WASHINGTON RESOURCES LIMITED

ACN 097 532 137

ANNUAL REPORT

30 June 2008

WASHINGTON RESOURCES LIMITED
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CORPORATE DIRECTORY

Directors:
Melissa Sturgess – Chair and Non-executive Director (appointed 27 August 2007)
Adrian Griffin – Managing Director
Grant Button – Non-executive Director
Robert Hair – Executive Director
Mark Burchnall – Non-executive Director (appointed 27 August 2007)

Company Secretary:
Robert Hair (joint)
Andrew Nealon (joint)

Auditor:
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Stock Exchange Listing
Washington Resources Limited shares are listed on the Australian Stock Exchange (ASX code: WRL).

WASHINGTON RESOURCES LIMITED
ACN 097 532 137

DIRECTORS' REPORT

The Directors of Washington Resources Limited ("Washington" or the "Company") present their report for the year ended 30 June 2008.

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:

Melissa Sturgess *BSc, MBA. Age 42*
Chair and Non-executive Director

Ms Sturgess has over 10 years of experience in listing and growing publicly listed companies on the Australian Stock Exchange and AIM Market of the London Stock Exchange. She is currently Chief Executive Officer of Dwyka Resources Limited (since 2001) and Chairman of KimCor Diamonds Plc (since 2007) as well as having special responsibility for investor and media relations for Washington.

Adrian Griffin *BSc (Hons). Age 55*
Managing Director

Mr Griffin is a qualified geologist and has extensive experience in operational and general management of exploration, mining and processing operations. He is currently a Director of Northern Uranium Limited, Reedy Lagoon Corporation Limited, Empire Resources Limited and Hodges Resources Limited and (other than Dwyka Resources Limited, of which he has been a Director) he has not been a Director of any other listed companies in the past three years to 30 June 2008. As chief executive officer of the Company, he is responsible for the overall leadership and general management of the Company. He provides specialist experience in the Board's deliberations on geoscientific, processing, mining and marketing matters.

Grant Button *BBus, CPA. Age 46*
Non-executive Director

Mr Button is a qualified accountant and has significant financial and other commercial management and transactional experience. He is currently a Director of Magnum Mining and Exploration Limited, Morningstar Holdings (Australia) Limited and Alamar Resources Limited. He was a Director of Sylvania Resources Limited until his resignation on 21 June 2007 and has not been a Director of any other listed companies in the past three years to 30 June 2008. He is the chairman of the Company's audit committee and provides specialist experience in the Board's deliberations on financial and other commercial matters.

Robert Hair *BA (Hons). Age 55*
Executive Director/Joint Company Secretary

Mr Hair was admitted as a Barrister of the Supreme Court of Queensland in July 1983 and has over 19 years of legal, commercial and general management experience in the resources industry in Australia and internationally. He is a 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. He has been a Director of Northern Uranium Limited since 22 June 2006 and a Director of Carpentaria Exploration Limited since 7 August 2007 and has not been a Director of any other listed companies in the past three years to 30 June 2008.

DIRECTORS' REPORT (Continued)

Mark Burchnall *BA, LLB. Age 32*
Non-executive Director

Mr Burchnall graduated in 1999 from the Flinders University of South Australia before working as a lawyer with a number of prominent Australian law firms for approximately eight years. Most recently, he was employed as a Senior Associate with Clayton Utz in Perth where he worked for over four years in the corporate, energy and resources area, providing advice to a number of Australian and internationally listed clients, primarily with a natural resources focus in areas including capital raising, asset and share sales and acquisitions (with the associated due diligence enquires). He is currently a Director of Bezant Resources Plc (listed on AIM).

Andrew Blair Nealon
Joint Company Secretary

Mr Nealon was appointed to the position of joint company secretary in March 2007. Mr Nealon has held similar roles with other mining and exploration companies.

In addition, Mr Scott Huntly held office as a non-executive Director during the whole of the financial year, until his resignation as detailed below.

Scott Huntly *GDE, MSc (Eng). Age 46*
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. He was a Director of Sylvania Resources Limited until his resignation on 15 August 2007 and has not been a Director of any other listed companies in the past three years to 30 June 2008. He provides specialist experience in engineering, mining operations and government liaison. Mr Huntly resigned as a Director on 16 September 2008.

Meeting of Directors

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

Name of Director:	No. of meetings attended:	No. of meetings whilst Director:
Mark Burchnall	6 (4 Board and 2 Audit Committee)	8 (6 Board and 2 Audit Committee)
Grant Button	8 (6 Board and 2 Audit Committee)	9 (7 Board and 2 Audit Committee)
Adrian Griffin	7 (7 Board meetings)	7 (7 Board meetings)
Robert Hair	9 (7 Board and 2 Audit Committee)	9 (7 Board and 2 Audit Committee)
Scott Huntly	4 (Board meetings)	7 (Board meetings)
Melissa Sturgess	4 (4 Board meetings)	6 (6 Board meetings)

DIRECTORS' REPORT (Continued)

Number of Shares held by Directors

Directors	Balance 1-Jul-07	Received as Remuneration	On Exercise of Options	Net Change Other	Balance 30-Jun-08
Adrian Griffin	1,375,000	-	-	(625,000)	750,000
Grant Button	400,000	-	-	-	400,000
Scott Huntly (i)	-	-	-	-	-
Robert Hair	530,000	-	-	-	530,000
Melissa Sturgess (ii)	12,600	500,000	-	-	512,600
Mark Burchnall	-	500,000	-	-	500,000
	2,317,600	1,000,000	-	(625,000)	2,692,600

(i) Scott Huntly resigned on 16 September 2008.

(ii) Melissa Sturgess was holding 12,600 Shares on 1 July 2007 prior to her appointment to the board on 27 August 2007.

Number of Options held by Directors

Directors	Balance 1-Jul-07	Received as Remuneration	Options Exercised	Options Expired	Balance 30-Jun-08
Adrian Griffin	865,793	-	-	(865,793)	-
Grant Button	365,793	-	-	(365,793)	-
Scott Huntly (i)	765,793	-	-	(365,793)	400,000
Robert Hair	365,792	-	-	(365,792)	-
Melissa Sturgess (ii)	16,000	-	-	(16,000)	-
Mark Burchnall	-	-	-	-	-
	2,379,171	-	-	(1,979,171)	400,000

(i) Scott Huntly resigned on 16 September 2008.

(ii) Melissa Sturgess was holding 16,000 Options on 1 July 2007 prior to her appointment to the board on 27 August 2007.

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 2008 was $1,722,682 (2007: profit $1,667,320).

4. REVIEW OF OPERATIONS

Corporate

Washington Resources Share and Option Plans

During the year the Company issued 1,800,000 ordinary shares at $0.265 per share to Directors and employees under the Washington Resources Share Plan (the "Plan"). Non-recourse loans totalling $477,000 were extended under the Plan for the acquisition of those shares.

The issue of securities to Directors was approved by shareholders at the Company's Annual General Meeting on 23 November 2007, in accordance with Listing Rule 10.14 and Chapter 2E of the Corporations Act 2001.

Other Share Issues

During the year 236,040 listed options were exercised at an exercise price of $0.25 per option and 236,040 ordinary shares were issued as a result.

The Company announced on 31 October 2007 that the escrow period that has applied since the Company's initial public offering to 11,286,942 ordinary Washington shares would cease to apply on 19 November 2007 and that those securities would be released from restriction on that date. Those shares were subsequently released from restriction.

Northern Uranium Limited

The Company currently holds 10,000,001 shares (or 19.76% of the voting power) in Northern Uranium Limited ("Northern Uranium"), which successfully carried out an initial public offering during 2006 and was admitted to trading on the Australian Stock Exchange on 13 November 2006. These shares are subject to a restriction agreement with Northern Uranium.

The Company currently holds 1,000,000 options to acquire shares in Northern Uranium. In July 2007, the Company sold to Areva NC Australia Pty Ltd ("Areva") 4,000,000 Northern Uranium options for a total of $1,800,000 (see note 13).

Reedy Lagoon Corporation Limited

During 2007, the Company entered into an agreement with Reedy Lagoon Corporation Limited ("Reedy Lagoon"), whereby the Company's interest in the Bulla iron ore joint venture was sold in return for the issue to the Company of 4,000,000 fully paid ordinary shares in Reedy Lagoon at the time of the initial public offering. That offering was successfully completed on 22 June 2007 and, at the date of this report, the Company holds 4,000,000 shares (or 8.2% of the voting power) in Reedy Lagoon.

KimCor Diamonds Plc

During the year the Company made an investment of GBP150,000 in the capital of KimCor Diamonds plc. The Company currently holds 2,307,692 shares (or 0.9% of the voting power) in that company.

Operational

Introduction

The challenges the boom created for explorers in 2007, with demand exceeding supply for exploration services, eased in 2008, enabling some of the anticipated programmes to be completed. In particular, it was possible to complete down-hole EM surveys at Yarawindah Brook, which located a number of untested conductors (assumed to be further massive sulphide bodies).

Preliminary work in the Northern Territory confirmed the validity of iron oxide copper gold mineralization and established drill sites to investigate this style of mineralization.

Extensive alteration halos around historic workings within the Mosquito Creek Tungsten Field (Hill of Leaders) have proved to contain tungsten mineralization. Reconnaissance drilling showed promising results.

Drilling within geochemically anomalous areas near the Munadgee uranium deposit, about 5km from the Hill of Leaders, by Northern Uranium (in which Washington is a substantial shareholder) produced promising results, and tenure uncertainty over the Munadgee mine was resolved resulting in title to the historic high-grade mine passing to Northern Uranium.

The Company took the opportunity of reviewing a number of promising advanced projects and entered into an option to acquire certain interests in copper dumps in Zambia. The option expired unexercised.

Western Australian Base Metals Exploration

Drilling at the Yarawindah Brook polymetallic deposit (80% WRL), located 135 kilometres north of Perth in Western Australia, has previously identified mineralization over about 1800m of strike. Aeromagnetics suggest the body continues to the north and south and has parallel intersections. The Company completed down-hole electromagnetic ("DHEM") surveys in 5 areas.

Within the host ultramafic units base metal values (primarily nickel, copper and cobalt) are associated with sulphides. These sulphides have concentrations configured as massive shoots within an envelope of lower-grade, disseminated mineralization. Drilling has intersected a number of the massive shoots, and the DHEM was commissioned to determine the extent of individual shoots, and the location of additional shoots not intersected in previous drilling. The DHEM has confirmed the presence of additional conductors (assumed to be massive sulphides) and generated targets for 15 additional drill holes for further drilling within the known mineralization at Yarawindah. The zone has the potential to host a significant tonnage of low-grade disseminated mineralization within which localized high-grade massive sulphide shoots exist.

Tungsten Mineralization at Kurundi (NT)

The Company completed a reconnaissance field programme at the Mosquito Creek tungsten occurrence located on its Kurundi exploration licence, 80km south of Tennant Creek (NT). Tungsten mineralization is extensive, and the location has been the site of past production. Shallow drilling of the deposits was completed in November 2007 with encouraging results.

A reconnaissance aircore drill programme was carried out at Kurundi. A light aircore drill rig was used, drilling only to "blade refusal". This technique was selected to rapidly develop an appreciation of the size of the mineralized system, rather than attempting to quantify the grade of the fresh host rocks.

Drilling totalled 1746 metres in 171 bores: 119 bores for 940 metres within the Hill of Leaders scheelite mine area and 52 bores for 796 within the balance of the exploration licence (EL). At the Hill of Leaders, bores were sited on an approximate 50m x 200m grid; elsewhere within the EL, bores were drilled at 500-200 metre intervals adjacent to existing station tracks.

Surface mapping, samples from old workings and the bore results close to the historic production areas all show a definite pattern in tungsten distribution. Significantly, potentially commercial grades were located some hundreds of metres from historic workings and along a strike length of over one kilometre. The highest grade over a 1-metre sampling interval was 5989 parts per million ("ppm") WO3, a result comparable to grades of rock-chip samples from the historic workings. In 34 x 1-metre sample intervals in 23 bores, grades exceeded 500 ppm WO3, while in 35 x 1-metre intervals in a further 12 bores, grades ranged from 250 to 500 ppm WO3.

Drilling indicates the mineralized system extends some kilometres from the historic workings with lower grades.

Gold and Copper Mineralization at Kurundi

Under the terms of an agreement with Northern Uranium, Washington retains the rights to non-uranium, and non-phosphate exploration. Washington has the right to all exploration data produced by Northern Uranium during its exploration, and it is that data that has generated some interesting targets and identified the potential for gold and base metal mineralization.

NTU investigations reveal brecciation, widespread quartz and hematite veining and in some cases exhibit anomalous bisimuth and gold (up to 4.5g/t). Copper carbonate was also observed as thin coatings on joint planes in some locations. The association of hydrothermal hematite, anomalous gold and copper within the Warramunga Group is characteristic of the Tennant Creek mineral field, approximately 130km to the north. Within that field, iron-oxide, copper, gold ("IOCG") deposits have been exploited since the 1930s. The district rates as one of Australia's largest gold producers and hosts over 600 IOCG occurrences of which over 25% have gold, copper or bismuth of ore grade. The occurrences and the targets generated are significant as further exploration may result in a discovery for the sole benefit of Washington.

Kurundi Phosphate Project

Rising global demand for rock phosphate has driven prices from US$50/tonne to more than US$200/tonne in recent times, changing the dynamics of exploration and production for this commodity. Part of the Kurundi exploration licence contains the sedimentary sequence of the Georgina Basin, which is known to host several major phosphate deposits, including Duchess-Phosphate Hill in Queensland, and Wonarah, Alexandria, Alroy and Highland Plains in the NT.

Under the terms of a new heads of agreement, Northern Uranium will undertake and initially sole fund phosphate exploration. Northern Uranium is allowed a maximum two years to earn 60% interest in phosphate mineral rights by sole funding a $250,000 exploration programme. Should Northern Uranium earn a 60% interest in rights to phosphate within the Kurundi tenements, Washington may either contribute to maintain a 40% interest or elect to dilute to a 20% interest allowing Northern Uranium to earn a further 20% through the completion of a pre-feasibility study or the expenditure of another $1,000,000, whichever is the greater. Should Northern Uranium reach an 80% interest in rights to phosphate within the Kurundi tenements, Washington may elect to contribute to maintain a 20% interest or elect to be diluted pro-rata until Northern Uranium reaches 90% interest, at which time Washington may elect to exchange its interest for a 2% royalty.

The arrangement not only provides Washington with exposure to fully funded phosphate exploration, it also provides exposure to a larger area in the vicinity of Kurundi which has been applied for by Northern Uranium.

<u>Uranium Prospective Exploration Tenure in Yilgarn</u>

The Company submitted applications for six Exploration Licences covering ground prospective for uranium mineralization in the western Yilgarn Craton of Western Australia. The tenements have a total area of 949.4 km2.

The applications were made on the basis of CSIRO research. Final results of laterite geochemical sampling of the western Yilgarn Craton were released by CSIRO in 2007, with the database consisting of a 53 element data set for approximately 3150 laterite samples. While uranium is the principal target base on the geochemistry, the regional geology is also prospective for hosting other commodities.

<u>Northern Uranium Activities</u>

Northern Uranium's flagship Gardiner-Tanami Super Project, comprising some 11,700km2 of granted tenements and tenement applications, is in the Granites-Tanami region, straddling the WA NT border. The French global nuclear group Areva NC manages the project through its wholly owned subsidiary Afmex, the project operator. The exploration target is Athabasca style, unconformity-related uranium deposits.

Within the Gardiner-Tanami Super Project, most of the tenure is on the NT side of the border. On that ground uranium rights are governed by the "Uranium Tenements and Uranium Rights Assignment Deed" between the Company, Northern Uranium, Polaris Metals NL, and Eclipse Minerals P/L. Under the terms of this deed, Northern Uranium maintains a priority right to mineral deposits where the potential commercial value of uranium constitutes more than 40%. Washington retains the residual rights to other minerals.

<u>Copper in Zambia</u>

Washington entered into an option to acquire 51% the Rephidim Copper Dump Treatment Project ("Project") based in Chingola, Zambia for a total consideration (if exercised) of 12 million Washington shares plus a capital injection by way of loan funds into the Project of approximately US$7.5 million. The Directors determined that the economic and political climate in Zambia resulted in an unacceptable project risk and the option was not exercised.

Joint Venture with Western Desert Resources Limited

The Company entered into a Joint Venture Agreement with Western Desert Resources Limited ("Western Desert") to explore for commodities other than tin, tungsten and molybdenum on Washington's Exploration Licence Application EL 25434, located in the Musgrave Ranges area of the Northern Territory.

Under the terms of the agreement, Red Desert Minerals Pty Ltd (a wholly owned subsidiary of Western Desert) can earn up to an 80% interest in the prospect by funding exploration expenditure totalling $1,050,000 within five years of date of grant of the tenement.

5. DIVIDENDS

No dividend has been paid or declared since the start of the financial year and the Directors do not recommend the payment of a dividend in respect of the financial year.

6. SIGNIFICANT EVENTS AFTER BALANCE DATE

Mr Scott Huntly resigned as a non-executive Director on 16 September 2008. There were no other significant events for the Company after the balance date to the date of this report.

7. SIGNIFICANT CHANGES IN STATE OF AFFAIRS

During the financial year, total equity decreased from $8,311,696 to $6,515,646. This was primarily due to the decrease in the market value of the Company's investments in other exploration companies.

8. LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Company will continue to carry out its business plans, by:

- seeking strategic acquisition opportunities within the exploration and mining industry to enter into advanced projects that will add value to the Company; and

- continuing to meet its statutory commitments relating to its exploration tenements and carrying out exploration of its exploration tenements in accordance with its stated strategy, conserving the Company's cash position to be able to take advantage of value adding opportunities.

There can be no guarantee either that exploration of the Company's tenements will result in exploration success or that any strategic acquisition considered by the Directors to be likely to add value to the Company will become available to the Company.

9. INDEMNIFICATION AND INSURANCE OF DIRECTORS

The Company has entered into 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 order 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 REGULATION AND PERFORMANCE

The Company's activities are subject to State and Federal legislation relating to the protection of the environment. The Company is subject to significant environmental legal regulations in respect to its exploration and evaluation activities. There have been no known breaches of these regulations and principles.

11. OPTIONS

At the date of this report there are 1,400,000 options over un-issued shares in the capital of the Company. 1,000,000 of those options have an expiry date of 31 May 2010 and an exercise price of $0.35, and 400,000 options have an expiry date of 30 June 2010 and an exercise price of $0.25.

As announced during the year, a total of 35,638,620 options expired on 28 February 2008.

12. REMUNERATION REPORT (AUDITED)

<u>Introduction</u>

This Remuneration Report outlines the director and executive remuneration arrangements of the Company and in accordance with the requirements of the *Corporations Act 2001* and its Regulations. For the purpose of this report Key Management Personnel (KMP) of the Company are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company, directly or indirectly, and includes executives of the Company.

Details of Key Management Personnel

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

Melissa Sturgess	- Chair and Non Executive Director (*appointed 27 August 2007*)
Adrian Griffin	- Managing Director
Grant Button	- Non Executive Director
Scott Huntly	- Non Executive Director (*resigned 16 September 2008*)
Robert Hair	- Executive Director/Joint Company Secretary
Mark Burchnall	- Non Executive Director (*appointed 27 August 2007*)

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

Andrew Nealon - Joint Company Secretary

Remuneration Philosophy

This is a remuneration philosophy and currently the board has not set any targets.

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; and
- Significant portion of executive remuneration "at risk" provided through participation in incentive plans.

Shares and options issued under the incentive plans provide an incentive to stay with the Company. At this time, shares and options issued do not have performance criteria attached.

The Company does not have a policy which precludes directors and executives from entering into contracts to hedge their exposure to options or shares.

The Company also recognizes that, at this stage in its development, it is most economic to have only a few employees and to draw, as appropriate, 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. It considers that this function is efficiently achieved with full Board support. Accordingly, the Board of Directors is responsible for determining and reviewing compensation arrangements for the Directors, the Managing Director 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 and executive Director 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 shareholders of the Company in a general meeting. An amount not exceeding the amount determined is then divided between the non-executive Directors as agreed. The current aggregate limit of remuneration for non-executive Directors is $150,000. During the year ended 30 June 2007, total aggregate remuneration paid to non-executive Directors was $48,000. During the year ended 30 June 2008, total aggregate remuneration paid to non-executive Directors was $88,000, excluding superannuation.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst non-executive Directors is reviewed annually. The Board may 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, excluding superannuation. 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 may also participate in the share and option plans as described 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;
- align the interests of executives with those of shareholders; and
- ensure total remuneration is competitive by market standards.

Structure

At this time, the cash component of remuneration paid to Directors, the Company Secretaries and other senior managers is not dependent upon the satisfaction of performance conditions. 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. Such remuneration is hence not dependent upon the achievement of specific performance conditions. This policy is considered to be appropriate for the Company, having regard to the current state of its development.

Agreement with Managing Director

On 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, which occurred on 14 November 2005.

The agreement:

- has a term of three years;
- involves the payment to Mr Griffin of an annual salary of $125,000 plus superannuation and reimbursement of expenses;
- has provision for six months notice for termination. The Company may terminate this employment agreement by providing 6 months written notice or providing payment in lieu of the notice period (being $62,500, based on the fixed component of Mr Griffin's remuneration); and
- otherwise contains standard terms relating to confidentiality, conflicts of interest and representations and warranties.

Agreement with Company Secretary

On 8 April 2005, the Company and a company associated with Mr Robert Hair entered into an agreement containing the terms and conditions under which the services of Company Secretary are provided to the Company. The agreement came into effect upon the Company's listing on the Australian Stock Exchange, which occurred on 14 November 2005.

The agreement:

- has a term of three years;
- involves the payment to the Company associated with Mr Hair of an annual fee of $42,000 (increasing by reference to the consumer price index each year and by reference to the number of hours involved in providing the services) and reimbursement of expenses;
- has provision for one month's notice for termination; and
- otherwise contains standard terms relating to confidentiality, conflicts of interest and representations and warranties.

The amount paid during the year as fees for company secretarial services was in excess of $42,000 (adjusted by reference to the consumer price index since 2005), by virtue of the extra hours involved in providing the services.

Agreement with Non-Executive Directors

On 16 September 2008, the Company and a company associated with Mr Grant Button by letter confirmed the terms and conditions under which that company provides commercial services to the Company, particularly in the areas of accounting, risk management and commercial negotiation.

The principal terms of this agreement are as follows:

- There is no fixed term for the consultancy arrangement;
- The Company pays to the company associated with Mr Button an annual fee of $60,000 and reimburses expenses;
- The consultancy may be terminated by either party by the provision of one month's written notice; and
- The consultant is subject to the standard terms relating to confidentiality and conflicts of interests.

On 16 September 2008, the Company and Mr Mark Burchnall by letter confirmed the terms and conditions under which Mr Burchnall provides legal, commercial and corporate services to the Company, particularly in the areas of transaction structuring and commercial negotiation.

The principal terms of this agreement are as follows:

- There is no fixed term for the consultancy arrangement;
- The Company pays to Mr Burchnall an annual fee of $60,000 and reimburses expenses;
- The consultancy may be terminated by either party by the provision of one month's written notice; and
- The consultant is subject to the standard terms relating to confidentiality and conflicts of interests.

<u>Directors' Remuneration 2008</u>

	Short-term		**Long-term**	**Share based payment**	
Directors	**Directors Fees**	**Salary and Consulting fees**	**Superannuation Contribution**	**Shares and options**	**Total**
	$	**$**	**$**	**$**	**$**
Adrian Griffin	-	125,000	11,250	-	136,250
Grant Button	24,000	60,000	2,520	-	86,520
Scott Huntly (i)	24,000	-	-	-	24,000
Robert Hair	-	72,000	-	-	72,000
Melissa Sturgess (ii)	20,000	-	1,800	50,773	72,573
Mark Burchnall (ii)	20,000	75,864	8,628	50,773	155,265
	88,000	332,864	24,198	101,546	546,608

(i) resigned on 16 September 2008

(ii) appointed on 27 August 2007

No remuneration is performance related.

DIRECTORS' REPORT (Continued)

Directors' Remuneration 2007

	Short-term		Long-term	Share based payment	
Directors	**Directors Fees**	**Salary and Consulting fees**	**Superannuation Contribution**	**Shares and options**	**Total**
	$	**$**	**$**	**$**	**$**
Adrian Griffin	-	125,000	11,250	117,750	254,000
Grant Button	24,000	40,000	2,160	62,800	128,960
Scott Huntly	24,000	-	-	67,200	91,200
Robert Hair (i)	-	86,363	-	30,500	116,863
	48,000	251,363	13,410	278,250	591,023

(i) appointed on 7 March 2007

No remuneration is performance related.

Executives' Remuneration 2008

	Short-term		Long-term	Share based payment	
Executive	**Salary**	**Consulting Fees**	**Superannuation Contribution**	**Shares and options**	**Total**
	$	**$**	**$**	**$**	**$**
Andrew Nealon	-	25,000	-	-	25,000

No remuneration is performance related.

Executives' Remuneration 2007

	Short-term		Long-term	Share based payment	
Executive	**Salary**	**Consulting Fees**	**Superannuation Contribution**	**Shares and options**	**Total**
	$	**$**	**$**	**$**	**$**
Andrew Nealon	-	14,583	-	2,440	17,023

No remuneration is performance related.

DIRECTORS' REPORT (Continued)

Incentive shares and options: Granted and vested during the year

Shares

30-Jun-08	Granted No.	Grant Date	Terms & Conditions for each Grant: Fair Value per share at grant date (cents) (note 21)	Exercise price per share (cents) (note 21)	Expiry Date	First Exercise Date	Last Exercise Date	Vested No.	Vested %
Directors									
Mark Burchnall	500,000	17-Dec-07	8.0	26.5	17-Dec-10	17-Dec-08	17-Dec-10	-	-
Melissa Sturgess	500,000	17-Dec-07	8.0	26.5	17-Dec-10	17-Dec-08	17-Dec-10	-	-
Total	1,000,000							-	

Options

30-Jun-08	Granted No.	Grant Date	Terms & Conditions for each Grant: Fair Value per option at grant date (cents) (note 21)	Exercise price per option (cents) (note 21)	Expiry Date	First Exercise Date	Last Exercise Date	Vested No.	Vested %
Directors									
	-	-	-	-	-	-	-	-	-
Total	-							-	

DIRECTORS' REPORT (Continued)

Incentive shares and options: Granted and vested during the last year

Shares

30-Jun-07	Granted No.	Grant Date	Terms & Conditions for each Grant: Fair Value per share at grant date (cents) (note 21)	Exercise price per share (cents) (note 21)	Expiry Date	First Exercise Date	Last Exercise Date	Vested No.	%
Directors									
Adrian Griffin	750,000	28-Dec-06	15.7	25	28-Dec-09	28-Dec-07	28-Dec-09	250,000	33.33%
Grant Button	400,000	28-Dec-06	15.7	25	28-Dec-09	28-Dec-07	28-Dec-09	133,333	33.33%
Robert Hair	500,000	14-Jul-06	6.1	25	14-Jul-06	14-Jul-07	14-Jul-09	166,667	33.33%
Total	1,650,000							550,000	

Options

30-Jun-07	Granted No.	Grant Date	Terms & Conditions for each Grant: Fair Value per option at grant date (cents) (note 21)	Exercise price per option (cents) (note 21)	Expiry Date	First Exercise Date	Last Exercise Date	Vested No.	%
Directors									
Scott Huntly (i)	400,000	28-Dec-06	16.8	25	30-Jun-10	28-Dec-07	30-Jun-10	133,333	33.33%
Total	400,000							133,333	

(i) Scott Huntly resigned on 16 September 2008.

Options and Shares granted as part of remuneration

Options

Year ended 30 June 2008

No options were granted during the year.

Year ended 30 June 2007

	Value of Options Granted during the Year $	Value of Options exercised during the Year $	Value of options lapsed during the year $	Total Value of options granted, exercised and Lapsed during the Year $	% Remuneration consisting of options for the year
Scott Huntly	67,200	-	-	67,200	73.68%

Shares

Year ended 30 June 2008

	Value of Shares Granted during the Year $	Value of Shares exercised during the Year $	Value of shares lapsed during the year $	Total Value of shares granted, exercised lapsed during the year $	% Remuneration consisting of options for the year
Mark Burchnall	50,773	-	-	50,773	69.96%
Melissa Sturgess	50,773	-	-	50,773	32.70%
	101,546			101,546	

Note: Shares issued under employee share plan and treated as in substance options.

There were no alterations to the terms and conditions of options and shares granted as remuneration since their grant date.

There were no forfeitures during the period.

Year ended 30 June 2007

	Value of Shares Granted during the Year $	Value of Shares exercised during the Year $	Value of shares lapsed during the year $	Total Value of shares granted, exercised and Lapsed during the Year $	% Remuneration consisting of options for the year
Adrian Griffin	117,750	-	-	117,750	46.36%
Grant Button	62,800	-	-	62,800	48.70%
Robert Hair	30,500	-	-	30,500	26.10%
	211,050			211,050	

Note: Shares issued under employee share plan and treated as in substance options.

DIRECTORS' REPORT (Continued)

There were no alterations to the terms and conditions of options and shares granted as remuneration since their grant date.

There were no forfeitures during the period.

13. NON-AUDIT SERVICES AND AUDITOR'S INDEPENDENCE

The Company may decide to employ the auditor on assignments additional to its 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.

	2008	**2007**
	$	**$**
Remuneration of the auditor of the Company for:		
-auditing or reviewing the financial report	56,650	48,775
-other services	-	-
	56,650	48,775

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 60 and forms part of this report.

This report is made in accordance with a resolution of Directors.

Adrian Griffin
Managing Director
Perth
26 September 2008

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 23 to 57 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 2008 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 2008.

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

Adrian Griffin
Managing Director
Perth
26 September 2008

WASHINGTON RESOURCES LIMITED

ACN 097 532 137

INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2008

	Note	2008 $	2007 $
Continuing Operations			
Revenue	3(a)	276,123	161,982
Other income	3(b)	1,870,337	3,329,016
Revenue and other income		2,146,460	3,490,998
Administration expenses	3(c)	(1,393,299)	(1,139,981)
Finance costs	3(d)	-	(166)
Occupancy expenses	3(e)	(76,955)	(47,893)
Exploration expenditure written off	14	(625,749)	-
Share of loss of an associate	13	(751,510)	(415,238)
Impairment of available for sale investments		(717,434)	-
(Loss)/Profit from continuing operations before income tax		(1,418,487)	1,887,720
Income tax expense	5	(304,195)	(210,400)
Net (loss)/profit from continuing operations after income tax		(1,722,682)	1,677,320
Earnings per share for profit/(loss) from continuing operations attributable to the ordinary equity holders of the Company:	8	**Cents**	**Cents**
Basic earnings per share		(3.38)	3.30
Diluted earnings per share		(3.38)	3.30

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

WASHINGTON RESOURCES LIMITED
ACN 097 532 137

BALANCE SHEET
AS AT 30 JUNE 2008

	Note	2008 $	2007 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	9	2,945,288	3,824,915
Receivables	10	123,806	111,078
TOTAL CURRENT ASSETS		**3,069,094**	**3,935,993**
NON-CURRENT ASSETS			
Plant and equipment	12	20,993	13,142
Investment in an associated company	13	453,589	1,134,762
Available-for-sale investments	11	735,425	1,558,709
Deferred exploration and evaluation costs	14	2,540,476	2,150,854
TOTAL NON-CURRENT ASSETS		**3,750,483**	**4,857,467**
TOTAL ASSETS		**6,819,577**	**8,793,460**
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	15	79,844	128,460
Income tax payable		-	281,822
Provisions	16	11,572	11,538
TOTAL CURRENT LIABILITIES		**91,416**	**421,820**
NON-CURRENT LIABILITIES			
Deferred tax liability	5	212,515	59,944
TOTAL NON-CURRENT LIABILITIES		**212,515**	**59,944**
TOTAL LIABILITIES		**303,931**	**481,764**
NET ASSETS		**6,515,646**	**8,311,696**
EQUITY			
Contributed equity	17	7,754,098	7,693,567
Accumulated losses	19	(2,158,265)	(435,583)
Reserves	20	919,813	1,053,712
TOTAL EQUITY		**6,515,646**	**8,311,696**

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

WASHINGTON RESOURCES LIMITED
ACN 097 532 137

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2008

	Note	2008 $	2007 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(1,343,950)	(870,092)
Payment of income tax		(297,914)	-
Exploration expenditure		(1,015,370)	(883,143)
Net cash flows used in operating activities	25	(2,657,234)	(1,753,235)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of plant and equipment		(12,683)	(11,935)
Interest received		276,123	161,982
Proceeds from disposal of available for sale investments		1,800,000	2,852,710
Purchase of investments		(343,643)	(250,000)
Loan to an associate		-	(266,729)
Repayment of loan from an associate		-	340,319
Net cash flows provided by investing activities		1,719,797	2,826,347
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		59,010	1,208,000
Costs associated with issue of shares		(1,200)	(66,000)
Net cash flows provided by financing activities		57,810	1,142,000
Net increase (decrease) in cash and cash equivalents held		(879,627)	2,215,112
Cash and cash equivalents at the beginning of the financial year		3,824,915	1,609,803
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	9	**2,945,288**	**3,824,915**

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

WASHINGTON RESOURCES LIMITED
ACN 097 532 137

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2008

	Issued capital $	Accumulated losses $	Option reserve $	Employee benefits reserve $	Net unrealized gain reserve $	Total equity $
Balance as at 1 July 2006	6,511,000	(2,112,903)	363,066	-	893,447	5,654,610
Reversal of Net unrealized gains reserve on disposal of available for sale investments	-	-	-	-	(893,447)	(893,447)
Net gains on available for sale investments	-	-	-	-	391,096	391,096
Total Income and expense for the period recognized directly in equity					(502,351)	(502,351)
Profit for the period	-	1,677,320	-	-	-	1,677,320
Total income (expense) for the period	-	1,677,320	-	-	(502,351)	1,174,969
Employee benefits reserve	-	-	-	303,870	-	303,870
Issue of share capital	1,208,000	-	-	-	-	1,208,000
Cost of share issue	(29,753)	-	-	-	-	(29,753)
Transfer from option reserve on exercise of options	4,320	-	(4,320)	-	-	-
At 30 June 2007	7,693,567	(435,583)	358,746	303,870	391,096	8,311,696
Unrealized gains (loss) transferred to income statement	-	-	-	-	(82,924)	(82,924)
Net gains (loss) on available for sale investments	-	-	-	-	(231,398)	(231,398)
Total income (expense) for the period recognized directly in equity	-	-	-	-	(314,322)	(314,322)
Profit (loss) for the period	-	(1,722,682)	-	-	-	(1,722,682)
Total income (expense) for the period		(1,722,682)	-	-	(314,322)	(2,037,004)
Employee benefits reserve	-	-	-	182,783	-	182,783
Issue of share capital	59,011	-	-	-	-	59,011
Cost of share issue	(840)	-	-	-	-	(840)
Transfer from option reserve on exercise of options	2,360	-	(2,360)	-	-	-
At 30 June 2008	7,754,098	(2,158,265)	356,386	486,653	76,774	6,515,646

The above 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 ("Washington" or the "Company") for the year ended 30 June 2008 was authorized for issue in accordance with a resolution of the Directors on 26 September 2008.

The Company is limited by shares and 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 the Directors' Report.

NOTE 2: SUMMARY OF SIGNIFICANT 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 and International Financial Reporting Standards (IFRS).

(c) New accounting standards and interpretations

The Company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) during the year, including AASB7 Financial Instruments: Disclosures and AASB 2008-4.. These Standards and Interpretations give rise to additional disclosure without material effect on the financial position and performance of the Company.

These are outlined in the table below.

Reference	Title	Summary	Application date of standard*	Impact on Company financial report	Application date for Company
AASB 101 (revised) and AASB 2007-8	Presentation of Financial Statements and consequential amendments to other Australian Accounting Standards	Introduces a statement of comprehensive income. Other revisions include impacts on the presentation of items in the statement of changes in equity, new presentation requirements for restatements or reclassifications of items in the financial statements, changes in the presentation requirements for dividends and changes to the titles of the financial statements.	1 Jan 09	These amendments are only expected to affect the presentation of the Company's financial report and will not have a direct impact on the measurement and recognition of amounts disclosed in the financial report. The Company has not determined at this stage whether to present a single statement of comprehensive income or two separate statements.	1 July 09

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

(c) New accounting standards and interpretations (continued)

Reference	Title	Summary	Application date of standard*	Impact on Company financial report	Application date for Company
AASB 2008-1	Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations	The amendments clarify the definition of 'vesting conditions', introducing the term 'non-vesting conditions' for conditions other than vesting conditions as specifically defined and prescribe the accounting treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied.	1 Jan 09	The Company has share-based payment arrangements that may be affected by these amendments. However, the Company has not yet determined the extent of the impact, if any.	1 July 09
Amendments to International Financial Reporting Standards*	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	The main amendments of relevance to Australian entities are those made to IAS 27 deleting the 'cost method' and requiring all dividends from a subsidiary, jointly controlled entity or associate to be recognized in profit or loss in an entity's separate financial statements (i.e., parent company accounts). The distinction between pre- and post-acquisition profits is no longer required. However, the payment of such dividends requires the entity to consider whether there is an indicator of impairment. AASB 127 has also been amended to effectively allow the cost of an investment in a subsidiary, in limited reorganisations, to be based on the previous carrying amount of the subsidiary (that is, share of equity) rather than its fair value.	1 Jan 09	Recognising all dividends received from subsidiaries, jointly controlled entities and associates as income will likely give rise to greater income being recognized by the parent entity after adoption of these amendments. In addition, if the Company enters into any company reorganisation establishing new parent entities, an assessment will need to be made to determine if the reorganisation meets the conditions imposed to be effectively accounted for on a 'carry-over basis' rather than at fair value. The Company has not yet determined the extent of the impact of the amendments, if any.	1 July 09
Amendments to International Financial Reporting Standards*	Improvements to IFRSs	The improvements project is an annual project that provides a mechanism for making non-urgent, but necessary, amendments to IFRSs. The IASB has separated the amendments into two parts: Part 1 deals with changes the IASB identified resulting in accounting changes; Part II deals with either terminology or editorial amendments that the IASB believes will have minimal impact.	1 Jan 09 except for amendments to IFRS 5, which are effective from 1 July 09.	The Company has not yet determined the extent of the impact of the amendments, if any.	1 July 09

* Pronouncements that have been issued by the IASB and IFRIC but have not yet been issued by AASB.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

(c) New accounting standards and interpretations (continued)

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

Reference	Title	Summary	Application date of standard*	Impact on Company financial report	Application date for Company
AASB 8 and AASB 2007-3	Operating Segments and consequential amendments to other Australian Accounting Standards	New standard replacing AASB 114 Segment Reporting, which adopts a management reporting approach to segment reporting.	1 Jan 09	AASB 8 is a disclosure standard so will have no direct impact on the amounts included in the Company's financial statements. The amendments may have an impact on the Company's segment disclosures.	1 July 09
AASB 123 (revised) and AASB 2007-6	Borrowing Costs and consequential amendments to other Australian Accounting Standards	The amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalized.	1 Jan 09	The Company has no borrowing costs associated with qualifying assets and as such the amendments are not expected to have any impact on the Company's financial report.	1 July 09
AASB 2008-2	Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations arising on Liquidation	The amendments provide a limited exception to the definition of a liability so as to allow an entity that issues puttable financial instruments with certain specified features, to classify those instruments as equity rather than financial liabilities.	1 Jan 09	These amendments are not expected to have any impact on the Company's financial report as the Company does not have on issue or expect to issue any puttable financial instruments as defined by the amendments.	1 July 09
AASB 3 (revised)	Business Combinations	The revised standard introduces a number of changes to the accounting for business combinations.	1 July 09	The Company may enter into some business combinations during the next financial year and may therefore consider early adopting the revised standard. The Company has not yet assessed the impact of early adoption.	1 July 09
AASB 2008-3	Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127	Amending standard issued as a consequence of revisions to AASB 3 and AASB 127.	1 July 09	Refer to AASB 3 (revised)	1 July 09

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

(c) New accounting standards and interpretations (continued)

Reference	Title	Summary	Application date of standard*	Impact on Company financial report	Application date for Company
IFRIC 16*	Hedges of a Net Investment in a Foreign Operation	This interpretation proposes that the hedged risk in a hedge of a net investment in a foreign operation is the foreign currency risk arising between the functional currency of the net investment and the functional currency of any parent entity. This also applies to foreign operations in the form of joint ventures, associates or branches.	1 Jan 09	The Interpretation is unlikely to have any impact on the Company since it does not significantly restrict the hedged risk or where the hedging instrument can be held.	1 July 09

* Pronouncements that have been issued by the IASB and IFRIC but have not yet been issued by AASB.

(d) 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 capitalized 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 capitalized exploration and evaluation expenditure is reclassified as capitalized mine development. Prior to reclassification, capitalized exploration and evaluation expenditure is assessed for impairment.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

(d) Exploration and evaluation expenditure (continued)

Impairment
The carrying value of capitalized 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 capitalized 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 recognized in the income statement.

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.

(e) 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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Plant & equipment (continued)

Derecognition

An item of plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from 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.

(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 based on the current periods taxable income. The tax rates and tax laws used for computations are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at balance sheet date between the 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 credits 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) 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.

(h) Provisions and employee benefits

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability. The increase in the provision resulting form the passage of time is recognized in finance costs.

Employee leave 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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Provisions and employee benefits (continued)

ii. Long service leave

The liability for long service leave is recognized and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. 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.

(i) Cash and cash equivalents

Cash and cash equivalents 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.

(j) Receivables

Receivables, which generally have 30-90 day terms, are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method, less an allowance for any uncollectible amounts.

Collectibles or receivables are reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that the Company will not be able to collect the debt.

(k) Revenue recognition

Revenue is recognized and measured at the fair value of the consideration received or receivable 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:

Interest income
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.

(l) Contributed equity

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.

(m) Trade and other payables

Trade payables and other payables are carried at amortized 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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) 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.

(o) Investments and other financial assets

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

All regular way purchases and sales of financial assets are recognized 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 market place.

(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.

(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 amortized 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 recognized 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 amortized cost, gains and losses are recognized in profit and loss when the investment are derecognized or impaired, as well as through the amortisation process.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Investments and other financial assets (continued)

(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 amortized 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 recognized in profit and loss.

The fair value of investments that are actively traded in organised financial markets are 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.

(p) Impairment of financial assets

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 recognized 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.

(q) Interest in joint ventures

The Company has an interest in a joint venture that is a jointly controlled operation. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. A jointly controlled operation involves the use of assets and other resources of the venturers rather than establishment of a separate entity. The Company recognizes its interest in the jointly controlled operation by recognising its interest in the assets and the liabilities of the joint venture. The Company also recognizes the expenses that it incurs and its share of the income that it earns from the sale of goods and services by the jointly controlled operation.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Investment in associates

The Company's investment in its associates is accounted for using the equity method of accounting in the financial statements. The associates are entities over which the Company has significant influence and that are neither subsidiaries nor joint ventures.

Under the equity method, investments in the associates are carried in the balance sheet at cost plus post-acquisition changes in the Company's share of net assets of the associates. Goodwill if any relating to an associate is included in the carrying amount of the investment and is not amortized. After application of the equity method, the Company determines whether it is necessary to recognize any impairment loss with respect to the Company's net investment in associates

The Company's share of its associates' post-acquisition profits or losses is recognized in the income statement, and its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

When the Company's share of the losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables and loans, the Company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

The reporting dates of the associates and the Company are identical and the associates accounting policies conform to those used by the Company for like transactions and events in similar circumstances.

(s) Share-based payment transactions

The Company provides benefits to its employees (including key management personnel) in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

There are currently two plans in place to provide these benefits:

- the Employee Share Option Plan, which provides benefits to Directors and senior executives; and
- the Employee Share Loan Plan, which provides benefits to all employees, including key management personnel.

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using a binomial model, further details of which are given in note 21.

In valuing equity-settled transactions, no account is taken to any vesting conditions, other than conditions linked to the price of the shares of the Company if applicable.

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity on the date the equity right is granted.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Share-based payment transactions (continued)

If the terms of an equity-settled award are modified, as a minimum an expense is recognized as if the terms had not been modified. An additional expense is recognized for any modification that increases the total fair value of the share based arrangement, or is otherwise beneficial to the employee, as measured at the date of modification

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (see note 8).

(t) 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:

Share-based payment transactions
The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, with the assumptions detailed in note 21. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

Impairment of capitalized exploration and evaluation expenditure
The future recoverability of capitalized 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 capitalized 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 capitalized 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 capitalized 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

	Note	2008 $	2007 $
(a) Revenue			
Finance revenue:			
Interest received		276,123	161,982
		276,123	161,982
(b) Other income			
Profit on sale of available-for-sale investments		1,760,000	1,029,016
Net gain on disposal of tenement rights		-	1,500,000
Gain on sale of joint venture interest		-	800,000
Profit on deemed disposal of interest in associated company		110,337	-
		1,870,337	3,329,016
(c) Administration expenses			
Administration		792,628	618,532
Cost of share based payments		182,783	303,870
Depreciation		4,832	2,032
Wages and salaries		380,016	189,648
Superannuation		33,006	19,228
Annual leave provision		34	6,671
		1,393,299	1,139,981
(d) Finance costs			
Interest paid		-	166
		-	166
(e) Occupancy expenses			
Occupancy		76,955	47,893
		76,955	47,893

NOTE 4: SEGMENT INFORMATION

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

NOTE 5: INCOME TAX

	2008 $	2007 $
The major components of income tax expense are:		
Current income tax (benefit)/charge	(506,744)	1,068,955
Prior year current tax charge	29,127	(316,180)
Relating to origination and reversal of temporary differences	249,520	(323,120)
Deferred income tax charge now recognized	-	(219,255)
Temporary differences not recognized	532,292	-
	304,195	210,400
Statement of recognized income and expense		
Deferred income tax relating to items charged or credited directly to equity		
Mark to market on non-current investments	(135,171)	167,613
Capital raising costs charged to equity	(360)	(36,247)
	(135,531)	131,366
Unrecognized Deferred Tax Assets		
Temporary differences	532,292	-
	532,292	-
A reconciliation between tax expense and the production of accounting (loss)/profit before tax multiplied by the Company's applicable tax rate is as follows		
Accounting (loss)/profit before income tax	(1,418,487)	1,887,720
At the Company's statutory tax rate (30%)	(425,546)	566,316
Non-deductible expenses	-	402
Employee share expenses	54,835	91,161
Foreign exploration expenditure written off	124,119	-
Under/(over) provision in prior years	18,495	(131,904)
Opening variance corrected	-	(96,320)
Prior year tax losses brought to account	-	(219,255)
Temporary differences not recognized	532,292	-
Income tax expense	304,195	210,400

NOTE 5: INCOME TAX (continued)

	Balance Sheet		Income Statement	
	2008	2007	2008	2007
	$	$	$	$
Deferred tax liability				
Assets available for sale	(32,442)	(167,613)	-	-
Exploration	(762,142)	(644,002)	118,141	342,366
	(794,584)	(811,615)		
Deferred tax assets				
Accrued expenses	7,500	-	(7,500)	6,600
Fixed assets	2,530	2,650	120	(2,650)
Section 40-880	62,418	92,989	18,491	(14,863)
Provisions	3,472	3,461	(11)	(2,001)
Revenue taxed in advance	-	528,000	528,000	(528,000)
Revenue tax losses	506,148	-	-	-
Equity accounted investments	316,923	124,571	(192,352)	(124,571)
Assets available for sale	215,370	-	(215,370)	-
	1,114,361	751,671		
Less: Deferred tax asset not recognized	(532,292)	-		
	582,069	751,671		
Net deferred tax liability	212,515	59,944		
			249,519	(323,119)

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 Directors, employees and officers, in order to better align the Company's performance with the Directors' employees' and officers' remuneration.

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

(b) Compensation of Key Management Personnel

	2008 $	2007 $
Short-term employee benefits	420,864	299,363
Post-employment benefits	24,198	13,410
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payment	101,546	278,250
	546,608	591,023

(c) Shareholdings

Number of Shares held by Directors

Directors	Balance 1-Jul-07	Received as Remuneration	On Exercise of Options	Net Change Other	Balance 30-Jun-08
Adrian Griffin	625,000	-	-	(625,000)	-
Grant Button	-	-	-	-	-
Scott Huntly (i)	-	-	-	-	-
Robert Hair	30,000	-	-	-	30,000
Melissa Sturgess	12,600	-	-	-	12,600
Mark Burchnall	-	-	-	-	-
	667,600	-	-	(625,000)	42,600

(i) Scott Huntly resigned on 16 September 2008.

Number of Options held by Directors

Directors	Balance 1-Jul-07	Received as Remuneration	Options Exercised	Options Expired	Balance 30-Jun-08
Adrian Griffin	865,793	-	-	(865,793)	-
Grant Button	365,793	-	-	(365,793)	-
Scott Huntly (i)	765,793	-	-	(365,793)	400,000
Robert Hair	365,792	-	-	(365,792)	-
Melissa Sturgess	16,000	-	-	(16,000)	-
Mark Burchnall	-	-	-	-	-
	2,379,171	-	-	(1,979,171)	400,000

(i) Scott Huntly resigned on 16 September 2008.

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

Number of Employee shares (with non-recourse loans) held by Directors

Directors	Balance 1-Jul-07	Received as Remuneration	Options Exercised	Net Change Other	Balance 30-Jun-08
Adrian Griffin	750,000	-	-	-	750,000
Grant Button	400,000	-	-	-	400,000
Scott Huntly (i)	-	-	-	-	-
Robert Hair	500,000	-	-	-	500,000
Melissa Sturgess	-	500,000	-	-	500,000
Mark Burchnall	-	500,000	-	-	500,000
	1,650,000	1,000,000	-	-	2,650,000

(i) Scott Huntly resigned on 16 September 2008.

Number of Shares held by Executive

Executive	Balance 1-Jul-07	Received as Remuneration	On Exercise of Options	Net Change Other	Balance 30-Jun-08
Andrew Nealon	-	-	-	80,000	80,000

Number of Employee shares (with non-recourse loans) held by Executive

Executive	Balance 1-Jul-07	Received as Remuneration	Options Exercised	Net Change Other	Balance 30-Jun-08
Andrew Nealon	40,000	-	-	-	40,000

NOTE 7: AUDITOR'S REMUNERATION

	2008 $	2007 $
Remuneration of the auditor of the Company for:		
-auditing or reviewing the financial report		
Ernst & Young	56,650	48,775

NOTE 8: EARNINGS PER SHARE

	2008 $	2007 $
Basic (loss)/earnings per share (cents per share)	(3.38)	3.30
Diluted (loss)/earnings per share (cents per share)	(3.38)	3.30
Net (loss)/profit	(1,722,682)	1,677,320
(Loss)/earnings used in calculating basic and diluted (loss)/earnings per share	(1,722,682)	1,677,320
	Number	Number
Weighted average number of ordinary shares used in the calculation of basic and diluted (loss)/earnings per share	51,010,696	50,815,326

During the year 236,040 listed options were exercised and 35,638,620 listed options expired, leaving nil listed options outstanding as at 30 June 2008. There were 1,400,000 unlisted options outstanding at 30 June 2008 (note 18).

During the year ended 30 June 2007, 432,000 listed options were exercised leaving 35,874,660 options outstanding at 30 June 2007 (note 18). There were also 1,400,000 unlisted options outstanding at 30 June 2007 (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 decrease the net loss from continuing operations ordinary operations per share. Consequently, diluted earnings per share is the same as basic earnings per share.

There have been no transactions involving ordinary shares or potential shares that would significantly change the number of ordinary shares or potential ordinary shares outstanding between the reporting date and the date of completion of these financial statements.

NOTE 9: CASH AND CASH EQUIVALENTS

	2008 $	2007 $
Cash at bank	2,945,288	3,824,915
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	2,945,288	3,824,915

NOTE 10: RECEIVABLES

	2008 $	2007 $
CURRENT		
Sundry debtors	1,704	64,230
Non-trade debtors (i)	122,102	46,848
	123,806	111,078

(i) Non-trade debtors are non-interest bearing and are generally on 30-90 days terms. The carrying amounts of these receivables represent fair value.

NOTE 11: AVAILABLE-FOR-SALE INVESTMENTS

NON-CURRENT	2008 $	2007 $
At fair value		
Shares in listed companies	735,425	1,558,709

Listed Shares

The fair value of listed available-for-sale investments has been determined directly by reference to published price quotations in an active market. During the year an impairment loss of $717,434 was recognized due to a significant decline in the value of the shares.

NOTE 12: PLANT AND EQUIPMENT

	Furniture, fittings and equipment $
At 1 July 2006	
Cost	2,725
Accumulated depreciation	(229)
Net carrying value	2,496
Year ended 30 June 2007	
Opening carrying value	2,496
Additions	11,935
Depreciation charge	(1,289)
Closing net carrying amount	13,142
At 30 June 2007	
Cost	14,660
Accumulated depreciation	(1,518)
Net carrying value	13,142
Year ended 30 June 2008	
Opening net carrying value	13,142
Additions	12,683
Depreciation charge for the year	(4,832)
At 30 June 2008, carrying amount net of accumulated depreciation and impairment	20,993
At 30 June 2008	
Cost	27,343
Accumulated depreciation	(6,350)
Net carrying value	20,993

NOTE 13: INVESTMENT IN AN ASSOCIATE COMPANY

During the year the Company transferred all of its uranium interests in the Northern Territory to Northern Uranium Limited ("Northern Uranium") and was issued 10,000,001 shares by that company. At 30 June 2008 the Company held 19.76% (2007: 20.52%) of the voting power and as such Northern Uranium is deemed to be an associate Company. The Company also held 1,000,000 options in Northern Uranium.

On 16 July 2007, the Company received the proceeds of $1,800,000 for the sale of 4,000,000 Northern Uranium options. The profit on sale of the options was $1,760,000.

	2008	2007
Movement in carrying amounts	$	$
Opening carrying value	1,134,762	-
Acquisition of investment	-	1,500,000
Options in associate	-	50,000
Disposal of options	(40,000)	-
Share of losses in the period	(751,510)	(415,238)
Profit on deemed disposal of interest in associated company	110,337	-
	453,589	1,134,762

(i) The fair value of the investment in Northern Uranium, as at 30 June 2008, assuming that the shares the Company holds in Northern Uranium were freely tradeable, is $3,850,000.

(ii) Summarized financial information

The following table illustrates summarized financial information relating to the Company's associate**:**

	2008	2007
Extract from the associates' balance sheet:	$	$
Current assets	4,069,619	7,788,007
Non-current assets	128,310	75,723
	4,197,929	7,863,730
Current liabilities	(144,613)	(186,519)
	(144,613)	(186,519)
Net assets	4,053,316	7,677,211
Share of associates' net assets	800,935	1,575,364
Extract from associates' income statement:		
Revenue	418,093	40,083
Net Loss	(3,803,186)	(2,043,495)
Share of the associates' loss accounted for using the equity method		
Net Loss	(751,510)	(415,238)

(iii) The Company has no commitments or contingent liabilities relating to its investment in an associate.

(iv) The Company held 1,000,000 options in Northern Uranium.

NOTE 14: DEFERRED EXPLORATION AND EVALUATION COSTS

	2008 $	2007 $
Exploration, evaluation and development cost carried forward:		
- at cost	2,540,476	2,150,854
Movements in exploration, evaluation and development cost		
Beginning of the financial year	2,150,854	1,372,955
Exploration incurred during the year	1,015,370	777,899
Exploration expenditure written off (i)	(625,748)	-
End of the financial year	2,540,476	2,150,854

(i) The deferred exploration and evaluation costs written off, noted above, was written off in accordance with the Company policy described in note 2(d).

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

	2008 $	2007 $
CURRENT		
Unsecured liabilities		
Trade payables (i)	79,844	128,460

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

NOTE 16: PROVISIONS

	2008 $	2007 $
Employee benefits	11,572	11,538

NOTE 17: CONTRIBUTED EQUITY

	2008 $	2007 $
Ordinary shares fully paid	7,754,098	7,693,567

Effective 1 July 1998, the corporations legislation abolished the concepts of authorized capital and par value shares. Accordingly, the Company does not have authorized capital or par value in respect of its issued shares. Fully paid ordinary shares carry one vote per share and carry the rights to dividends.

Capital management
When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity. As the equity market is constantly changing management may issue new shares to provide for future exploration and development activity.

The Company is not subject to any externally imposed capital requirements.

		2008 $	2008 Number	2007 $	2007 Number
Movements in ordinary shares on issue					
Beginning of the financial year		7,693,567	50,815,326	6,511,000	45,383,326
- shares issued upon the exercise of options	17(a)	61,371	236,040	112,320	432,000
- shares issued to institutional investors	17(b)	-	-	1,100,000	5,000,000
- costs relating to institutional issue		(840)	-	(29,753)	-
End of the financial year		7,754,098	51,051,366	7,693,567	50,815,326
Issued shares		8,748,598	54,921,366	8,211,067	52,885,326
Less: Reserve shares		(994,500)	(3,870,000)	(517,500)	(2,070,000)
		7,754,098	51,051,366	7,693,567	50,815,326

(a) The Company issued 236,040 shares upon the exercise of 28 February 2008 options raising $59,010. An amount of $2,361 was transferred from the option reserve relating to this share issue.

(b) During the previous year the Company issued 5,000,000 shares to institutional investors raising $1,100,000.

(c) Reserve shares are in relation to shares held under the employee share plan (see note 21).

NOTE 18: OPTIONS

	2008 No of Options	2007 No of Options
Options		
At year end the following options were on issue:		
-28 February 2008 Options exercisable at 25 cents per share	-	35,874,660
-31 May 2010 Options exercisable at 35 cents per share	1,000,000	1,000,000
-30 June 2010 Options exercisable at 25 cents per share	400,000	400,000
Movements in 28 February 2008 Options		
Beginning of the financial year	35,874,660	36,306,660
Options issued during the year	-	-
Exercised during the year	(236,040)	(432,000)
Options expired during the year	(35,638,620)	-
End of the financial year	-	35,874,660
Movements in 31 May 2010 Options		
Beginning of the financial year	1,000,000	-
Options issued during the year	-	1,000,000
Exercised during the year	-	-
End of the financial year	1,000,000	1,000,000
Movements in 30 June 2010 Options		
Beginning of the financial year	400,000	-
Options issued during the year	-	400,000
Exercised during the year	-	-
End of the financial year	400,000	400,000

NOTE 19: ACCUMULATED LOSSES

	2008 $	2007 $
Accumulated losses at the beginning of the financial year	(435,583)	(2,112,903)
Net profit/(loss) for the reporting period	(1,722,682)	1,677,320
Accumulated losses at the end of the financial year	(2,158,265)	(435,583)

NOTE 20: RESERVES

	2008 $	2007 $
Net unrealized gain reserve on available for sale investments	76,774	391,096
Employee benefits reserve	486,653	303,870
Option reserve	356,386	358,746
	919,813	1,053,712
Movements in net unrealized gain reserve		
Beginning of the financial year	391,096	893,447
Reversal of unrealized gain on available-for-sale investments	-	(1,276,353)
Reversal of tax effect of net gain on available-for-sale investments	-	382,906
Unrealized gain (loss) on investments	(330,569)	558,709
Tax effect of net gain (loss) on investments	99,171	(167,613)
Impaired asset reversal of unrealized gain (loss)	(118,463)	-
Tax effect of impaired asset reversal of unrealised gain (loss)	35,539	-
End of the financial year	76,774	391,096
Movements in Option Reserve		
Beginning of the financial year	358,746	363,066
236,040 (432,000) options exercised during the year and transferred to issued capital	(2,360)	(4,320)
End of the financial year	356,386	358,746
Movements in Employee Benefits Reserve		
Beginning of the financial year	303,870	-
Issue of 920,000 shares to employees and consultants	-	56,120
Issue of 1,150,000 shares to Directors	-	180,550
Grant of 400,000 options to Directors	-	67,200
Issue of 1,000,000 shares to Directors	101,546	-
Issue of 800,000 shares to employees and consultants	81,237	-
End of the financial year	486,653	303,870

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.

Employee benefits reserve
This reserve records the value of share-based payments to employees and Directors of the Company.

NOTE 21: SHARE-BASED PAYMENT PLANS

(a) Recognized share-based payment expenses

The expense recognized for employee services received during the year is shown in the table below:

	2008 $	2007 $
Expense arising from equity-settled share-based payment transactions	182,783	303,870

(b) Types of share-based payment plans

Employee Share Option Plan

Share options may be granted to the 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.

General Employee Share Plan

Shares in the Company may be issued to 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. Non-recourse loans will be extended to the participants in the share 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.

(c) Summary of options granted under Employee Share Option Plan

The following table illustrates the number (No.) and weighted average exercise price (WAEP) of and movements in share options during the year:

	2008 No.	2008 WAEP $	2007 No.	2007 WAEP $
Outstanding at the beginning of the year	400,000	0.25	-	-
Granted during the year	-	-	400,000	0.25
Outstanding at the end of the year	400,000	0.25	400,000	0.25

NOTE 21: SHARE-BASED PAYMENT PLANS (continued)

(d) Summary of shares issued under General Employee Share Plan

The following table illustrates the number (No.) and weighted average exercise price (WAEP) of and movements in share options during the year:

	2008 No.	2008 WAEP $	2007 No.	2007 WAEP $
Outstanding at the beginning of the year	2,070,000	0.250	-	-
Granted during the year	1,800,000	0.265	2,070,000	0.25
Outstanding at the end of the year	3,870,000	0.257	2,070,000	0.25

(e) Weighted average remaining contractual life

The weighted average remaining contractual life for the share and share options as at 30 June 2008 is 1.90 years.

(f) Range of exercise price

The range of exercise prices for options outstanding at the end of the year was $0.25 to $0.35.

(g) Weighted average fair value

The weighted average fair value of options granted during the year was $0.08 (2007: $0.12).

(h) Option and Share pricing model: Equity-settled transactions

The value of the shares (in substance options) and options issued was determined by a Binomial option valuation methodology which resulted in an amount of $182,783 (2007: $303,870) being transferred to the employee benefits reserve and an amount of $182,783 (2007: $303,870) being expensed as employee benefits. The material assumptions in determining the fair value of the options granted during the year are outlined in the following table:

Grant date	17 December 2007
Dividend yield (%)	-
Expected volatility %	92%
Risk free interest rate %	6.38%
Expected life of option (years)	3
Exercise Price ($)	0.265
Share price at grant date ($)	0.28

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical sector volatility is indicative of further trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

NOTE 22: COMMITMENTS

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

	2008 $	2007 $
Within 1 year	897,000	577,000
1 to 2 years	941,000	605,000
Total	1,838,000	1,182,000

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

(ii) The Company has entered into a commercial property sub-lease. The head-lease and sub-lease were surrendered on 1 September 2008.

	2008 $	2007 $
Within 1 year	3,820	22,920
1 to 2 years	-	13,370
Total	3,820	36,290

NOTE 23: CONTINGENT LIABILITIES

There are no contingent liabilities as at 30 June 2008.

NOTE 24: RELATED PARTY TRANSACTIONS

	2008 $	2007 $
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	72,000	86,363
Consulting fees were paid to Wilberforce Pty Ltd, a company which Grant Button is a director and shareholder	60,000	40,000
Consulting secretarial fees were paid to Athlone International Consultants Pty Ltd, a company which Andrew Nealon is associated.	25,000	14,583

NOTE 25: CASH FLOW INFORMATION

	2008 $	2007 $
Reconciliation of cash flow from operations with (loss)/profit from ordinary activities after income tax		
(Loss)/profit from ordinary activities after income tax	(1,722,682)	1,677,320
Non-cash flows in loss from ordinary activities		
Share based payments	182,783	303,870
Exploration expenditure written off	625,750	-
Impairment of available for sale investments	717,434	-
Equity accounted income/loss from associated company	751,509	-
Depreciation	4,832	1,289
Interest received	(276,123)	(161,982)
Profit on sale of investments	(1,870,337)	(2,985,200)
Payment for exploration expenditure	(1,015,370)	(777,899)
Changes in assets and liabilities		
Increase/(decrease) in provision for employee benefits	-	6,671
(Increase)/decrease in receivables	(12,729)	(31,169)
Increase/(decrease) in payables	(48,582)	(67,958)
Increase/(decrease) in income tax payable	(297,914)	281,823
Increase in deferred tax liability	304,195	-
Cash flows from operations	(2,657,234)	(1,753,235)

NOTE 26: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial instruments comprise cash, short term deposits and available for sale investments.

The main purpose of the financial instruments is to finance the Company's operations. The Company also has other financial instruments such as trade debtors and creditors which arise directly from its operations.

The main risks arising from the Company's financial instruments are interest rate risk, securities price risk and credit risk. The board reviews and agrees policies for managing each of these risks and they are summarised below:

(a) Interest Rate Risk

The Company's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out in the following table. Also included is the effect on profit and equity after tax if interest rates at that date had been 10% higher or lower with all other variables held constant as a sensitivity analysis.

The Company has not entered into any hedging activities to manage interest rate risk. In regard to its interest rate risk, the Company continuously analyses its exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative investments and the mix of fixed and variable interest rates.

NOTE 26: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

	Weighted Average Effective Interest Rate	Floating Interest Rate	Fixed Interest Rate	Non Interest Bearing	Total	Interest Rate Risk Sensitivity -10% Profit	Equity	+10% Profit	Equity
	%	$	$	$	$	$	$	$	$
2008									
Financial Assets									
Cash	7.10%	2,704,611	-	240,677	2,945,288	(13,442)	(13,442)	13,442	13,442
Receivables		-	-	123,806	123,806				
Total Financial Assets		2,704,611	-	364,483	3,069,094				
Financial Liabilities									
Trade creditors		-	-	79,844	79,844				
Total Financial Liabilities		-	-	79,844	79,844				
2007									
Financial Assets									
Cash	4.50%	3,824,915	-	-	3,824,915	(12,048)	(12,048)	12,048	12,048
Receivables		-	-	111,078	111,078				
Total Financial Assets		3,824,915	-	111,078	3,935,993				
Financial Liabilities									
Trade creditors		-	-	128,460	128,460				
Total Financial Liabilities		-	-	128,460	128,460				

A sensitivity of 10% has been selected as this is considered reasonable given the current level of both short term and long term Australian dollar interest rates. A -10% sensitivity would move short term interest rates at 30 June 2008 from around 7.10% to 6.39% representing a 71 basis points downwards shift.

Based on the sensitivity analysis only interest revenue from variable rate deposits and cash balances is impacted resulting in a decrease or increase in overall income.

(b) Price Risk

The Company is exposed to equity securities price risk. This arises from investments held and classified on the balance sheet as available-for-sale. The investments are traded on the ASX.

NOTE 26: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

The following table sets out the carrying amount of the Company's exposure to equity securities price risk on available for sale investments. Also included is the effect on profit and equity after tax if the prices at that date had been 25% higher or lower with all other variables held constant as a sensitivity analysis.

	Notes	**Carrying Amount**	**Price Risk Sensitivity**			
			-25%		**+25%**	
			Profit	Equity	Profit	Equity
		$	$	$	$	$
2008:						
Financial Assets						
Available-for-sale investments	11	735,425	(128,699)	(128,699)	-	128,699
2007:						
Financial Assets						
Available-for-sale investments	11	1,558,709	(272,774)	(272,774)	-	272,774

The reasonably possible change of 25% has been selected as it is considered reasonable given the current and recent trend and volatilities of both Australian and international stock markets.

(c) Liquidity Risk

The Company manages liquidity risk by maintaining sufficient cash reserves and marketable securities required to meet the current exploration and administration commitments, through the continuous monitoring of actual cash flows.

(d) Foreign Exchange Risk

Foreign exchange risk arises when future commercial transactions and recognized assets liabilities are denominated in a currency that is not the entity's functional currency. The Company's foreign transactions are immaterial and it is not therefore exposed to foreign currency risk.

(e) Net Fair Values

For financial assts and liabilities, the net fair value approximates their carrying value. No financial assets and financial liabilities are readily traded on organised markets in standardised form, other than listed investments. The Company has no financial assets where carrying amount exceeds net fair values at balance date.

(f) Credit Risk

Credit risk arises in the event that counterparty will not meet its obligations under a financial instrument leading to financial losses. The Company is exposed to credit risk from its operating activities, financing activities including deposits with banks. The credit risk control procedures adopted by the Company is to assess the credit quality of the institution with whom funds are deposited or invested, taking into account its financial position and past experiences.

The maximum exposure to credit risk on financial assets of the Company which have been recognized on the balance sheet is generally limited to the carrying amount.

NOTE 27: SUBSEQUENT EVENTS

There have been no significant events since balance date to the date of this report.

NOTE 28: JOINT VENTURE

On the 23 April 2008 the Company entered into a Joint Venture Agreement with Western Desert Resources Limited ("Western Desert") to explore for commodities other than tin, tungsten and molybdenum on Washington's Exploration Licence Application EL 25434, located in the Musgrave Ranges area of the Northern Territory.

Under the terms of the agreement, Red Desert Minerals Pty Ltd (a wholly owned subsidiary of Western Desert) can earn up to an 80% interest in the prospect by funding exploration expenditure totalling $1,050,000 within five years of date of grant of the tenement.

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Independent auditor's report to the members of Washington Resources Limited

Report on the Financial Report

We have audited the accompanying financial report of Washington Resources Limited, which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1(b), the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards and International Standards on Auditing. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we have met the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

RK:MJ:WASHINGTON:022

Auditor's Opinion

In our opinion:

1. the financial report of Washington Resources Limited is in accordance with the *Corporations Act 2001*, including:
   - i giving a true and fair view of the financial position of Washington Resources Limited at 30 June 2008 and of its performance for the year ended on that date; and
   - ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 12 to 21 of the directors' report for the year ended 30 June 2008. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Washington Resources Limited for the year ended 30 June 2008, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

R A Kirkby
Partner
Perth
26 September 2008

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Auditor's Independence Declaration to the Washington Resources Limited

In relation to our audit of the financial report of Washington Resources Limited for the year ended 30 June 2008, 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
26 September 2008

RK:MJ:WASHINGTON:023

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" or the "Company"). The Board of Directors (the "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

In August 2007, the ASX Corporate Governance Council released its Corporate Governance Principles and 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 2008.

ASX Principle 2.2 requires that the chairperson of a listed entity should be an independent director. ASX Principle 2.3 requires that the roles of chairperson and chief executive officer should not be exercised by the same person. During the year, the Company did not meet these criteria, as the roles of Chairman and Managing Director were held by the one person, who is an executive of the Company. 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 an independent director should be appointed as Chair of the Board. To this end, Ms Melissa Sturgess has been appointed to that position.

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. 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 4.2 states that the audit committee of a company should be comprised of at least three members who are non-executive directors and that the chair of that committee should be an independent director who is not the chair of the board. During the year, the Company's Audit Committee was comprised of three Directors, one of whom was an Executive Director who acted as Chair of that Committee because of his intimate knowledge of the Company since its listing on the Australian Securities Exchange. The Board considers that the Committee functioned properly as an audit committee. However, the Committee is now chaired by an independent Director.

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 7.2 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 7.3 requires the chief executive officer (or equivalent) and chief financial officer (or equivalent) to state in writing to the Board that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks. The Board currently receives a statement to this effect from the Managing Director and the relevant financial expert within management.

ASX Principle 8.1 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 8.2 states that non-executive directors should not normally participate in schemes designed for the remuneration of executives and that non-executive directors should not receive options. The Board considers that the grant of options and other securities to Non-Executive Directors improves the ability of the Company to attract individuals with the skills and experience that the Company requires and is consistent with the policy of providing incentives to all Company officers to improve the Company's performance.

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 Chair 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 meets these criteria.

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, which may include 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 Chair, 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 Committee Charter, as approved by the Board.

Audit Committee

The Board has an Audit 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 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 Committee 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 Committee at the date of this report are:

Mark Burchnall (Director)
Grant Button (Director)
Robert Hair (Director)

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

The Audit 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 adequacy 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 Chair of their intention to trade and must also have been advised by the Chair 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 Securities 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 Secretaries have responsibility for overseeing and coordinating disclosure of information to the Australian Securities Exchange. The Company Secretaries also liaise with the Chair and Managing Director in relation to continuous disclosure matters. The Chair 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.

WASHINGTON RESOURCES LIMITED
ADDITIONAL ASX INFORMATION

The Company's interests in mining and exploration tenements in WA are set out in Table 1, and the Company's interests in mining and exploration tenements in NT are 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. The Company's top 20 option holders are shown in Table 5. Substantial shareholder notices that have been received by the Company are set out in Table 6.

Table 1

Washington Tenement Interests (Western Australia)

PROJECT	TEN ID	LOCATION	BENEFICIAL INTEREST	STATUS	AREA
Bindi Bindi	**E70/2579**	**WA**	**80**	**Granted**	**8557 Ha**
Ashworth	**E70/2718**	**WA**	**100**	**Granted**	**14270 Ha**
Mortlock	**E70/2719**	**WA**	**100**	**Granted**	**13444 Ha**
Newleyine	**E70/2720**	**WA**	**100**	**Granted**	**14899 Ha**
Bindi Bindi S	**E70/2722**	**WA**	**80**	**Granted**	**4718 Ha**
Toodyay West	**E70/2853**	**WA**	**100**	**Granted**	**3797 Ha**
Yarawindah South	E70/2914	WA	100	Application	2642Ha
Yarawindah North	E70/2923	WA	100	Application	11,456Ha
Yarawindah West	**E70/2924**	**WA**	**100**	**Granted**	**294Ha**
Yarawindah West	**E70/2925**	**WA**	**100**	**Granted**	**294Ha**
Bindi Bindi	**E70/2985**	**WA**	**100**	**Granted**	**4718 Ha**
York	**E70/3056**	**WA**	**100**	**Granted**	**29420Ha**
Yarawindah	**E70/3080**	**WA**	**80**	**Granted**	**4404Ha**
Windsor	E58/361	WA	100	Application	21,226Ha
Mingenew	E70/3284	WA	100	Application	11,668Ha
Tathra	E70/3285	WA	100	Application	22,635Ha
Williams	E70/3286	WA	100	Application	27,575Ha
Pithara	E70/3287	WA	100	Application	7,977Ha
Wickepin	E70/3288	WA	100	Application	10,394Ha
Yoting	E70/3289	WA	100	Application	20,658Ha
Hines Hill	E70/3290	WA	100	Application	28,341Ha
Yarawindah West	E70/3371	WA	100	Application	3818Ha
Ballidu West	E70/3375	WA	100	Application	5611Ha
Ballidu West	E70/3376	WA	100	Application	4723
Yarawindah	M70/1263	WA	80	Application	953Ha
Yarawindah	M70/1264	WA	80	Application	977Ha
Yarawindah	M70/1265	WA	80	Application	907Ha
Yarawindah	M70/1266	WA	80	Application	907Ha
Yarawindah	M70/1267	WA	80	Application	903Ha
Mooloogool	**E51/1059**	**WA**	**20**	**Granted**	**21617Ha**
Mooloogool	**E51/1061**	**WA**	**20**	**Granted**	**4936Ha**
Mooloogool	**E51/1112**	**WA**	**20**	**Granted**	**4629Ha**

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 Limited in respect of uranium interests.*

Table 2

Washington Tenement Interests (Northern Territory)

PROJECT NAME	TEN. NUMBER	LOCATION	BENEFICIAL INTEREST	STATUS	APPROX AREA
Tanami/Granites	E23932	NT	100%	Application	1,617 sqkm
Tanami/Granites	E23933	NT	100%	Application	348.9 sqkm
Supplejack	**E23934**	**NT**	**100%**	**Granted**	**303.3 sqkm**
Rabbit Flats	E23935	NT	100%	Application	506.3 sqkm
Kurundi	**E23937**	**NT**	**100%**	**Granted**	**1591 sqkm**
Tanami/Granites	**E24166**	**NT**	**100%**	**Granted**	**291.5 sqkm**
Tanami/Granites	E24174	NT	100%	Application	1,621 sqkm
Tanami/Granites	E24177	NT	100%	Application	402 sqkm
Tanami/Granites	**E24178**	**NT**	**100%**	**Granted**	**204.2 sqkm**
Tanami/Granites	E24179	NT	100%	Application	169 sqkm
Tanami/Granites	E24193	NT	100%	Application	233.9 sqkm
Kulgera	**E24204**	**NT**	**100%**	**Granted**	**785.0 sqkm**
Kurundi	**E24995**	**NT**	**100%**	**Granted**	**2.8 sqkm**
Rabbit Flats	E25157	NT	100%	Application	25.8 sqkm
Rabbit Flats	E25158	NT	100%	Application	38.7 sqkm
Rabbit Flats	E25159	NT	100%	Application	67.7 sqkm
Rabbit Flats	E25160	NT	100%	Application	132.2 sqkm
Petermann	E25434	NT	100%	Application	581.3 sqkm

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 Limited in respect of uranium interests.*

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	28
1,001-5,000	54
5,001-10,000	135
10,001-100,000	168
100,001 - and over	43
Total holders of ordinary shares	428
Total number of ordinary shares	54,921,366

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

1-1,000	-
1,001-5,000	-
5,001-10,000	-
10,001-100,000	-
100,001 - and over	-
Total holders of option holders	-
Total number of options	-

Table 4
Top twenty shareholders

Shareholder	*Number of shares*	*Percentage*
1. Blackmort Nominees Pty Ltd	12,028,154	21.90%
2. ANZ Nominees Limited	4,858,183	8.85%
3. Elegant Global Limited	4,000,000	7.28%
4. Mr Scott W Wilson & Ms Maria A Wilson	3,450,000	6.28%
5. Sylvania Resources Limited	2,000,000	3.64%
6. HSBC Custody Nominees (Australia) Limited	1,985,005	3.61%
7. Citicorp Nominees Pty Limited	1,942,900	3.54%
8. National Nominees Limited	1,615,000	2.94%
9. Rogue Investments Pty Ltd	1,000,000	1.82%
10. Zero Nominees Pty Ltd	1,000,000	1.82%
11. Penally Management Limited	908,533	1.65%
12. Merrill Profits Limited	783,000	1.43%
13. Zambia Global Inc	775,371	1.41%
14. Mr Adrian Griffin	750,000	1.37%
15. Blackmort Nominees Pty Ltd	650,000	1.18%
16. Ms Josephine Norman	625,000	1.14%
17. Sigma Management Limited	532,000	0.97%
18. Mr Robert Hair	510,000	0.93%
19. Mr Mark Burchnall	500,000	0.91%
20. Mr Ed Nealon	500,000	0.91%

Table 5
Top twenty option holders

As announced during the year, a total of 35,638,620 listed options expired on 28 February 2008.

Table 6
Substantial shareholders

Shareholder	*Number of shares*	*Percentage*
1. Blackmort Nominees Pty Ltd	12,028,154	21.90%
2. ANZ Nominees Limited	4,858,183	8.85%
3. Elegant Global Limited	4,000,000	7.28%
4. Mr Scott W Wilson & Ms Maria A Wilson	3,450,000	6.28%

Voting Rights

The voting rights attached to each class of equity securities are set out below:

(a) Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.