secretary

Mr Hair was admitted as a Barrister of the Supreme Court of Queensland in July 1983 and has over 17 years' legal, commercial and general management experience in the resources industry in Australia and internationally. He is a non-Board member of the Company's audit committee and assists the Board and management in the management of legal issues, continuous disclosure, risk management and compliance.

Meetings of Directors held and attendance thereat during the financial year were as follows:

Name of Director:	*No. of meetings attended:*	*No. of meetings whilst Director:*
G. Button	10 (8 Board and 2 Audit Committee)	10 (8 Board and 2 Audit Committee)
A. Griffin	10 (8 Board and 2 Audit Committee)	10 (8 Board and 2 Audit Committee)
K. Huntly	8 (Board meetings)	8 (Board meetings)

Number of Shares held by Directors

Directors	**Balance 1-Jul-05**	**Received as Remuneration**	**Options Exercised**	**Net Change Other**	**Balance 30-Jun-06**
Adrian Griffin	625,000	-	-		625,000
Grant Button	-	-	-	-	-
Scott Huntly	-	-	-	-	-
	625,000	-	-	-	625,000

Number of Options held by Directors

Directors	**Balance 1-Jul-05**	**Received as Remuneration**	**Options Exercised**	**Net Change Other**	**Balance 30-Jun-06**
Adrian Griffin	-	-	-	865,793	865,793
Grant Button	-	-	-	389,793	389,793
Scott Huntly	-	-	-	389,793	389,793
	-	-	-	1,646,379	1,646,379

2. PRINCIPAL ACTIVITIES

The principal activity of the Company during the financial year was the exploration for minerals.

3. OPERATING RESULTS

The loss after income tax for the year ended 30 June 2006 was $699,878 (2005 $611,058).

4. REVIEW OF OPERATIONS

Initial public offering and shares on issue

In August 2005, Washington lodged a prospectus under which it sought to raise up to $3,000,000 by way of an initial public offering and listing on the Australian Stock Exchange Limited. The offer was over-subscribed, and Washington was admitted to the ASX list on 14 November 2005 and commenced trading on 17 November 2005. The Company issued 19,500,000 shares, resulting in total shares on issue being 36,100,006. During the year, an additional 9,283,320 shares were issued, as is described in more detail below. As at the end of the financial year, there were 45,383,326 shares and 36,306,660 options on issue.

Exploration

During the period, the Company carried out exploration for minerals in Western Australia and the Northern Territory. The Company's dominant exploration focus in Western Australia and the Northern Territory is base metals and precious metals. In Western Australia, the Company has undertaken geological and geophysical surveys which culminated in drilling and the location of disseminated and massive sulphide mineralization. The exploration was targeted to expand on the inferred resource of 79,000 ounces of platinum group metal mineralization at Yarawindah Brook, within the Jimperding Igneous Complex (see below). The polymetallic mineralization contains nickel, copper, cobalt and platinum group metals. In the Northern Territory, the Company's tenure is situated in three locations prospective for gold and base metals, being Tanami-Granites, Kurindi and Kulgera. The Company is likely to concentrate its exploration efforts on Yarawindah Brook and these Northern Territory areas at least for the next year. The Company continues to assess opportunities in Africa, presented to it under the terms of its strategic alliance with Dwyka Diamonds Limited.

Yarawindah Brook

The Company carried out a programme of reverse circulation drilling at Yarawindah Brook in Western Australia (Washington 80%) during the year. It began work on the Yarawindah Brook polymetallic sulphide deposit shortly after the Company's admission to the ASX in November 2005. The Yarawindah project lies within the Jimperding Igneous Complex, approximately 130 kilometres north of Perth.

Initial drilling at Yarawindah intersected massive sulphides, close to the surface, in three drill holes. The mineralization included nickel, copper, cobalt and platinum group metals. A programme of 76 holes in total was carried out, and Table 1 sets out significant one metre intersections from that programme.

Table 1 Yarawindah Brook 1m intersections

Hole	East MGA	North MGA	Local East (m)	Local North (m)	Depth m	Dip	From m	To m	Ni %	Cu %	Co ppm	Au+Pt+Pd ppm
YWRC029	429,767	6,559,823	10,000	10,853	57	90	45	46	0.87	1.98	825	0.21
YWRC029							46	47	0.47	0.97	470	0.47
YWRC055	429,871	6,559,536	9,950	10,552	50	90	33	34	1.91	1.01	1418	0.24
YWRC055							34	35	0.75	0.15	562	0.48
YWRC055							35	36	0.10	0.13	95	0.12
YWRC055							36	37	0.22	0.26	185	0.29
YWRC055							37	38	2.31	0.90	1692	0.40
YWRC055							38	39	0.82	0.90	635	0.23
YWRC058	429,558	6,559,989	9,899	11,100	50	90	35	36	0.77	0.44	531	0.05
YWRC058							36	37	3.94	1.03	2621	0.23
YWRC058							37	38	3.40	0.93	2405	0.59
YWRC058							38	39	0.35	0.64	257	0.22

The information in this report is based on information compiled by Mr Adrian Griffin, who is a member of the Australasian Institute of Mining and Metallurgy and the Geological Society of Australia. Mr Griffin is the Chairman and Managing Director of Washington Resources Limited.

To gain a better understanding of this mineralization, the Company commissioned petrological, geophysical and metallurgical studies, which is still in the process at the date of this report and this is intended to optimize the grade and recovery of concentrates from the Yarawindah mineralization.

Results to date have added significantly to the knowledge of the Yarawindah polymetallic mineralization, and enabled construction of a geological model, which will be used to direct further exploration. The knowledge gained will be applied, not only to future exploration at Yarawindah, but also to other Washington projects within the Jimperding Igneous Complex.

Northern Uranium Limited

During the year, the Company entered into a joint venture with Polaris Metals NL, under which the two companies pooled their uranium exploration interests in Western Australia and the Northern Territory in a joint venture company, Northern Uranium Limited (Washington 50%). The latter company is as at the date of this report at an advanced stage of conducting an initial public offering to raise at least $3 million and list on the Australian Stock Exchange Limited.

Bulla Joint Venture

During the year, the Company entered into the Bulla Joint Venture Agreement (Washington 50%) with Reedy Lagoon Corporation Limited to explore for iron ore on Exploration Licence Applications 70/2719 and 70/2720. The tenement applications are located 70km east of Perth, Western Australia and cover an area prospective for iron ore, which was identified by Western Mining Corporation Limited in the 1970s.

Under the terms of the joint venture agreement, Reedy Lagoon may, by sole funding the joint venture activities, earn 1.2% equity in the joint venture for every $10,000 spent. The sole funding provision will allow Reedy Lagoon to increase its equity in the joint venture to a maximum of 80%, at which time Washington must contribute or be diluted.

Washington retains the sole rights to all commodities other than iron ore, and Reedy Lagoon will not earn any direct equity in the tenements. Washington will continue to focus on the base and precious metal potential of ELA70/2719 and ELA70/2720. The joint venture's activities are subject to relevant landholder approvals.

Other exploration

Airborne magnetic and radiometric surveys over the Bindi Bindi project were carried out during the year. These are intended to be used, in conjunction with geological mapping and sampling, to plan for more detailed exploration over selected target areas.

During the year, Washington entered into a heads of agreement with Westex Resources Pty Ltd in relation to tenement applications in the Murchison Mineral Field, Meekatharra District, Western Australia. Washington has the option by way of farm-in to earn equity in the tenements at a rate of 1% for each $5,000 incurred as exploration expenditure. It may elect to cease to contribute as sole contributor before it has earned its 80% interest, in which case it will be deemed to have elected to withdraw from the farm-in arrangement.

Sallies Limited

As set out in the Company's prospectus for its initial public offering, Washington had the option to acquire approximately 10% of the issued shares of Sallies Limited, registration number 1903/001879/06, which is listed on the Johannesburg Stock Exchange and is one of the world's large producers of fluorspar.

During the year, Washington exercised the option and thereby acquired 26,572,961 Sallies shares by the issue to the holders of 8,858,320 Washington shares. The shares were issued at a fair value of 19.5 cents per share. These shares are quoted on the Australian Stock Exchange Limited.

Rights issue

At the time that Washington announced that it had agreed with Polaris Metals NL to form a uranium joint venture, the Company also announced its intention to hold a rights entitlements issue, in order to fund the costs of exploration under that joint venture. An underwritten rights issue was subsequently held during the year, with each shareholder being offered 4 options for every 5 shares held at close of business on the record date. The subscription price for each option was $0.01, with the exercise price being $0.25 and expiry date being 28 February 2008. 36,306,660 options were issued pursuant to the rights issue. These options are traded on the Australian Stock Exchange Limited.

Exercise of existing options

At the time of the Company's listing on the Australian Stock Exchange Limited, there were 5,425,000 existing options on issue, with the expiry date of 30 June 2006 and an exercise price of $0.20 per share. During the year, 425,000 existing options were exercised, with the result being that the Company issued 425,000 ordinary shares to the holders. The remaining 5,000,000 existing options expired on 30 June 2006.

5. DIVIDENDS

No dividends have been paid or declared since the commencement of the last financial year, and the Directors have recommended no dividends.

Earnings per share

Basic loss per share (cents per share)	(1.54)
Diluted loss per share (cents per share)	(1.54)

6. EVENTS SUBSEQUENT TO BALANCE DATE

The Company, on 14 August 2006, announced that it had agreed to sell its entire shareholding (26,572,961 shares) in Johannesburg-listed Sallies Limited, registration number 1903/001879/06, by way of an off-market transfer at a price of 0.60 South African Rand per share (15,943,776 South African Rand in total). This sale will result in the receipt by the Company of approximately $3 million.

On 14 July 2006, Washington under its Share Plan (as described in the Company's prospectus for its initial public offering) allotted and issued a total of 920,000 shares to employees and consultants at $0.25 per share and extended loans for that purpose of $230,000 in total. The shares issued under the Share Plan may not be transferred or otherwise dealt with, and will not be quoted on ASX, until any loan in respect of the shares has been repaid and a period of 12 months (in relation to one third of the shares offered), 24 months (in relation to another one third of the shares offered) and 36 months (in relation to the other one third of the shares offered) has passed from the date of issue. No shares were issued to directors of the Company, as the offers made under the Share Plan and the Option Plan to directors were made subject to the receipt of shareholder approval.

Apart from the aforementioned, or other events to the extent to which are described elsewhere in this Directors' Report, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material or unusual nature likely, in the opinion of the Directors of the Company, to affect:

(a) the Company's operations in future financial years; or

(b) the results of those operations in future financial years; or

(c) the Company's state of affairs in future financial years.

7. SIGNIFICANT CHANGES IN STATE OF AFFAIRS

During the financial year, total equity increased from $469,632 to $5,941,194, due principally to the issue of shares during the Company's initial public offering, which culminated in listing on the Australian Stock Exchange Limited in November 2005, and for the acquisition of exploration tenements and shares in Johannesburg-listed Sallies Limited.

An entitlements issue was carried out during the financial year, which culminated in the issue of 36,306,660 options, expiring on 28 February 2008 with an exercise price of $0.25 per share. These options are quoted on the Australian Stock Exchange Limited.

The Company sold its shares in Sallies Limited after the end of the financial year, with the result that Washington's cash position is significantly stronger.

The Company's exploration activities were focused on Yarawindah Brook (Washington 80%) and adjacent tenements, where the principal targets have been platinum group metals and nickel.

The Company during the year entered into a joint venture with Polaris Metals NL, under which the two companies pooled their uranium exploration interests in the Northern Territory and Western Australia. Northern Uranium Limited, which is 50% owned by each of Washington and Polaris, is currently in the process of carrying out an initial public offering, under which it is seeking to raise up to $4 million.

8. LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Company is in a strong cash position to take advantage of existing exploration property, as well as to respond to other opportunities within the exploration and mining industry, should they arise.

The Directors are hopeful that during the 2007 financial year the Company can add to the understanding of the geology of its Yarawindah Brook acreage and lead to the delineation of economic base metal and platinum group mineralization.

Washington's shareholding in Northern Uranium will give it the ability to receive the benefits of success by that company, if it occurs.

9. INDEMNIFICATION AND INSURANCE OF DIRECTORS

Washington is a party to deeds of access and indemnity with the officers of the Company, indemnifying them against liability incurred, including costs and expenses in successfully defending legal proceedings. The indemnity applies to a liability for costs and expenses incurred by the Director or officer acting in their capacity as a Director or officer. Except in the case of a liability for legal costs and expenses, it does not extend to a liability that is:

(a) owed to the Company or a related body corporate of the Company;

(b) for a pecuniary penalty under section 1317G or a compensation order under section 1317H or section 1317HA of the Corporations Act 2001; or

(c) owed to someone other than the Company or a related body corporate of the Company where the liability did not arise out of conduct in good faith.

Similarly, the indemnity does not extend to liability for legal costs and expenses:

(d) in defending proceedings in which the officer is found to have a liability described in paragraph (a), (b) or (c);

(e) in proceedings successfully brought by the Australian Securities and Investments Commission or a liquidator; or

(f) in connection with proceedings for relief under the Corporations Act 2001 in which the court denies the relief.

Insurance cover in respect of directors' and officers' liability is currently being investigated.

10. ENVIRONMENTAL

The Company's activities are subject to State and Federal legislation relating to the protection of the environment. The Company has in all respects met the requirements of such legislation. Washington's principal exploration activities during the year were carried out in and in relation to its Yarawindah Brook project. The Company carried out a 76 hole reverse circulation drilling programme, and this was carried out entirely in accordance with appropriate environmental regulations. All holes are capped, and other appropriate procedures are in place to ensure minimal environmental disturbance.

11. OPTIONS

A total of 36,306,660 options over un-issued shares of the Company were granted by the Company during the financial year, each having an expiry date of 28 February 2008 and an exercise price of $0.25 per share.

A list of the top 20 option holders is set out in the Additional ASX Information.

12. REMUNERATION REPORT

<u>Introduction</u>

This report outlines the remuneration arrangements in place for Directors and executives of Washington Resources Limited ("Company").

Remuneration Philosophy

The performance of the Company depends upon the quality of its Directors and executives. To prosper, the Company must attract, motivate and retain highly skilled Directors and executives.

To this end, the Company embodies the following principles in its remuneration framework:

- Provide competitive rewards to attract high calibre executives;
- Link executive rewards to shareholder value;
- Significant portion of executive remuneration 'at risk', dependent upon meeting pre-determined performance benchmarks;
- Establish appropriate, demanding performance hurdles in relation to variable executive remuneration;
- Encourage Directors to apply a portion of their fees to acquire shares in the Company at market price.

The Company also recognizes that, at this stage in its development, it will at any one time have only a few employees. Rather, it will draw upon a pool of consultants selected by the Directors on the basis of their known management, geoscientific, engineering and other professional and technical expertise and experience. The Company will nevertheless seek to apply the principles described above to its Directors and executives, whether they are employees of or consultants to the Company.

Remuneration Committee Responsibilities

During the year, the Company did not have a separately established Remuneration Committee. Given the current size of the Board, the Board considers that this function is efficiently achieved with full Board support, in accordance with the guidelines set out in this report. Accordingly, the Board of Directors is responsible for determining and reviewing compensation arrangements for the Directors, the chief executive officer (CEO) and the senior management team.

The Board assesses the appropriateness of the nature and amount of remuneration of Directors and senior executives on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team.

Remuneration Structure

In accordance with best practice corporate governance, the structure of non-executive Director and executive remuneration is separate and distinct.

Non-executive Director Remuneration

Objective

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

Structure

The Company's constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors must be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the Directors as agreed. The current aggregate limit of non-executive Directors' remuneration is $100,000. Non-executive Directors did not receive any remuneration during the year ending 30 June 2005. During the year ending 30 June 2006, total non-executive Directors' received the amount of $29,262 as remuneration.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst Directors is to be reviewed annually. The Board will consider advice from external consultants, as well as the fees paid to non-executive Directors of comparable companies, when undertaking the annual review process.

Each non-executive Director receives a fee for being a Director of the Company. This fee is currently set at $24,000 per annum. No additional fee is paid for participating in Board Committees.

Non-executive Directors are encouraged by the Board to hold shares in the Company (purchased on market and in accordance with the Company's approved policies to ensure there is no insider trading). It is considered good governance for directors of a company to have a stake in that company. The non-executive Directors of the Company can participate in the share and option plans described elsewhere in this report, which provide incentives where specified criteria are met.

Executive Director and Senior Management Remuneration

Objective

The Company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company and so as to:

- reward executives for Company, business team and individual performance against targets set by reference to appropriate benchmarks;
- align the interests of executives with those of shareholders;
- link reward with the strategic goals and performance of the Company; and
- ensure total remuneration is competitive by market standards.

Structure

In order to determine the level and make-up of executive remuneration, the Board will engage an external consultant to provide independent advice both in the form of a written report detailing market levels of remuneration for comparable executive roles and in making recommendations to the Board.

At this time, the remuneration of Directors, the Company Secretary and other senior managers is not dependent upon the satisfaction of a performance condition. It is current policy that executives be engaged by way of consultancy agreements with the Company, under which they receive a contract rate based upon the number of hours of service supplied to the Company. There is provision for half-yearly review and adjustment based on consumer price indices. The remuneration rate is hence not dependent upon the performance of specific performance conditions. This policy is considered to be appropriate for the current stage in the Company's development.

Agreement with Chairman and Managing Director

By agreement dated 8 April 2005, the Company and Mr Adrian Griffin entered into an agreement containing the terms and conditions under which he will provide his services as chief executive officer of the Company. The agreement came into effect upon the Company's listing on the Australian Stock Exchange.

The agreement:

- has a term of three years;
- requires the payment to Mr Griffin of a salary of $125,000 pa plus superannuation (increasing by reference to the consumer price index each year) and reimbursement of expenses;
- has provision for six months' notice for termination; and
- otherwise contains standard terms relating to confidentiality, conflicts of interest, termination and representations and warranties.

The Board has established a share plan and an option plan for employees and officers, in order better to align the Company's performance with the employees' and officers' remuneration. Shareholder approval will be sought at a later date before implementing these plans.

Directors' Remuneration 2006

	Short-term				Post Employment	Share based payments		
Directors	Cash Salary & Fees $	Consultancy Agreement $	Cash Bonus $	Non-Cash Benefits $	Superannuation Contribution $	Shares $	Options $	Total $
Adrian Griffin	83,653	-	-	-	7,529	-	-	91,182
Grant Button	14,920	-	-	-	1,343	-	-	16,263
Scott Huntly	14,999	-	-	-	-	-	-	14,999
	113,572	-	-	-	8,872	-	-	122,444

Directors' Remuneration 2005

	Short-term				Post Employment	Share based payments		
	Cash Salary & Fees	Consultancy Agreement	Cash Bonus	Non-Cash Benefits	Superannuation Contribution	Shares	Options	Total
Directors	$	$	$	$	$	$	$	$
Adrian Griffin	-	33,480	-	-	-	-	-	33,480
Grant Button	-	-	-	-	-	-	-	-
Scott Huntly	-	-	-	-	-	-	-	-
	-	33,480	-	-	-	-	-	33,480

Executives' Remuneration 2006

	Short-term				Post Employment	Share based payments		
	Cash Salary & Fees	Consultancy Agreement	Cash Bonus	Non-Cash Benefits	Superannuation Contribution	Shares	Options	Total
Executive	$	$	$	$	$	$	$	$
Robert Hair	-	115,064	-	-	-	-	-	115,064
	-	115,064	-	-	-	-	-	115,064

Executives' Remuneration 2005

	Short-term				Post Employment	Share based payments		
	Cash Salary & Fees	Consultancy Agreement	Cash Bonus	Non-Cash Benefits	Superannuation Contribution	Shares	Options	Total
Executive	$	$	$	$	$	$	$	$
Robert Hair	-	34,100	-	-	-	-	-	34,100
	-	34,100	-	-	-	-	-	34,100

0% (2005: 0%) performance related payments were made during the year.

13. NON-AUDIT SERVICES AND AUDITOR'S INDEPENDENCE

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company are important. Details of the amounts paid or payable to the auditor Ernst & Young for audit and non-audit services provided during the year are set out below.

	2006	2005
	$	$
Remuneration of the auditor of the company for:		
-auditing or reviewing the financial report		
Ernst & Young	30,000	17,500
-other services		
Ernst & Young	-	20,000
	30,000	37,500

The full Board of Directors has considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of the non-audit service provided means that auditor independence was not compromised.
A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 46 and forms part of this report.

Dated at Perth this 29th day of September 2006.

Signed in accordance with a resolution of the Directors.

Director

WASHINGTON RESOURCES LIMITED
ACN 097 532 137

DIRECTORS' DECLARATION

In the opinion of the Directors of Washington Resources Limited

(a) the financial statements and notes set out on pages 17 to 44 are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the financial position of the Company as at 30 June 2006 and of its performance, as represented by the results of its operations and its cash flows, for the year ended on that date; and

(ii) complying with Accounting Standards in Australia and the 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.

(c) 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 year ending 30 June 2006.

Dated at Perth this 29th day of September 2006

Signed in accordance with a resolution of Directors:

Director

WASHINGTON RESOURCES LIMITED
INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2006

	Note	2006 $	2005 $
Sales revenue		-	-
Cost of sales		-	-
GROSS PROFIT/(LOSS)		-	-
Other revenues	3(a)	54,797	-
Administrative expenses		(563,602)	(79,808)
Finance costs	3(c)	(25,009)	-
Occupancy expenses		(12,970)	-
Other expenses	3(b)	(536,000)	(531,250)
LOSS FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE		**(1,082,784)**	**(611,058)**
Income tax credit (expense) relating to ordinary activities	5	41,499	-
NET LOSS FROM ORDINARY ACTIVITIES AFTER INCOME TAX EXPENSE		**(1,041,285)**	**(611,058)**
Basic loss per share (cents per share)	8	(2.30)	(3.36)
Diluted loss per share (cents per share)	8	(2.30)	(3.36)

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

WASHINGTON RESOURCES LIMITED
BALANCE SHEET
AS AT 30 JUNE 2006

	Note	2006 $	2005 $
CURRENT ASSETS			
Cash and cash equivalents	9	1,609,803	83,223
Receivables	10	130,997	28,089
Available-for-sale investments	11	3,003,725	-
Prepayment	12	-	182,799
TOTAL CURRENT ASSETS		**4,744,525**	**294,111**
NON-CURRENT ASSETS			
Plant and equipment	13	2,496	-
Deferred exploration and evaluation costs	14	1,372,955	399,941
TOTAL NON-CURRENT ASSETS		**1,375,451**	**399,941**
TOTAL ASSETS		**6,119,976**	**694,052**
CURRENT LIABILITIES			
Trade and other payables	15	173,915	224,420
Provisions	16	4,867	-
TOTAL CURRENT LIABILITIES		**178,782**	**224,420**
NON CURRENT LIABILITIES			
Deferred Tax Liability	5	286,584	-
TOTAL LIABILITIES		**465,366**	**224,420**
NET ASSETS		**5,654,610**	**469,632**
EQUITY			
Contributed equity	17	6,511,000	1,541,250
Accumulated losses	19	(2,112,903)	(1,071,618)
Reserves	20	1,256,513	-
TOTAL EQUITY		**5,654,610**	**469,632**

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

WASHINGTON RESOURCES LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2006

	Note	2006 $	2005 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(572,152)	(31,603)
Exploration expenditure		(864,206)	(203,255)
Interest received		54,797	-
Net cash used in operating activities	24	(1,381,561)	(234,858)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of plant and equipment		(2,725)	-
Loan to joint venture entity		(73,590)	-
Net cash used in financing activities		(76,315)	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share issues		3,089,000	52,500
Prospectus costs		(217,610)	(37,335)
Proceeds from option issue		363,066	-
Proceeds/(Repayment) of convertible note		(250,000)	250,000
Net cash provided by financing activities		2,984,456	265,165
Net increase/(decrease) in cash and cash equivalents held		1,526,580	30,307
Cash and cash equivalents at the beginning of the financial year		83,223	52,916
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**1,609,803**	**83,223**

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

WASHINGTON RESOURCES LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2006

	Issued capital $	Accumulated losses $	Option reserve $	Net unrealized gain reserve $	Total equity $
At 1 July 2004	515,000	(460,560)	-	-	54,440
Total income and (expense) for the period recognized directly in equity	-	-	-	-	-
Loss for the period	-	(611,058)	-	-	(611,058)
Total income/(expense) for the period	-	(611,058)	-	-	(611,058)
Issue of share capital	776,250	-	-	-	776,250
Convertible note	250,000	-	-	-	250,000
At 30 June 2005	1,541,250	(1,071,618)	-	-	469,632
At 1 July 2005	1,541,250	(1,071,618)	-	-	469,632
Total income and expense for the period recognized directly in equity					
Net unrealized gains reserve - net gains on available for sale investments	-	-	-	893,447	893,447
Loss for the period	-	(1,041,285)	-	-	(1,041,285)
Total income/(expense) for the period	-	(1,041,285)	-	893,447	147,838
Issue of share capital	5,419,872	-	-	-	5,419,872
Options issued	-	-	363,066	-	363,066
Cost of share issue	(200,122)	-	-	-	(200,122)
Convertible note repayment	(250,000)	-	-	-	(250,000)
At 30 July 2006	6,511,000	(2,112,903)	363,066	893,447	5,654,610

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

NOTE 1: CORPORATE INFORMATION

The financial report of Washington Resources Limited (the company) for the year ended 30 June 2006 was authorized for issue in accordance with a resolution of the directors on 29 September 2006.

Washington Resources Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange.

The nature of the operations and principal activities of the Company are described in Note 4.

NOTE 2: SUMMARY OF SIGNIFCANT ACCOUNTING POLICES

(a) Basis of preparation

The financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards.

The financial statements have been prepared on an accruals basis and on the basis of historical costs except for available-for-sale investments which have been measured at fair value.

The financial report is presented in Australian dollars.

(b) Statement of compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

This is the first financial report prepared based on AIFRS and comparatives for the year ended 30 June 2005 have been restated accordingly except for the adoption of AASB 132 Financial Instruments: Disclosure and Presentation and AASB 139 Financial Instruments: Recognition and Measurement. The company has adopted the exemption under AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards from having to apply AASB 132 and AASB 139 to the comparative period.

There has been no material impact on adoption of AIFRS on;

- the total equity as at the date of transition to AIFRS (1 July 2004), as at 30 June 2004 or as at 1 July 2005; or
- the net profit after tax or cash flows for the year.

Australian Accounting Standards that have recently been issued or amended but are not yet effective have not been adopted for the annual reporting period ending 30 June 2006:

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Statement of compliance (continued)

AASB Amendment	Affected Standard(s)	Nature of change to accounting policy	Application date of standard*	Application date for Company
2005-1	AASB 139: *Financial Instruments: Recognition and Measurement*	No change to accounting policy required. Therefore no impact	1 January 2006	1 July 2006
2005-5	AASB 1: *First-time adoption of* AIFRS, AASB 139: *Financial Instruments: Recognition and Measurement*	No change to accounting policy required. Therefore no impact	1 January 2006	1 July 2006
2005-10	AASB 132: *Financial Instruments: Disclosure and Presentation*, AASB 101: *Presentation of Financial Statements*, AASB 114: *Segment Reporting*, AASB 117: *Leases*, AASB 133: *Earnings per share*, AASB 139: *Financial Instruments: Recognition and Measurement,* AASB 1: *First-time adoption of AIFRS*, AASB 1023: *General Insurance Contacts* and AASB 1038: *Life Insurance Contracts*	No change to accounting policy required. Therefore no impact	1 January 2007	1 July 2007
2006-1	AASB 121: *The Effects of Change in Foreign Currency Rates*	No change to accounting policy required. Therefore no impact	1 January 2006	1 July 2006
New Standard	AASB 7: *Financial Instruments: Disclosures*	No change to accounting policy required. Therefore no impact	1 January 2007	1 July 2007
New UIG	UIG 4: *Determining whether an Arrangement contains a Lease*	No change to accounting policy required. Therefore no impact	1 January 2006	1 July 2006

* Application date is for the annual reporting periods beginning on or after the date shown in the above table.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Statement of compliance (continued)

The following amendments are not applicable to the Company and therefore have no impact.

AASB Amendment	Affected Standard(s)
2004-3	AASB 1: *First time adoption of AIFRS*, AASB 101: *Presentation of Financial Statements*, AASB124: *Related Party Disclosures*
2005-4	AASB 139: *Financial Instruments: Recognition and Measurement*, AASB 132: *Financial Instruments: Disclosure and Presentation*, AASB 1: *First-time adoption of AIFRS*, AASB 1023: *General Insurance Contracts* and AASB 1028: *Life Insurance Contracts*
2005-6	AASB 3: *Business Combinations*
2005-9	AASB 4: *Insurance Contracts*, AASB 1023: *General Insurance Contracts*, AASB 139: Financial Instruments: Recognition and *Measurement* and AASB 132: *Financial Instruments: Disclosure and Presentation*
AASB 119 NEW UIG	AASB 119 *Employee Benefits* UIG 5: *Rights to Interests in Decommissioning, Restoration and Environmental Rehabilitation Funds*
NEW UIG	UIG 6: *Liabilities Arising form Participating in a Specific Market - Waste Electrical and Electronic Equipment*
NEW UIG	UIG 7: *Applying the Restatement Approach under AASB 129 Financial Reporting in Hyperinflationary Economies*
NEW UIG	UIG 8: *Scope of AASB 2*
NEW UIG	UIG 9: *Reassessment of Embedded Derivatives*

(c) Exploration and Evaluation Expenditure

Expenditure on exploration and evaluation is accounted for in accordance with the 'area of interest' method. Exploration and evaluation expenditure is capitalised provided the rights to tenure of the area of interest is current and either:

- the exploration and evaluation activities are expected to be recouped through successful development and exploitation of the area of interest or, alternatively, by its sale; or
- exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or relating to, the area of interest are continuing.

When the technical feasibility and commercial viability of extracting a mineral resource have been demonstrated then any capitalised exploration and evaluation expenditure is reclassified as capitalised mine development. Prior to reclassification, capitalised exploration and evaluation expenditure is assessed for impairment.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment
The carrying value of capitalised exploration and evaluation expenditure is assessed for impairment at the cash generating unit level whenever facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount.

The recoverable amount of capitalised exploration and evaluation expenditure is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

An impairment exists when the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount. Any impairment losses are recognised in the income statement.

AASB 6 *Exploration for and Evaluation of Mineral Resources* has been applied from 1 July 2005 and the comparatives have been restated accordingly.

Costs incurred during exploration and evaluation activities related to an area of interest are accumulated at cost.

Such costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area of interest, or alternatively its sale, or where activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise economically recoverable reserves, and active operations are continuing.

Accumulated costs in relation to abandoned areas of interest are written off in full in the year in which the decision to abandon the area is made.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Recoverable Amount

At each reporting date, the Company assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(e) Property, Plant & Equipment

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value.
Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Plant and equipment – over 2 to 15 years

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If any indication exists of impairment and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Derecognition

An item of plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise form the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the period the item is derecognized.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Income Tax

Current tax assets and liabilities for the current period and prior periods are measured at amounts expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used for computations are enacted or substantively enacted by the balance date.

Deferred income tax is provided on all temporary differences at balance sheet date between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences except where the deferred income tax liability arises from the initial recognition of goodwill of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilized except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognized directly in equity are recognized in equity and not in the income statement.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Employees' Benefits

i. Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognized in provisions in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognized when the leave is taken and measured at the rates paid or payable.

ii. Long service leave

The liability for long service leave expected to be settled within 12 months of the reporting date is recognized in the provision for employee benefits and is in accordance with (i) above. The liability for long service leave expected to be settled more than 12 months from the reporting date is recognized in the provision for employee benefits and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to the expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

iii. Employee Benefit Expenses and Revenues arising in respect of wages and salaries, non monetary benefits, annual leave, long service leave, sick leave and other leave benefits and other types of employee benefits are recognized against profits on a net basis in their respective categories.

iv. The average number of employees during the year was 2 (2005: nil).

(h) Cash and Cash Equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(i) Trade and other receivables

The Company has elected to apply the option available under AASB 1 of adopting AASB 132 and AASB 139 form 1 July 2005. Outlined below are the relevant accounting policies for trade and other receivables for the years ending 30 June 2006 and 30 June 2005.

Accounting policies applicable for the year ending 30 June 2006

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting policies applicable for the year ending 30 June 2005
Trade receivable were recognized and carried at original invoice amount less a provision for any uncollectible debts. An estimate for doubtful debts was made when collection of the full amount was no longer probable. Bad debts were written off as incurred.

(j) Revenue Recognition

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

Sale of goods
Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably. Risks and rewards are considered passed to the buyer at the time of delivery of the goods to the customer.

Interest
Revenue is recognized as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

(k) Issued Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(l) Trade and other payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services.

(m) Earnings per Share

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

Diluted earnings per share is calculated as net profit attributable to members of the company adjusted for:

- costs of servicing equity (other than dividends),
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognized 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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) GST

Revenues, expenses and assets are recognized 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 recognized 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 balance sheet.

Cash flows are included in the Cash Flow Statement 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.

(o) Investments and other financial assets

The company has elected to apply the option available under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. Outlined below are the relevant accounting policies for investments and other financial assets applicable for the years ending 30 June 2006 and 30 June 2005.

Accounting policies applicable for the year ending 30 June 2006

Financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through the profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognized initially, they are measured at fair value, plus, in the case of investments not at fair value through the profit and loss, directly attributable transactions costs. The Company determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Company commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace.

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

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognized in profit or loss.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(ii) Held-to-maturity investments
Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Company has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Investments that are intended to be held-to maturity, such as bonds, are subsequently measured at amortised cost. This cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in profit and loss when the investment are derecognised or impaired, as well as through the amortisation process.

(iii)Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognized in profit and loss when the loans and receivables are derecognized or impaired, as well as through the amortisation process.

(iv)Available-for-sale investments
Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three proceeding categories. After initial recognition available-for-sale investments are measured at fair value with gains or losses being recognized as a separate component of equity until the investment is derecognized or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit and loss.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models.

Accounting policies applicable for the year ending 30 June 2005
Listed shares held for trading were carried at net market value. Changes in net market value were recognised as a revenue or expense in determining the net profit for the period.

All other non-current investments were carried at the lower of cost and recoverable amount.

Recoverable amount

Non-current financial assets measured using the cost basis were not carried at an amount above their recoverable amount, and when a carrying value exceeded this recoverable amount, the financial asset was written down to its recoverable amount. In determining recoverable amount the expected cash flows were discounted to their present value using a market determined risk adjusted discount rate of 6.5%.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Impairment of financial assets

The company has elected to apply the option available under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. Outlined below are the relevant accounting policies applicable for the years ending 30 June 2006 and 30 June 2005.

Accounting policies applicable for the year ending 30 June 2006

The company assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

Available-for-sale investments

If there is objective evidence that an available-for-sale investment is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortization) and its current fair value, less any impairment loss previously recognized in profit and loss, is transferred form equity to the income statement. Reversals of impairment losses for equity instruments classified as available-for-sale are not recognised in profit. Reversals of impairment losses for debt instruments are reversed through profit and loss if the increase in an instrument's fair value can be objectively related to an event occurring after the impairment loss was recognized in profit or loss.

Accounting policies applicable for the year ending 30 June 2005

If there is objective evidence that an available-for-sale investment is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortization) and its current fair value, is recognized in profit and loss.

(q) Interest in joint ventures

The company's interest in its joint venture is accounted for by recognizing the Company's share of assets and liabilities from the joint venture, as well as expenses incurred by the Company and the Company's share of income earned from the joint venture, in the financial statements.

(r) Convertible Note

The company has elected to apply the option available under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. Outlined below are the relevant accounting policies for convertible note applicable for the years ending 30 June 2006 and 30 June 2005.

Accounting policies applicable for the year ending 30 June 2006

The component of the convertible note that exhibits characteristics of a liability is recognised as a liability in the balance sheet, net of transaction costs.

As the company had no obligation to repay the convertible note there was not considered to be a liability component. Accordingly, the full amount was classified as equity.

Accounting policies applicable for the year ending 30 June 2005

Convertible notes that exhibit the characteristics of equity are recognised as equity in the balance sheet.

(s) Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Significant accounting estimates and assumptions (cont)

Impairment of capitalised exploration and evaluation expenditure

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Group decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Factors which could impact the future recoverability include the level of reserves and resources, future technological changes which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, this will reduce profits and net assets in the period in which this determination is made.

In addition, exploration and evaluation expenditure is capitalised if activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. To the extent that it is determined in the future that this capitalised expenditure should be written off, this will reduce profits and net assets in the period in which this determination is made.

NOTE 3: REVENUE AND EXPENSES

Revenue and Expenses from Continuing Operations

	2006 $	2005 $
(a) Revenue		
Finance revenue:		
Interest received	54,797	-
	54,797	-
(b) Expenses		
Administration expenses	457,806	79,808
Occupancy expenses	12,970	-
Other expenses - marketing and development costs	536,000	531,250
	1,006,776	611,058
(c) Finance costs		
Interest paid	25,009	-
	25,009	-
(d) Depreciation included in the income statement		
Depreciation	229	-
(e) Employee benefits expense		
Wages and salaries	91,153	-
Superannuation	9,547	-
Annual leave provision	4,867	-
	105,567	-

NOTE 4: SEGMENT INFORMATION

The Company operates primarily in the mineral exploration industry in Australia.

NOTE 5: INCOME TAX

	2006 $	2005 $
The major components of income tax expense are:		
Income Statement		
Current Income tax		
Current income tax charge	(348,019)	(147,246)
Current income tax benefit not recognized	-	23,942
Deferred income tax		
Relating to origination and reversal of temporary differences	(306,519)	123,304
Deferred income tax charge not recognized	-	-
Income tax expense reported in the income statement	(41,499)	-
Statement of recognized income and expense		
Deferred income tax related to items charged or credited directly to equity		
Mark to market of non-current investments	382,906	-
Capital raising costs charged to equity	(54,840)	-
	328,066	-
A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Company's applicable income tax rate is as follows:		
Accounting profit/(loss) before income tax	(1,082,784)	(611,058)
At the Company's statutory income tax rate of 30% (2005: 30%)	(324,835)	(183,317)
Non deductible expenses	160,800	159,375
Tax losses not brought to account	122,536	23,942
Income tax expense reported in the income statement	(41,499)	-

NOTE 5: INCOME TAX (Cont)

	Balance Sheet		Income Statement	
	2006	2005	2006	2005
	$	$	$	$
Deferred Income Tax				
Deferred income tax at 30 June relates to the following:				
Deferred tax liability				
Section 40-880 costs	-	(8,707)	-	8,707
Assets available for sale	(382,906)	-	-	-
Exploration	(301,637)	(119,982)	181,654	119,982
	(684,542)	(128,689)		
Deferred tax asset				
Accrued expenses	6,600	6,135	(465)	(6,153)
Section 40-880 costs	41,879	-	4,254	-
Provisions	1,460	-	(1,460)	-
Revenue tax losses	348,019	122,536	(225,483)	(122,536)
	397,958	128,671		
Current year losses not recognized			-	-
Income tax (income)/expense			(41,499)	-

NOTE 6: DIRECTORS' AND EXECUTIVES' REMUNERATION

(a) Compensation Practices

The Board of Directors is responsible for determining and reviewing compensation arrangements for the Directors and the executive team. The Board assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team.

The Board has established a share plan and an option plan for employees and officers, in order better to align the Company's performance with the employees' and officers' remuneration. Shareholder approval will be sought at a later date before implementing these plans insofar as Directors are concerned.

(b) Details of Key Management Personnel

(i) Directors of Washington Resources Limited during the financial year are:

Adrian Griffin -Chairman and Managing Director
Grant Button -Non Executive Director
K. (Scott) Huntly -Non Executive Director

(ii) Executives of Washington Resources Limited during the financial year are:

Robert Hair -Company Secretary

(c) Compensation of Key Management Personnel

2006

	Short-term				Post Employment	Share based payments		
	Cash Salary & Fees	Consultancy Agreement	Cash Bonus	Non-Cash Benefits	Superannuation Contribution	Shares	Options	Total
Directors	$	$	$	$	$	$	$	$
Adrian Griffin	83,653	-	-	-	7,529	-	-	91,182
Grant Button	14,920	-	-	-	1,343	-	-	16,263
Scott Huntly	14,999	-	-	-	-	-	-	14,999
	113,572	-	-	-	8,872	-	-	122,444

2005

	Short-term				Post Employment	Share based payments		
	Cash Salary & Fees	Consultancy Agreement	Cash Bonus	Non-Cash Benefits	Superannuation Contribution	Shares	Options	Total
Directors	$	$	$	$	$	$	$	$
Adrian Griffin	-	33,480	-	-	-	-	-	33,480
Grant Button	-	-	-	-	-	-	-	-
Scott Huntly	-	-	-	-	-	-	-	-
	-	33,480	-	-	-	-	-	33,480

(d) Executives' Compensation

2006

	Short-term				Post Employment	Share based payments		
	Cash Salary & Fees	Consultancy Agreement	Cash Bonus	Non-Cash Benefits	Superannuation Contribution	Shares	Options	Total
Executive	$	$	$	$	$	$	$	$
Robert Hair	-	115,064	-	-	-	-	-	115,064
	-	115,064	-	-	-	-	-	115,064

2005

	Short-term				Post Employment	Share based payments		
	Cash Salary & Fees	Consultancy Agreement	Cash Bonus	Non-Cash Benefits	Superannuation Contribution	Shares	Options	Total
Executive	$	$	$	$	$	$	$	$
Robert Hair	-	34,100	-	-	-	-	-	34,100
	-	34,100	-	-	-	-	-	34,100

0% (2005: 0%) performance related payments were made during the year.

NOTE 6: DIRECTORS' AND EXECUTIVES' REMUNERATION (Cont)

(e) Shareholdings

Number of Shares held by Directors

Directors	Balance 1-Jul-05	Received as Remuneration	Options Exercised	Net Change Other	Balance 30-Jun-06
Adrian Griffin	625,000	-	-	-	625,000
Grant Button	-	-	-	-	-
Scott Huntly	-	-	-	-	-
	625,000	-	-	-	625,000

Number of Options held by Directors

Directors	Balance 1-Jul-05	Received as Remuneration	Options Exercised	Net Change Other	Balance 30-Jun-06
Adrian Griffin	-	-	-	865,793	865,793
Grant Button	-	-	-	389,793	389,793
Scott Huntly	-	-	-	389,793	389,793
	-	-	-	1,645,379	1,645,379

NOTE 7: AUDITOR'S REMUNERATION

	2006 $	2005 $
Remuneration of the auditor of the company for:		
-auditing or reviewing the financial report		
Ernst & Young	30,000	17,500
-other services		
Ernst & Young	-	20,000
	30,000	37,500

NOTE 8: EARNINGS PER SHARE

	2006 $	2005 $
Basic losses per share (cents per share)	(2.30)	(3.36)
Diluted losses per share (cents per share)	(2.30)	(3.36)
Net loss	1,041,285	611,058
Earnings used in calculating basic and diluted earnings per share	1,041,285	611,058
	Number	Number
Weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share	45,383,326	18,182,198

During the year ended 30 June 2006, 36,306,660 options to subscribe to ordinary shares were issued, 425,000 options were exercised and 5,000,000 options expired leaving 36,306,660 options outstanding at 30 June 2006 (note 18).

NOTE 8: EARNINGS PER SHARE (Cont)

During the year ended 30 June 2005, no options to subscribe to ordinary shares were issued, exercised or expired leaving 5,425,000 options outstanding at 30 June 2005 (note 18).

These options are not considered dilutive for the purpose of the calculation of diluted earnings per share as their conversion to ordinary shares would not decrease the net profit from continuing operations per share nor increase the net loss from continuing operations ordinary operations per share. Consequently, diluted earnings per share is the same as basic earnings per share.

NOTE 9: CASH AND CASH EQUIVALENTS

	2006	2005
	$	$
Cash at bank	1,609,803	83,223
Reconciliation of Cash		
Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the balance sheet as follows:		
Cash at bank	1,609,803	83,223

NOTE 10: RECEIVABLES

	2006	2005
	$	$
CURRENT		
Loan to Northern Uranium Ltd (i)	115,319	-
Non-trade debtors	15,678	28,089
	130,997	28,089

(i) The loan to Northern Uranium Ltd will be repaid upon a successful capital raising by that company. Washington is entitled to charge interest at 8% per annum on the balance of the loan. The loan is unsecured.

NOTE 11: AVAILABLE-FOR-SALE INVESTMENTS

	2006	2005
	$	$
At fair value		
Investment in Sallies Limited - Listed	3,003,725	-

The investment in Sallies Limited has subsequently been sold. See note 26.

NOTE 12: PREPAYMENTS

		2006	2005
		$	$
Prepayment	12(a)	-	182,799

(a) The above prepayments relate to prepaid costs associated with the prospectus.

NOTE 13: PLANT AND EQUIPMENT

	2006 $	2005 $
Year ended 30 June 2006		
At 1 July 2005	-	-
Additions	2,725	-
Depreciation Charge for the year	(229)	-
At 30 June 2006, carrying amount net of accumulated depreciation and impairment	2,496	-
At 30 June 2006		
Cost	2,725	-
Accumulated depreciation and impairment	(229)	-
Net carrying value	2,496	-

NOTE 14: DEFERRED EXPLORATION AND EVALUATION COSTS

	2006 $	2005 $
NON-CURRENT		
Exploration, evaluation and development cost carried forward:		
- at cost	1,372,955	399,941
Movements in exploration, evaluation and development cost		
Beginning of the financial year	399,941	-
Exploration incurred during the year	973,014	399,941
End of the financial year	1,372,955	399,941

The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependant upon the successful development and commercial exploitation or sale of the respective mining areas.

NOTE 15: TRADE AND OTHER PAYABLES

	2006 $	2005 $
CURRENT		
Unsecured liabilities		
Trade creditors (i)	151,915	203,970
Accrued expenses	22,000	20,450
	173,915	224,420

(i) Trade creditors are non-interest bearing and are normally settled on 30-day terms.

NOTE 16: PROVISIONS

	2006 $	2005 $
Employee benefits	4,867	-

NOTE 17: SHARE CAPITAL

		2006 $	2005 $
Ordinary shares fully paid		6,511,000	1,291,250
Convertible note	17(a)	-	250,000
		6,511,000	1,541,250

Effective 1 July 1998, the corporations legislation in place abolished the concepts of authorized capital and par value shares. Accordingly, the Company does not have authorized capital nor par value in respect of its issued shares.

Fully paid ordinary shares carry one vote per share and carry the rights to dividends.

		2006 $	2006 Number	2005 $	2005 Number
Movements in shares on issue					
Beginning of the financial year		1,291,250	16,600,006	515,000	10,850,006
- shares issued for marketing and development costs	17(b)	-	-	573,750	4,250,000
- shares issued to acquire exploration tenements	17(c)	67,500	500,000	202,500	1,500,000
- shares issued for marketing and development costs	17(d)	540,000	4,000,000	-	-
- shares issued under initial public offering	17(e)	3,000,000	15,000,000	-	-
- costs relating to public offering		(200,122)	-	-	-
- shares issued to acquire shares	17(f)	1,727,372	8,858,320	-	-
- shares issued upon the exercise of options	17(g)	85,000	425,000	-	-

(a) On 11 November 2004 the Company issued a Convertible Note. The Note had a face value of $250,000 and was convertible into 2,500,000 ordinary shares at 10 cents per share. Conversion was at the discretion of the holder by way of notice at any point in time between 1 December 2005 and 30 June 2006. No interest was payable if the Note were converted into ordinary shares. Alternatively, the Company had the right to choose to repay the note in cash by way of notice at any point in time up to 30 June 2006. In the event of repayment in cash, interest was payable on the face value of the note at LIBOR plus 2% per annum and calculated from the date of issue to the date of repayment. The Company redeemed the note on 29 December 2005 by repayment of the debt, plus $25,000 in accrued interest.

NOTE 17: SHARE CAPITAL

(b) The Company during the previous financial year had issued 4,250,000 shares for marketing and development costs. These shares had been issued for 1 cent per share. The fair value of the shares was 13.5 cents per share.

(c) The Company during the year issued 500,000 shares to acquire exploration tenements. The fair value of the shares issued was 13.5 cents per share.

(d) The Company during the year issued 4,000,000 shares for marketing and development costs. These shares were issued for 0.1 cent per share. The fair value of the shares was 13.5 cents per share.

(e) The Company during the year issued 15,000,000 shares in an initial public offering and thereby raised $3,000,000 at 20 cents per share.

(f) The Company during the year exercised its options to acquire shares in Johannesburg-listed Sallies Limited and issued 8,858,320 shares to the holders of those Sallies shares. The shares were issued at 20 cents per share.

(g) The company issued 425,000 shares upon exercise of 30 June 2006 options raising $85,000.

NOTE 18: OPTIONS

	2006 No of Options	2005 No of Options
Options		
At year end the following options were on issue:		
-28 February 2008 Options exercisable at 25 cents per share	36,306,660	-
-30 June 2006 Options exercisable at 20 cents per share.	-	5,425,000
Movements in 30 June 2006 Options		
Beginning of the financial year	5,425,000	5,425,000
Options exercised during the year	(425,000)	-
Options expired at 30 June 2006	(5,000,000)	-
End of the financial year	-	5,425,000
Movements in 28 February 2008 Options		
Beginning of the financial year	-	-
Options issued during the year	36,306,660	-
End of the financial year	36,306,660	-

NOTE 19: ACCUMULATED LOSSES

	2006 $	2005 $
Accumulated losses at the beginning of the financial year	(1,071,618)	(460,560)
Net (loss) for the reporting period	(1,041,285)	(611,058)
Accumulated losses at the end of the financial year	(2,112,903)	(1,071,618)

NOTE 20: RESERVES

	2006 $	2005 $
Net unrealized gain reserve	893,447	-
Option reserve	363,066	-
	1,256,513	-
Movements in net unrealized gain reserve		
Beginning of the financial year	-	-
Unrealized gain on available-for-sale investments	1,276,353	-
Tax effect of net gain on available-for-sale investments	(382,906)	-
End of the financial year	893,447	-
Movements in Option Reserve		
Beginning of the financial year	-	-
36,306,660 options issued during the year at 1 cent each transferred to reserves	363,066	-
End of the financial year	363,066	-

Nature and purpose of reserves

Net unrealized gains reserve
The reserve records fair value changes on available-for-sale investment.

Options reserve
This reserve is used to record the value of options issued.

NOTE 21: COMMITMENTS

The Company has certain obligations with respect to tenements and minimum expenditure requirements on areas, as follows:

	2006 $	2005 $
Within 1 year	907,000	184,100
1 to 2 years	952,000	184,100
Total	1,859,000	368,200

The commitments may vary depending upon additions or relinquishments of the tenements, as well as farm-out agreements.

NOTE 22: CONTINGENT LIABILITIES

There are no contingent liabilities as at 30 June 2006.

NOTE 23: RELATED PARTY TRANSACTIONS

	2006	2005
	$	$

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

During the year the following transactions were undertaken between the company, executive officers and director-related entities

Company secretarial fees were paid to Camcove Pty Ltd, a company which Robert Hair is a director and shareholder	115,064	34,100

NOTE 24: CASH FLOW INFORMATION

	2006	2005
	$	$
Reconciliation of cash flow from operations with profit/(loss) from ordinary activities after income tax		
Profit/(loss) after income tax	(1,041,285)	(611,058)
Non-cash flows in loss from ordinary activities		
Share based payments	536,000	531,250
Deferred tax liability on unrealized gain on available for sale financial assets	(382,906)	-
Deferred tax credit on share capital raising costs	(54,823)	-
Depreciation	229	-
Exploration expenditure carried forward	(864,206)	(203,255)
Changes in assets and liabilities		
Increase/(decrease) in provision for employee benefits	4,867	-
(Increase)/decrease in receivables	12,410	(5,762)
Increase/(decrease) in payables	11,923	53,967
Increase in deferred tax liability	286,584	-
Cash flows from operations	(1,381,561)	(234,858)

NOTE 25: FINANCIAL INSTRUMENTS

	Weighted Average Effective Interest Rate	Floating Interest Rate	Fixed Interest Rate	Non Interest Bearing	Total
	%	$	$	$	$
2006					
Financial Assets					
Cash	4.15%	1,574,154		35,649	1,609,803
Receivables	-	-	-	130,997	130,997
Total Financial Assets	-	1,574,154	-	166,646	1,740,800
Financial Liabilities					
Trade Creditors	-	-	-	151,915	151,915
Accrued Expenses	-	-	-	22,000	22,000
Total Financial Liabilities	-	-	-	173,915	173,915
2005					
Financial Assets					
Cash	-	-	-	83,223	83,223
Receivables	-	-	-	28,089	28,089
Total Financial Assets	-	-	-	111,312	111,312
Financial Liabilities					
Trade Creditors	-	-	-	203,970	203,970
Accrued Expenses	-	-	-	20,450	20,450
Total Financial Liabilities	-	-	-	224,420	224,420

Fair value approximates the carrying value of the financial assets

NOTE 26: SUBSEQUENT EVENTS

On 14 July 2006, Washington under its Share Plan (as described in the Company's prospectus for its initial public offering) allotted and issued a total of 920,000 shares to employees and consultants at $0.25 per share and extended loans for that purpose of $230,000.00 in total. The shares issued under the Share Plan may not be transferred or otherwise dealt with, and will not be quoted on ASX, until any loan in respect of the shares has been repaid and a period of 12 months (in relation to one third of the shares offered), 24 months (in relation to another one third of the shares offered) and 36 months (in relation to the other one third of the shares offered) has passed from the date of issue. No shares were issued to directors of the Company, as the offers made under the Share Plan and the Option Plan to directors were made subject to the receipt of shareholder approval.

The Company, on 14 August 2006, announced that it had agreed to sell its entire shareholding (26,572,961 shares) in Johannesburg-listed Sallies Limited, registration number 1903/001879/06, by way of an off-market transfer at a price of 0.60 South African Rand per share (15,943,776 South African Rand in total). This sale will result in the receipt by the Company of approximately $3 million.

NOTE 27: SHARE BASED PAYMENT PLANS

Employee Share Option Plan

Share options may be granted to be directors, full time or part-time employees of, and consultants to, the Company. The granting of options is at the discretion of the directors. The options will be issued free of charge and the exercise price is at the discretion of the directors but may not be less then the weighted average price at which the Shares were traded on ASX during the 5 trading day period immediately before the date of granting of the options. No options were granted during the year.

General Employee Share Option Plan

Shares in the company may be issued to be directors, full time or part-time employees of, and consultants to, the Company. The issuing of shares is at the discretion of the directors. The issue price is at the discretion of the directors but may not be less then the weighted average price at which the Shares were traded on ASX during the 5 trading day period immediately before the date of issue of the shares. Loans will be extended to the participants in the share option plan. The shares issued under the Share Plan may not be transferred or otherwise dealt with, and will not be quoted on ASX, until any loan in respect of the shares has been repaid and a period of 12 months (in relation to one third of the shares offered), 24 months (in relation to another one third of the shares offered) and 36 months (in relation to the other one third of the shares offered) has passed from the date of issue. No shares were issued during the year.

NOTE 28: JOINT VENTURES

The company has entered into a joint venture with a third party. The third party is responsible for all expenditure relating to the venture. This will result in the third party gaining equity in the joint venture.

ERNST & YOUNG

The Ernst & Young Building
11 Mounts Bay Road
Perth WA 6000
Australia

GPO Box M939
Perth WA 6843

Tel 61 8 9429 2222
Fax 61 8 9429 2436

Independent audit report to members of Washington Resources Limited

Scope

The financial report and directors' responsibility

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the directors' declaration for Washington Resources Limited (the company), for the year ended 30 June 2006.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company, and that complies with Accounting Standards in Australia, in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit of the financial report in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. 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 in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's financial position, and of its performance as represented by the results of its 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.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report and the remuneration disclosures. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

Independence

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration.

Audit opinion

In our opinion:

the financial report of Washington Resources Limited is in accordance with:

(a) the Corporations Act 2001, including:

  (i) giving a true and fair view of the financial position of Washington Resources Limited at 30 June 2006 and of its 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.

Ernst & Young

Ernst & Young

R A Kirkby
Partner
Perth
29 September 2006

ERNST & YOUNG

The Ernst & Young Building
11 Mounts Bay Road
Perth WA 6000
Australia

GPO Box M939
Perth WA 6843

Tel 61 8 9429 2222
Fax 61 8 9429 2436

Auditor's Independence Declaration to the Directors of Washington Resources Limited

In relation to our audit of the financial report of Washington Resources Limited for the financial year ended 30 June 2006, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

R A Kirkby
Partner
Perth
29 September 2006

RK:AD:WASHINGTONRESOURCES:002

CORPORATE GOVERNANCE

In fulfilling its obligations and responsibilities to its various stakeholders, the Board is a strong advocate of corporate governance. This statement outlines the principal corporate governance procedures of Washington Resources Limited ("Washington"). The Board of Directors "(Board)" supports a system of corporate governance to ensure that the management of Washington is conducted to maximise shareholder wealth in a proper and ethical manner.

ASX Corporate Governance Council Recommendations

On 31 March 2003, the ASX Corporate Governance Council released its Principles of Good Corporate Governance and Best Practice Recommendations ("ASX Principles"). The ASX Principles, in conjunction with the ASX Listing Rules, require companies to disclose in their annual reports whether their corporate governance practices follow the ASX Principles on an "if not, why not" basis.

In accordance with the ASX Principles, the Corporate Governance Statement must now, among other things, disclose the extent to which the guidelines have been followed during the period. Unless disclosed below, all ASX Principles have been applied for the entire financial year ended 30 June 2006.

ASX Principle 2.4 requires listed entities to establish a nomination committee. During the year, the Company did not have a separately established nomination committee. Given the current size of the Board, the Board considers that this function is efficiently achieved with full Board support, in accordance with the guidelines set out in the Board's charter.

ASX Principles 3.1 and 3.2 require the Company to make available a summary of the Company's Code of Conduct and its Trading Policy and suggests that these should be posted on the Company's website. These policies are posted on the Company's website.

ASX Principle 4.1 and 7.2 requires the chief executive officer (or equivalent) and 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 and founded on a sound system of risk management, internal compliance and control systems. The Board currently receives financial information and reports from the Chairman and Managing Director and personnel responsible for the preparation of financial reports and as such is satisfied that the accounts reflect the matters required under ASX Principle 4.1.

Pursuant to ASX Principle 5.2, the Company has a copy of the Company's Continuous Disclosure Policy available publicly on the Company's website.

ASX Principle 6.1 requires that the Company also makes available publicly a copy of its communications strategy. A copy of the Company's Communications with Shareholders Policy is on the Company's website.

ASX Principle 7.3 requires the Company publicly to disclose a description of the Company's risk management policy and internal compliance and control system. These disclosures are on the Company's website.

ASX Principle 9.2 states that the Board should establish a remuneration committee. During the year, the Company did not have a separately established remuneration committee. Given the number of directors on the Board and the size of the Company, the Board considers that this function can efficiently be performed with full Board participation.

ASX Principle 10.1 requires the Company publicly to disclose its code of conduct to guide compliance with legal and other obligations to legitimate stakeholders. The Code of Conduct is on the Company's website.

In relation to the above, the Company believes it has implemented suitable practices and procedures in respect of Corporate Governance considering the size of the Board and the size and maturity of the Company. The Board wishes to acknowledge that nothing has come to its attention which would lead the Board to conclude that its current practices and procedures are not appropriate for an organisation of this size and maturity.

Roles of the Board and Management

The Board considers that the essential responsibility of the Directors is to oversee Washington's activities for the benefit of its shareholders, employees and other stakeholders and to protect and enhance shareholder value.

The Board has a Charter, which clearly establishes the relationship between the Board and management and describes their functions and responsibilities.

The key responsibilities of the Board include to:

- Appoint and review the performance of the Chairman and Managing Director and management;
- Develop with management and approve strategy, planning, exploration programs and major capital expenditure;
- Arrange for effective budgeting and financial supervision;
- Ensure that appropriate audit arrangements are in place;
- Ensure that effective and appropriate reporting systems in place will, in particular, assure the Board that proper financial, operational, compliance and risk management controls function adequately; and
- Report to shareholders.

The Board is responsible to shareholders for Washington's strategic direction, and the execution of the Company's overall objective, which is to increase long-term shareholder value. The size of the Board reflects the modest size of the Company, its business plans, and the scale of its operations as an early stage exploration/mining company. Only the Directors have the capacity to bind the Company.

Board Structure

The composition of the Board is determined in accordance with the following principles and guidelines:

- The Board must comprise at least 3 Directors, increasing where additional expertise is considered desirable in certain areas;
- The Board should not comprise a majority of executive Directors; and
- Directors should bring characteristics which allow a mix of qualifications, skills and experience both nationally and internationally.

The Company's Board meets the above criteria. The terms and conditions of the appointment and retirement of Directors will be set out in a letter of appointment which covers remuneration, expectations, terms, the procedures for dealing with conflicts of interest and the availability of independent professional advice.

The Chairman and Managing Director reviews the performance of all Directors each year.

Director Independence

Directors are expected to bring independent views and judgement to the Board's deliberations. In response to the ASX Principles, the revised Board Charter requires the board to include a majority of non-executive independent directors, a non-executive independent Chairman and to have different persons filling the roles of Chairman and Chief Executive Officer. The Company does not currently meet these criteria, as the roles of Chairman and Managing Director are held by the one person. The Board has reviewed this situation during the past financial year, including by investigating the availability of suitable personnel available and the consequential expense to the Company of such personnel and has determined that Washington's activities do not, at this point, warrant such additional expense. If the criteria are not met by the end of the current financial year, the Board will again publish its reasons for not meeting them.

In considering whether a Director is independent, the Board has had regard to the independence criteria in ASX Principle 2 and other facts, information and circumstances that the Board considers material.

Meetings of the Board

The Board meets at least six times a year to consider the business of Washington, its financial performance and other operational issues.

Retirement and Re-election

The Constitution of the Company requires one third of the Directors, other than the Managing Director, to retire from office at each Annual General Meeting. Directors who have been appointed by the Board are required to retire from office at the next Annual General Meeting and are not taken into account in determining the number of Directors to retire at that Annual General Meeting. Directors cannot hold office for a period in excess of three years or later than the third Annual General Meeting following without submitting themselves for re-election. Retiring Directors are eligible for re-election by shareholders.

When a vacancy exists, for whatever reason, or where it is considered that the Board would benefit from the services of a new Director with particular skills, the Board will select appropriate candidates, with relevant qualifications, skills and experience. External advisers may be used to assist in such a process.

The Board will then appoint the most suitable candidate who must stand for election at the next general meeting of shareholders.

Nominations and appointment of new directors

Recommendations of candidates for new Directors are made by the Board as a whole.

Review of Performance

The Board reviews its performance and composition on an annual basis to ensure that it has the appropriate mix of expertise and experience. Given the size and nature of the Company's activities the Board reviews the performance of Directors and the composition of the Board, at regular intervals during the year.

Directors' Remuneration

The remuneration of non-executive Directors is different from that of executives. Executive Directors receive a salary and may receive other benefits.

Non-executive Directors receive a set fee per annum, in addition to their statutory superannuation entitlements, and are fully reimbursed for any out of pocket expenses necessarily incurred in carrying out their duties. When reviewing Directors' fees, the Board takes into account any changes in the size and scope of Washington activities.

The Board will review the remuneration and policies applicable to all Directors on an annual basis. Remuneration levels will be competitively set to attract the most qualified and experienced Directors and senior executives. Where necessary the Board will obtain independent advice and the appropriateness of remuneration packages.

The structure and disclosure of the Company's remuneration policies for Directors and senior executives are set out in the Directors' report.

Board Access to Information

All Directors have unrestricted access to all employees of the group and, subject to the law, access to all Company records and information held by employees and external advisers. The Board receives regular detailed financial and operational reports from senior management to enable it to carry out its duties.

Each Director may, with the prior written approval of the Chairman and Managing Director, obtain independent professional advice to assist the Director in the proper exercise of powers and discharge of duties as a Director or as a member of a Board Committee. The Company will reimburse the Director for the reasonable expense of obtaining that advice.

Board Committees

The Board, where appropriate, may establish a number of committees to assist in carrying out its responsibilities in an effective and efficient manner.

The Board has established an Audit Committee to assist the Board in the discharge of its responsibilities and is governed by the Audit and Compliance Committee Charter, as approved by the Board.

Audit and Compliance Committee

The Board has an Audit and Compliance Committee. The Committee monitors control policies and procedures designed to safeguard company assets and to maintain the integrity of financial reporting.

The role of the Committee is to provide a direct link between the Board and the external auditors.

It also gives the Board of Directors additional assurance regarding the quality and reliability of financial information prepared for use by the Board in determining policies or for inclusion in financial statements.

The responsibilities of the Audit and Compliance Committee include:

- Monitoring compliance with regulatory requirements;
- Improving the quality of the accounting function;
- Reviewing external audit reports to ensure that where major deficiencies or breakdowns in controls or procedures have been identified, appropriate and prompt remedial action is taken by management; and
- Liaising with external auditors and ensuring that the annual audit and half-year review are conducted in an effective manner.

The Audit and Compliance reviews the performance of the external auditors on an annual basis and meet with them at least twice during the year. Nomination of auditors will be at the discretion of the Committee.

The members of the Audit and Compliance Committee at the date of this report are:

Adrian Griffin (Director)
Grant Button (Director)
Bob Hair (Secretary)

Due to the size of the Company's operations and board it is it is not practicable to maintain an audit committee comprising of only non-executives directors.

The Audit and Compliance Committee also meets with and receives reports from the external auditors concerning any matters which arise in connection with the performance of their respective roles, including the adequate of internal controls.

Audit Process

As part of the Company's commitment to safeguarding integrity in financial reporting, Washington's accounts are subject to annual audit by an independent, professional auditor, who also reviews the half-yearly accounts.

The Auditor attends, and is available to answer questions at, the Company's annual general meetings.

Auditor Independence

The Company has implemented procedures to monitor the independence and competence of the Company's external auditors. Details of the amounts paid for both work and non-audit services are set out in this annual report.

The Board requires that adequate hand-overs occur in the year prior to rotation of an audit partner to ensure an efficient and effective audit under the new partner.

Business Risks

The Company is committed to the identification, monitoring and management of risks associated with its business activities and has embedded in its management and reporting systems a number of risk management controls. The Board is charged with implementing appropriate risk management systems within Washington as reported to it by management.

The Board monitors and receives advice on areas of operational and financial risk, and consider strategies for appropriate risk management arrangements.

Specific areas of risk to be regularly considered at Board meetings include competition, intellectual property, changes in government regulation, technology changes, and human resources, integrity of data, statutory compliance and continuous disclosure obligations.

Share Trading

Under the Company's share trading policy, all employees and Directors of the Company and its related companies are prohibited from trading in the Company's shares or other securities if they are in possession of "inside information". Subject to this condition and in light of the ASX's continuous disclosure requirements, trading can occur at any time but subject to conditions surrounding periods prior to the publication of financial results.

In addition, in order to trade, Directors of the Company must advise the Chairman and Managing Director of their intention to trade and must also have been advised by the Chairman and Managing Director that there is no known reason to preclude them to trading in the Company's shares or other securities.

Continuous Disclosure

The Company understands and respects that timely disclosure of price sensitive information is central to the efficient operation of the Australian Stock Exchange, prevention of selective or inadvertent disclosure, conduct of investor and analysts briefings, media communications, commenting on expected earnings, communications black-out periods and review of briefings and communications. The policy is reviewed periodically and updated as required.

The Company Secretary has responsibility for overseeing and coordinating disclosure of information to the Australian Stock Exchange. The Company Secretary also liaises with the Chairman and Managing Director in relation to continuous disclosure matters. The Chairman and Managing Director is responsible for overseeing and coordinating disclosure of information to analysts, brokers and shareholders.

Ethical Standards

All Directors, executives and employees are charged with the responsibility to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company.

Communications with Shareholders

The Board aims to ensure that shareholders are kept informed of all major developments affecting Washington. Information is communicated to shareholders through the distribution of annual reports; and presentation to shareholders at the Annual General Meeting, which they are encouraged to attend.

In addition, all reports, including quarterly reports and releases made by Washington throughout the year with respect to its activities are distributed widely via the Australian Stock Exchange and are posted on the Company's website.

ADDITIONAL ASX INFORMATION

The Company's interests in mining and exploration tenements are set out in Table 1.

Substantial shareholder notices have been received by the Company as set out in Table 2. Distribution schedules of shareholders and statements of voting rights are set out in Table 3, whilst the Company's top twenty shareholders are shown in Table 4. Restriction agreements apply to 11,286,942 shares, which are restricted until 17 November 2007. The Company's top 20 option holders are shown in Table 5.

Table 1

Washington Tenement Interests

Project name	*Tenement number*	*Location*	*Beneficial interest*	*Status*	*Approx. area*
Yarawindah Brook	E70/2301	WA	80%	Granted	4,362 Ha
Bindi Bindi	E70/2579	WA	80%	Granted	8,557 Ha
Bindi Bindi South	E70/2722	WA	80%	Granted	4,718 Ha
Mortlock	E70/2719	WA	100%	Application	13,444 Ha
Newleyine	E70/2720	WA	100%	Application	14,899 Ha
Ashworth	E70/2718	WA	100%	Granted	14,270 Ha
Toodyay	E70/2853	WA	100%	Granted	3,797 Ha
Yarawindah	E70/2914	WA	100%	Application	2,642 Ha
Yarawindah	P70/1497	WA	100%	Application	42 Ha
Yarawindah	P70/1498	WA	100%	Application	20 Ha
Yarawindah	P70/1499	WA	100%	Application	20 Ha
Yarawindah	E70/2923	WA	100%	Application	11,456 Ha
Yarawindah	E70/2924	WA	100%	Application	294 Ha
Yarawindah	E70/2925	WA	100%	Application	294 Ha
Yarawindah	M70/1263	WA	100%	Application	953 Ha
Yarawindah	M70/1264	WA	100%	Application	977 Ha
Yarawindah	M70/1265	WA	100%	Application	907 Ha
Yarawindah	M70/1266	WA	100%	Application	907 Ha
Yarawindah	M70/1267	WA	100%	Application	903 Ha
Kurundi	E23937	NT	100%*	Granted	1,591.0 km2
Kurundi	E24995	NT	100%*	Granted	2 km2
Kulgera	E24204	NT	100%	Granted	1,523.0 km2
Tanami-Granites	E23934	NT	100%*	Granted	303.3 km2
Tanami-Granites	E24166	NT	100%*	Granted	291.5km2
Tanami-Granites	ELA23932	NT	100%*	Application	1,617.0 km2
Tanami-Granites	ELA23933	NT	100%*	Application	348.9 km2
Tanami-Granites	ELA24174	NT	100%*	Application	1,621.0 km2

Tanami-Granites	ELA24177	NT	100%*	Application	402.0 km2
Tanami-Granites	ELA24179	NT	100%*	Application	169.0 km2
Tanami-Granites	ELA24193	NT	100%*	Application	233.9 km2
Tanami-Granites	E24166	NT	100%	Granted	291.5 km2
Tanami-Granites	E24178	NT	100%*	Granted	204.2 km2
Rabbit Flats	EL25157	NT	100%	Application	506.3 km2
Rabbit Flats	EL25158	NT	100%	Application	25.8 km2
Rabbit Flats	EL25159	NT	100%	Application	38.7 km2
Rabbit Flats	EL25160	NT	100%	Application	67.7 km2
Petermann	EL25434	NT	100%	Application	132.2 km2
Westex	EL51/1059	WA	20%	Granted	216.17 km2
Westex	EL51/1061	WA	20%	Granted	49.36 km2
Westex	EL51/1112	WA	20%	Granted	46.29 km2

In the above table, "Granted" means that the relevant tenement has been granted under the Mining Act and "Application" means that the relevant tenement has not yet been granted under the Mining Act.
** Subject to the rights of Northern Uranium in respect of uranium interests.*

Table 2
Substantial Shareholder Notices

Holder of relevant interest	***Nature of interest***	***Number and percentage***
Sylvania Resources Limited	Registered holder	2,000,000 (5.54%)
Elegant Global Limited	Registered holder	4,000,000 (11.08%)
S and M Wilson	Registered holder	3,750,000 (10.39%)
Blackmort Nominees Pty Ltd	Registered holder	4,075,187 (11.29%)

Table 3
Shareholder spread

Ordinary shares, with right to attend meetings and vote personally or by proxy, through show of hands and, if required, by ballot (one vote for each share)

1-1,000	23
1,001-5,000	56
5,001-10,000	233
10,001-100,000	207
100,001 - and over	28
Total holders of ordinary shares	547
Total number of ordinary shares	46,303,326

WASHINGTON RESOURCES LIMITED
ADDITIONAL ASX INFORMATION

Options, with no right to attend meetings or vote personally or by proxy

1-1,000	1
1,001-5,000	9
5,001-10,000	172
10,001-100,000	128
100,001 - and over	30
Total holders of option holders	340
Total number of options	36,306,660

Table 4
Top twenty shareholders

Shareholder	*Number of shares*	*Percentage*
1. BLACKMORT NOMINEES PTY LTD	11,333,878	24.48%
2. ELEGANT GLOBAL LIMITED	4,000,000	8.54%
3. MR SCOTT W WILSON & M/S MARIA A WILSON	3,750,000	8.10%
4. MR NORMAN SYDNEY MCCLEARY	3,274,442	7.07%
5. SYLVANIA RESOURCES LIMITED	2,000,000	4.32%
6. FORTIS CLEARING NOMINEES PL CLEARING A/C 1101	1,805,050	3.90%
7. PADSTOCK LIMITED	1,800,000	3.89%
8. ALMARETTA PTY LTD	1,010,000	2.18%
9. VICORP PTY LTD	1,010,000	2.18%
10. ZERO NOMINEES PTY LTD	1,000,000	2.16%
11. ZAMBIA GLOBAL INC	775,371	1.67%
12. MR ADRIAN CHRISTOPHER GRIFFIN	625,000	1.35%
13. DARENTH SECURITIES LIMITED	550,000	1.19%
14. ROBERT WILLIAM HAIR	510,000	1.10%
15. CIMB-GK SECURITIES PTE LTD CLIENT A/C 50	400,000	0.86%
16. COVICTORY (CIL) AUSTRALIA PTY LTD	400,000	0.86%
17. DAVID ANDREW CALDER & BENJAMIN ANDREW CALDER	250,000	0.54%
18. BLACKMORT NOMINEES PTY LTD CLIENT A/C 46334	200,000	0.43%

19. CHRISTOPHER DUGDALE-BRADLEY	200,000	0.43%
20. JOHN WILLIAM FLETCHER & DANIELLE PATRICIA FLETCHER	185,000	0.40%

Table 5
Top twenty option holders

Option holder	*Number of options*	*Percentage*
1. BLACKMORT NOMINEES PTY LTD	8,486,656	23.37%
2. ELEGANT GLOBAL LIMITED	3,200,000	8.81%
3. VOGUE OVERSEAS SA	3,199,999	8.81%
4. MR SCOTT W WILSON & M/S MARIA A WILSON	3,000,000	8.26%
5. SYLVANIA RESOURCES LIMITED	1,600,000	4.41%
6. ANZ NOMINEES LIMITED CASH INCOME A/C	1,440,000	3.97%
7. ALMARETTA PTY LTD	1,173,792	3.23%
8. MR ADRIAN CHRISTOPHER GRIFFIN	865,793	2.38%
9. VICORP PTY LTD	808,000	2.23%
10. ZERO NOMINEES PTY LTD	800,000	2.20%
11. ZAMBIA GLOBAL INC	620,296	1.71%
12. COVICTORY (CIL) AUSTRALIA PTY LTD	440,000	1.21%
13. DARENTH SECURITIES LIMITED	550,000	1.19%
14. EVAN KIRBY	373,793	1.03%
15. VAIL CAPITAL PTY LTD	373,792	1.03%
16. BREDIE TRADING COMPANY PTY LTD	373,793	1.03%
17. SCOTT HUNTLY	373,793	1.03%
18. WILBERFORCE PTY LTD	373,793	1.03%
19. CAMCOVE PTY LTD	373,792	1.03%
20. LANZA HOLDING PTY LTD	373,792	1.03%