

MAWSON WEST LIMITED

ABN: 67 072 595 576

ANNUAL REPORT

For the Year Ended

30 June 2006

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Corporate Information

This annual report covers both Mawson West Limited as an individual entity and the consolidated entity comprising Mawson West Limited and its subsidiaries. The Group's functional and presentation currency is AUD (\$).

A description of the Group's operations and of its principal activities is included in the review of operations and activities in the directors' report on pages 5 to 13. The directors' report is not part of the financial report.

Directors

Mark Stowell (Chairman)
David Frances (Chief Executive)
Robert Smakman
Jonathan Asquith

Company Secretary

Philip Macleod

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Perth WA 6000
Australia

Principal place of business

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Auditors

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Level 1, 1 Havelock Street
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Bankers:

Bank of Western Australia
Bank West Tower
St Georges Terrace
Perth WA

Share Registrar

Computershare
Level 2
45 St Georges Terrace
Perth WA 6000
Australia

Solicitors

Blakiston & Crabb
1202 Hay Street
Perth WA

ASX Codes:

Ordinary shares - MWE

Options: MWEOA

Chairman's Letter

Dear Shareholder

This year has brought a few changes to the Company, we welcome our new Managing Director, David Frances, and a joint venture partner in Anvil Mining. We have taken the major step of farming into an advanced high grade copper project in DRC, close to the Zambian border in Africa.

Kapulo Copper Project

The Kapulo copper project comprises approximately 5,500km² of contiguous tenure straddling the border between the Democratic Republic of Congo (DRC) and Zambia in Central Africa. Mawson are earning 65% from Anvil by expenditure of US\$4m over 4 years, and may earn 51% by defining, to JORC indicated status, 50,000t of contained metal at 4% copper or better.

Simikat, Seremi, and Falconbridge, explored the Kapulo deposits during the 1920s, 1950s, and 1970s, respectively. They carried out extensive and systematic sampling, and indicated that there was the potential to host between 750,000t of ore grading 4.7% copper and 850,000t at 5.7% copper at Safari North, Safari South and Shaba (Katanga). These estimates were based on the digging of 386m of pits, 924m of trenching, 4,168m of drifts and eight diamond drill holes totaling 2,055m. Results included intercepts from systematic adit sampling of 36.5m @ 6.98% Cu, 38.5m @ 6.39% Cu, and 31m @ 6.99% Cu. These intercepts illustrate the high-grade and potentially robust nature of the Kapulo deposits.

Diamond drilling by Falconbridge beneath the Shaba (Katanga) deposit intersected the primary ore zone at 125m vertical depth where the system was still 15m wide and averaging 4% Cu. The Kapulo deposits are reported to have varying widths of up to 40m. The resource calculations were based on open-ended mineralisation and only account for material above the water table, which averages 50m in depth.

The Board have taken this project on as we believe it to be a potential company maker, and the majority of focus for the ensuing years will be on Kapulo.

Golden Mile South

This exciting exploration project covers 130km² only 4km from the Kalgoorlie superpit goldmine, owned jointly by Newmont and Barrick, producing +800,000 oz gold p.a. Mawson West acquired it in November 04, and we have done most of the boring (from the market's perspective) work, including:

- compiled over 20 years of exploration data onto an advanced data and exploration software system;
- re-assayed bottom of hole and interpreted every locatable drill hole on the area;
- completed a gravity survey over the entire project managed by us;
- completed magnetic interpretation of geological structures, combined with the gravity interpretations;
- Completed two startigraphic drilling programs at Golden Mile South.

Results from the stratigraphic drilling programmes were very encouraging in that they showed there is favourable geology, large structures, and anomalous gold within the project area. The fact that no economic intercepts were encountered in this drilling does not downgrade the project, or the prospectivity of the numerous other targets generated, and being generated by our exploration team who have proven exploration capabilities. The total area drilled through the sands and surface cover (to the bedrock which we hope hosts a major resource) is only a fraction of the 130km² landholding.

Shareholders must understand that this always was a 2-5 year project, requiring diligent systematic exploration and any early success does involve a high degree of luck (which of course we are trying to generate). Patience and persistence is the key in this exciting area. The rewards are potentially enormous on drilling success.

Due to the focus on Kapulo, we are in advanced stages of a joint venture farm-out on this project, to retain a significant interest on upside from successful exploration, and limited cash commitment from us for some time.

Iron Ore

Although not a core business for Mawson, we have some long held tenements in the Mt Gibson region, which are all joint ventured out, but starting to show up some very interesting iron ore results, with the most advanced being the 20% holding in Haematite Hill with Accent resources, being drilled now. Our other project is 100% farming down to 40% with Prosperity Resources on the Yeoh Hills project.

Norseman

Our goal was for a long term profitable gold mining operation over a number of different ore-bodies at and near to Maybell. Unfortunately exploration showed that neither Maybell, nor Lord Percy turned out to be as large as hoped; and thus are unable to economically commence stand alone mining. As such this project is no longer core, and moving to production via toll treating, or outright sale is being considered with our joint venture partners.

In closing on behalf of the board and shareholders I would like to thank our exploration team, consultants, and Joint Venture partners for their hard work and dedication, and look forward to success from all the hard work.

Mark Stowell
Chairman

Directors' Report

Your directors submit their report for the year ended 30 June 2006.

Directors

The names and details of the company's directors in office during the financial year and until the date of this report are as follows. Directors were in office for the entire period unless otherwise stated.

Names, qualifications, experience and special responsibilities

M. Stowell B.Bus CA (Non-executive Chairman)

Mr Stowell has been involved in the public company corporate sector for 20 years, formerly as a manager in the Corporate division of an international accounting firm and subsequently in the establishment and management of a number of successful ventures as principal in a wide variety of industries. He has been involved in the management of mineral companies operating locally and internationally for over 14 years.

During the past three years Mr Stowell has also served as a director of the following listed companies:

- Crusader Holdings NL
- Incremental Petroleum Ltd

D. Frances BSc Hons (Managing Director)

Mr Frances has over 15 years experience in multi-commodity mineral exploration, project evaluation, project finance, development and mining in Australia, China, North America, Africa and New Zealand. Mr Frances was appointed as director on 15 November 2005 and as Managing Director on 9 May 2006.

R. Smakman BSc (Hons) AusIMM ASIA FFIN.

Mr Smakman is an Honours graduate of Monash University, and has had a successful international career as a geologist over the past 10 years. Mineral discoveries he has been associated with include:

- The Southern Star gold deposit for Gasgoyne Gold NL-Southern Cross Western Australia -first drill hole to bankable feasibility study,
- Dikulushi Copper/Silver Deposit for Anvil Mining NL -DRC Africa- drillout of the deposit to 1.55mt @8.9% Copper and 9.5million oz silver for feasibility study and mining,
- Certej Gold Deposit for European Goldfields Ltd -Romania-project management from commencement to a resource of 2.6m oz gold and 13m oz silver.

During the past three years Mr Smakman has served as a director of the following listed companies:

- Crusader Holdings NL

J. Asquith BA (Hons) CA MBA

Mr Asquith is a chartered accountant with over 20 years corporate experience with major international accounting firms and commercial enterprises. He has held senior executive positions with a number of public and listed Australian companies. Mr Asquith completed a Masters of Business Administration at the University of Western Australia and brings to the Company considerable experience in managing and strategic planning of developing businesses.

During the past three years Mr Asquith has served as a director of the following listed companies:

- Norwood Systems Ltd

Company Secretary

Mr Phillip MacLeod was appointed to the position of company secretary in January 2006. Mr MacLeod has over 18 years commercial experience and has previously held the position of company secretary with other listed public companies since 1995.

Directors' Report (cont'd)**Directors' interests in the shares and options of the company**

As at the date of this report, the interests of the directors in the shares and options of Mawson West Limited were:

Director	Ordinary Shares	Listed Options	Unlisted Options over Ordinary Shares
M Stowell	4,100,000	475,000	1,500,000 (i)
R Smakman	1,507,466	1,175,933	1,200,000 (ii)
D Frances	-	-	3,000,000 (iii)
J Asquith	800,000	94,933	200,000 (iv)

Of the unlisted options referred to above:

(i). 750,000 Options are exercisable at 20 cents per option and 750,000 Options are exercisable at 30 cents per option with an expiry date of 8th June 2011

(ii). The unlisted options may only be exercised as follows:

- 600,000 Options are currently exercisable;
- 400,000 Options are only exercisable at the conclusion of the definition of 100,000 oz gold or gold equivalent JORC indicated directly attributable to Mawson West.
- 100,000 Options are exercisable at 20 cents per option before 8 June 2011 and 100,000 Options are exercisable at 30 cents per Option with an expiry date of 8 June 2011.

(iii). 300,000 Options are exercisable at 20 cents prior to 31 May 2007.

- 350,000 Options are exercisable at 20 cents prior to 31 May 2007 and after 30 June 2006 or on definition of 140,000 oz gold or equivalent
- 350,000 Options are exercisable at 20 cents prior to 31 May 2007 after 30 April 2007 or on definition of 200,000 oz gold or equivalent
- 1,000,000 Options are exercisable at 20 cents prior to 28 July 2011 vesting 2 years after issue or if trading over 50 cents for 3 consecutive days and will lapse if not exercised within 60 days of termination of employment providing there is no change in control of the company.
- 1,000,000 Options are exercisable at 30 cents prior to 28 July 2011 vesting 2 years after issue or if trading over 50 cents for 3 consecutive days and will lapse if not exercised within 60 days of termination of employment providing there is no change in control of the company.

(iv). 100,000 Options are exercisable at 20 cents per option and 100,000 Options are exercisable at 30 cents per option with an expiry date of 8th June 2011.

Dividends

The directors do not recommend that a dividend be paid. Since the end of the previous financial year, no dividend has been paid.

Principal Activities

The principal activity during the year of entities within the consolidated entity is mineral exploration. There has been no significant change in the nature of this activity during the year.

Directors' Report (cont'd)

Operating and Financial Review

Review of operations:

Kapulo Copper Project

A new project undertaken by the Company in the year was the Kapulo copper project which comprises approximately 5,500km² of contiguous tenure straddling the border between the Democratic Republic of Congo (DRC) and Zambia in Central Africa. Mawson are earning 65% from Anvil by expenditure of US\$4m over 4 years, and may earn 51% by defining, to JORC indicated status, 50,000t of contained metal at 4% copper or better.

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Shareholders must understand that this always was a 2-5 year project, requiring diligent systematic exploration and any early success does involve a high degree of luck (which of course we are trying to generate). Patience and persistence is the key in this exciting area. The rewards are potentially enormous on drilling success.

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Directors' Report (cont'd)

Operating and Financial Review

Norseman

Our goal was for a long term profitable gold mining operation over a number of different ore-bodies at and near to Maybell. Unfortunately exploration showed that neither, Maybell, nor Lord Percy turned out to be as large as hoped; and thus are unable to economically commence stand alone mining. As such this project is no longer core, and moving to production via toll treating, or outright sale is being considered with our JV partners.

Operating Results for the year

The Group's operating loss after income tax for the year was \$1,109,540 (2005 - \$1,293,279) representing a decrease of 14.20% from the previous year. The Group's basic loss per share for the year was 1.38 cents (2005: 1.61 cents) representing a decrease of 14.30% from the previous year.

Review of financial condition

Liquidity and Capital Resources

The consolidated cash flow statement illustrates that there was a decrease in cash and cash equivalents in the year ended 30 June 2006 of \$1,116,078 (2005: \$381,208). The decrease in cash flow in comparison with the prior year is caused by an increase in the scale of exploration activities undertaken, notably in the African region of Kapulo and the Norseman area in Western Australia. In addition the Group operated throughout the year without raising capital through financing activities

Asset and capital structure

The Group has no debt or borrowings other than usual trade creditors paid on normal commercial terms.

Share issues during the year

The Company issued no shares during the year.

Subsequent to year end, the Company placed 6,389,000 shares at an issue price of 18 cents to raise \$1,086,769.

Risk management

The Group takes a proactive approach to risk management. The Board is responsible for ensuring that risks, and also opportunities are identified on a timely basis and that the Group's objectives and activities are aligned with the risks and opportunities identified by the board.

The Group believes it is crucial for all board members to be part of this process and as such the Board has not established a separate risk management committee and the board as a whole acts in that role.

Significant changes in the State of Affairs

There were no significant changes in the state of affairs of the group during the financial year.

Environmental Regulation and Performance

The group's activities are subject to environmental regulations under either Commonwealth or State legislation. However, the Board believes that the group has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the group.

Significant events after the balance date

Since the end of the financial year the Company issued 6,389,000 ordinary shares at a price of 18 cents to raise \$1,086,769 (after costs of \$63,251).

Since the end of the financial year the Company has issued a total of 3,900,000 unlisted Director Options to all Directors of the Company and issued 650,000 unlisted incentive Options to key employees and contractors of the Company.

Likely developments and expected results

The group will continue to focus on mineral exploration and development opportunities.

Directors' Report (cont'd)

Indemnification and insurance of directors and officers

The Company has entered into Director and Officer Protection Deeds (Deed) with each Director and the Company Secretary (officers). Under the Deed, the Company indemnifies the officers to the maximum extent permitted by law and the Constitution against legal proceedings, damage, loss, liability, cost, charge, expense, outgoing or payment (including legal expenses on a solicitor/client basis) suffered, paid or incurred by the officers in connection with the officers being an officer of the Company, the employment of the officer with the Company or a breach by the Company of its obligations under the Deed.

The Company has not provided any insurance or indemnification for the Auditor of the Company.

Remuneration Report

This report outlines the remuneration arrangements in place for directors and executives of Mawson West Limited (the company).

Remuneration philosophy

The remuneration philosophy of the company is to ensure that remuneration packages of directors and executives properly reflect the person's duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating directors and executives of the company.

The results of this policy are consistent with the company's performance.

Certain directors and executives have performance based options.

Detailed summaries of the performance conditions are set out below:

R Smakman

Mr Smakman has an interest in 1,000,000 options exercisable at 20 cents per option per option before 31 May 2007 that are subject to the following condition:

400,000 Options are exercisable after 31 December 2006 (subject to the Option holder still being a Director and/or employee of the Company for the majority of 2006).

600,000 Options are currently exercisable.

100,000 options are exercisable at 20 cents and 100,000 are exercisable at 30 cents with a 5 year term and a vesting period 2 years after issue or if trading above 50 cents for 3 consecutive days. These options will lapse if not exercised within 60 days from termination of employment if there is no change in control of the company.

D Frances

Mr Frances has an interest in 1,000,000 options exercisable at 20 cents per option per option before 31 May 2007.

Of these options 300,000 are unrestricted.

350,000 options are exercisable after 30 June 2006 or on definition of 140,000 oz gold or equivalent.

350,000 options are exercisable after 30 April 2007 or on definition of 200,000 oz gold or equivalent.

Mr Frances also has an interest in 2,000,000 options of which;

1,000,000 options are exercisable at 20 cents and 1,000,000 are exercisable at 30 cents with a 5 year term and a vesting period 2 years after issue or if trading above 50 cents for 3 consecutive days. These options will lapse if not exercised within 60 days from termination of employment if there is no change in control of the company.

Directors' Report (cont'd)

Remuneration Report (cont'd)

S Procak

Mr Procak has an interest in 400,000 options exercisable at 20 cents per option per option before 31 May 2007 that are subject to the following performance conditions:

- 200,000 - The earliest vesting date was 30 June 2005 and these options can be exercised only after certain employment and mine profitability conditions have been met.
- 200,000 - The earliest vesting date was 30 June 2006 and these options also can be exercised only after certain employment and mine profitability conditions have been met

These performance conditions were chosen to facilitate goal congruence and alignment of aspirations of the relevant individuals to those of directors and shareholders.

The methods used in assessing whether the performance conditions were satisfied was to consider the relevant performance conditions and form an opinion of their correspondence to actual events.

The performance conditions did not require a comparison with factors external to the company. The company bases its remuneration of employees and consultants on industry established amounts.

Details of the nature and amount of emoluments of each director during the financial year are as follows:

	Short Term		Post Employment		Equity				Total Performance Related
	*Salary & Fees	Bonus	Super-annuation	Retirement Benefits	Other	Options	Other Benefits	Total	
Directors	\$	\$	\$	\$	\$	\$	\$	\$	%
M Stowell									
2006	55,082	-	-	-	-	-	-	55,082	-
2005	90,300	-	-	-	-	-	-	90,300	-
D Frances									
2006	93,791		8,441			26,431		128,663	20.54
2005	-	-	-	-	-	-	-	-	-
J Asquith									
2006	18,000	-	-	-	-	-	-	18,000	-
2005	36,950	-	-	-	-	-	-	36,950	-
R Smakman									
2006	52,400	-	-	-	-	35,102	-	87,502	40.12
2005	120,660	-	-	-	-	48,326	-	168,986	28.60
Total Directors									
2006	219,273	-	8,441	-	-	61,533	-	289,247	21.27
2005	247,910	-	-	-	-	48,326	-	296,236	16.31
Executive									
S Procak									
2006	68,986	-	6,209	-	-	8,871	-	84,066	10.55
2005	78,453	-	7,061	-	-	28,907	-	114,421	25.26

There are no other specified executives listed in the 5 highest paid Directors and executives in the company.

Directors' Report (cont'd)

Remuneration Report (cont'd)

*Included in Salary and Fees are amounts made available to related parties of directors. The amounts shown above in relation to directors include the provision of their services relating to other geologists and geological services and corporate services and administration. No directors fees were paid to directors during the year (2005: \$nil).

Options granted as part of remuneration

Director	Grant date	Grant number	Value per option at grant date	Value of options granted during the year	Value of options exercised during year	Value of options lapsed during year	Total value of options granted, exercised and lapsed during year	% Remuneration consisting of options for the year
			\$	\$	\$	\$	\$	%
D Frances	7/9/2005	1,000,000	0.20	26,431	-	-	26,431	20.54

Valuation of Options granted to Mr Frances

On 7 September 2005 1,000,000 unlisted options were granted to Mr David Frances. The terms and conditions of the options are as follows:

- The options are exercisable at a price of 20 cents per option and are exercisable until 31 May 2007;
- 300,000 options are unrestricted
- 350,000 options are exercisable after 30 June 2006 or on definition of 140,000 oz gold or equivalent
- 350,000 options are exercisable after 30 April 2007 or on definition of 200,000 oz gold or equivalent

The Company has estimated the value of the Options using the Black - Scholes Model ("BSModel") and the valuation principles required by Australian Accounting Standard Board 2 (AASB2). In applying the BSModel to determine a value for the Options, the Company used the following assumptions:

- the Company's underlying share price is 9.90 cents (based on the Company's traded price at the time when the options were granted);
- the exercise price is 20 cents;
- a volatility factor of 100% (based on the volatility of ASX traded stocks and the Company's underlying share price);
- a risk free interest rate of 5.31%; and
- time to expiration is 562 days for all options,

Based on the inputs outlined above, the BS Model calculates the value of the Options to be 3.0 cents. Although the Options are issued subject to significant restrictions on their exercise as described above, AASB2 does not allow recognition of the reduction in the value of the Options as a consequence of these restrictions.

AASB2 states that for equity-settled transactions measured by reference to the fair value of the equity instruments granted, vesting conditions may not be taken into account when estimating the fair value of the share options. This accounting method is known as the modified grant date method.

In accordance with AASB2 and the modified grant date method the total value ascribed to the Options granted to Mr Frances is \$33,372, allocated as \$26,431 relating to the year ended 30 June 2006 and \$6,941 relating to the year ended 30 June 2007. Accounting standards require that these amounts be included in annual emoluments. Subsequent changes to current expectations of the fulfillment of the vesting conditions will require adjustments to the expense reported in future years.

Directors' Report (cont'd)

Remuneration Report (cont'd)

Directors' fees

Directors' fees are determined within an aggregate fee pool limit, which is periodically recommended for approval by shareholders. This amount is separate from any specific tasks that the Directors may take on for the Company. No directors' fees were accrued during the financial year.

Committee Memberships

The company does not have a Remuneration, Nomination or Audit Committee as these roles are undertaken by the full Board.

Corporate governance

In recognising the need for high standards of corporate behaviour and accountability, the directors support and have, where currently considered appropriate given the size and nature of the Company, adhered to the best practice recommendation set by the ASX Corporate Governance Council.

Share options

At the date of this report, the unissued ordinary shares of the company under option are as follows:

Date of Expiry	Exercise Price	Number under option
31 May 2007	20 cents	17,420,000
22 August 2011	20 cents	2,275,000
22 August 2011	30 cents	2,275,000

No person entitled to exercise these options had or has any right by virtue of the options to participate in any share issue of any body corporate. During the year ended 30 June 2006, nil (2005: 7,949,076) ordinary shares of the company were issued on the exercise of options. Mr D Frances was granted 1,000,000 options during the year prior to his appointment as a director. Subsequent to the year end, 3,900,000 options were granted to directors and 650,000 options were issued to key employees and contractors with the approval of shareholders.

Directors' Meetings

The number of meetings of directors held during the year and the numbers of meetings attended by each director were as follows:

DIRECTORS	DIRECTORS MEETINGS	
	HELD	ATTENDED
Mr M Stowell	4	4
Mr D Frances	2	2
Mr J Asquith	4	4
Mr R Smakman	4	3

Directors' benefits

No director of the company has received or become entitled to receive a benefit because of a contract that the director or a firm of which the director is a member or an entity in which the director has substantial financial interest made with the company or an entity that the company controlled, or a body corporate that was related to the company, when the contract was made or when the director received, or became entitled to receive the benefit, other than a benefit included in the aggregate amount of emoluments received or due and receivable by the directors shown in Note 7 to the Financial Statements.

Directors' Report (cont'd)**Auditor Independence and Non-Audit Services****Auditor Independence Declaration to the Directors of Mawson West Limited**

The auditor's independence declaration for the year ended 30 June 2006 has been received and is to be found on page 51.

Non-Audit Services

No non-audit services were provided by the entity's auditor, Stantons International and no fees were paid or are payable to Stantons International for non-audit services for the year ended 30 June 2006.

This report is signed in accordance with a resolution of the directors, made pursuant to Section 298(2) of the Corporations Act 2001.

On behalf of the directors

D Frances
Managing Director
Perth
29 September 2006

Corporate Governance Statement

The Board of Directors of Mawson West Limited is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of Mawson West Limited on behalf of the shareholders by whom they are elected and to whom they are accountable.

Mawson West Limited's Corporate Governance Statement is structured with reference to the Corporate Governance Council's principles and recommendations, which are as follows:

Principle 1

Lay solid foundations for management and oversight

The primary responsibilities of the board include responsibility for:

- oversight of the company, including its control and accountability systems,
- appointing and removing the chief executive officer (or equivalent),
- ratifying the appointment and, where appropriate, the removal of the chief financial officer (or equivalent) and the company secretary,
- input into and final approval of management's development of corporate strategy and performance objectives,
- reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct, and legal compliance,
- monitoring senior management's performance and implementation of strategy, and ensuring appropriate resources are available,
- approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures,
- monitoring and approving financial and other reporting.

Directors consider that the company's procedures comply with Principle 1 of the Principles of Good Corporate Governance.

Principle 2

Structure the board to add value

2.1: A majority of the board should be independent directors.

The names of the directors of the company in office at the date of this statement are set out in the directors' report. Directors are appointed based on their experience and on independence of their decision-making and judgement.

In considering the status of directors as independent directors the company has regard to the following

An independent director is a non-executive director (ie is not a member of management) and:

- is not a substantial shareholder of the company or an officer of, or otherwise associated directly with, a substantial shareholder of the company,
- within the last three years has not been employed in an executive capacity by the company or another group member, or been a director after ceasing to hold any such employment,
- within the last three years has not been a principal of a material professional adviser or a material consultant to the company or another group member, or an employee materially associated with the service provided,
- is not a material supplier or customer of the company or other group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer,
- has no material contractual relationship with the company or another group member other than as a director of the company,
- has not served on the board for a period which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the company,
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the company.

Corporate Governance Statement

Having regard to the above criteria, a majority of the board are not independent in accordance with Recommendation 2.1, however the board believes that the individuals on the board can make, and do make, quality and independent judgments based on the best interests of the company on all relevant issues. Directors having a conflict of interest in relation to a particular item of business must absent themselves from the board meeting before commencement of discussion on the topic.

The board considers that the company is not currently of a size, nor are its affairs of such complexity to justify the expense of the appointment of additional independent non-executive directors.

2.2: The chairperson should be an independent director.

Mr Mark Stowell, the Chairman, is not independent director.

Directors consider that the company does not comply with Principle 2.2 of the Principles of Good Corporate Governance, but that the non-compliance is reasonable for a company of this size and structure.

2.3: The roles of chairperson and chief executive officer should not be exercised by the same individual.

During the year, the company has employed Mr David Frances as Chief Executive Officer.

Directors consider that the company complies with Principle 2.3 of the Principles of Good Corporate Governance.

2.4: The board should establish a nomination committee

The company does not have a formal nomination committee due to the scale and nature of the company's activities. The whole board meet to consider additional appointments to the board.

Directors consider that the company complies with the intentions of Principle 2.4 of the Principles of Good Corporate Governance.

2.5: Provide the information indicated in *Guide to reporting on Principle 2*

The skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report are disclosed in the directors' report included in the annual report.

Not all of the directors are considered by the board to constitute independent directors. The company does not have fixed materiality thresholds.

Each director has the right to seek independent professional advice at the company's expense. However, prior approval of the chair is required, which is not unreasonably withheld.

No directors have fixed terms of office.

The company does not have a nomination committee for the reasons outlined in 2.4 above.

Any departures from best practice recommendations 2.1, 2.2, 2.3, 2.4 or 2.5 are included in those sections.

The board will review its composition on an annual basis to ensure that the board has the appropriate mix of expertise and experience. Where a vacancy exists, for whatever reason, or where it is considered that the board would benefit from the services of a new director with particular skills, the board will select appropriate candidates with relevant qualifications, skills and experience.

Directors consider that the company complies with Principle 2.5 of the Principles of Good Corporate Governance.

Principle 3

Promote ethical and responsible decision-making

3.1: Establish a code of conduct to guide the directors, the chief executive officer (or equivalent), the chief financial officer (or equivalent) and any other key executives as to:

3.1.1 the practices necessary to maintain confidence in the company's integrity, and

3.1.2 the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

The board's policy for the directors and management is to conduct themselves with the highest ethical standards. All directors and employees will be expected to act with integrity and objectivity, striving at all times to enhance the reputation and performance of the company.

Corporate Governance Statement

The company has adopted a Code of Conduct to guide compliance with legal and other obligations to legitimate stakeholders including employees, clients, customers, government authorities and the community as a whole. Directors consider that the company complies with Principle 3.1 of the Principles of Good Corporate Governance.

3.2: Disclose the policy concerning trading in company securities by directors, officers and employees.

The policy is as follows:

Directors and senior executives (officers) must not buy or sell shares or securities in the company if they possess information which, if disclosed publicly, might have a material effect on the price or value of the company's shares. Directors through the company secretary must notify the ASX of any change in their share holdings within 3 business days of the transaction taking place.

Directors consider that the company complies with Principle 3.2 of the Principles of Good Corporate Governance.

3.3: Provide the information indicated in *Guide to reporting on Principle 3*.

This information is provided in this statement.

Directors consider that the company complies with Principle 3.3 of the Principles of Good Corporate Governance.

Principle 4

Safeguard integrity in financial reporting

4.1: Require the chief executive officer (or equivalent) and the chief financial officer (or equivalent) to state in writing to the board that the company's financial reports present a true and fair view, in all material respects, of the company's financial condition and operational results and are in accordance with relevant accounting standards.

The company secretary provides the board with this statement in relation to financial reports.

Directors consider that the company complies with Principle 4.1 of the Principles of Good Corporate Governance.

4.2: The board should establish an audit committee.

Due to the company's size and structure at present it is not considered appropriate to have a formal audit committee.

Directors consider that the company does not comply with Principle 4.2 of the Principles of Good Corporate Governance.

4.3: Structure the audit committee so that it consists of:

only non-executive directors, a majority of independent directors, an independent chairperson, who is not chairperson of the board, at least three members.

Directors consider that Principle 4.2 of the Principles of Good Corporate Governance is not applicable.

4.4: The audit committee should have a formal charter.

Directors consider that Principle 4.2 of the Principles of Good Corporate Governance is not applicable.

4.5: Provide the information indicated in *Guide to reporting on Principle 4*.

Directors consider that the company complies with Principle 4.5 of the Principles of Good Corporate Governance to the extent applicable to the Company.

Principle 5

Make timely and balanced disclosure

5.1: Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance.

All directors and senior executives are required to have a general understanding of the matters that are and are not to be disclosed in accordance with the ASX Listing Rules.

All matters concerning compliance with the listing rules are to be reported to the company secretary.

Corporate Governance Statement

The chairman has primary responsibility for ensuring that the company complies with its disclosure obligations and is primarily responsible for deciding what information will be disclosed.

Directors consider that the company complies with Principle 5.1 of the Principles of Good Corporate Governance.

5.2: Provide the information indicated in *Guide to reporting on Principle 5*.

This information is provided in this statement.

Directors consider that the company complies with Principle 5.2 of the Principles of Good Corporate Governance.

Principle 6

Respect the rights of shareholders

6.1: Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings.

Information is communicated to shareholders as follows:

- notices of all meetings of shareholders;
- all documents that are released publicly are made available on the company's website at www.mawsonwest.com.au.

Directors consider that the Company complies with Principle 6.1 of the Principles of Good Corporate Governance.

6.2: Request the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

Directors advise that the company complies with Principle 6.2 of the Principles of Good Corporate Governance.

Principle 7

Recognise and manage risk

7.1: The board or appropriate board committee should establish policies on risk oversight and management.

The board monitors and if necessary receives advice on areas of operational and financial risk, and considers strategies for appropriate risk management arrangements.

Specific areas of risk, which are identified, will be regularly considered at board meetings include performance of activities, human resources, the environment and continuous disclosure obligations.

7.2: The chief executive officer (or equivalent) and the chief financial officer (or equivalent) should state to the board in writing that:

- the statement given in accordance with best practice recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board.
- the company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

Matters of risk management and compliance are currently addressed by the board as a whole at this stage of the development of the company.

Directors consider that the company complies with the intentions of Principle 7.2 of the Principles of Good Corporate Governance.

7.3: Provide the information indicated in *Guide to reporting on Principle 7*.

This information is provided in this statement.

Directors consider that the company complies with Principle 7.3 of the Principles of Good Corporate Governance.

Corporate Governance Statement

Principle 8

Encourage enhanced performance

8.1: Disclose the process for performance evaluation of the board, its committees and individual directors, and key executives.

At this stage of the development of the company has informal procedures in place for performance evaluation of the board, its committees and individual directors, and key executives.

Directors consider that the Company complies with Principle 8.1 of the Principles of Good Corporate Governance

Principle 9

Remunerate fairly and responsibly

9.1: Provide disclosure in relation to the company's remuneration policies to enable investors to understand (i) the costs and benefits of those policies and (ii) the link between remuneration paid to directors and key executives and corporate performance.

At this stage of the development of the company has informal remuneration policies in place as it has a minimal number of employees.

Directors consider that the company does not comply with Principle 9.1 of the Principles of Good Corporate Governance.

9.2: The board should establish a remuneration committee.

At this stage of the development of the company the whole of the board deals with remuneration matters.

Directors consider that the company does not comply with Principle 9.2 of the Principles of Good Corporate Governance.

9.3: Clearly distinguish the structure of non-executive directors' remuneration from that of executives.

The remuneration of each director is set out in the directors' report included in the annual report

Directors consider that the company complies with Principle 9.3 of the Principles of Good Corporate Governance.

9.4: Ensure that payment of equity-based executive remuneration is made in accordance with thresholds set in plans approved by shareholders.

The company does not have equity-based executive remuneration, except for one tranche of restricted performance based options granted to one employee.

Directors consider that with Principle 9.4 of the Principles of Good Corporate Governance is not applicable

9.5: Provide the information indicated in *Guide to reporting on Principle 9*.

This information is provided in this statement.

Directors consider that the company complies with Principle 9.5 of the Principles of Good Corporate Governance.

Principle 10

Recognise the legitimate interests of stakeholders

10.1: Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders.

The company has adopted a Code of Conduct to guide compliance with legal and other obligations to legitimate stakeholders including employees, clients, customers, government authorities and the community as a whole.

Directors consider that the Company complies with Principle 10.1 of the Principles of Good Corporate Governance.

**INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2006**

	<u>Notes</u>	Consolidated 2006 \$	Consolidated 2005 \$	Parent 2006 \$	Parent 2005 \$
Revenue	5	59,695	286,338	56,153	140,904
Consulting fees		(48,940)	(160,714)	(48,940)	(160,714)
Accounting and audit		(39,261)	(13,356)	(39,261)	(13,356)
Depreciation		(11,858)	(13,146)	(11,858)	(13,146)
Marketing		(29,454)	(115,572)	(29,454)	(115,572)
Exploration expenses		(792,961)	(963,708)	(146,064)	(4,019)
Rental and office expenses		(75,387)	(80,343)	(75,387)	(80,343)
Provisions against assets		-	-	(416,403)	(2,016,784)
Wages, salaries and related costs		(144,767)	(109,737)	(144,767)	(109,737)
Other expenses		(26,607)	(123,041)	(23,912)	(123,041)
Loss before income tax		(1,109,540)	(1,293,279)	(879,893)	(2,495,808)
Income tax expense	6	-	-	-	-
Loss attributable to members of the parent	17	<u>(1,109,540)</u>	<u>(1,293,279)</u>	<u>(879,893)</u>	<u>(2,495,808)</u>
Basic Loss Per Share attributable to ordinary equity holders of the parent (cents)	18	<u>(1.38)</u>	<u>(1.61)</u>		

Diluted earnings per share has not been disclosed as it does not result in an inferior position.

**BALANCE SHEET
AS AT 30 JUNE 2006**

	<u>Notes</u>	Consolidated 2006 \$	Consolidated 2005 \$	Parent 2006 \$	Parent 2005 \$
Current Assets					
Cash and cash equivalents	24(a)	395,490	1,511,568	392,794	1,501,076
Trade and other receivables	10	39,949	77,602	3,412	41,584
Total Current Assets		<u>435,439</u>	<u>1,589,170</u>	<u>396,206</u>	<u>1,542,660</u>
Non current Assets					
Other financial assets	11	2,733	2,033	2,733	2,033
Exploration assets	12	2,612,410	2,606,313	19,613	13,516
Loans	11	-	-	1,659,148	1,436,778
Plant and equipment	13	48,170	41,158	48,170	41,158
Total Non current Assets		<u>2,663,313</u>	<u>2,649,504</u>	<u>1,729,664</u>	<u>1,493,485</u>
Total Assets		<u>3,098,752</u>	<u>4,238,674</u>	<u>2,125,870</u>	<u>3,036,145</u>
Current Liabilities					
Trade and other payables	14	148,234	249,720	148,234	249,720
Total Current Liabilities		<u>148,234</u>	<u>249,720</u>	<u>148,234</u>	<u>249,720</u>
Total Liabilities		<u>148,234</u>	<u>249,720</u>	<u>148,234</u>	<u>249,720</u>
Net Assets		<u>2,950,518</u>	<u>3,988,954</u>	<u>1,977,636</u>	<u>2,786,425</u>
Equity					
Equity attributable to equity holders of the parent					
Contributed Equity	15	15,775,196	15,775,196	15,775,196	15,775,196
Reserves	16	254,041	182,937	254,041	182,937
Accumulated Losses	17	(13,078,719)	(11,969,179)	(14,051,601)	(13,171,708)
Total Equity		<u>2,950,518</u>	<u>3,988,954</u>	<u>1,977,636</u>	<u>2,786,425</u>

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2006**

CONSOLIDATED

	Issued capital	Accumulated losses	Other reserves	Total equity
	\$	\$	\$	\$
At 1 July 2004	13,298,552	(10,675,900)	15,558	2,638,210
Loss for the period	-	(1,293,279)	-	(1,293,279)
Total income/expense for the period	13,298,552	(11,969,179)	15,558	1,344,931
Shares issued for tenement acquisition	1,185,000	-	-	1,185,000
Shares issued to acquire subsidiary	353,956	-	-	353,956
Shares issued for capital	937,688	-	-	937,688
Exercise of options	-	-	94,083	94,083
Cost of share based payment	-	-	73,296	73,296
At 30 June 2005	<u>15,775,196</u>	<u>(11,969,179)</u>	<u>182,937</u>	<u>3,988,954</u>

	Issued capital	Accumulated losses	Other reserves	Total equity
	\$	\$	\$	\$
At 1 July 2005	15,775,196	(11,969,179)	182,937	3,988,954
Loss for the period	-	(1,109,540)	-	(1,109,540)
Total income/(expense) for the period	15,775,196	(13,078,719)	182,937	2,879,414
Revaluation of share investment	-	-	700	700
Cost of share based payment	-	-	70,404	70,404
At 30 June 2006	<u>15,775,196</u>	<u>(13,078,719)</u>	<u>254,041</u>	<u>2,950,518</u>

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2006**

PARENT

	Issued capital	Accumulated losses	Other reserves	Total equity
	\$	\$	\$	\$
At 1 July 2004	13,298,552	(10,675,900)	15,558	2,638,210
Loss for the period	-	(2,495,808)	-	(2,495,808)
Total income/expense for the period	13,298,552	(13,171,708)	15,558	142,402
Shares issued for tenement acquisition	1,185,000	-	-	1,185,000
Shares issued to acquire subsidiary	353,956	-	-	353,956
Shares issued for capital	937,688	-	-	937,688
Exercise of options	-	-	94,083	94,083
Cost of share based payment	-	-	73,296	73,296
At 30 June 2005	15,775,196	(13,171,708)	182,937	2,786,425

	Issued capital	Accumulated losses	Other reserves	Total equity
	\$	\$	\$	\$
At 1 July 2005	15,775,196	(13,171,708)	182,937	2,786,425
Loss for the period	-	(879,893)	-	(879,893)
Total income/(expense) for the period	15,775,196	(14,051,601)	182,937	1,906,532
Revaluation of share investment	-	-	700	700
Cost of share based payment	-	-	70,404	70,404
At 30 June 2006	15,775,196	(14,051,601)	254,041	1,977,636

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2006**

	<u>Notes</u>	Consolidated 2006 \$	Consolidated 2005 \$	Parent 2006 \$	Parent 2005 \$
Cash flows from operating activities					
Receipts from customers		39,317	64,486	39,317	64,486
Payments to suppliers and employees		(390,693)	(548,033)	(387,478)	(548,033)
Interest received		53,225	81,156	49,683	81,156
Interest paid		-	-	-	-
GST receipts		114,060	79,432	118,512	64,286
Net cash used in operating activities	24(b)	<u>(184,091)</u>	<u>(322,959)</u>	<u>(179,966)</u>	<u>(338,105)</u>
Cash flows from investing activities					
Proceeds from sale of investment securities		-	122,177	-	26,743
Proceeds from sale of tenement interests		-	50,000	-	-
Payments for exploration		(907,020)	(1,059,731)	(264,575)	(4,019)
Payments for mining tenements		(6,097)	(162,100)	(6,097)	-
Payments for plant and equipment		(18,870)	(25,458)	(18,870)	(25,458)
Loans (to)/repaid by other entities		-	9,091	(638,774)	(1,055,578)
Net cash used in investing activities		<u>(931,987)</u>	<u>(1,066,021)</u>	<u>(928,316)</u>	<u>(1,058,312)</u>
Cash flows from financing activities					
Proceeds from issue of shares and options		-	1,007,772	-	1,007,772
Net cash provided by financing activities		<u>-</u>	<u>1,007,772</u>	<u>-</u>	<u>1,007,772</u>
Net increase(decrease) in cash and cash equivalents		(1,116,078)	(381,208)	(1,108,282)	(388,645)
Cash and cash equivalents at the beginning of period		1,511,568	1,889,722	1,501,076	1,889,722
Cash and cash equivalents in subsidiary on acquisition		-	3,054	-	-
Cash and cash equivalents at end of period	24(a)	<u>395,490</u>	<u>1,511,568</u>	<u>392,794</u>	<u>1,501,076</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006**

1. CORPORATE INFORMATION

The financial report of Mawson West Limited (the Company) for the financial year ended 30 June 2006 was authorised for issue in accordance with a resolution of the directors on 29 September 2006.

Mawson West Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian stock exchange.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant policies that have been adopted in the preparation of this financial report are:

(a) Basis of preparation

The financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards. The financial report has also been prepared on a historical cost basis and accrual accounting and, except where stated, does not take into account changing money values or current valuations of non-current assets. The financial report is presented in Australian dollars.

(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 thereto, complies with International Financial Reporting Standards (IFRS).

This is the first financial report prepared based on AIFRS and comparatives for the year ended 30 June 2005 have been restated accordingly except for the adoption of AASB 132 Financial Instruments: Disclosure and Presentation AASB 139 Financial Instruments: Recognition and Measurement. The Company has adopted the exemption under AASB 1 First Time Adoption of Australian Equivalents to International Financial Reporting Standards from having to apply AASB 132 and AASB 139 to the comparative period. Reconciliations of AIFRS equity and loss 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 Mawson West Limited and its subsidiaries as at 30 June each year (the Group).

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

In preparing the consolidated financial statements, 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(d) Taxation

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.

(e) Investments and other Financial Assets

The Group has elected to apply the option available under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. Outlined below are the relevant accounting policies for investments and other financial assets applicable for the years ending 30 June 2006 and 30 June 2005.

Accounting policies applicable for the year ending 30 June 2006

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

All regular way purchases and sales of financial assets are recognised on the trade date ie. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contract that require delivery of the assets within the period established generally by regulation or convention in the market place.

Available for sale investments

Available for sale investments are those non-derivative financial assets that are designated as available for sale or are not classified as any of the three preceding categories. After initial recognition available for sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

Accounting policies applicable for the year ending 30 June 2005

Listed shares held for trading were carried at net market value. Changes in net market value were recognised as a revenue or expense in determining the net profit for the period.

All other non-current investments were carried at the lower of cost and recoverable amount.

(f) Interest in a jointly controlled operation

A joint venture is a contractual agreement 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 the establishment of a separate entity. The Group recognises its interest in the jointly controlled operation by recognising the assets that it controls and the liabilities that it incurs. The Group also recognises the expenses that it incurs and its share of the income that it earns from the sale of goods or services by the jointly controlled operation.

(g) Plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Land and buildings are measured at fair value less accumulated depreciation. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:
Plant and equipment-over 5 to 10 years

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(h) Exploration and evaluation expenditure

Expenditure incurred during exploration and the early stages of evaluation of new areas of interest is written off as incurred.

Costs of acquisition of exploration areas of interest are carried forward where right of tenure of the area of interest is current and they are expected to be recouped through sale or successful development and exploitation of the area of interest or, where exploration and evaluation activities in the area of interest have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

When an area of interest is abandoned or the directors decide that it is not commercial, any accumulated costs in respect of that area are written off in the financial period the decision is made. Each area of interest is also reviewed at the end of each accounting period and accumulated costs written off to the extent that they will not be recoverable in the future.

(i) Development properties

Where projects have advanced to the stage that directors have made a decision to mine, they are classified as development properties. When further development expenditure is incurred in respect of a development property, such expenditure is carried forward as part of the cost of that development property only when substantial future economic benefits are established. Otherwise such expenditure is classified as part of the cost of production or written off where production has not commenced.

(j) Goodwill

Goodwill on acquisition is initially measured at cost being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is not amortised.

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

As at the acquisition date, any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies.

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates.

Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation.

Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(k) Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(l) Share-based payment transactions

The Group provides benefits to 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').

The plan in place that provides these benefits is the Employee Share Option Plan (ESOP), which provides benefits to directors and employees. 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 is determined by the company using the Black-Scholes option valuation model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Mawson West Ltd ('market conditions').

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

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 number of awards that, in the opinion of the directors of the Group, will ultimately vest. This opinion is formed based on the best available information at balance date. 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.

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

Where 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 increase in the value of the transaction as a result of the modification, as measured at the date of modification.

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

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(m) 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 greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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.

(n) Foreign currency translation

Both the functional and presentation currency of Mawson West Limited and its Australian subsidiaries is Australian dollars (\$). Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All exchange differences in the consolidated financial report are taken to profit and loss with the exception of differences on foreign currency borrowings that provide as hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in profit or loss.

Tax charges and credits attributable to exchange differences on those borrowings are also recognised in equity.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(o) 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 carried as a revaluation decrease).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(p) Trade and other payables

The Group has elected to apply the option available under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. Outlined below are the relevant accounting policies for trade and other payables applicable for the years ending 30 June 2006 and 30 June 2005.

Accounting policies applicable for the year ended 30 June 2006

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of those goods and services.

Accounting policies applicable for the year ended 30 June 2006

Trade payables and other payables are carried at costs which is the fair value of the consideration to be paid in the future for goods and services received whether or not billed to the consolidated entity.

(q) Share capital

Ordinary share capital is recognised at the fair value of the consideration received by the company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(r) Trade and other receivables

Debtors are carried at amounts due. The recoverability of debts is assessed at balance date and specific provision is made for any doubtful accounts.

(s) Employee leave benefits

Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits and 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 employee's 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.

(t) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expenses.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(u) Revenue recognition

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:

Interest

Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

Dividends

Revenue is recognised when the shareholders' right to receive the payment is established.

(v) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to include any costs of servicing equity (other than dividends) and preference share dividends divided by the average weighted number of ordinary shares adjusted for any bonus element.

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

- Costs of servicing equity (other than dividends) and preference share dividends;
- 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;

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

3. SEGMENT INFORMATION

The Group's primary segment reporting format is geographical segments.

The operating business is predominantly situated in the state of Western Australia. Initial exploration activity has also commenced in the Kapulo region of the Democratic Republic of Congo and Zambia in Africa. Total expenditure in Africa for the financial year was \$108,493. There are no revenues, assets or liabilities within this geographical segment as at 30 June 2006.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006**

	Consolidated 2006	Consolidated 2005	Parent 2006	Parent 2005
	\$	\$	\$	\$
4. Revenues and Expenses				
Revenue and expenses from continuing operations				
Loss from ordinary activities before income tax includes the following items of revenue and expense.				
(a) Revenue				
Interest revenue:				
Bank interest	53,225	81,156	49,683	81,156
Profit on sale of interest in mining tenement	-	148,000	-	-
Profit on sale on investment	-	13,958	-	16,524
Other Income	6,470	43,224	6,470	43,224
	<u>59,695</u>	<u>286,338</u>	<u>56,153</u>	<u>140,904</u>
 (b) Expenses				
Depreciation of non-current assets:				
Property, plant and equipment	11,858	13,146	11,858	13,146
Foreign exchange losses	-	-	-	-
Cost of investments sold	-	10,219	-	10,219
Impairment of non-current assets:				
Loan to controlled entity	-	-	416,403	831,784
Provision – Investment in subsidiary	-	-	-	1,185,000
Exploration expenditure expensed	792,960	963,708	146,063	4,019
	<u>792,960</u>	<u>963,708</u>	<u>146,063</u>	<u>4,019</u>
 5. Sales of assets				
Sales of assets in the ordinary course of business have given rise to the following profits:				
Net surplus				
Proceeds from sale of investments	-	122,177	-	26,743
Proceeds from sale of mining tenements	-	148,000	-	-
Cost of investments sold	-	(108,219)	-	(10,219)
	<u>-</u>	<u>161,958</u>	<u>-</u>	<u>16,524</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006**

	Consolidated 2006 \$	Consolidated 2005 \$	Parent 2006 \$	Parent 2005 \$
6. Income tax				
(a) Numerical reconciliation of income tax expense to prima facie tax payable				
Loss before income tax	(1,109,540)	(1,293,279)	(879,893)	(2,495,808)
Prima facie tax benefit on loss at 30%	(332,862)	(387,984)	(263,968)	(748,742)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income				
Penalties	-	94	-	94
Entertainment	-	272	-	272
	<u>(332,862)</u>	<u>(387,618)</u>	<u>(263,968)</u>	<u>(748,376)</u>
Movement in unrecognised temporary differences	(15,113)	10,683	113,674	641,202
Tax effect of current year tax losses for which no deferred tax asset has been recognised	347,975	376,935	150,294	107,175
Income tax expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(b) Unrecognised temporary differences				
Deferred tax assets (at 30%)				
Provision for diminution in value of investments	1,154,536	1,154,536	1,154,536	1,154,536
Provision for non-recovery of loans	890,313	765,392	890,313	765,392
Accrued expenses	11,527	17,202	11,527	17,202
Equity raising and formation costs	7,731	11,596	-	-
Carry forward revenue tax losses	2,022,043	1,674,068	1,053,146	902,852
Carry forward capital tax losses	319,535	319,535	313,324	313,324
	<u>4,405,685</u>	<u>3,942,329</u>	<u>3,422,846</u>	<u>3,153,306</u>

No income tax is payable by the Group. The Group has \$6,740,144 in income tax losses.

The deferred tax asset and tax liability have not been brought to account as it is unlikely they will arise unless the Company will generate sufficient revenue to utilize them.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006**

7. Directors' and executives' disclosure

The management personnel of Mawson West Ltd during the year were Mr M Stowell, Mr D Frances, Mr R Smakman and Mr J Asquith being directors of the company and Mr S Procak, Operations Manager.

Compensation policy

The performance of the Group depends on the quality of its key management and personnel. To prosper the Group must attract, motivate and retain highly skilled directors and executives.

To this end the Group embodies the following principles in its compensation policy:

- Provide competitive rewards to attract high caliber executives;
- Link executive rewards to share holder value;
- Significant proportion of executive compensation 'at risk,' dependent upon meeting pre-determined bench marks and;
- Establishing demanding, appropriate performance hurdles in relation to variable executive compensation

The Company does not have a remuneration committee. All remuneration matters are dealt with by the full board

At the present time no Directors fees are paid to Directors although consulting fees are paid to Directors on commercial terms for services provided on behalf of the Group.

Compensation of Key Management Personnel for the year ended 30 June 2006

	Short Term		Post Employment		Share Based Payment				Total Performance Related
	*Salary & Fees	Bonus	Super-annuation	Retirement Benefits	Other	Options	Other Benefits	Total	
Specified	\$	\$	\$	\$	\$	\$	\$	\$	%
M Stowell									
2006	55,082	-	-	-	-	-	-	55,082	-
2005	90,300	-	-	-	-	-	-	90,300	-
D Frances									
2006	93,791	-	8,441	-	-	26,431	-	128,663	20.54
2005	-	-	-	-	-	-	-	-	-
J Asquith									
2006	18,000	-	-	-	-	-	-	18,000	-
2005	36,950	-	-	-	-	-	-	36,950	-
R Smakman									
2006	52,400	-	-	-	-	35,102	-	87,502	40.12
2005	120,660	-	-	-	-	48,326	-	168,986	28.60
Total Directors									
2006	219,273	-	8,441	-	-	61,533	-	289,247	21.27
2005	247,910	-	-	-	-	48,326	-	296,236	16.31
Specified Executive									
S Procak									
2006	68,986	-	6,209	-	-	8,871	-	84,066	10.55
2005	78,453	-	7,061	-	-	28,907	-	114,421	25.26

Specific transactions with directors and director-related entities:

- Fees of \$55,082 (2005:\$90,300) paid to Merchant Holdings Pty Ltd, of which Mr Stowell is a director, for the provision of corporate and management services on normal terms and conditions;

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006**

7. Directors' and executives' disclosure

- Fees of \$18,000 (2005:\$36,950) paid to Linear A Pty Ltd, of which Mr Asquith is a director, for the provision of corporate and management services on normal terms and conditions;
- Fees of \$52,400 (2005:\$120,660) paid to Blue Bone Contracting Services Pty Ltd, a company related to Mr Smakman, for the provision of geological and management services on normal terms and conditions. These amounts include the provision of the services of Mr Smakman, other geologists and geological services.
- Payments of \$64,234 (2005:\$70,539) to Cityshow Pty Ltd, a company in which Mr Asquith has an interest for the provision of office facilities in a building in which Mr Stowell has an interest, and staff on normal terms and conditions.

	Consolidated 2006	Consolidated 2005	Parent 2006	Parent 2005
	\$	\$	\$	\$
Compensation by category-Key Management Personnel				
Short-Term	288,259	326,363	288,259	326,363
Post-Employment	14,650	7,061	14,650	7,061
Other long term	-	-	-	-
Termination Benefits	-	-	-	-
Share-Based Payments	70,404	77,233	70,404	77,233
	<u>373,313</u>	<u>410,657</u>	<u>373,313</u>	<u>410,657</u>

Remuneration Options

The following options were granted as part of remuneration during the year.

Specified executives	Vested number	Granted number	Value per Option at grant date	Terms and conditions for each grant			
				Exercise Price	Expiry date	Amount paid	Other
D Frances	650,000	1,000,000	3 cents	20 cents	31 May 2007	-	See below for conditions
Total	650,000	1,000,000					

Valuation of Options granted to D Frances

Options were granted on the following conditions:

- 300,000 Options are exercisable on or before 31 May 2007;
- 350,000 Options are exercisable on or before 31 May 2007 and after the earlier of either 30 June 2006, or the definition of 140,000 oz gold or gold equivalent JORC indicated directly attributable to Mawson West (subject to the Option holder still being a Director and/or employee of the Company for the majority of 2006, or the Company being the subject of a successful takeover offer); and
- 350,000 Options are exercisable on or before 31 May 2007 and after the earlier of either 30 April 2007 or the definition of 200,000 oz gold or gold equivalent JORC indicated directly attributable to Mawson West (subject to the Option holder still being a Director and/or employee of the Company for the majority of 2007, or the Company being the subject of a successful takeover offer)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006**

7. Directors' and executives' disclosure (cont'd)

The Company has estimated the value of the Options using the Black - Scholes Model ("**BSModel**") and the valuation principles required by Australian Accounting Standard Board 2 (AASB2). In applying the BSModel to determine a value for the Options, the Company used the following assumptions:

Based on the inputs outlined above, the BS Model calculates the value of the Options to be 3 cents. Although the Options are issued subject to significant restrictions on their exercise as described above, AASB2 does not allow recognition of the reduction in the value of the Options as a consequence of these restrictions.

AASB2 states that for equity-settled transactions measured by reference to the fair value of the equity instruments granted, vesting conditions may not be taken into account when estimating the fair value of the share options. This accounting method is known as the modified grant date method.

In accordance with AASB2 and the modified grant date method the total value ascribed to the Options granted to Mr Frances is \$33,372 allocated as \$26,431 relating to the year ended 30 June 2006 and \$6,941 relating to the year ended 30 June 2007. Accounting standards require that these amounts be included in annual emoluments. Subsequent changes to current expectations of the fulfillment of the vesting conditions will require adjustments to the expense reported in future years.

During the prior year remuneration options were granted as follows:

Specified executives	Vested number	Granted number	Value per Option at grant date	Terms and conditions for each grant			
				Exercise Price	Expiry date	Amount paid	Other
R Smakman	200,000	200,000	9.24 cents	20 cents	31 May 2007	-	
R Smakman	400,000	400,000	9.24 cents	20 cents	31 May 2007	-	Exercise is subject to resource definition and meeting employment conditions
R Smakman	-	400,000	9.24 cents	20 cents	31 May 2007	-	Exercise is subject to meeting employment conditions
Total	600,000	1,000,000				-	

Valuation of Options granted to Mr Smakman

On 3 December 2004, following approval at a shareholder meeting, unlisted options were granted to Mr Robert Smakman. The terms and conditions of the options are as follows:

- 200,000 Options are immediately exercisable;
- 400,000 Options are only exercisable at the conclusion of the earlier of 31 December 2005 or the definition of 100,000 oz gold or gold equivalent JORC indicated directly attributable to Mawson West (subject to the Option holder still being a Director and/or employee of the Company for the majority of 2005, or the Company being the subject of a successful takeover offer); and
- 400,000 Options are exercisable after 31 December 2006 (subject to the Option holder still being a Director and/or employee of the Company for the majority of 2006).

The Company has estimated the value of the Options using the Black - Scholes Model ("**BSModel**") and the valuation principles required by Australian Accounting Standard Board 2 (AASB2). In applying the BSModel to determine a value for the Options, the Company used the following assumptions:

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006**

7. Directors' and executives' remuneration (cont'd)

- the Company's underlying share price is 16.5 cents (based on the Company's traded price at the time when the options were granted ;
- the exercise price is 20 cents;
- a volatility factor of 100% (based on the volatility of ASX traded stocks and the Company's underlying share price);
- a risk free interest rate of 5.78 %; and
- time to expiration is 909 days for all options,

Based on the inputs outlined above, the BS Model calculates the value of the Options to be 9.2 cents, Although the Options are issued subject to significant restrictions on their exercise as described above, AASB2 does not allow recognition of the reduction in the value of the Options as a consequence of these restrictions.

AASB2 states that for equity-settled transactions measured by reference to the fair value of the equity instruments granted, vesting conditions may not be taken into account when estimating the fair value of the share options. This accounting method is known as the modified grant date method.

In accordance with AASB2 and the modified grant date method the total value ascribed to the Options granted to Mr Smakman is \$92,400, allocated as \$48,326 relating to the year ended 30 June 2005, \$35,102 relating to the year ended 30 June 2006 and \$8,972 relating to the year ended 30 June 2007. Accounting standards require that these amounts be included in annual emoluments. Subsequent changes to current expectations of the fulfillment of the vesting conditions will require adjustments to the expense reported in future years.

Options held by directors and specified executive and related entities

	Balance at 1 July 05	Granted as remuneration	Options exercised	Options purchased	Net change	Balance at 30 June 06	Vested at 30 June 06	Vested and exercisable	Un-exercise able
Specified									
M Stowell	475,000	-	-	-	-	475,000	475,000	475,000	-
D Frances		1,000,000	-	-	1,000,000	1,000,000	650,000	650,000	350,000
J Asquith	94,933	-	-	-	-	94,933	94,933	94,933	-
R Smakman	1,175,933	-	-	-	-	1,175,933	775,933	775,933	400,000
Total Directors	1,745,866	1,000,000	-	-	1,000,000	2,745,866	1,995,866	1,995,866	750,000
Specified Executive									
S Procak	565,224	-	-	-	-	565,224	165,224	165,224	400,000

Ordinary shares held by directors and specified executive and related entities

	Balance at 1 July 05	Granted as remuneration	Shares Purchased	Shares Sold	Net change	Balance at 30 June 06
Specified						
M Stowell	3,860,000	-	240,000	-	240,000	4,100,000
D Frances	-	-	-	-	-	-
J Asquith	721,037	-	-	-	-	721,037
R Smakman	1,507,466	-	-	-	-	1,507,466
Total Directors	6,088,503	--	240,000	-	240,000	6,328,503
Specified Executive						
S Procak	100,000	-	-	-	-	100,000

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006**

8. Share based payment plans

The weighted average remaining contractual life for the share options outstanding is between 1 and 5 years (2005: 1 and 6 years)

The range of exercise prices for options outstanding at the end of the year was 20 cents – 30 cents (2005: 20 cents)

The weighted average fair value of options granted during the year was \$26,431

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

The fair value of the cash-settled options is measured at the grant date using the Black-Scholes option pricing model taking into account the terms and conditions under which the instruments were granted. The services received, and a liability to pay for those services are recognised over the expected vesting period. Until the liability is settled it is re-measured at each reporting date with changes in fair value recognised in profit or loss.

	Consolidated 2006 \$	Consolidated 2005 \$	Parent 2006 \$	Parent 2005 \$
9. Auditors remuneration				
The auditor of Mawson West Limited is Stantons International				
Amounts received or due and receivable by Stantons International for:				
An audit or review of the financial report of the entity or any other entity in the consolidated group	16,625	12,094	16,625	12,094
	<u>16,625</u>	<u>12,094</u>	<u>16,625</u>	<u>12,094</u>
10. Trade and other receivables				
Current				
Other receivables	3,412	44,602	3,412	41,584
Performance bonds	36,537	33,000	-	-
	<u>39,949</u>	<u>77,602</u>	<u>3,412</u>	<u>41,584</u>
11. Other financial assets				
Non current				
Investment – Listed shares	2,733	2,033	2,733	2,033
Investment – Controlled entities	-	-	1,189,019	1,185,000
Investment – Other	2,898,740	2,898,740	2,898,740	2,898,740
Less provision for diminution	(2,898,740)	(2,898,740)	(4,087,759)	(4,083,740)
Unsecured loans	923,537	923,537	923,537	923,537
Secured Loans	26,177	26,177	26,177	26,177
Less: Provision for diminution	(949,714)	(949,714)	(949,714)	(949,714)
Loans – Controlled entities	-	-	4,626,858	3,842,650
Provision against loan	-	-	(2,967,710)	(2,405,872)
	<u>2,733</u>	<u>2,033</u>	<u>1,661,881</u>	<u>1,438,811</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006**

	Consolidated 2006 \$	Consolidated 2005 \$	Parent 2006 \$	Parent 2005 \$
11. Other financial assets (cont'd)				
comprising:				
Investment – listed shares	2,733	2,033	2,733	2,033
Loans – controlled entities	-	-	1,659,148	1,436,778
	<u>2,733</u>	<u>2,033</u>	<u>1,661,881</u>	<u>1,438,811</u>

Other non-current financial assets comprise investments and loans arising from venture capital activities in prior years and the value of shares issued to acquire a subsidiary company. Due to the uncertainty of realisation of the amounts, a full provision has been made against the carrying values of these assets.

12. Exploration Assets

Costs brought forward	2,606,313	874,759	13,516	13,516
Expenditure during the year	799,058	2,695,262	152,161	4,019
Expenditure expensed	(792,961)	(963,708)	(146,064)	(4,019)
	<u>2,612,410</u>	<u>2,606,313</u>	<u>19,613</u>	<u>13,516</u>

Exploration expenditure expensed includes \$24,986 (2005: \$39,285) relating to a retained 10% carried interest by the vendors of certain Norseman tenements. This amount is repayable only from the proceeds of gold production from the tenements. (Refer Note 19)

The ultimate recoupment of acquisition costs carried forward is dependent on the successful development commercial exploitation or sale of the respective tenements. Some of the economic entity's exploration properties are subject to claim(s) under native title. As a result, exploration properties or areas within the tenements maybe subject to exploration and/or mining restrictions.

13. Plant and equipment

Opening balance: net of accumulated depreciation and impairment	41,158	28,846	41,158	28,846
Additions	18,870	29,517	18,870	29,517
Disposals	-	(4,059)	-	(4,059)
Depreciation charge for the year	(11,858)	(13,146)	(11,858)	(13,146)
Closing balance: net of accumulated depreciation and impairment	<u>48,170</u>	<u>41,158</u>	<u>48,170</u>	<u>41,158</u>
Balance at beginning of year				
Cost or fair value	68,309	46,910	68,309	46,910
Accumulated depreciation and impairment	(27,151)	(18,064)	(27,151)	(18,064)
Net carrying amount	<u>41,158</u>	<u>28,846</u>	<u>41,158</u>	<u>28,846</u>
Balance at end of year				
Cost or fair value	87,179	68,309	87,179	68,309
Accumulated depreciation and impairment	(39,009)	(27,151)	(39,009)	(27,151)
Net carrying amount	<u>48,170</u>	<u>41,158</u>	<u>48,170</u>	<u>41,158</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006**

	Consolidated 2006 \$	Consolidated 2005 \$	Parent 2006 \$	Parent 2005 \$
14. Trade and other payables				
Trade payables and accruals	<u>148,234</u>	<u>249,720</u>	<u>148,234</u>	<u>249,720</u>

Trade payables are non interest bearing and are normally settled on 30 day terms.

Included in trade and other payables are related party payables and accruals of \$42,782 (2005: \$5,300).

	Consolidated 2006 \$	Consolidated 2005 \$	Parent 2006 \$	Parent 2005 \$
15. Contributed Equity				
80,140,310 Fully paid ordinary shares (2005: 80,140,310)	<u>15,775,196</u>	<u>15,775,196</u>	<u>15,775,196</u>	<u>15,775,196</u>

	Consolidated No.	\$	Parent No.	\$
Movement in ordinary shares on issue				
At 1 July 2005	80,140,310	15,775,196	80,140,310	15,775,196
At 30 June 2006	<u>80,140,310</u>	<u>15,775,196</u>	<u>80,140,310</u>	<u>15,775,196</u>

Share Options

At 30 June 2006 there were the following options over unissued fully paid ordinary shares on issue:

- 9,825,000 listed options exercisable at 20 cents per option before 31 May 2007.
- 6,595,000 unlisted options exercisable at 20 cents per option before 31 May 2007.

	Consolidated 2006 \$	Consolidated 2005 \$	Parent 2006 \$	Parent 2005 \$
16. Reserves				
Revaluation of investment	700	-	700	-
Premium on issue of options	<u>253,341</u>	<u>182,937</u>	<u>253,341</u>	<u>182,937</u>
	<u>254,041</u>	<u>182,937</u>	<u>254,041</u>	<u>182,937</u>

17. Accumulated Losses

Movements in accumulated losses were as follows:

Balance 1 July 2005	(11,969,179)	(10,675,900)	(13,171,708)	(10,675,900)
Net loss for the year	<u>(1,109,540)</u>	<u>(1,293,279)</u>	<u>(879,893)</u>	<u>(2,495,808)</u>
Balance 30 June 2006	<u>(13,078,719)</u>	<u>(11,969,179)</u>	<u>(14,051,601)</u>	<u>(13,171,708)</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006**

18. Loss per share

	2006	2005
	\$	\$

Basic loss per share amounts are calculated by dividing net loss for the year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

The following reflects the income and share data used in the basic loss per share computations:

Net loss attributable to equity holders of the parent	<u>(1,109,540)</u>	<u>(1,293,279)</u>
---	--------------------	--------------------

	2006	2005
	Cents per share	Cents per share
Basic Loss per share	<u>(1.38)</u>	<u>(1.61)</u>

	2006	2005
	No. 000's	No. 000's
The weighted average number of ordinary shares on issue during the financial year used in the calculation of basic loss per share	<u>80,140</u>	<u>80,130</u>

Diluted loss per share has not been disclosed as it does not result in an inferior position.

19. Commitments and contingencies

In order to maintain current rights of tenure to exploration tenements, the company is required to perform minimum exploration work to meet the minimum expenditure commitments as specified by the State Government. These obligations are subject to renegotiations when application for a mining lease is made and at other times. The obligations will be met from normal working capital of the company. The minimum exploration tenement commitments will be reduced should the company entity enter into a joint venture on the tenements or extinguished should the tenement be abandoned because the directors decide that the project is not commercial.

The economic entity has certain minimum obligations in pursuance of the terms and conditions of mining tenement licences in the forthcoming year. Whilst these obligations are capable of being varied from time to time, in order to maintain current rights of tenure to mining tenements, the company will be required to outlay in 2006/7 amounts of approximately \$674,287. These are expected to be fulfilled in the normal course of operations.

In the joint ownership agreement in relation to the Maybell tenements, the company granted the vendors an option to reacquire the tenements for a nominal consideration in the event that the company has not commenced development of a commercial mining operation prior to 11 November 2005 (or, if the company is conducting a feasibility study at that date, not more than 120 days after completion of that feasibility study). The joint ownership agreement also requires the company to pay the vendors a royalty of \$10 per ounce for gold produced from the tenements up to a maximum of 150,000 ounces.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006**

20. Interests in jointly controlled operations

Details of the economic entity's interest in joint venture operations are as follows:

Joint Venture	Principal Activity	Ownership Interest	
		2006	2005
Kapulo	Copper	Earning 65%	-
Mt Gibson South JV	Gold Exploration	20%	20%
Paynes Find JV	Gold & base metals	100% diluting to 40%	100% diluting to 40%
BERM JV	Gold & base metals	-	Earning 80%
Kiaby Well	Gold & base metals	100% diluting to 40%	100% diluting to 40%
Maybell JV	Gold	90%	90%
Regency	Gold & base metals	20%	20%

The joint ventures are not separate legal entities. They are contractual arrangements between the participants for sharing of exploration costs and do not in themselves generate revenues or profits.

On 23 January 2006 the consolidated entity withdrew from a joint venture agreement with Boyer Exploration and Resource management as trustee for the BERM trust ("BERM").

The Company has a joint venture agreement with Prosperity Resources Ltd by which that company can earn 60% equity in the Company's Paynes Find tenement by spending a minimum of \$500,000 over three years after the tenement is granted and meeting DMPR requirements

On 1 December 2003 the Company entered into a joint venture agreement with Crusader Holdings NL by which that company can earn 60% equity in the Company's Kirby Well tenement by spending a minimum of \$300,000 over three years after the tenement is granted and meeting DMPR requirements on the tenement.

The controlled entity has entered into a joint ownership agreement in relation to the Maybell tenement by which the vendors retain a 10% interest. The vendors' share of expenses on the tenement is carried by way of a loan until production commences and the loan is then repayable from the proceeds of production. Exploration expenditure on the tenements subsequent to the joint ownership agreement has totalled \$952,946.

On 13 April 2006 the company entered into an agreement with Anvil Mining Limited enabling it to earn a 65% interest in a large contiguous tenement package that straddles the border between Zambia and the Democratic Republic of Congo (DRC) in Central Africa. The earn in will be staged over a period of 4 years with the Company able to gain 51% and control of the project by spending US\$4.0million or upon definition of JORC compliant indicated resource of 50,000t of copper whichever comes first. There is no minimum required expenditure on the project.

21. Controlled Entities

Name of entity	Country of Incorporation	Ownership Interest	
		2006	2005
Parent entity			
Mawson West Ltd	Australia		
Controlled entity			
Pangolin Resources Pty Ltd	Australia	100%	100%
Golden Mile South Pty Ltd	Australia	100%	100%

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006**

22. Segment Reporting

The economic entity operates predominantly in Western Australia in the minerals exploration industry.

Exploration activity has also commenced in the Kapulo region of the Democratic Republic of Congo and Zambia in Central Africa. Expenditure in this particular segment was \$108,493 in the year. There are no revenues, assets or liabilities within this geographical segment as at 30 June 2006.

23. Related Party Disclosures

The wholly-owned group includes the ultimate parent entity in the wholly-owned group and the wholly owned controlled entities. The ultimate parent entity in the wholly owned group is Mawson West Ltd. During the year the company met expenses of the wholly owned entities, totalling \$638,774 (2005: \$1,519,753) by way of loan account transactions. The loans are interest-free and have no fixed terms of repayment.

	Consolidated 2006 \$	Consolidated 2005 \$	Parent 2006 \$	Parent 2005 \$
24. Notes to the statement of cash flows				
(a) Cash and cash equivalents				
For the purposes of the cash flow statement, cash and cash equivalents comprise the following at 30 June				
Cash at bank and on hand	25,481	1,820	22,785	(8,672)
Cash on deposit	370,009	1,509,748	370,009	1,509,748
	<u>395,490</u>	<u>1,511,568</u>	<u>392,794</u>	<u>1,501,076</u>
	Consolidated 2006 \$	Consolidated 2005 \$	Parent 2006 \$	Parent 2005 \$
(b) Reconciliation of net loss after tax to net cash flows from operations				
Net loss	(1,109,540)	(1,293,279)	(879,893)	(2,495,808)
Adjustments for:				
Depreciation	11,858	13,147	11,858	13,147
Profit on sale of investments	-	(16,524)	-	(16,524)
Profit on sale of tenement interests	-	-	-	-
Exploration expenditure expensed	792,960	825,388	146,064	4,019
Provision against assets	-	-	416,403	2,020,803
GST on exploration expenditure	114,060	80,717	118,512	65,648
Share based payments	70,404	73,296	70,404	73,296
Changes in net assets and liabilities net of effect of acquisition and disposal of businesses:				
(Increase)/decrease in assets:				
Current receivables	37,653	16,883	38,172	19,900
Increase/(decrease) in liabilities:				
Current payables	(101,486)	(22,586)	(101,486)	(22,586)
Cash used in operating activities	<u>(184,091)</u>	<u>(322,959)</u>	<u>(179,966)</u>	<u>(338,105)</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006**

24. Notes to the statement of cash flows (cont'd)

(c) Non-cash Transactions

There were no non-cash transactions during the year.

25. Events after the balance sheet date

Since the end of the financial year the Company placed 6,389,000 shares at an issue price of 18 cents per share to raise \$1,086,769 after capital raising costs of \$63,251.

Since the end of the financial year the company has issued a total of 3,900,000 unlisted Director Options to all Directors of the company and issued 650,000 unlisted incentive Options to key employees and contractors of the company. The options are exercisable at prices ranging from 20 cents up to 30 cents and can be vested upon the earlier of 2 years or the share price of the company trading above 50 cents for 3 consecutive trading days. The options have a term of 5 years.

26. Financial Instruments

(a) Credit Risk

The Group trades only with credit worthy recognised third parties. Receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

There are no significant concentrations of credit risk within the Group.

(b) Foreign currency risk

At the present time the Group does not engage in international transactions to such an extent that a risk in this field is material.

(c) Interest Rate Risk

The following table sets out the carrying amount, by maturity, of the financial instruments exposed to interest rate risk.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006**

26. Financial Instruments (cont'd)

(c) Fair Values

Fair values of financial assets and liabilities are determined by the Group on the following basis:
Market values have been used to determine fair value of listed available-for-sale investments.

The carrying amounts of bank term deposits, other debtors and accounts payable approximate fair value.

	Average Interest Rate %	Variable Interest Rate \$	Fixed Interest Rate Maturity Less than 1 Year \$	Fixed Interest Rate Maturity 1-5 Years \$	Non Interest Bearing \$	Total \$
2006						
<u>Financial Assets</u>						
Cash and cash equivalents	5.2%	395,490	-	-	-	395,490
Trade and other receivables	2.2%	36,537	-	-	3,412	39,949
Other financial assets		-	-	-	2,733	2,733
		<u>432,027</u>	<u>-</u>	<u>-</u>	<u>6,145</u>	<u>438,172</u>
<u>Financial Liabilities</u>						
Payables			-	-	(148,234)	(148,234)
Net financial assets/(liabilities)		<u>432,027</u>	<u>-</u>	<u>-</u>	<u>(142,089)</u>	<u>289,938</u>
2005						
<u>Financial Assets</u>						
Cash and cash equivalents	5.2%	1,511,568	-	-	-	1,511,568
Trade and other receivables	2.2%	33,000	-	-	44,602	77,602
Other financial assets		1,544,568	-	-	2,033	2,033
		<u>1,546,601</u>	<u>-</u>	<u>-</u>	<u>46,635</u>	<u>1,591,203</u>
<u>Financial Liabilities</u>						
Payables		-	-	-	(249,720)	(249,720)
Net financial assets		<u>1,544,568</u>	<u>-</u>	<u>-</u>	<u>(203,085)</u>	<u>1,341,483</u>

(d) Reconciliation of net financial assets to net assets

	2006 \$	2005 \$
Net financial assets as above	289,938	1,341,483
Non-financial assets & liabilities		
- Exploration Expenditure	2,612,410	2,606,313
- Plant and equipment	48,170	41,158
Net Assets per Balance Sheet	<u>2,950,518</u>	<u>3,988,954</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006**

27. Impact of adopting AASB equivalents to IASB standards

As stated in significant accounting policies note 1(a) these are the consolidated entity's first consolidated financial statements prepared under AIFRS.

The policies set out in the significant accounting policies section of this report have been applied in preparing the financial statements for the financial year ended 30 June 2006, the comparative information presented in these financial statements for the financial year ended 30 June 2005 and in the preparation of an opening AIRFS balance sheet at 1 July 2004.

Under AASB1 the consolidated entity, in complying with A-IFRS for the first time is required to restate its comparative financial statements to amounts reflecting the application of A-IFRS to that comparative period. Most adjustments required on transition to A-IFRS will be made, retrospectively, against opening retained earnings as at 1 July 2004 (the consolidated entity's date of transition).

In preparing its opening AIFRS balance sheet, the consolidated entity had adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (previous GAAP). An explanation of how the transition from previous GAAP to AIFRS's has affected the consolidated entity's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

(a) Reconciliation of equity as presented under AGAAP to that under AIFRS

	Notes	Consolidated		Parent	
		30 June 2005 **	1 July 2004 *	30 June 2005 **	1 July 2004 *
		\$	\$	\$	\$
Total equity under AGAAP		3,988,954	2,638,210	2,786,425	2,638,210
Increase in option reserve on recognition of share based payments	(i)	88,854	15,558	88,854	15,558
Increase in accumulated losses on recognition of share based payments		(88,854)	(15,558)	(88,854)	(15,558)
Total equity under AIFRS		<u>3,988,954</u>	<u>2,638,210</u>	<u>2,786,425</u>	<u>2,638,210</u>

* this column represents the adjustments as at the date of transition to AIFRS

** this column represents the cumulative adjustments as at the date of transition to AIFRS and those for the year ended 30 June 2005.

- (i) Under AASB 2 *Share based Payments*, the company recognises 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 are not recognised under AGAAP.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006**

27. Impact of adopting AASB equivalents to IASB standards (cont'd)

(b) Reconciliation of net loss as presented under AGAAP to that under AIFRS

Year Ended 30 June 2005	Notes	Economic Entity \$	Parent Entity \$
Net loss as reported under AGAAP		(1,219,983)	(2,422,512)
Recognition of share based payments	(ii)	<u>(73,297)</u>	<u>(73,297)</u>
Net loss under AIFRS		<u>(1,293,279)</u>	<u>(2,495,808)</u>

(ii) Under AASB 2 *Share based Payments*, the company would recognise the fair value of options issued to employees as remuneration as an expense on a pro-rata basis in the income statement. Share-based payment costs are not recognised under AGAAP. This would result in an increase in the loss from AGAAP to AIFRS.

(c) Reconciliation of cash flows as presented under AGAAP to that under AIFRS

No material impacts are expected to the cash flows presented under AGAAP on adoption of AIFRS.

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Mawson West Limited I state that:

1. In the opinion of the directors
 - (a). The financial statements and notes of the company and of the consolidated entity as set out on pages 19 to 47 are in accordance with the Corporations Act 2001, including;
 - (i). giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2006 and of their performance for the year ended on that date, and
 - (ii). complying with Accounting Standards and Corporations Regulations 2001; and
 - (b). There are 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 sections 295A of the Corporations Act 2001 for the financial period ending 30 June 2006.

On behalf of the Board

David Frances
Director
Perth
29 September 2006

INDEPENDENT AUDIT REPORT

TO THE MEMBERS OF MAWSON WEST LIMITED

SCOPE

The financial report and directors' responsibility

The financial report comprises the balance sheet, income statement, statement of changes in equity and statement of cash-flows, accompanying notes to the financial statements, and the directors' declaration for Mawson West Limited (the Company) and the consolidated entity for the year ended 30 June 2006. The consolidated entity comprises both the company and the entities it controlled during the year.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the Company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

INDEPENDENCE

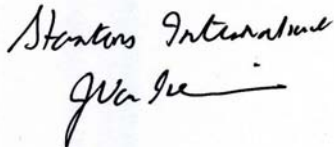
In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

AUDIT OPINION

In our opinion, the financial report of Mawson West Limited is in accordance with:

- a) the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2006 and of their 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.

STANTONS INTERNATIONAL (Authorised Audit Company)

A handwritten signature in black ink, appearing to read "J P Van Dieren", is written over a light blue rectangular background.

J P Van Dieren
Director

Perth, Western Australia
29 September 2006

29 September 2006

Board of Directors
Mawson West Limited
20 Howard Street
Perth WA 6000

Dear Directors

RE: MAWSON WEST LIMITED

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Mawson West Limited.

As Audit Director for the audit of the financial statements of Mawson West Limited for the year ended 30 June 2006, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

STANTONS INTERNATIONAL
(Authorised Audit Company)



John Van Dieren
Director

ADDITIONAL STOCK EXCHANGE INFORMATION

The additional information dated 29 September 2006 is required by the Australian Stock Exchange Limited Listing Rules and not disclosed elsewhere in this report.

Distribution of Shareholders

	Number
1 - 1,000	26
1,001 - 5,000	178
5,001 - 10,000	180
10,001 - 100,000	516
100,001 and over	128
TOTAL	1,028

There were 77 holders of less than a marketable parcel of ordinary shares.

Twenty Largest Shareholders

Shareholder	Number of Shares	Percentage
Kainui Holdings Ltd	3,919,866	4.53
Ascot Park Enterprises Pty Ltd	3,600,000	4.16
ANZ Nominees Limited	3,463,851	4.00
Race Capital Pty Limited	3,300,000	3.81
Gwynvill Trading Pty Limited	3,000,000	3.47
Tasman Technology Pty Ltd	2,490,300	2.88
Mr Paul Jacobs	2,329,315	2.69
Canonbar Investments Pty Ltd	1,603,576	1.85
Merrill Lynch (Australia) Nominees Pty Ltd	1,602,484	1.85
Station Capital Pty Limited	1,551,000	1.79
Mr Michael Fraser	1,480,180	1.71
Invia Custodian Pty Limited	1,399,999	1.62
Hillgrove Resources Limited	1,389,000	1.61
NHC Investments Pty Ltd	1,333,334	1.54
Fortis Clearing Nominees Pty Ltd	1,175,000	1.36
Desford Pty Ltd	1,100,000	1.27
Roslyndale Nominees Pty Ltd	915,104	1.06
Laudankel Pty Ltd	806,522	0.93
Mr Craig Roberts	749,025	0.87
Jayshine Pty Ltd	748,981	0.87
Total	37,957,537	43.87

Substantial Shareholders

Nil

Voting Rights

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

- (a) Ordinary Shares: On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.
- (b) Options: No voting rights.

ADDITIONAL STOCK EXCHANGE INFORMATION (contd)**Stock Exchange Listing**

Mawson West Ltd's ordinary shares are quoted on the Australian Stock Exchange Limited. The home exchange is Perth.

Distribution of Quoted Optionholders

Distribution of Holders of Listed Options:

	Number
1 - 1,000	45
1,001 - 5,000	147
5,001 - 10,000	33
10,001 - 100,000	62
100,001 and over	23
TOTAL	310

Twenty Largest Optionholders

Optionholder	Number of Options	Percentage
Tasman Technologies Pty Ltd	1,061,000	10.80
Real Socks Pty Ltd	600,000	6.11
Mr Matthew Cotton	590,707	6.01
Mr David Rodney Pascoe	500,000	5.09
Mr Michael Fraser	497,000	5.06
Ascot Park Enterprises Pty Ltd	412,500	4.20
Rylet Pty Limited	381,375	3.88
Mr Brad Howell	345,000	3.51
Merrill Lynch (Australia) Nominees Pty Ltd	304,380	3.10
Mr WC Lim & Ms NN Ha	300,000	3.05
Kainui Holdings Ltd	267,478	2.72
Gwynvill Trading Pty Limited	250,000	2.54
Custodial Services Limited	170,000	1.73
Mrs M Kyriakopoulos & Mr J Kyriakopoulos	154,698	1.57
Mr David Fisher	150,000	1.53
Mr Philip Loerch	150,000	1.53
Mr Michael Manfred	150,000	1.53
Mr Peter Murrell	133,750	1.36
Mr Peter Pinto	125,000	1.27
Mr Paul Nayda	112,442	1.14
Total	6,655,330	67.73

Schedule of Mining Tenements

Name	Ref	Ownership
Albion	M63/548	100% Reverted to PL
Albion	P63/1034	100%
Lady Mary	M63/532 & M63/558	100% Reverted to PL
Lady Mary	P63/981, P63/982 & P63/1092	100%
Waverley South	P63/1191	100%
Lady Mary South	M63/232	100%
Lady Miller	M63/231	100%
Maybell	M63/204	90%
Maybell North	M63/318	90% Reverted to PL
	P63/691	
Black Cat	M63/340	90% Reverted to PL
	P63/705	90%
Maybell Southern Extension	P63/1226 to 1227, & 1232	100%
	P63/1233 to 1247	100% Application
	P63/1254 to 1256 P63/1284 to 1286	100% Application
	P63/1310 to 1311	100% Application
Maybell West	M63/319	90% Reverted to PL
	P63/692	90%
Salmon Gums	E63/874	100%, Application
Beete	E63/931	100%
Waverley	P63/1279 & P63/1303 to P63/1308	100%
Mt Kirk	P63/1280 to 1283	100%
	P63/1300	100%, Application
Jimberlana	P63/998 to 999	100%, Application
West Scotia	E63/938 & P63/1288 to 1293	100%
Camel Print	P63/1254	100%, Application
Moondance	E38/1875	100%, Application
Paynes Find	E59/853	Application (JV Prosperity Resources Ltd)
Mt Singleton	E59/878	Application (JV Prosperity Resources Ltd)
Kiaby Well	E59/934	Application (JV Silver Swan)
Yeoh Hills	E59/903	Application (JV Prosperity Resources Ltd)
	E59/1102	JV Prosperity Resources Ltd
Mt Gibson Sth	E59/875, E59/876, E59/890	20% (JV Tantalum Australia Ltd)
Holleton	M77/1104 to 1107	Application (JV Perilya)
Lake Johnson	E63/876	20% Application (JV Regency)
Kenty (Kingsreef)	P26/3017 to P26/3021	100%
Kenty (Timbarra)	P26/3265 to P26/3267	100%
GMS (Central)	P26/3038 to P26/3040	100%
South Lakewood	P26/2926 to P26/2929	100%
Hannans East	P26/3129 to P26/3141	95% (JV Ralph Winter)
Nimbus East	P25/1760 to P25/1765	95% (JV Ralph Winter)
Nimbus East	P25/1629 & P25/1626	95% (Mineral Products Holdings Pty Ltd)
Feysville	P26/2930 to P26/2935	100%
Cazaly	P26/3220 to P26/3230	0% (Cazaly Resources 100% MWE earning 75%)
Kenty	P26/3278	100%
	M26/732	100% Application Reverting to PL
South Lakewood	P26/2973 to P26/2975	100% Application
Lakewood	P26/3254 to P26/3264	100% Application
Lakewood	M26/690 to M26/692	100% Application, Reverting to PL
Nimbus East	P26/1759	100%
Hannans East	P26/2945	100%
Feysville	P26/2976	100% Application
	P26/3279	100%