



13 December 2007

ASX ANNOUNCEMENT

Corporate Summary

ASX Code: GWR

Issued Capital: 77.5 Mil

Issued Options: 37.6 Mil

Market Cap fully diluted

Dec 07 \$A247.6 Mil

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**GOLDEN WEST ADVISES SHAREHOLDERS TO REJECT
INADEQUATE SCRIP OFFER FROM FAIRSTAR**

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Golden West Resources Limited advises that Fairstar Resources Limited has revised the terms of its unsolicited takeover bid for your Company and is now offering seven (7) Fairstar shares for each share in Golden West.

Golden West remains firmly of the view that this revised all-scrip offer remains inadequate and that shareholders should **REJECT** the offer from Fairstar.

Contrary to claims by Fairstar, the revised offer does not represent any significant increase in value for Golden West shareholders.

Fairstar continues to offer **NO** cash component and is still offering only FAS shares in return for Golden West shares.

As demonstrated by Fairstar's recent share market performance, the value of Fairstar shares is highly uncertain and volatile and the value that any accepting shareholders would gain is uncertain.

Importantly, the revised offer from Fairstar does nothing to address any of Golden West's concerns, namely that:

- The offer will excessively dilute Golden West shareholders' ownership of the Wiluna West Iron Ore project
- Fairstar brings no substantial assets, cost synergies or increased capability to develop the Wiluna Project
- Shareholders who accept the Fairstar offer may face a significant capital gains tax bills
- The takeover will trigger transaction costs of up to \$48 million, and deplete financial resources that would be better invested at the Wiluna project. Fairstar has indicated it intends to meet all takeover costs by issuing additional equity, further diluting shareholders ownership of Wiluna West.

Importantly the Directors of Golden West Resources see little value in the Fairstar assets, or in their combination with the Wiluna West Project as the Fairstar assets are all early stage speculative exploration prospects. They do not offer any reasonable compensation for Golden West shareholders giving up a percentage of their Wiluna West project.

Since announcing its revised offer on 11 December 2007, the value of Fairstar shares has slumped 12.8% to \$0.34 per share at close of trading December 12. That decline is in addition to a fall of approximately 40% in the value of Fairstar shares over the preceding month from a level of \$0.58 on 12 November 2007. Over the same period Golden West shares have traded between \$2.28 (12 November 2007) and \$2.20 (12 December 2007)

The volatile performance of Fairstar shares, and hence the uncertain value that could be realised by accepting shareholders, the fact that the Fairstar assets bring no additional value in a portfolio with Golden West assets and the excessive costs triggered by the combination of the Companies without any offsetting synergy benefits demonstrates why Golden West sees no merit or value in Fairstar's offer.

The Company therefore believes that any offer from Fairstar which is solely or predominantly scrip-based will be value destructive for Golden West shareholders.

Golden West is totally focused on its Wiluna West Iron Ore Project, has appointed experienced iron ore executive Geoff Wedlock as Chairman, and has just raised \$26.78 million for the next stage of exploration and development at Wiluna West.

Golden West is now poised to enter the most exciting period in the Company's history as the resources industry enjoys a unique long-term growth cycle driven by the phenomenal economic development of China, India and other emerging economies.

This presents Golden West with a unique opportunity to capitalise on the potential of the Wiluna West Iron Ore project and become an important long-term supplier to these growing markets.

Your Board believes the Company's achievements this year have amply demonstrated its capability to pursue that vision and develop the Wiluna West project for the benefit of all shareholders.

Golden West has already outlined an inferred mineral resource of 86.3 Million tonnes of high grade iron ore averaging 60.1% Fe. That already ranks it as one of the most significant new high grade iron ore discoveries in Western Australia's Mid-West region. There is considerable potential to increase this resource significantly as exploration and development studies progress.

As the Fairstar offer is now unconditional, shareholders who accept the offer will also lose their right to participate in Golden West's announced rights issue. The rights issue entitles shareholders to purchase one new Golden West share at the discounted price of \$1.85 per share for every 15 shares they currently hold.

Shareholders who accept the offer will also lose any right to withdraw their acceptances in future.

The rights issue is expected to raise up to \$11.6 million, which together with the funds from the recently completed placement to institutional and sophisticated investors, will ensure that the exploration and development program at Wiluna West is fully funded for the next 12 to 18 months.

For all of the reasons outlined above, Golden West therefore urges shareholders to **REJECT** the inadequate all-scrip offer takeover offer from Fairstar Resources.

To **REJECT** the Fairstar offer, shareholders should **TAKE NO ACTION** and **IGNORE** all correspondence you may receive from Fairstar Resources.

Golden West encourages shareholders to participate in the rights issue and join the Company as it develops the Wiluna West Iron Ore Project.

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For more information, please contact:

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