



# Strachan Corporate

June 21<sup>st</sup>, 2007

AFSL 259730

## GOLDEN WEST RESOURCES LIMITED

### Update on Iron Project Code: GWR

#### INVESTMENT SUMMARY

- Drilling at Golden West's Wiluna West iron project in WA has outlined an initial JORC resource of 50.1 million tonnes of high grade hematite mineralisation grading 61% iron with moderate alumina and silica levels and low phosphorous.
- Strachan Corporate sees resources expanding towards 100 mt by year end and ultimately at least 250 mt to support a 10 mt pa export project.
- Following positive results from a preliminary study, aimed at assessing costs associated with export of product via the Port of Esperance, a scoping study has commenced to further define mining and transport costs associated with shipping via a new port at Oakajee, to the west.
- Golden West has yet to test ~70% of a combined 125 kilometre zone of prospective mineralised unit (MU) strike length along 5 sub-parallel formations.
- Results from ongoing drilling and a scoping study should be available by the end of CY 2007, enabling the company to establish funding and off-take partners to move the project into production.

#### OPINION\*

Golden West is rapidly expanding and defining high grade hematite resources on its Wiluna West permits, 40 km south of Wiluna in Western Australia. The company has commissioned a scoping study to assess and define parameters for commercial exploitation of iron prospects.

A lump iron ore price of ~A\$78 per tonne render the Wiluna West deposit attractive. Support for establishment of transport infrastructure should follow the demonstration of over 100 million tonnes of hematite by year end.

Golden West has an opportunity to develop a significant iron project at Wiluna West and has recently appointed an experienced mining executive to lead the process.

Peter Strachan

\* No recommendation is offered for commissioned research.

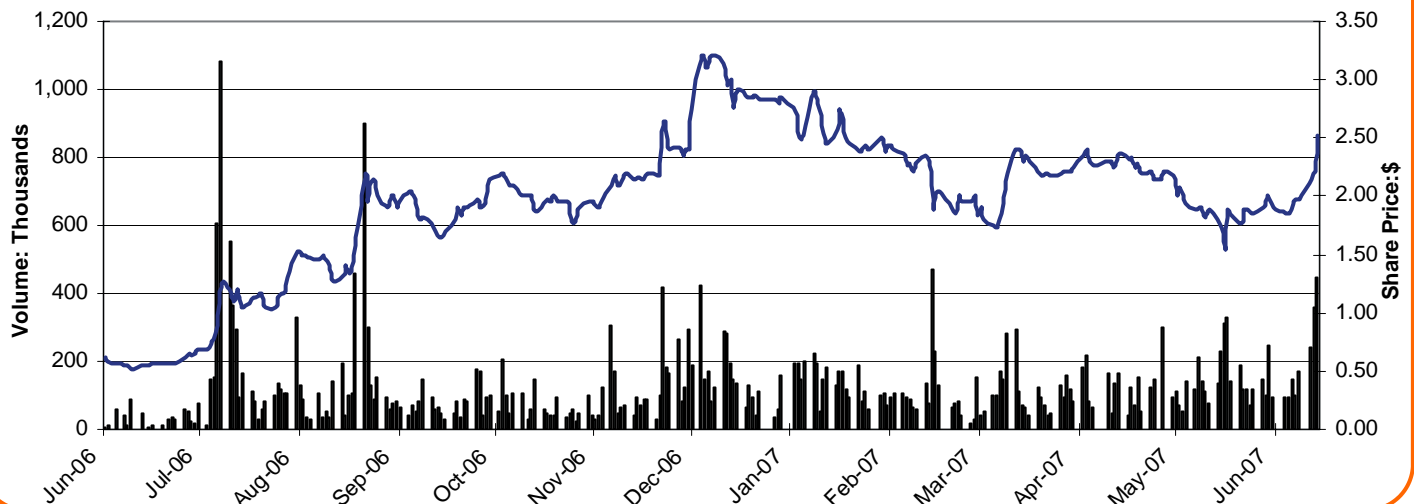
#### DIRECTORS

Dr John Daniels	Chairman
Gary Hutchinson	Managing Director
Michael Wilson	Exploration Director
Peter Thompson	General Manager Operations & Executive Director
Patrick Gallagher	Non Executive Director
Con Markopoulos	Non Executive Director
Alan Rudd	Non Executive Director

#### CAPITAL STRUCTURE

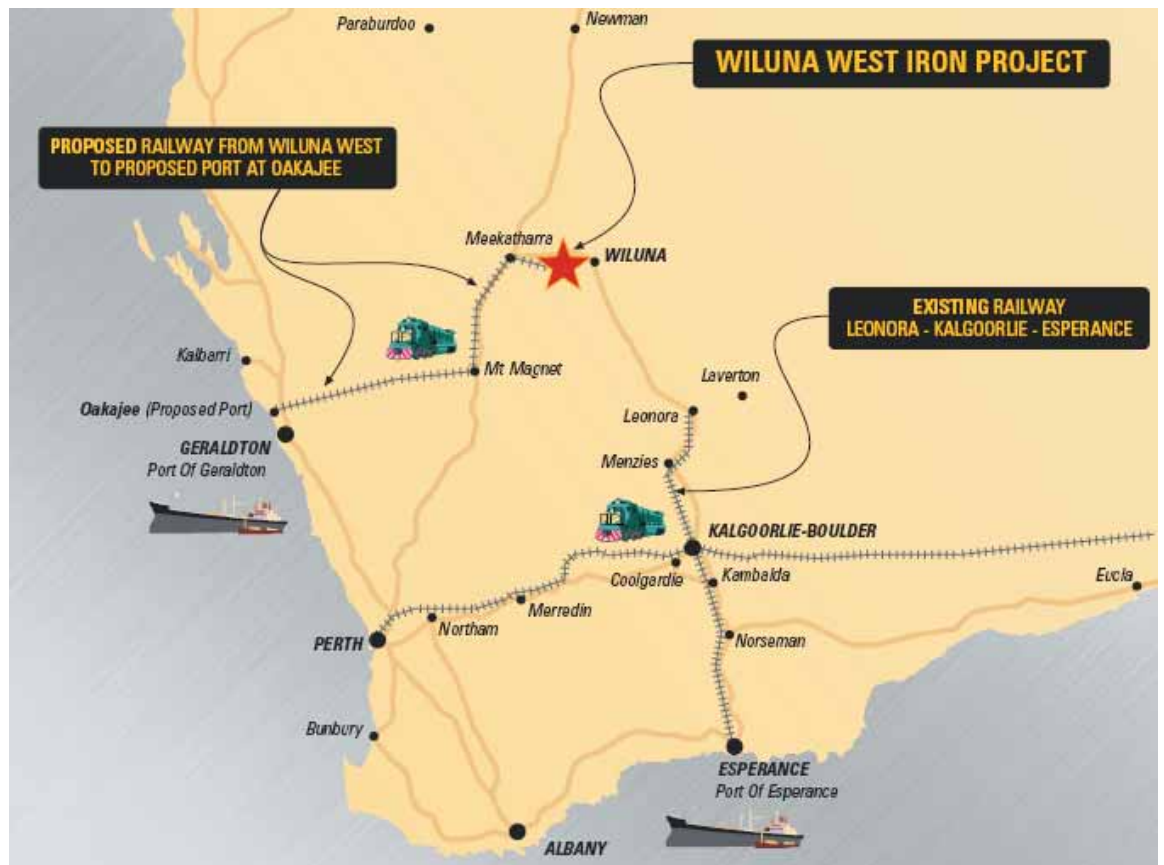
Shares	68.6m.
Options	43.7m. Av \$1.18
Total	112.3
Cash (est)	\$ 7 m.
Unissued equity	\$ 52 m.
Share Price	\$ 2.13
Market Cap	\$ 146

#### SHARE PRICE



# IRON ORE PROJECT

## Infrastructure and Location



Source: Golden West Resources Limited

Two export Port options

Sharing rail network

### Location and Size Potential

Golden West controls a 45 km zone of the prospective Joyner's Find Greenstone Belt where both gold and high grade iron mineralisation have been outlined.

Five, semi-parallel and northerly striking mineralised units have been outlined by aeromagnetic and ground based mapping on the Joyner's Find Greenstone Belt, within the company's Wiluna West permits. At the northern end of the project area, two of the units rise about 40 metres above the surrounding countryside, presenting favourable orientation and logistics for mining to produce a potentially low waste to ore ratio. The units are thickened and deformed in places by folding and faulting, presenting sites which would be ideal starting points for mining, with potentially lower waste to ore ratios. Mineralised units are measured to be up to 150 metres in width and have shown good continuity when drilled to depth.

Potential for large hematite resource

### Initial Inferred Resource Tabulation

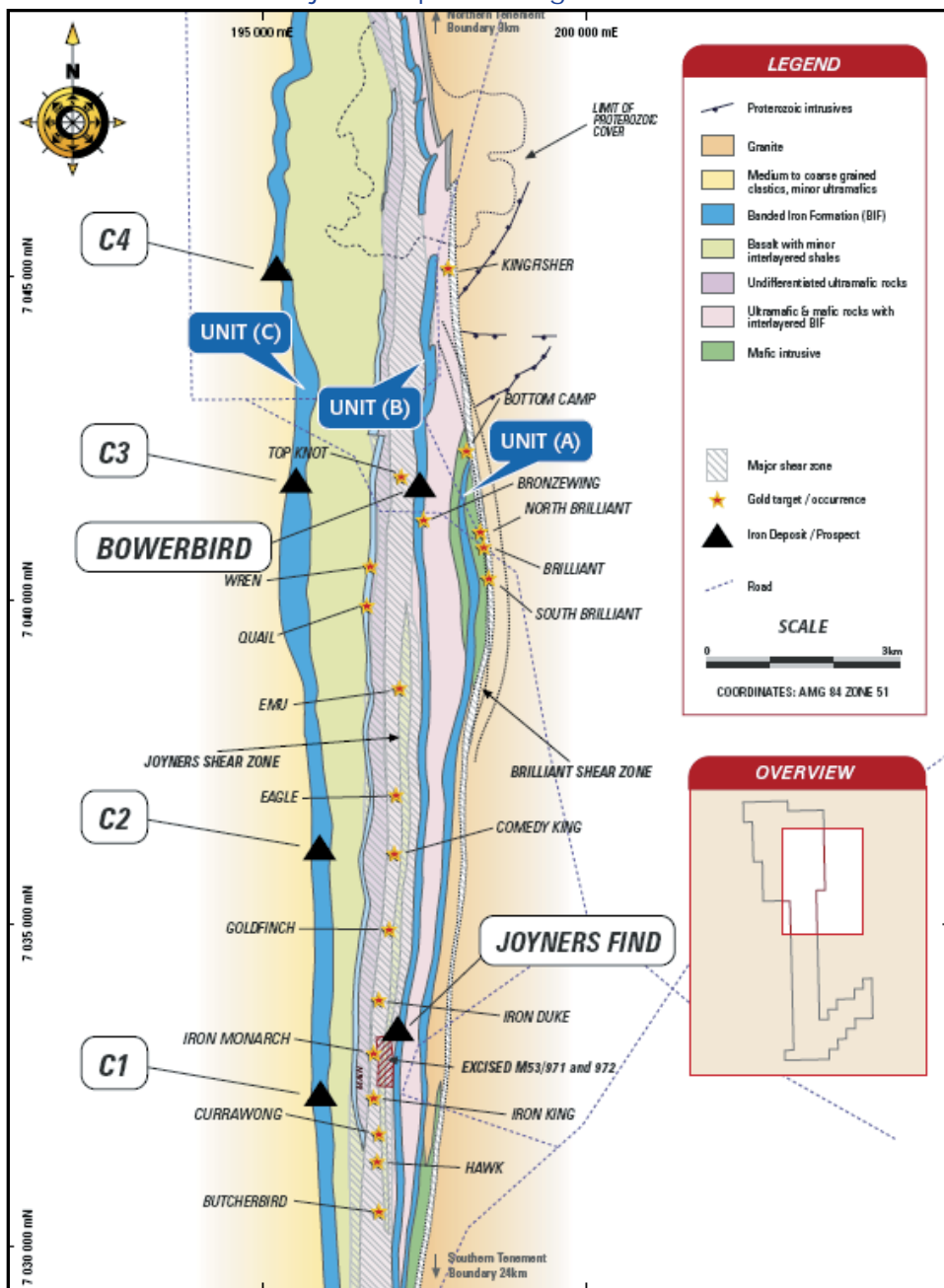
Deposit	Type	Cut Off	Tonnes	Fe (%)	SiO <sub>2</sub> (%)	Al <sub>2</sub> O <sub>3</sub> (%)	P (%)	LOI (%)
Bowerbird	Block	50	9,470,000	59.8	7.7	3.5	0.06	2.7
Bowerbird Nth	Sectional	≈ 50	1,950,000	61.5	5.3	3.2	0.04	2.1
C4	Block	50	23,980,000	60.0	8.8	2.5	0.03	2.7
C3	Sectional	≈ 50	3,350,000	62.5	4.6	1.4	0.07	4.2
Joyner's Find	Block	≈ 50	7,750,000	64.6	3.1	1.9	0.02	2.0
Joyner's Nth	Sectional	≈ 50	3,570,000	63.1	4.8	2.5	0.03	2.1
<b>TOTAL</b>			<b>50,070,000</b>	<b>61.1</b>	<b>7.0</b>	<b>2.6</b>	<b>0.04</b>	<b>2.6</b>

Source: Golden West Resources Limited

Resource of 50 mt grading 61.1% Fe

Drilling is ongoing with 3 rigs. Drilling on mineralised units B and C has so far outlined an Inferred Resource totalling 50.1 mt with an average grade of 61.1% Fe, 7% SiO<sub>2</sub>, 2.6% Al<sub>2</sub>O<sub>3</sub> and 0.04% P with an LOI of 2.6%.

Golden West Iron Project Map Showing location of Inferred Resource



Source: Golden West Resources Limited

3 rigs currently drilling

Rapid resource upgrade expected

Stretch target to over 300 mt hematite

70% of the mineralised regions remain unexplored

Drilling has intersected some spectacular zones including 76 metres grading 64.6% Fe from the surface and 126 metres from the surface, grading 65% Fe which ended in mineralisation and contained 106 metres grading 67.9% Fe from 20 metres.

Wide zones of high grade hematite, intersected by drilling to depths of up to 150 metres on Unit B, show promise to yield a deposit, suitable for an open pit operation with a low waste to ore ratio.

Strachan Corporate assesses that mapping, sampling and limited drilling to date give the permits an unconfirmed, target potential to hold at least 319 mt of high grade (>60% Fe) iron mineralisation on just the northern portions of Units B and C. Additional drilling will be required to confirm this potential tonnage and grade on units B and C while mapping and sampling along the adjacent units A, D and E could yield further iron mineralisation.

Assumptions:

	<b>Unit B</b>	<b>Unit C</b>
Strike length	7,000 m	8,000 m
Mining depth	90 m	120 m
Average mineralised width	15 m	70 m
Density	4.4 t/m <sup>3</sup>	4.4 t/m <sup>3</sup>
Tonnes in place	41 mt	296 mt
<b>Recoverable Tonne Potential</b>	<b>39 mt</b>	<b>280 mt</b>

Source: Strachan Corporate Pty Ltd

**Unit B**

Unit B shows high Fe grades but has thin MUs

Unit B has been mapped and sampled along more than 15 km of strike and drill tested to depths of up to 71 metres along 2.6 km of its estimated 40 km of total length. The deepest drill hole, drilled down dip, intersected **22 m of MU from 40 metres, grading 68.5% Fe** with low levels of contaminants.

22 mt so far

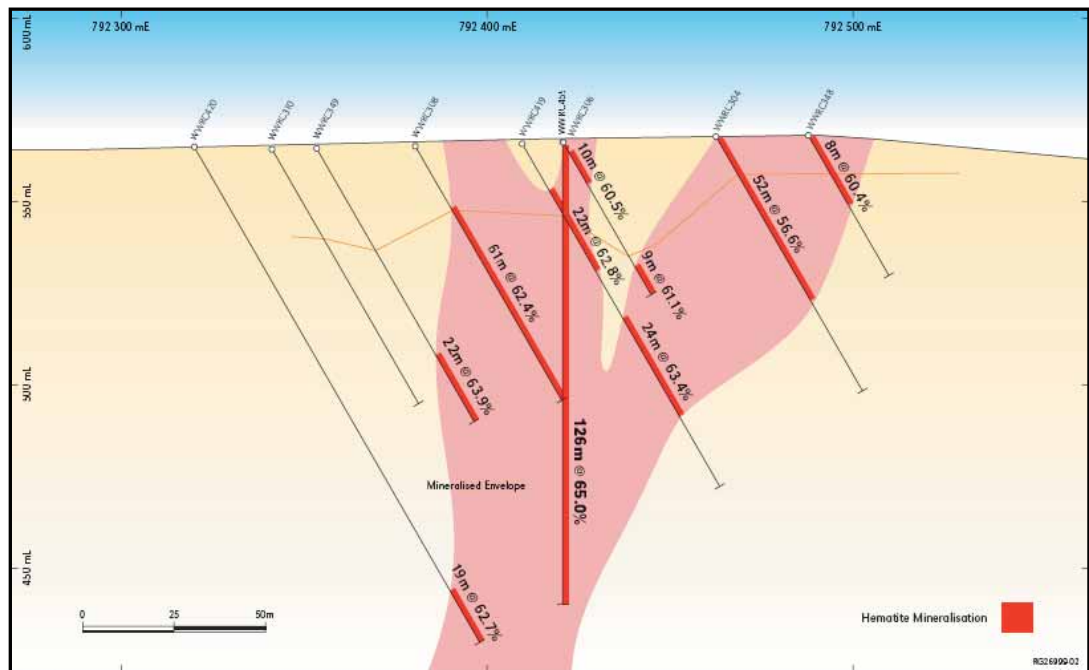
This unit contains multiple horizons of mineralisation, dipping 75° to the west, with a combined average true width of 15 metres. Sampling of individual zones within this unit shows grades 68.0-69.5% Fe for significant lengths. This mineralisation is almost stoichiometrically pure hematite. Outside of these high grade zones, the MUs along unit B, grade a more modest 63-65% Fe. The surrounding country rock in this location is generally soft, free digging material, which would present little problem to separate and provides a clear visual marker for mining of the high grade iron rich MUs. Resources so far outlined at the Joyners find and Bowerbird deposit areas total over 22 million tonnes of high grade material. Drilling will focus on assessing zones where the mineralisation is folded or faulted, offering potential for thicker sections which could support deeper open pit operations.

**Unit C**

Unit C mineralised up to 150 metres in width

Located to the west of Unit B, this MU outcrops for at least 20 km of its total 40 km strike. Ground mapping and sampling along 20 km of unit C indicates that it is developed over widths of up to 450 metres in places where it is folded and faulted. The unit contains zones of high grade hematite and areas with lower grade, hematite-limonite mineralisation, grading around 62% Fe. One rock chip traverse over 120 metres produced an average grade of 61.9% Fe, 4.8% SiO<sub>2</sub>, 1.6% Al<sub>2</sub>O<sub>3</sub> and 0.07% P, while an additional traverse over 100 metres produced an average grade of 66% Fe, representing high grade hematite mineralisation. The section below illustrates Unit C's consistent grade and width.

C4 Section 7 045 700N



Source: Golden West Resources Limited

**Economics**

Lump ore likely to be upgraded in Fe and lower in Silica

Wiluna West hematite mineralisation is likely to achieve standard prices for its lump and fines ore. Golden West will conduct metallurgical testing on its mineralisation to determine crushing parameters and the resulting product characteristics and grades. Strachan Corporate suspects that the tests are likely to show that lump product exhibits an upgrade in Fe content and a down grade in SiO<sub>2</sub> content, to produce a final lump product much like the standard Pilbara ores. The predominant Pilbara iron ore types illustrated below:

Project	Product	Grade %			
		Fe	SiO <sub>2</sub>	Al <sub>2</sub> O <sub>3</sub>	P
Hamersley	Lump	65.1	3.1	1.5	0.05
	Fines	62.3	4.3	2.5	0.007
BHP Billiton	Lump	64.6	4.0	1.6	0.05
	Fines	62.1	5.9	2.5	0.07
Goldsworthy	Lump	63.7	5.9	0.9	0.04
	Fines	62.7	6.1	1.6	1.5
Wiluna MU	<b>Resource</b>	<b>61.1</b>	<b>7.0</b>	<b>2.6</b>	<b>0.04</b>

Target all up costs of \$35/t

At the current spot iron ore lump price of US\$1.04 per Fe unit, Wiluna West hematite mineralisation would be worth about A\$77 per tonne on an FOB basis. Iron ore prices are expected to remain firm over the coming year but some downward pressure on the iron ore price can be expected post 2008 as new projects and brown fields expansions impact on the market. The price of Wiluna West material might be expected to fall to about A\$60-65 per tonne over the coming three years.

Syndicated infrastructure target

The Wiluna West permits are quite remote, however they are close to sealed roads and a natural gas pipeline runs nearby, opening up the option of processing on site. Geraldton is the closest port, 700 km to the west while Esperance is a 900 km road and rail journey to the south. Transport cost data commissioned by the company indicates that rail and port transport costs to Esperance at a rate of 10 mt pa might be expected to total \$25 per tonne.

Small scale production at 1 mtpa planned 2009 - 2011

The company's new logistics study will work with plans by other members of the Geraldton Iron Ore Alliance and a private group Yilgarn Infrastructure, backed buy local and Chinese equity and Chinese engineering and manufacturing groups, to construct an open access rail network and port system at Oakajee, 25 km north of Geraldton. Use of this conceptual, purpose built rail line, could theoretically reduce transport to about A\$19/t. Estimated mining cost of \$5-\$8/t and a further \$3/t for processing indicate that ore could be delivered to Oakajee for an all up cost of about \$35-\$40 per tonne.

Then 10 mtpa

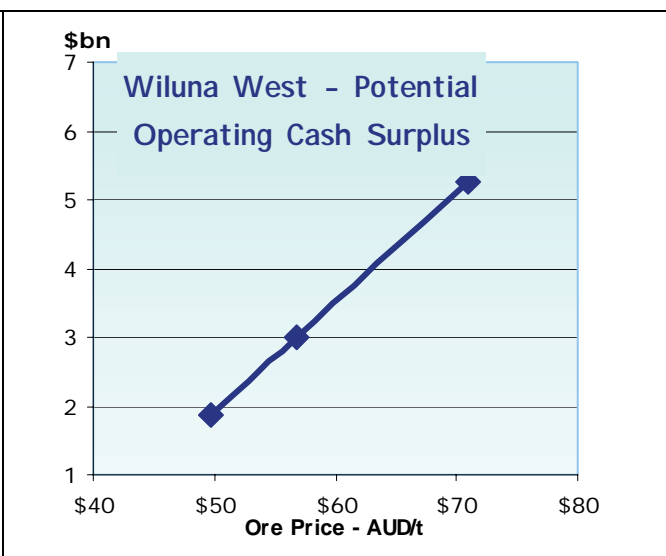
The company is investigating a staged development for this project, allowing for infrastructure to be put in place. The first stage would involve a 2-3 year programme to mine and transport 1 mt pa of high grade product by road and rail to Esperance. High level analysis indicates that mining and transporting 1 mt pa of high grade lump ore could generate an operating cash surplus of around \$10 million pa for Golden West. The company has commenced planning to access storage and other infrastructure at the port. The second stage of development envisages access to a purpose built rail connection via Weld Range to transport 10 mt pa of product, 650 km west to a new Port at Oakajee, post 2010 or the operating port of Esperance.

**High Level Analysis** suggests a project with potential to generate an operating surplus of A\$5.3 billion over a 16 year project life assuming steady prices and costs. Even if iron ore prices fall 20%, the project could generate \$3.0 billion over 16 years, which would be adequate to fund the development of a rail line to the west. At current prices, Golden West has an opportunity to use existing transport networks to sell limited amounts of high grade product to generate positive a cash flow.

Assumptions Stage II	
Annual sales	10 mt of lump ore
Project Life	16 years
Total Ore	160 mt of lump ore
grade	61%
Lump/Fine	70/30
AUD:USD	0.84
Mining & Process cost	9 \$/t
Port & Rail Esperance	34 \$/t
New Rail to Oakajee	29 \$/t
Cash Flow	Undiscounted
<i>Fixed operating costs and sales prices</i>	
<i>Purchase of second hand mining fleet</i>	
<i>Contribution to new rail infrastructure &amp; rolling stock</i>	

Cumulative Pre Tax Cash flow \$m						
Av. Price US\$/dmtu	\$	0.98	\$	0.78	\$	0.68
A\$/tonne of ore FOB	\$	71	\$	57	\$	50
Revenue \$bn	\$	11.35	\$	9.08	\$	7.95
<b>Costs \$bn</b>						
Mining	-\$	1.44	-\$	1.44	-\$	1.44
Truck and rail	-\$	5.44	-\$	5.44	-\$	5.44
New rail	-\$	4.64	-\$	4.64	-\$	4.64
<b>Operating Cash Flow</b>						
Port & Rail Esperance	\$	4.5	\$	2.2	\$	1.1
New Rail to Oakajee	\$	5.3	\$	3.0	\$	1.9

Source: Strachan Corporate Pty Ltd



**Iron - Forward Plans**

The company is committed to undertaking a high level study to outline at least 150 mt of hematite resource, conduct a basic metallurgical study and also to define the process and transport economics for a small operation of about 1 mt pa while scoping out a 10 mt pa operation. Additional mapping and ongoing drilling is underway at Unit C and Unit B.

Funding options to be evaluated once the company adds value via a resource upgrade and scoping study

### FUNDING

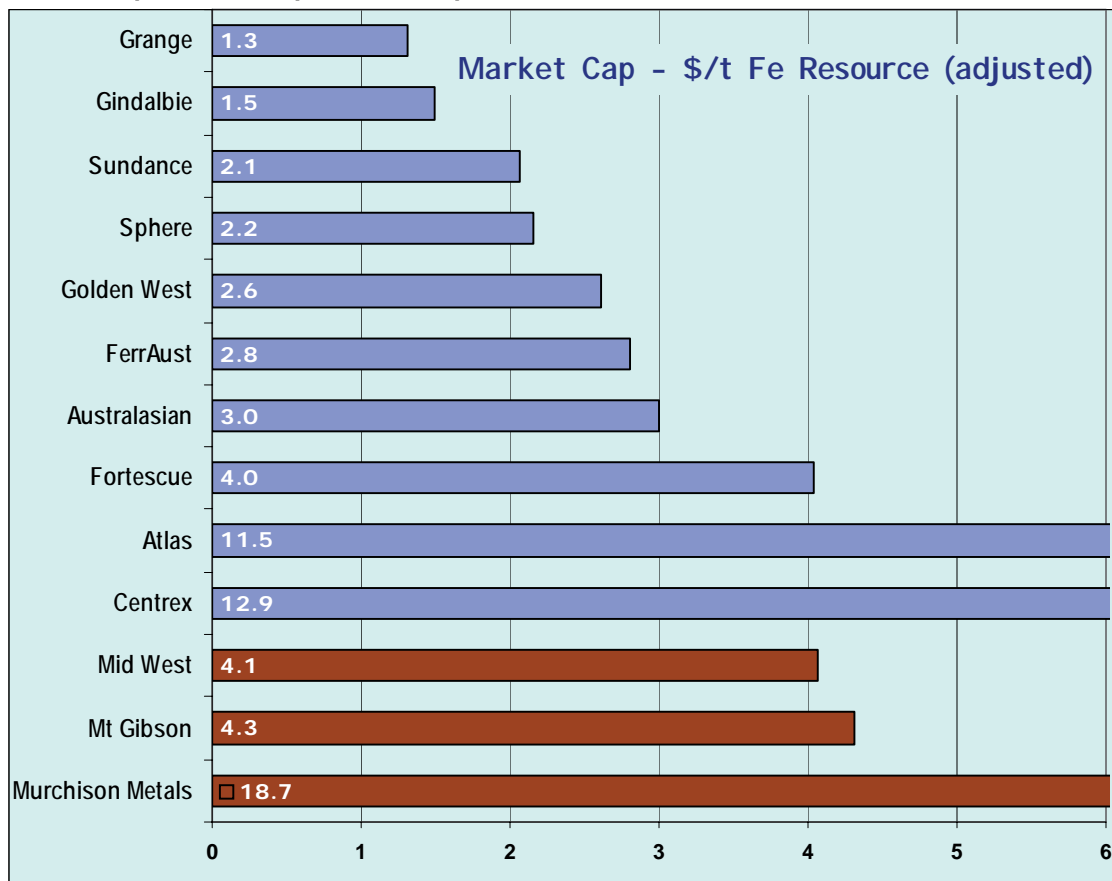
Golden West recently raised and additional \$8 million to support drilling and other feasibility study costs. By the end of 2007, armed with a completed scoping study, based on metallurgical test work and an enlarged resource base, the company plans to be in a position to evaluate funding and off-take options for definitive engineering via either a farm-out or addition of a cornerstone investor.

### OTHER ASSETS

Golden West holds other interests in gold and uranium exploration.

### PEER GROUP COMPARISON

Peer Group Market Capitalisation per tonne of Iron ore Resource \*



A large backlog of drilling results plus ongoing evaluation looks set to expand resources

Source: Company reports

Existing miners

\*Adjusted for equity in the project. Magnetite mineralisation is multiplied by either 50% or 40% to adjust for its lower grade, compared with hematite.

Based on an Inferred Resource of 50 mt of hematite, Golden West trades with a market capitalisation per tonne of ore of \$2.5/t. The company has a large backlog of drill results at the assay laboratory and is continuing to drill with up to three rigs. Strachan Corporate is confident that the company will boost resources to over 100 mt by December 2007, so it is trading on a prospective multiple of \$1.2/t, placing it at the lower end of peer group rankings.

		MMX Murchison Metal	MGX Mt Gibson	MIS Mid West	AGO Atlas	CXM Centrex	FMG Fortescue	SDL Sundance	FRS FerrAust	ARH Australasian	GWR Golden West	SPH Sphere	GBG Gindalbie	GRR Grange
<b>Market Cap</b>	\$m.	\$1,346	\$926	\$507	\$155	\$119	\$9,286	\$681	\$78	\$650	\$141	\$414	\$455	\$220
<b>Cash</b>	\$m.	11		13	18	8	2,000	27	12	28	6	22	57	15
<b>Debt</b>	\$m.	44	200				2,900			2				
<b>Product</b>		Hematite	Hematite & Magnetite	Hematite & Magnetite	Hematite & Magnetite	Hematite & Magnetite	Hematite	Hematite	Hematite		Hematite	Magnetite	Hematite & Magnetite	Magnetite
<b>Assets</b>		Jack Hills	Tallerang Peak & Extension Hill	Koolanooka Magnetite	Low grade Pilbara	Wilgerup He	WA Pilbara	Mbalm Cameroon 90%	Roberston Range Newman area	Balmoral South Low grade Mag	Inland High Grade	Guelb el Aouj - Mauritania owned 25%	Karara magnetite 50%	Southdown 70%
<b>Resource</b>		Weld Range	Mt Gibson and Koolan Island	Weld Range & Jack Hills He	Pardoo	Bungalow & Carrow	Cloud Break & Christmas Ck	Hematite		Base metal and Uranium			Karara Hematite	
<b>Potential</b>		67 mt @ 62% Fe	250 mt Magn plus 99 mt He @ 63% Fe	9.1mt \$ 58% Fe and 232 mt @ Weld Range	10.5 mt	9.1mt He	2367 mt	218 mt	24.3 mt	11bn tonnes	50 mt	1,425 mt	1,290 mt	479 mt
<b>Reserve</b>		380 mt @ 62% fe	1Bn tonnes Mag	500 mt He and 430 mt @ 35% Fe	35 mt Plus 1bn t Mag	250 mt Mag		800 mt	45 mt		250 mt		+40 mt He	
<b>Infrastructure</b>		8 mt	57 mt @ 62.8% Fe		4.4 mt		1,053 mt			547 mt		472 mt		
<b>Capex</b>	\$m.	Rail to Geraldton or Oakajee		Study Rail Port	Truck to port		rail & port	Rail	3rd Party		rail		Pipe, power, water, rail	Power Pipeline
<b>Operating cost</b>		\$1.8 bn	\$715 m		215		\$2.6 bn	US\$2.5 bn	\$4m	US2.1bn		US\$145 bn		\$1.2 bn
<b>Production</b>	mtpa	\$14/t to \$21/t	US\$28/t mag	\$23/t			\$7/t	US\$15/t			\$32/t	US\$30.3/t		US\$43/t
<b>Production Target</b>	mt	12 to 2	2	1mt										
<b>Shareholders &amp; partners</b>		25 mt pa	10 mt pa	15 mtpa W/R plus 6 mt Koolanooka	3 mt pa	2mt pa	45 mt pa		2mt pa	12 mt pa	10 mtpa	7 mtpa DRI pellet	8mt pa Con	6.6 mtpa Con
		POSCO 12% Mitsubishi Toll	Gallagher 18% Shougang 19% APAC 19%	Sinosteel JV	IMC Resources Linq	Shenyang Orient Baotou I & S	BaoSteel offtak Tangshan	George Jones		Shougang		Saudi BI Qatar Steel	Ansteel 13%	Sojitz

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