Western Plains Gold Ltd

ABN 51 109 426 502

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
30 JUNE 2006

CONTENTS

DIRECTORS' REPORT

Your Directors present the financial report of the Company for the year ended 30 June 2006.

The following persons hold office as Directors at the date of this report and throughout the financial year. Their qualifications and experience are:

Robert H Duffin, BSc (Hons), MSc (Hons), Grad Dip Mgt, FAusIMM CP, *Non-Executive Chairman*
Bob Duffin became a Director from the date of incorporation on 7 June 2004. He is a company director and consultant to the mining industry, with over 31 years experience in resource exploration and project assessment including over 16 years experience in mining investment analysis, project valuations and assessments of fair value of securities. During the past three years, Bob Duffin has also served as a director of Centennial Coal Company Limited, Midwest Corporation Limited and Ferrowest Ltd, all ASX listed companies.

Gary J Jones, BSc (Auckland), MAusIMM, MASEG, *Director - Technical*
Gary Jones became a Director on 7 June 2004. He is a geologist with over 37 years professional experience in mineral exploration and resource and reserve estimation. He has been an independent consultant to the mining industry for the past 22 years.

Bob Richardson, BSc (Sydney), BE (Hons) (Sydney), MAusIMM, MASEG, *Non-Executive Director*
Bob Richardson became a director on 3 November 2004. He has extensive involvement in exploration management, geophysics and exploration technology for more than 40 years. During the past three years Bob Richardson has also served as a director of PlatSearch NL, an ASX listed company and Crossland Uranium Mines Limited, an NSX listed company.

Heath Roberts, Dip Law (SAB), Grad Dip Legal Practice (UTS) *Company Secretary*
Heath Roberts was a director of the Company from the date of incorporation on 7 June 2004 until he resigned on 3 November 2004. He practiced as a commercial solicitor before focussing on company secretarial practice, corporate advice and fund raising, with an emphasis on the resource and mining sectors. Heath consults extensively to Oakhill Hamilton Pty Ltd, a company which provides secretarial and corporate advisory services to a range of listed and unlisted companies.

Directors' Interests in Shares and Options

Directors' interests in shares and options as at 30 June 2006 and at the date of the report are set out in Note 18 to the financial statements.

Activities

The principal continuing activity of the Company is the exploration for economic copper and gold and metals. Since the end of the financial year the company has entered into an agreement to acquire an advanced iron project located in South Australia.

Results

The net result of operations after applicable income tax expense was a loss of $417,001 (2005 - $112,081) which includes the write-off of exploration expenditure incurred in the current and prior years of $216,343 (2005 – nil).

Dividends

No dividends were paid or proposed during the period.

Review of Operations

During the financial year ended 30 June 2006 the Company achieved a number of significant milestones.

After successfully raising approximately $2.8 million and listing on the ASX in August 2005, the Company aggressively explored its gold and base metal exploration projects, including completing 1,382 RAB and aircore drill holes on eleven prospects for a total of 6,862 metres, mapping six prospects in detail, carrying out two ultra-detailed aeromagnetic surveys and interpreting the resulting data, completing 15 RC percussion holes on two prospects for 1,587 metres and drilling four diamond core holes on two prospects for 1,244 metres. A number of other significant exploration programmes were carried out. This work has been successful in advancing and improving a number of the project areas, where further exploration will be carried out.

Subsequent to the end of the financial year, the Company entered into an agreement to acquire Southern Iron Pty Ltd, a private company which has secured the rights to the Peculiar Knob and Hawks Nest tenements located in South Australia. These projects contain identified high grade (haematite) and low grade (magnetite) iron mineralisation that the Company will assess for the purposes of future potential production. A shareholders meeting has been called for 26

Directors' Report (continued)

October 2006 to consider approval of the proposed acquisition of Southern Iron Pty Ltd, a number of related corporate changes and fund raising resolutions.

Corporate Structure

Western Plains Gold Ltd is a limited company that is incorporated and domiciled in Australia.

Employees

The Company had no employees as at 30 June 2006. The Company uses contract geologists and other consultants as required.

Significant Changes

The Directors are not aware of any significant changes in the state of affairs of the Company occurring during the financial period, other than as disclosed in this report.

Matters Subsequent to the End of the Financial Period

There were at the date of this report no matters or circumstances which have arisen since 30 June 2006 that have significantly affected or may significantly affect:

i) the operations of the Company,
ii) the results of those operations, or
iii) the state of affairs of the Company,

other than the proposed acquisition of Southern Iron Pty Ltd and related matters as set out in Note 25.

Likely Developments and Expected Results

Most the Company's areas of interest are at an early stage of exploration and it is not possible to postulate likely developments and any expected results. The Company will endeavour to develop the Peculiar Knob iron project, which contains an inferred resource of iron mineralisation. Feasibility studies and permitting will be required before a decision to proceed is made.

Remuneration Report

Directors' Benefits and Emoluments

In August 2006 the Board reviewed the Directors' Emoluments. Remuneration levels, including participation in the Company's Share Option Plan, are set to provide reasonable compensation in line with the Company's limited financial resources. During the period no Director of the Company has received or become entitled to receive a benefit (other than a benefit included in the table below) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

Remuneration of the Board and Senior Management

The Board, on advice from the remuneration committee, determine the fees for non-executive directors and remuneration packages for executives. The fees for Directors are disclosed below.

The Company has established a share option plan for the benefit of directors, officers, senior executives and consultants, a summary of which is set out below.

There is no retirement scheme for Non-Executive Directors.

(a) Directors' remuneration

The following table outlines the nature and amount of the elements of the remuneration of specified Directors of the Company for the year ended 30 June 2006.

	Salary	Directors Fees	Consulting Fees	Superannuation Contributions	Options	Total
2006	**$**	**$**	**$**	**$**	**$**	**$**
R H Duffin	-	31,100	-	2,799	-	33,899
G J Jones	-	-	108,963	-	-	108,963
R L Richardson	-	17,772	-	1,599	-	19,371
	-	48,872	108,963	4,398	-	162,233

Directors' Report (continued)

2005	Salary $	Directors Fees $	Consulting Fees $	Superannuation Contributions $	Options $	Total $
R H Duffin	-	-	-	-	-	-
G J Jones	-	-	22,000	-	-	22,000
R L Richardson	-	-	-	-	-	-
H L Roberts	-	-	-	-	-	-
	-	-	22,000	-	-	22,000

Mr Richardson is an employee of PlatSearch NL an ASX listed public company. Services provided by PlatSearch to the Company during the year are set out in Note 18.

Directors' interests in shares and options in the Company are set out in Note 18.

(b) Executive Officers' remuneration, shares and options

	Salary	Consulting Fees	Superannuation Contributions	Options	Total
2006	**$**	**$**	**$**	**$**	**$**
H L Roberts	-	40,320	-	-	40,320
R J Waring	-	32,800	-	-	32,800
	-	73,120	-	-	73,120
2005	**$**	**$**	**$**	**$**	**$**
H L Roberts	-	-	-	-	-
R J Waring	-	-	-	-	-
	-	-	-	-	-

Other than Directors, there are no other officers who satisfy the definition of "Executive Officers" who are or were involved in, concerned with, or who take part in, the management of the affairs of WPG and/or related bodies corporate, apart from the Company Secretary, Mr Roberts and the Financial Controller, Mr Waring.

Key Management Personnel

The Company's key management personnel are listed above; under the definition set out in AASB 124 *Related Party Disclosures*, the Company has no executives other than those included in the above list of Directors who are responsible for the strategic direction and operational management of the Company. In addition to the specified Directors, the Company has no employees. Field and administrative work is carried out by contractors, and they have no responsibility for the strategic decision-making of the Company.

The Company has established a Share Option Scheme for the benefit of Directors, officers, senior executives and consultants, details of which are set out below.

There is no retirement scheme for Non-Executive Directors.

Directors' Fees

Directors are entitled to remuneration out of the funds of the Company but the remuneration of the Non-Executive Directors may not exceed in any year the amount fixed by the Company in general meeting for that purpose. The aggregate remuneration of the Non-Executive Directors has been fixed at a maximum of $100,000 per annum to be apportioned among the non-executive directors in such a manner as they determine (refer below). Subject to shareholder approval at a general meeting to be held on 26 October 2006, it is proposed that this limit be increased to $200,000 per annum. Directors are also entitled to be paid reasonable travelling, accommodation and other expenses incurred in consequence of their attendance at Board meetings and otherwise in the execution of their duties as directors. The Directors have resolved that director's fees will be $35,000 per annum for Non-Executive Directors, plus statutory superannuation contributions. Subject to shareholder approval of the acquisition of Southern Iron Pty Ltd, Mr Duffin will become Executive Chairman of the Company, on a salary of $180,000 per annum plus superannuation. Subject to shareholder approval of his appointment to the Board, Heath Roberts will become Managing Director of the Company and receive a "cost to company" remuneration package of $250,000 per annum, comprising a base salary of $180,000 per annum plus superannuation and performance based incentives.

Directors' Report (continued)

Directors' Employment Contracts

Mr Richardson has not entered into an employment contract with the Company. Subject to shareholder approval of the acquisition of Southern Iron Pty Ltd, Mr Duffin will enter into an employment contract with the Company and Mr Roberts, a proposed Director, will do likewise. The Company and Mr Jones have entered into a service agreement, details of which are set out below.

Agreement between the Company and Geonz Associates Ltd

Pursuant to a letter agreement dated 30 November 2004 between Western Plains Gold Ltd, Geonz Associates Ltd (Geonz), a company controlled by Gary Jones, the parties agreed that Geonz and Jones would provide technical consulting services to the Company. The agreement took effect from the date on which the Company's shares were first listed on the ASX being 23 August 2005. The Company pays a retainer of $125,000 per annum (inclusive of Director's fees), and Gary Jones agreed to provide consulting services for a minimum of 150 days per annum. Days worked in excess of 150 attract per diem fees of $700.

The agreement can be terminated by 12 months notice by the Company to Geonz or by three months notice by Geonz to the Company.

Agreement between the Company and PlatSearch for the Provision of Technical Services

The Company and PlatSearch NL entered into a letter agreement on 11 November 2004 for the provision of certain technical services, office and administration support. The agreement, which is for a term of one year following the listing of the Company on the ASX on 23 August 2005 and continues to date, entitles Western Plains Gold to use part of the premises, facilities and administrative support unutilised by PlatSearch on an arms-length, at-cost basis. Additionally, PlatSearch will provide the services of Mr Richardson as a technical consultant, when so requested by the Company's Board, at the rate of $130 per hour for up to four days per month. In some instances Mr Richardson performs more than four days per month at this rate of remuneration.

Directors' Interests in Shares and Options

Interests and movements in the shares and options of the Company held by Directors and their Director-related entities as at 30 June 2006:

	R H Duffin	G J Jones	R L Richardson	Total
Fully Paid Ordinary Shares				
at 30 June 2005	1,375,000	785,000	-	2,160,000
net change in year	125,000	10,000	50,000	185,000
at 30 June 2006	1,500,000	795,000	50,000	2,345,000
2009 Options				
at 30 June 2005	687,500	225,000	-	912,500
at 30 June 2006	687,500	225,000	-	912,500

Directors, Officers, Senior Employees and Consultants Share Option Plan

The Company has established the Western Plains Gold Ltd Employees and Officers Share Options Plan ("the Plan") to assist in the attraction, retention and motivation of the Company's directors, officers, employees and senior consultants. No options have been granted under the Plan as at the date of this report. Options are proposed to be issued, subject to shareholder approval, at a general meeting to be held on 26 October 2006.

A summary of the rules of the Plan is as follows. All Directors, officers, employees and senior consultants (whether full- or part-time) will be eligible to participate in the Plan after a qualifying period of 12 months employment by the Company or its subsidiaries (or, in the case of a senior consultant, having provided consulting services to the Company or its subsidiaries on a continuous basis for at least 12 months), although the Board may waive this requirement.

The allocation of options under the Plan is at the discretion of the Board.

If permitted by the Board, options may be issued to a nominee of a director, officer, employee or senior consultant (for example, to a spouse or family company).

Each option allows the option holder to subscribe for one fully paid ordinary share in the Company and will expire five years from its date of issue. Options will be issued free. The exercise price of options will be determined by the Board subject to a minimum price equal to the market value of the Company's shares at the time the Board resolves to issue the options. The total number of shares the subject of options issued under the Plan, when aggregated with other options issued under the Plan during the previous five years must not exceed five percent of the Company's issued share capital at the time.

The Board may amend the Plan rules at any time subject to the requirements of the ASX Listing Rules.

Directors' Report (continued)

Share Options

Particulars of options granted over unissued shares:

i) There were no shares issued during the year ended 30 June 2006 by virtue of the exercise of options.
ii) As at the end of the financial period, the Company had on issue*:
   - 3,475,000 options exercisable at 25 cents, expiry 28 September 2009
   - 3,475,000 options exercisable at 35 cents, expiry 28 September 2009
   - 279,180 options exercisable at 25 cents, expiry 23 August 2008
   - 2,500,000 options exercisable at 30 cents, expiry 16 September 2008

Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company until the options are exercised.

* Note: These options are outside of the Share Option Plan.

Meetings of Directors

During the period the Company's Directors held seven Board meetings. Messrs R H Duffin and G J Jones were in attendance at all of the meetings. Mr R L Richardson attended six of the meetings.

There was one circular resolution passed by the Board during the year, one Due Diligence Committee Meeting and one Audit Committee meeting.

Non-Executive Directors, Messrs R H Duffin and R L Richardson and Executive Director Mr G J Jones are members of the Company's Audit Committee. The Committee reviews the Company's financial systems, accounting policies, half-year and annual financial statements.

Indemnification and Insurance of Directors and Officers

During the financial year, the Company has paid premiums in respect of a contract insuring all the Directors against legal costs incurred in defending proceedings for conduct involving:

i) a wilful breach of duty; or
ii) a contravention of sections 182 or 183 of the *Corporations Act 2001*, as permitted by section 199B of the *Corporations Act 2001*.

It is a term of the policy that the Company cannot disclose the premium paid for the cover.

Environmental Performance

WPG holds exploration licences issued by the Mines Departments of two state governments which specify guidelines for environmental impacts in relation to exploration activities. The licence conditions provide for the full rehabilitation of the areas of exploration in accordance with the various Mines Departments' guidelines and standards. There have been no significant known breaches of the licence conditions.

Auditor's Independence and Non-Audit Services

No non-audit services were provided by the Company's auditor, Barnes Dowell James during the current financial year. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised. The Directors received a declaration of independence from the auditors of Western Plains Gold Ltd. It is located on page 28 and forms part of this report.

Barnes Dowell James received $5,000 for the provision of non-audit services in the 30 June 2005 financial period; for the Independent Accountant's Report in the IPO Prospectus.

Signed at Sydney this 28th day of September 2006 in accordance with a resolution of the Directors.

R H Duffin

R H DUFFIN
Chairman

INCOME STATEMENT

year ended 30 June 2006

	Note	2006	2005
		$	**$**
REVENUE	2	**94,212**	7,768
ASX and ASIC fees		**(5,959)**	(20,049)
Auditors' remuneration		**(9,150)**	-
Contract administration services		**(100,019)**	(15,000)
Corporate advisory services		**(20,500)**	(15,000)
Depreciation expense		**(1,259)**	(309)
Directors' fees		**(48,872)**	-
Exploration expenditure written off		**(216,343)**	-
Insurance		**(30,429)**	(4,938)
Legal fees		**-**	(7,936)
Operating lease rental expense		**(21,816)**	-
Printing and stationery		**(8,345)**	(3,198)
Public relations		**(13,258)**	(22,835)
Share registry costs		**(10,675)**	(4,100)
Travel and accommodation		**(5,989)**	(16,685)
Other expenses from ordinary activities		**(18,599)**	(9,799)
		(511,213)	(119,849)
(LOSS) BEFORE INCOME TAX EXPENSE		**(417,001)**	(112,081)
INCOME TAX EXPENSE	3	**-**	-
(LOSS) AFTER TAX	15	**(417,001)**	(112,081)
NET (LOSS) ATTRIBUTABLE TO MEMBERS OF WESTERN PLAINS GOLD LTD		**(417,001)**	(112,081)
Basic loss per share (cents per share)	16	1.77	1.52
Diluted loss per share (cents per share)	16	1.77	1.52

BALANCE SHEET

as at 30 June 2006

	Note	2006	2005
		$	**$**
CURRENT ASSETS			
Cash and cash equivalents	5	**1,083,552**	827,888
Receivables	6	**54,050**	4,251
TOTAL CURRENT ASSETS		**1,137,602**	832,139
NON-CURRENT ASSETS			
Tenement security deposits	7	**90,000**	50,000
Plant and equipment	8	**1,766**	2,781
Deferred exploration and evaluation expenditure	9	**1,229,011**	348,529
TOTAL NON-CURRENT ASSETS		**1,320,777**	401,310
TOTAL ASSETS		**2,458,379**	1,233,449
CURRENT LIABILITIES			
Payables	10	**11,571**	36,803
Other - Loan	11	**-**	70,000
TOTAL CURRENT LIABILITIES		**11,571**	106,803
TOTAL LIABILITIES		**11,571**	106,803
NET ASSETS		**$2,446,808**	$1,126,646
EQUITY			
Issued capital	12	**2,452,033**	546,500
Subscriptions under share offer	13	**-**	692,227
Reserves	14	**523,857**	-
Accumulated losses	15	**(529,082)**	(112,081)
TOTAL EQUITY		**$2,446,808**	$1,126,646

CASH FLOW STATEMENT

for the year ended 30 June 2006

	Note	2006	2005
		$	**$**
CASH FLOWS FROM OPERATING ACTIVITIES			
Payment to suppliers and employees		**(369,930)**	(61,988)
Interest received		**94,212**	7,768
NET CASH FLOWS (USED IN) OPERATING ACTIVITIES	26	**(275,718)**	(54,220)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of plant and equipment		**(245)**	(3,090)
Expenditure on mining interests (exploration)		**(1,095,536)**	(77,529)
Tenement security deposits		**(40,000)**	(50,000)
NET CASH FLOWS (USED IN) INVESTING ACTIVITIES		**(1,135,781)**	(130,619)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		**1,966,200**	250,500
Subscriptions under share offer		**-**	825,882
Equity raising expenses		**(229,037)**	(133,655)
Proceeds from borrowings		**-**	70,000
Repayment of borrowings		**(70,000)**	-
NET CASH FLOWS FROM FINANCING ACTIVITIES		**1,667,163**	1,012,727
NET INCREASE (DECREASE) IN CASH HELD		**255,664**	827,888
Add opening cash brought forward		**827,888**	-
CLOSING CASH CARRIED FORWARD	26	**$1,083,552**	$827,888

STATEMENT OF CHANGES IN EQUITY

year ended 30 June 2006

	Attributable to the shareholders of Western Plains Gold Ltd		
	Issued Capital $	**Accumulated Losses $**	**Total Equity $**
AT 1 JULY 2004	500	-	500
Loss for the period	-	(112,081)	(112,081)
Issue of share capital, net of transaction costs	1,238,227	-	1,238,227
AT 30 JUNE 2005	1,238,727	(112,081)	1,126,646
AT 1 JULY 2005	1,238,727	(112,081)	1,126,646
Loss for the period	-	(417,001)	(417,001)
Issue of share capital, net of transaction costs	1,737,163	-	1,737,163
AT 30 JUNE 2006	**$2,975,890**	**$(529,082)**	**$2,446,808**

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(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. It has been prepared on a historical cost basis.

(b) Statement of compliance

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

This is the first financial report prepared based on AIFRS, and comparatives for the period ended 30 June 2005 have been restated accordingly. Reconciliations of AIFRS equity and profit for 30 June 2005 to the balances reported in the 30 June 2005 financial report and at transition to AIFRS are detailed in Note 27.

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of Western Plains Gold Ltd (WPG or the Company) and its subsidiaries (collectively, the "Group") as at 30 June each year. The Company had no subsidiaries during the 30 June 2006 year, but proposed to acquire Southern Iron Pty Ltd - Note 25.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

All intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

(d) Property, plant and 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, namely plant and equipment – depreciated over four years (2005 – 4 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.

An item of plant and equipment is derecognised upon disposal.

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 derecognised.

(e) Borrowing costs

Borrowing costs are recognised as an expense when incurred.

(f) Interest in jointly controlled operations – joint ventures

The Company has an interest in exploration joint ventures that are jointly controlled. 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 use of assets and other resources of the venturers rather than establishment of a separate entity. The Company recognises its interest in the jointly controlled operations by recognising the assets that it controls and the liabilities that it incurs. The Company also recognises the expenses that it incurs and its share of any income that it earns from the sale of goods or services by the jointly controlled operations.

(g) Recoverable amount of assets

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

Recoverable amount is the higher of fair value less costs to sell and value in use.

Notes to the Financial Statements (continued)

(h) Investments

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment.

After initial recognition, investments, which are classified as held for trading and available-for-sale, are measured at fair value. Gains or losses on investments held for trading are recognised in the income statement.

Gains or losses on available-for-sale investments are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group 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.

Other long-term investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost using the effective interest method.

Amortised cost is calculated by taking into account any discount or premium on acquisition, over the period to maturity.

For investments carried at amortised cost, gains and losses are recognised in income when the investments are derecognised or impaired, as well as through the amortisation process.

For investments that are actively traded in organised financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices at the close of business on the balance sheet date.

For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

Purchases and sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place are recognised on the trade date, being the date that the Group commits to purchase the asset.

(i) Exploration, evaluation, development and restoration costs

Exploration and evaluation

Exploration and evaluation expenditure incurred by or on behalf of the Company is accumulated separately for each area of interest. Such expenditure comprises net direct costs and an appropriate portion of related overhead expenditure, but does not include general overheads or administrative expenditure not having a specific connection with a particular area of interest.

Exploration and evaluation costs in relation to separate areas of interest for which rights of tenure are current are brought to account in the year in which they are incurred and carried forward provided that:

- such costs are expected to be recouped through successful development and exploitation of the area, or alternatively through its sale; or
- exploration and/or evaluation activities in the area have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves.

Once a development decision has been taken, all past and future exploration and evaluation expenditure in respect of the area of interest is aggregated within costs of development.

Exploration and evaluation - impairment

The Group assesses at each reporting date whether there is an indication that an asset has been impaired and for exploration and evaluation cost whether the above carry forward criteria are met.

Accumulated costs in respect of areas of interest are written off or a provision made in the Income Statement when the above criteria do not apply or when the directors assess that the carrying value may exceed the recoverable amount. The costs of productive areas are amortised over the life of the area of interest to which such costs relate on the production output basis.

Provisions are made where farm-in partners are sought and there is a possibility that carried-forward expenditures may have to be written off in the future if a farm-in partner is not found. In the event that farm-in agreements are

Notes to the Financial Statements (continued)

reached or the Company undertakes further exploration in its own right on those properties, the provisions would be reviewed and if appropriate, written back.

Development

Development expenditure incurred by or on behalf of the Company is accumulated separately for each area of interest in which economically recoverable reserves have been identified to the satisfaction of the directors. Such expenditure comprises net direct costs and, in the same manner as for exploration and evaluation expenditure, an appropriate portion of related overhead expenditure having a specific connection with the development property.

All expenditure incurred prior to the commencement of commercial levels of production from each development property is carried forward to the extent to which recoupment out of revenue to be derived from the sale of production from the relevant development property, or from the sale of that property, is reasonably assured.

No amortisation is provided in respect of development properties until a decision has been made to commence mining. After this decision, the costs are amortised over the life of the area of interest to which such costs relate on a production output basis.

Restoration

Provisions for restoration costs are recognised 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.

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

When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(j) Trade and other receivables

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

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

(k) Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank 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, if any.

(l) Trade and Other Payables and Provisions

Provisions are recognised when the Group 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 Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised 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.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability

When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

(m) Employee leave benefits

(i) Wages, 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 recognised in other payables in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

Notes to the Financial Statements (continued)

(ii) *Long service leave*

The liability for long service leave is recognised in the provision for employee benefits 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 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 currencies that match, as closely as possible, the estimated future cash outflows.

(n) Superannuation

The Group contributes to defined contribution superannuation funds for employees. The cost of these contributions is expensed as incurred.

(o) Share-based payment transactions

In addition to salaries, the Group provides benefits to certain employees (including directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ("equity-settled transactions").

There is currently an Employee Share Option Plan in place to provide these benefits.

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value of the options is determined by using the Black & Scholes option pricing model.

In valuing transactions settled by way of issue of options, no account is taken of any vesting limits or hurdles, or the fact that the options are not transferable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the vesting conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment 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 the cancellation, and any expense not yet recognised is recognised immediately. However, if a new award is substituted for the cancelled award and designated a replacement award on the date it is granted, the cancelled an 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 earnings per share except where such dilution would serve to reduce a loss per share.

(p) Leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

(q) Revenue

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

Notes to the Financial Statements (continued)

Rendering of Services
Revenue from consulting services is recognised when provided.

Interest
Revenue is recognised as the interest accrues.

Royalties
Royalties are recognised in accordance with substance of the relevant agreement.

(r) Income tax

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

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

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability 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; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- 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; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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 utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised 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 recognised directly in equity are recognised in equity and not in the income statement.

(s) Other taxes

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

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

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the 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 financial activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Notes to the Financial Statements (continued)

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

(t) Currency

The functional and presentation currency for the Group is Australian dollars ($).

(u) Impairment of assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

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. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(v) Significant accounting judgements, 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 is:

Share-based payment transactions
The Company measures the cost of cash-settled share-based payments at fair value at the grant date using the Black and Scholes formula taking into account the terms and conditions upon which the instruments were granted, as detailed in Note 12 and 17.

(w) Issued capital

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

(x) 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 divided by the weighted average number of ordinary shares.

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

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

Notes to the Financial Statements (continued)

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

	2006 $	2005 $

2. REVENUE

Interest received – other persons/corporations	**$94,212**	$7,768

3. INCOME TAX

Prima facie income tax (credit) on operating (loss) at 30%	**(125,100)**	(33,624)
Future income tax benefit in respect of timing differences – not recognised	**125,100**	33,624
Income tax expense	**-**	-

No provision for income tax is considered necessary in respect of the Company for the year ended 30 June 2006.

The Company has a deferred income tax liability of $368,703 (2005 – nil) associated with exploration costs deferred for accounting purposes but expensed for tax purposes. This liability has been brought to account and offset by deferred tax assets attributed to available tax losses.

No recognition has been given to any deferred income tax asset which may arise from available tax losses, except to the extent offset against deferred tax liabilities. The Company has estimated its losses at $1,324,200 (2005 - $487,340).

A benefit of 30% of approximately $543,460 (2005 - $146,200) associated with the tax losses will only be obtained if:

- The Company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised,
- The Company continues to comply with the conditions for deductibility imposed by the law, and
- No changes in tax legislation adversely affect the Company in realising the benefit from the deductions for the losses.

No franking credits are available for subsequent years.

4. AUDITORS' REMUNERATION

Total amounts receivable by Barnes Dowell James for:

Audit or review of the financial report of the entity	**9,150**	-
Other services – Independent Accountant's Report for IPO Prospectus	**-**	5,000
	$9,150	$5,000

5. CASH AND CASH EQUIVALENTS

Cash at bank	**80,162**	827,888
Money market securities – bank deposits	**1,003,390**	-
	$1,083,552	$827,888

Bank negotiable certificates of deposit, which are normally invested for 30 days, were used during the period and are used as part of the cash management function.

6. RECEIVABLES – CURRENT

Other receivables – GST and government drilling subsidy	**$54,050**	$4,251

Notes to the Financial Statements (continued)

	2006 $	2005 $
7. TENEMENT SECURITY DEPOSITS		
Cash with government mines department	**$90,000**	$50,000

These non-interest earning deposits are restricted so that they are available for any rehabilitation that may be required on exploration tenements (refer to Note 21).

8. PLANT AND EQUIPMENT

	2006 $	2005 $
Plant and equipment – at cost	**3,334**	3,090
Accumulated depreciation	**(1,568)**	(309)
	$1,766	$2,781

Reconciliation of the carrying amount of plant and equipment at the beginning and end of the current and previous financial year

	2006 $	2005 $
Carrying amount at beginning	**2,781**	-
Additions	**553**	3,090
Disposals	**-**	-
Depreciation expense	**(1,568)**	(309)
	$1,766	$2,781

9. DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

	2006 $	2005 $
Costs brought forward	**348,529**	-
Costs incurred during the period	**1,096,825**	348,529
Expenditure written off during period	**(216,343)**	-
Costs carried forward	**$1,229,011**	$348,529
Exploration expenditure costs carried forward are made up of:		
Expenditure on joint venture areas	**740,137**	65,793
Expenditure on non joint venture areas	**488,874**	282,736
Costs carried forward	**$1,229,011**	$348,529

The above amounts represent costs of areas of interest carried forward as an asset in accordance with the accounting policy set out in Note 1. The ultimate recoupment of deferred exploration and evaluation expenditure in respect of an area of interest carried forward is dependent upon the discovery of commercially viable reserves and the successful development and exploitation of the respective areas or alternatively sale of the underlying areas of interest for at least their carrying value. Amortisation, in respect of the relevant area of interest, is not charged until a mining operation has commenced.

10. CURRENT LIABILITIES – PAYABLES

	2006 $	2005 $
Trade creditors	**11,571**	6,499
Other related parties – associated company – PlatSearch NL	**-**	30,304
	$11,571	$36,803

These payables are non-interest bearing and are generally settled on 30 day terms.

	2006 $	2005 $
11. CURRENT LIABILITIES – LOAN	**-**	$70,000

Unsecured loan from associated company – PlatSearch NL (interest free). This loan was repaid in August 2005.

Notes to the Financial Statements (continued)

	2006 $	2005 $

12. ISSUED CAPITAL

Share capital

	2006 $	2005 $
25,559,000 ordinary shares fully paid	**$2,452,033**	$546,500

Movements in ordinary share capital	**Date**	**Number of shares**	**Issue price**	**$**
Shares issued at Company's incorporation	07-06-04	500	$1.00	500
Shares issued for cash	28-09-04	1,374,500	$0.006912	9,500
Shares issued for cash	28-09-04	775,000	$0.012903	10,000
Shares issued for cash	28-09-04	500,000	$0.001	500
Shares issued for cash	28-09-04	1,875,000	$0.08	150,000
Shares issued to acquire tenements	03-11-04	2,000,000	$0.08	160,000
Shares issued for services rendered	03-11-04	2,750,000	$0.04	110,000
Shares issued for cash	03-11-04	2,000,000	$0.04	80,000
Shares issued to acquire interest in a tenement	10-11-04	325,000	$0.08	26,000
Balance at end of previous financial year	30-06-05	11,600,000		$546,500
Shares issued for cash under IPO	10-08-05	13,959,000	$0.20	2,791,800
Share issue costs – cash				(362,410)
Share issue costs – share-based payment – Note 14	23-08-06			(523,857)
Balance at end of current financial period		25,559,000		$2,452,033

Terms and conditions of contributed equity

Ordinary Shares

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

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company. Option holders have no voting rights until the options are exercised.

Options

There are 9,729,180 options outstanding, which are as set out below:

- 3,475,000 options* exercisable at 25 cents, expire on 28 September 2009
- 3,475,000 options* exercisable at 35 cents, expire on 28 September 2009
- 279,180 options** exercisable at 25 cents, expire on 23 August 2008
- 2,500,000 options** exercisable at 30 cents, expire on 16 September 2008

* Issued prior to the commencement of the financial year ended 30 June 2006.
** Issued during the financial year ended 30 June 2006.

13. SUBSCRIPTIONS UNDER SHARE OFFER

During the period March 2005 to June 2005 applications were received for 4,129,410 shares under the Company's Prospectus dated 3 March 2005 at an issue price of $0.20 each for an amount of $825,882.

	2006 $	2005 $
Subscriptions under share offer	-	825,882
Costs of the share issue	-	(133,655)
	-	$692,227

On 17 August 2005, following the closure of the Initial Public Offer (IPO) on 10 August 2005, a total of 4,129,410 shares were allotted, together with applications received after 30 June 2005, (refer Note 12).

Notes to the Financial Statements (continued)

14. RESERVES

	2006 $	2005 $
Share-based payment reserve	**$523,857**	-

This reserve represents an independent valuation of the 279,180 options issued to brokers exercisable at 25 cents, issued on 23 August 2005, expiry date 23 August 2008 and 2,500,000 options exercisable at 30 cents, issued on 16 September 2005, expiry date 16 September 2008. The options have been valued using the Black and Scholes Model with the assumptions being the Risk Free Rate of 5.08% and 5.13% respectively based on the three year Australian Government Bond Rate as at 23 August 2005 and 16 September 2005 respectively; at exercise prices of 25 cents and 30 cents compared to the share price of 22 cents and 24 cents being the last traded price of the shares of the Company on ASX on the valuation dates; and a volatility of 146% factoring the historical share price volatility of comparable mineral exploration companies (as the Company only commenced trading on ASX on 23 August 2005 and did not have any historical trading data).

15. ACCUMULATED LOSSES

	2006 $	2005 $
Balance at the beginning of period	**112,081**	-
Operating loss after income tax expense	**417,001**	112,081
Balance at the end of period	**$529,082**	$112,081

16. LOSS PER SHARE

Basic loss per share (cents per share) 1.77 cents.

Diluted loss per share (cents per share) 1.77 cents.

Weighted average number of ordinary shares on issue used in the calculation of basic and diluted loss per share is 23,493,833.

	2006 $	2005 $
Loss used in calculating basic and diluted loss per share	**$417,001**	$112,081

The number of potential ordinary shares that are not dilutive and not included in determining diluted EPS are 9,729,180.

Conversion, call, subscription or issue after 30 June 2006:

Since the end of the financial period there have been no other conversions to, call of, or subscriptions for ordinary shares or issues of potential ordinary shares since the reporting date and before the completion of these financial statements.

17. REMUNERATION AND RETIREMENT BENEFITS

(a) Directors' remuneration

The following table outlines the nature and amount of the elements of the remuneration of specified Directors of the Company for the year ended 30 June 2006.

	Salary	Directors Fees	Consulting Fees	Superannuation Contributions	Options	Total
2006	**$**	**$**	**$**	**$**	**$**	**$**
R H Duffin	-	31,100	-	2,799	-	33,899
G J Jones	-	-	108,963	-	-	108,963
R L Richardson	-	17,772	-	1,599	-	19,371
	-	48,872	108,963	4,398	-	162,233
2005	**$**	**$**	**$**	**$**	**$**	**$**
R H Duffin	-	-	-	-	-	-
G J Jones	-	-	22,000	-	-	22,000
R L Richardson	-	-	-	-	-	-
H L Roberts	-	-	-	-	-	-
	-	-	22,000	-	-	22,000

Notes to the Financial Statements (continued)

Mr Richardson is an employee of PlatSearch NL an ASX listed public company. Services provided by PlatSearch to the Company during the year are set out in Note 18.

Directors' interests in shares and options in the Company are set out in Note 18.

(b) Executive Officers' remuneration, shares and options

	Salary	Consulting Fees	Superannuation Contributions	Options	Total
2006	**$**	**$**	**$**	**$**	**$**
H L Roberts	-	40,320	-	-	40,320
R J Waring	-	32,800	-	-	32,800
	-	73,120	-	-	73,120
2005	**$**	**$**	**$**	**$**	**$**
H L Roberts	-	-	-	-	-
R J Waring	-	-	-	-	-
	-	-	-	-	-

Other than Directors, there are no other officers who satisfy the definition of "Executive Officers" who are or were involved in, concerned with, or who take part in, the management of the affairs of WPG and/or related bodies corporate, apart from the Company Secretary, Mr Roberts and the Financial Controller, Mr Waring.

18. RELATED PARTY DISCLOSURES

The Directors in office during the year were R H Duffin, G J Jones and R L Richardson. H L Roberts was a director from 7 June 2004 to 3 November 2004.

Interests and movements in the shares and options of the Company held by Directors and their Director-related entities as at 30 June 2006:

	R H Duffin	G J Jones	R L Richardson	Total
Fully Paid Ordinary Shares				
at 30 June 2005	1,375,000	785,000	-	2,160,000
net change in year	125,000	10,000	50,000	185,000
at 30 June 2006	1,500,000	795,000	50,000	2,345,000
2009 Options				
at 30 June 2005	687,500	225,000	-	912,500
at 30 June 2006	687,500	225,000	-	912,500

No options were granted to Directors during the current period under the Company's Employees Option Plan. Shares and options held by Directors included those held by the Directors and their Director-related entities, including the spouses of such Directors and relatives of such Directors. All shares and options, were issued or granted on terms no more favourable than to other shareholders or option holders.

Mr R L Richardson is an employee and Director of and has a significant financial interest in PlatSearch NL, an ASX listed company that provided technical services to the Company during the period. Services provided during the year ended 30 June 2006, which are referred to in the remuneration of Directors in Note 17, amounted to $50,463 (2005 - $110,000) and includes consulting, use of office space and office services. Mr G J Jones is a Director and has a significant financial interest in Geonz Associates Ltd, a company that provides geological and exploration management services to the Company. Services provided during the year ended 30 June 2006 amounted to $108,963. The $108,963 is included in the remuneration of Directors in Note 17.

Services provided by Director-related entities were under normal commercial terms and conditions. No other benefits have been received or are receivable by Directors, other than those already disclosed in the notes to the accounts.

Notes to the Financial Statements (continued)

19. JOINT VENTURES

The Company is a party to a number of exploration joint venture agreements to explore for copper and gold. Under the terms of the agreements the Company will be required to contribute towards the exploration and other costs if it wishes to maintain or increase its percentage holdings. The joint ventures are not separate legal entities. There are contractual arrangements between the participants for sharing costs and future revenues in the event of exploration success. There are no assets and liabilities attributable to the Company at balance date resulting from these joint ventures, other than exploration expenditure costs carried forward as detailed in Note 9.

Percentage equity interests in joint ventures at 30 June 2006 were as follows:

	Percentage Interest 2006	**Percentage Interest 2005**
New South Wales		
Broken Hill - Base Metals, Gold		
Euriowie – PlatSearch 100%, WPG can earn 60%	**0%**	0%
Mulyungarie – PlatSearch 100%, WPG can earn 60%	**0%**	0%
South Australia – *Base Metals and Gold*		
Mulyungarie – PlatSearch 100%, WPG can earn 60%	**0%**	0%

20. FINANCIAL REPORT BY SEGMENT

The Company operates predominantly in the one business and in one geographical area, namely Australian mineral exploration and evaluation.

21. CONTINGENT LIABILITIES

The Company has provided guarantees totalling $90,000 (2005 - $50,000) in respect of mining tenements and the guarantees are secured against short term deposits of these amounts. These guarantees in respect of mining tenements is secured against deposits with the NSW Department of Mines. The Company does not expect to incur any material liability in respect of the guarantees.

22. EMPLOYEE ENTITLEMENTS

An employee share option plan has been established where selected officers and employees of the Company can be issued with options over ordinary shares in Western Plains Gold Ltd. The options, issued for nil consideration, will be issued in accordance with a performance review by the Directors. The options cannot be transferred and will not be quoted on the ASX. The Company has not yet made an issue under the Plan.

23. FINANCIAL INSTRUMENTS

Interest rate risk exposure

At balance date, the Company was exposed to a floating weighted average interest rate as follows:

	2006	**2005**
Weighted average rate of cash balances	**5.82%**	1.08%
Cash balances	**$1,083,552**	$827,888

Bank negotiable certificates of deposit are normally invested for 30 days and other cash at bank balances are at call. All other financial assets and liabilities are non-interest bearing.

Net fair value of financial assets and liabilities, on balance sheet and credit risk

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities of the Company approximates their carrying value. Credit risk is minimal at balance date.

Notes to the Financial Statements (continued)

24. COMMITMENTS

Exploration licence expenditure requirements

In order to maintain the Company's tenements in good standing with the various mines departments, the Company will be required to incur exploration expenditure under the terms of each licence. These expenditure requirements will diminish as the Company joint ventures projects to third parties. It is the Company's exploration strategy to farm-out to larger companies to fund drilling programmes. In addition, the Company has commitments to expend funds towards earning or retaining an interest under joint venture agreements.

	2006 $	2005 $
Payable not later than one year	**266,775**	420,019
Payable later than one year but not later than two years	**142,750**	216,542
	$409,525	$636,561

It is likely that the granting of new licences and changes in licence areas at renewal or expiry will change the expenditure commitment to the Company from time to time.

25. SUBSEQUENT EVENTS

Agreement to Purchase Southern Iron Pty Ltd

In August 2006 the Company entered into an agreement to acquire Southern Iron Pty Ltd (SI). Southern Iron holds the rights to the Peculiar Knob and Hawks Nest projects located approximately 600 kilometres to the north-west of Whyalla, South Australia. The Peculiar Knob project contains a shallow, inferred resource of iron mineralisation averaging approximately 62% iron oxide, of sufficient purity, and with low contaminants, to constitute direct shipping ore (DSO). Separately, the Hawks Nest project contains additional DSO potential and large, lower grade magnetite resources, which will be subject of further exploration.

The purchase price which the Company has agreed to pay to the shareholders of Southern Iron is 24,222,222 fully paid shares. The Company's Chairman, Mr Bob Duffin, is a founding shareholder of SI. The acquisition by WPG of Mr Duffin's interest in SI constitutes a "related party transaction" and shareholder approval for the transaction is required. An Independent Expert's Report (IER) as to the fairness and reasonableness of the transaction was commissioned, with the Independent Expert, HLB Mann Judd (NSW) Pty Ltd, forming the opinion that the transaction was fair and reasonable to the non-associated shareholders of WPG.

At the Company's general meeting to be held on 26 October 2006, shareholders will be asked to approve the acquisition of Southern Iron. Subject to shareholder approval and a range of other conditions precedent, Southern Iron will become a wholly owned subsidiary of WPG.

Matters consequent to Purchase of Southern Iron – Change of Company Name, Appointment of Directors, Option Issues, Increase in Non-Executive Directors Fees and Capital Raising

It is proposed that the Company will change its name to Western Plains Resources Ltd, appoint a new Director Heath Roberts, issue options to new and existing Directors and increase the limit on Non-Executive Directors fees from $100,000 per annum to $200,000 per annum.

In September 2006, the Company carried out a placement of 3,833,000 shares to raise $0.766 million, at a share issue price of 20 cents per share. In parallel with this placement, a Share Purchase Plan (SPP) offer is being made to existing shareholders, to raise a maximum of $2 million at the same price as the placement (thus bringing the total raising under the placement and the SPP to $2.76 million). Shareholder ratification of the placement and approval for the underwriting of the SPP offer will be sought at the shareholders' meeting.

Notes to the Financial Statements (continued)

26. CASH FLOW STATEMENT

Reconciliation of net cash outflow from operating activities to operating loss after income tax

(a)	Operating (loss) after income tax	**(417,001)**	(112,081)
	Depreciation	**1,259**	309
	Shares issued for services	**-**	25,000
	Exploration write off	**216,343**	-
	Change in assets and liabilities:		
	(Increase)/decrease in receivables	**(47,174)**	(4,251)
	(Decrease)/increase in trade and other creditors	**(29,145)**	36,803
	Net cash outflow from operating activities	**$(275,718)**	$(54,220)

(b) For the purpose of the Cash Flow Statement, cash includes cash on hand, at bank, deposits and bank bills used as part of the cash management function. The Company does not have any unused credit facilities.

The balance at 30 June 2006 comprised:

Cash assets	**80,162**	827,888
Bank deposits (Note 5)	**1,003,390**	-
Cash on hand	**$1,083,552**	$827,888

27. TRANSITION TO AIFRS

For all periods up to and including the year ended 30 June 2005, the Company prepared its financial statements in accordance with Australian generally accepted accounting practice (AGAAP). These financial statements for the year ended 30 June 2006 are the first the Company is required to prepare in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS).

Accordingly, the Company has prepared financial statements that comply with AIFRS and the significant accounting policies meeting those requirements are described in Note 1. In preparing these financial statements the Company has started from an opening balance sheet as at 1 July 2004, the Company's date of transition to AIFRS, and made those changes in accounting policies and other restatements required by AASB 1 *First-time Adoption of AIFRS*.

This note explains the principal adjustments considered by the Company in restating its AGAAP balance sheet as at 1 July 2004 and its previously published AGAAP financial statements for the year ended 30 June 2005.

Exemptions Applied
AASB 1 allows first-time adopters certain exemptions from the general requirement to apply AIFRS retrospectively.

The Company has taken the following exemptions:

- AASB 2 *Share-based Payment* has not been applied to any equity instruments that were granted on or before 7 November 2002, nor has it been applied to equity instruments granted after 7 November 2002 that vested before 1 January 2005; and
- AASB 3 *Business Combinations* has not been applied to acquisitions of subsidiaries or of interests in associates or joint ventures that occurred before 1 July 2004.

Explanation of material adjustments to the cash flow statement
There are no material differences between the cash flow statement presented under AIFRS and the cash flow statement presented under AGAAP.

Explanation of material adjustments to the income statement and balance sheet
There were no material differences between the income statement and balance sheet presented under AIFRS and the cash flow statement presented under AGAAP due to the differing treatment of share-based payments under AIFRS.

Under AASB 2 *Share-based Payments*, the Company must recognise the fair value of options granted to employees as remuneration as an expense on a pro-rata basis over the vesting period in the income statement with a corresponding adjustment to equity. Share-based payment costs were not recognised under AGAAP.

Notes to the Financial Statements (continued)

The application of AASB 2 has not altered the consolidated and parent entity accumulated losses and share-based compensation reserve at transition date 1 July 2004, or for the year ended 30 June 2005 because there have been no issues of options under its Employee Share Option Plan. There were issues of options to brokers in payment for services in connection with the share issue and listing on ASX in August 2005 amounting to $523,853 as detailed in Notes 13 and 14.

The following Accounting Standards Amendments and Interpretations may have application to the Company's financial reports in future years but have not been early adopted for the purpose of this financial report:

AASB Amend-ment	**Affected Standard (s)**	**Nature of change to accounting policy**	**Application date of standard**	**Application date for Group**	**Summary**
2005-10	AASB 132 *Financial Instruments: Disclosure and Presentation*, AASB 101 *Presentation of Financial Statements*, AASB 114 *Segment Reporting*, AASB 117 *Leases*, AASB 133 *Earnings per Share*, AASB 139 *Financial Instruments: Recognition and Measurement*, AASB 1 *First-time Adoption of AIFRS*, AASB 4 *Insurance Contracts*, AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts*	Currently being assessed	1 January 2007	1 July 2007	These amendments arise from the release of AASB 7 relating to financial instrument disclosures.

New Standard/ UIG Affected Standard (s)	**Nature of change to accounting policy**	**Application date of standard/ interpretation**	**Application date for Group**	**Summary**
AASB 7 *Financial Instruments: Disclosures*	Currently being assessed	1 January 2007	1 July 2007	The Standard requires disclosure of: the significance of financial instruments for an entity's financial position and performance; and qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk.
UIG 4 *Determining whether an Arrangement contains a Lease*	No change expected	1 January 2006	1 July 2006	Specifies criteria for determining whether an arrangement is, or contains, a lease.
UIG 5 *Rights to Interests in Decommissioning, Restoration and Environmental Rehabilitation Funds*	No change expected	1 January 2006	1 July 2006	Addresses accounting for the rights to interests in decommissioning, restoration and environmental rehabilitation funds and for additional contributions to such a fund.
UIG 8 *Scope of AASB 2*	No change expected	1 May 2006	1 July 2006	Clarifies that the scope of AASB 2 deals with transactions in which an entity cannot identify specifically some or all of the goods or services received as consideration for the share-based payment instrument.

The following recent Accounting Standards Amendments and Interpretations are not applicable to the Group and therefore are not expected to have any impact on future financial reports.

Notes to the Financial Statements *(continued)*

AASB Amendment	Affected Standard (s)
2004-3	AASB 119 *Employee Benefits*
2005-1	AASB 139 *Financial Instruments: Recognition and Measurement*
2005-4	AASB 139 *Financial Instruments: Recognition and Measurement*, AASB 132 *Financial Instruments: Disclosure and Presentation*, AASB 1 *First-time Adoption of AIFRS*, AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts*
2005-5	AASB 1 *First-time Adoption of AIFRS* and AASB 139 *Financial Instruments: Recognition and Measurement*
2005-6	AASB 3 *Business Combinations*
2005-9	AASB 4 *Insurance Contracts*, AASB 1023 *General Insurance Contracts*, AASB 139 *Financial Instruments: Recognition and Measurement* and AASB 132 *Financial Instruments: Disclosure and Presentation*
2006-1	AASB 121 *The Effects of Change in Foreign Currency Rates*
AASB129	UIG 7 *Applying the Restatement Approach under AASB 129 Financial Reporting in Hyperinflationary Economies*
AASB132	UIG 9 *Reassessment of Embedded Derivatives*

27. CORPORATE INFORMATION

The financial report of the Company for the year ended 30 June 2006 was authorised for issue in accordance with a resolution of the Directors on 28 September 2006.

Western Plains Gold Ltd is a company limited by shares and incorporated in Australia. Its shares are publicly traded on the Australian Stock Exchange under the ASX code “WPG”.

The nature of the operations and principal activities of the Company are described in Note 20.

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Western Plains Gold Ltd, I state that:

(1) In the opinion of the Directors:

(a) financial statements and notes of the Company are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Company's financial position as at 30 June 2006 and of its performance for the year ended on that date; and

(ii) complying with Accounting Standards 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.

(2) This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2006.

On behalf of the Board

R H Duffin
Director

Sydney, 28 September 2006

INDEPENDENT AUDITOR'S REPORT

B A R N E S   D O W E L L   J A M E S

CHARTERED ACCOUNTANTS

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A J Dowell CA
M W James CA

Associate
M A Nakkan CA

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email: bdj@bdj.com.au

AJD:KG

To members of Western Plains Gold Ltd

Scope

We have audited the financial report of Western Plains Gold Ltd for the financial period ended 30 June 2006 as set out on pages 6 to 26.

The Company's Directors are responsible for the financial report. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the Company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia and statutory requirements so as to present a view which is consistent with our understanding of the company's financial position, and performance as represented by the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit opinion

In our opinion, the financial report of Western Plains Gold Ltd is in accordance with:

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

  (i) giving a true and fair view of the company's financial position as at 30 June 2006 and its performance for the year ended on that date; and

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

(b) other mandatory professional reporting requirements in Australia.

BARNES DOWELL JAMES

Chartered Accountants
Level 13, 122 Arthur St
NORTH SYDNEY NSW 2060

ANTHONY DOWELL

Partner
26 September 2006

AUDITOR'S INDEPENDENCE DECLARATION

B A R N E S   D O W E L L   J A M E S

CHARTERED ACCOUNTANTS

Partners
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AJD:KG

12 September, 2006

The Directors
Western Plains Gold Ltd
PO Box N239
Grosvenor Place NSW 1220

Dear Sirs,

AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF WESTERN PLAINS GOLD LTD

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

Yours faithfully
BARNES DOWELL JAMES

....
A.J. DOWELL
Partner