

QUARTERLY REPORT 31 DECEMBER 2005

WASHINGTON RESOURCES LIMITED (ASX: WRL)

HIGHLIGHTS

- **Company's initial public offering closes over-subscribed, and Washington lists on 17 November 2006**
 - **Rights issue announced, with 4 new options being offered for every 5 shares held on 28 February 2006**
 - **Encouraging drilling results at Yarawindah Brook**
 - **Washington and Polaris Metals form Gardiner-Tanami Joint Venture to explore for uranium on specified tenements held by them in the Northern Territory and Western Australia**
 - **Washington and Reedy Lagoon agree to Bulla Joint Venture, relating to potential exploration for iron on Washington EL application areas 70/2719 and 70/2720**
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OPERATIONS

Yarawindah Exploration

Washington Resources' Yarawindah Brook project is located 135 km north of Perth, Western Australia, within the Archaean Jimperding Igneous Complex. Mineralisation identified by Otter Exploration in 1975 was characterised by elevated platinum group metal ('PGM') values in lateritised mafic-ultramafic rocks. To date, mineralisation identified by Washington occurs sporadically over a strike length of 4 km and a width of 750 m. The Inferred Resource is 2.9 million tonnes at a combined Pt and Pd grade of 0.79 g/t at a cut-off of 0.5g/t. The resource is contained within the oxide zone; historically, however, examination of the source of the mineralisation has been minimal, with very little base-metal investigation carried out on this deposit.

In December 2005, Washington commenced an RC drilling programme at Yarawindah Brook. It focused on the southern extremity of the previously identified mineralisation, where the laterites are generally thin and the weathering shallow. The programme was designed to examine the polymetallic nature of the source mineralisation, and the limited cover of weathered material in this area provided the opportunity to examine the source of the supergene enrichment with minimal drilling.

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The drilling programme, which ceased in December following completion of 32 holes, encountered encouraging quantities of sulphide mineralisation. Subsequently, the programme was extended, with the remaining drill holes bringing the total to 77 holes.

Summary assay results for the first 32 drill holes are provided in Table 1 below. The tabulation shows the initial assays for 5 m composite samples in which the copper equivalent grade (copper + 3.5 times Ni) is greater than 1%. Primary copper values peak at over 1%, there are significant PGM credits (up to 0.34 g/t Au + Pd + Pt) and cobalt values are up to 0.3%.

Table 1. Washington Resources — Yarawindah Brook significant 5 m RC drill composites.

Hole	Local Grid		From (m)	To (m)	Co (ppm)	Cu (ppm)	Ni (ppm)	Au+Pt+Pd (ppm)
	Northing	Easting						
YWRC 1	10100	10350	15	20	514	2992	2636	0.186
YWRC 2	10100	10300	25	30	628	1957	3352	0.120
YWRC 2	10100	10300	35	40	325	1761	3782	0.083
YWRC 3	10100	10250	20	25	3193	3982	2990	0.341
YWRC 3	10100	10250	25	30	925	2743	3480	0.342
YWRC 10	11300	10150	30	35	476	2551	3541	0.139
YWRC 21	10750	9950	15	20	3061	3107	3253	0.308
YWRC 22	10800	10000	15	20	628	1670	3242	0.141
YWRC 29	10850	10000	45	50	466	10078	4767	0.233

Gardiner-Tanami Uranium Exploration JV

Washington Resources Limited during the quarter successfully concluded a Letter of Intent that will expand its uranium potential by exploration through a joint venture company (“Newco”), which will focus solely on uranium exploration. The Letter of Intent with Polaris Metals NL A.C.N. 085 223 570 (“Polaris”) was executed on 16 November 2005. (Since the end of the quarter, on 25 January 2006, the Letter of Intent was replaced by a legally binding Heads of Agreement, and due diligence investigations by each of the parties have been concluded, with both parties confirming that they will proceed with the transaction).

Washington will assign the uranium potential of its current tenement holdings in the Tanami-Granites region of the Northern Territory in return for 50% equity in Newco. The remaining 50% of Newco’s capital will be issued to Polaris in consideration for Polaris assigning the uranium rights of its Gardiner Range and Tanami projects. The addition of the Gardiner Range project extends the exploration targets well into Western Australia. Washington and Polaris will jointly appoint a board of directors, and Polaris will be assigned the role of project management. The parties will

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advance funding equally by way of loans to Newco until that company has raised capital (which may be by way of an initial public offering or by the attraction of strategic investors).

Non-uranium minerals are not included within the joint venture.

Bulla Iron Ore Joint Venture

The Company during the quarter completed negotiations and executed the Bulla Joint Venture Agreement with Reedy Lagoon Corporation Limited (“Reedy”) 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.

At the commencement date, the equity proportions in the joint venture will be 50% Washington and 50% Reedy. Under the terms of the agreement, Reedy 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 to increase its equity in the joint venture to a maximum of 80%, at which time Washington must contribute or be diluted.

Washington will retain the sole rights to all commodities other than iron ore, and Reedy 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.

CORPORATE**Initial Public Offering**

The Company’s initial public offering closed over-subscribed within the quarter, and Washington listed on ASX on 17 November 2005.

Rights Issue

As the proposed uranium exploration described in relation to the Gardiner-Tanami Joint Venture is outside the scope of the prospectus issued for the recent Washington initial public offering, additional funding will be required. It was therefore announced during the quarter that it is intended to raise upwards of \$290,000 for working capital by way of a pro rata non-renounceable offer of options to Washington shareholders. The issue will be subject of a new prospectus and will be fully underwritten.

Subject to ASX approval of the offer timetable, Washington’s option issue will be on the basis of 4 options for every 5 shares held at the record date (being 5pm WST on 28 February 2006). The subscription price will be 1cent for each option, and each



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option will entitle the holder to acquire 1 Washington share at 25 cents at any time on or before 28 February 2008.

ADRIAN GRIFFIN
Managing Director

Further information please contact:

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The information in this report is based on information compiled by Mr Adrian Griffin, who is a member of the Australian Institute of Mining and Metallurgy and the Geological Society of Australia. Mr Griffin is a full time employee of Washington Resources Limited.

Mr Griffin has sufficient experience relevant to the style of mineralization and type of deposit under consideration and the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves" ("JORC Code"). This report is issued with Mr Griffin's consent as to the form and context in which the exploration results appear.

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

Washington Resources Limited

ABN

58 097 532 137

Quarter ended ("current quarter")

31 December 2005

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (..6.. months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration and evaluation (b) development (c) production (d) administration	(111) - - (106)	(123) (158)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	10	10
1.5 Interest and other costs of finance paid	(25)	(25)
1.6 Income taxes paid	-	
1.7 Other (provide details if material)	-	
Net Operating Cash Flows	(232)	(296)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a)prospects (b)equity investments (c) other fixed assets	 (300) - -	 (300)
1.9 Proceeds from sale of: (a)prospects (b)equity investments (c)other fixed assets	 - - -	
1.10 Loans to other entities	-	
1.11 Loans repaid by other entities		
1.12 Other (provide details if material)		
Net investing cash flows	(300)	(300)
1.13 Total operating and investing cash flows (carried forward)	(532)	(596)

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(532)	(596)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	2,511	2,765
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings	(250)	(250)
1.18	Dividends paid		
1.19	Other (provide details if material)		
	Net financing cash flows	2,261	2,515
	Net increase (decrease) in cash held	1,729	1,919
1.20	Cash at beginning of quarter/year to date	273	83
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	2,002	2,002

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	-
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

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2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

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Financing facilities available

Add notes as necessary for an understanding of the position.

+ See chapter 19 for defined terms.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	300
4.2 Development	-
Total	300

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	2,002	273
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	2,002	273

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	-	-	-	-
6.2 Interests in mining tenements acquired or increased	E70/2853 E24995	Application (pending) Application (pending)	- -	100% 100%

+ See chapter 19 for defined terms.

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference +securities <i>(description)</i>	-	-	-	-
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	-	-	-	-
7.3 +Ordinary securities	36,100,006	24,813,064	-	N/a
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	19,500,000 -	24,813,064 -	20 (15,000,000); .1 (4,000,000)	20 (15,000,000); .1 (4,000,000)
7.5 +Convertible debt securities <i>(description)</i>	-	-	-	-
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	- -	- -	- -	- -
7.7 Options <i>(description and conversion factor)</i>	5,425,000		<i>Exercise price</i> \$0.20	<i>Expiry date</i> 30/6/2006
7.8 Issued during quarter	-	-	-	-
7.9 Exercised during quarter	-	-	-	-
7.10 Expired during quarter	-	-	-	-
7.11 Debentures <i>(totals only)</i>	-	-		

+ See chapter 19 for defined terms.

7.12	Unsecured notes (<i>totals only</i>)	-	-
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Compliance statement

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).

2 This statement does give a true and fair view of the matters disclosed.

Sign here:


(Company secretary)

Date: 27 January 2006

Print name: Bob Hair

Notes

1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.

3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.

4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.

5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

+ See chapter 19 for defined terms.