

# 9. FINANCIAL INFORMATION

## HISTORICAL STATEMENT OF FINANCIAL PERFORMANCE

	Reviewed Historical Period From 1 July 2004 to 31 March 2005 \$
Expenses from ordinary activities	(65,666)
<b>Loss from ordinary activities before income tax expense</b>	<b>(65,666)</b>
Income tax expense relating to ordinary activities	—
Loss from ordinary activities after income tax expense	(65,666)
<b>Accumulated losses at the beginning of the financial period</b>	<b>(460,560)</b>
Accumulated losses at the end of the financial period	<b>(526,226)</b>

*The statement of financial performance should be read in conjunction with the accompanying notes.*

## HISTORICAL AND PROFORMA STATEMENTS OF FINANCIAL POSITION

		Reviewed Historical at 31 March 2005	Reviewed Proforma 31 March 2005 Assumed Capital Raising	
			\$2,502,000	\$3,004,000
	Note	\$	\$	\$
<b>CURRENT ASSETS</b>				
Cash	3	136,730	2,124,220	2,626,220
Prepayments		37,374	—	—
Other receivables		15,246	15,246	15,246
<b>TOTAL CURRENT ASSETS</b>		<b>189,350</b>	<b>2,139,466</b>	<b>2,641,466</b>
<b>NON-CURRENT ASSETS</b>				
Exploration and evaluation expenditure	4	199,502	759,502	759,502
<b>TOTAL NON-CURRENT ASSETS</b>		<b>199,502</b>	<b>759,502</b>	<b>759,502</b>
<b>TOTAL ASSETS</b>		<b>388,852</b>	<b>2,898,968</b>	<b>3,400,968</b>
<b>CURRENT LIABILITIES</b>				
Payables	5	150,078	60,204	60,204
<b>TOTAL LIABILITIES</b>		<b>150,078</b>	<b>60,204</b>	<b>60,204</b>
<b>NET ASSETS</b>		<b>238,774</b>	<b>2,838,764</b>	<b>3,340,764</b>
<b>EQUITY</b>				
Contributed equity	6	765,000	4,164,240	4,934,240
Accumulated losses		(526,226)	(1,325,476)	(1,593,476)
<b>TOTAL EQUITY</b>		<b>238,774</b>	<b>2,838,764</b>	<b>3,340,764</b>

*The statement of financial position should be read in conjunction with the accompanying notes.*

## HISTORICAL STATEMENT OF CASH FLOWS

	Note	Reviewed Historical Period From 1 July 2004 to 31 March 2005 \$
<b>Cash Flows From Operating Activities</b>		
Payments to suppliers		(36,619)
<b>Net cash flows used in operating activities</b>		<u>(36,619)</u>
<b>Cash Flows From Investing Activities</b>		
Payments for exploration and evaluation expenditure		(182,067)
<b>Net cash flows used in investing activities</b>		<u>(182,067)</u>
<b>Cash Flows From Financing Activities</b>		
Proceeds from Share subscription	10	52,500
Proceeds from issue of Convertible Note		250,000
<b>Net cash flows from financing activities</b>		<u>302,500</u>
<b>Net increase in cash held</b>		83,814
Add opening cash brought forward		52,916
<b>Cash at the end of the period</b>		<u><u>136,730</u></u>

*The statement of cash flows should be read in conjunction with the accompanying notes.*

## NOTES TO THE FINANCIAL INFORMATION

### 1. Statement of Accounting Policies

The significant accounting policies adopted by Washington are stated below.

This financial information does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the entity as the full financial report.

The financial information should be read in conjunction with this Prospectus.

#### Basis of accounting

The financial information has been prepared in accordance with the measurement and recognition, but not the disclosure requirements, of applicable Accounting Standards and other mandatory professional reporting requirements in Australia, using the accrual basis of accounting, including the historical cost convention and the going concern assumption.

#### Changes in accounting policies

The accounting policies applied are consistent with the most recent annual financial report for the year ended 30 June 2004.

#### Cash and cash equivalents

Cash includes cash on hand and in banks, and money market investments readily convertible to cash within two (2) working days, net of outstanding bank overdrafts.

## **1. Statement of Accounting Policies (cont.)**

### **Exploration and evaluation expenditure**

Expenditure on acquisition, exploration and evaluation relating to an area of interest is carried forward where rights to tenure of the area of interest are current and;

- (i) it is expected that expenditure will be recouped through successful development and exploitation of the area of interest or alternatively by its sale, and/or
- (ii) exploration and evaluation activities are continuing in an area of interest but at balance date have not yet reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves.

At the end of each reporting period, the Directors assess the carrying value of the exploration expenditure carried forward in respect of each area of interest and, where uncertainty exists as to the future viability of certain areas, the value of the area of interest is written down or provided against.

### **Payables**

Liabilities for trade creditors and other amounts are carried at cost, 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 entity.

### **Interest-bearing liabilities**

All loans are measured at the principal amount. Interest, if applicable, is charged as an expense as it accrues.

### **Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured.

#### *Interest*

Control of the right to receive the interest payment.

### **Tax**

#### *Income taxes*

Tax-effect accounting is applied using the liability method whereby income tax is regarded as an expense and is calculated on the accounting profit after allowing for permanent differences. To the extent timing differences occur between the time items are recognised in the financial statements and when items are taken into account in determining taxable income, the net related taxation benefit or liability, calculated at current rates, is disclosed as a future income tax benefit or a provision for deferred income tax. Any net future income tax benefit relating to tax losses and timing differences is only recognised where it is virtually certain of being realised.

#### *Goods and Services Tax (GST)*

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

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

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, is classified as operating cash flows.

### **Contributed equity**

Contributed equity is recognised at the fair value of the consideration received by the Company.

Any transaction costs arising on the issue of Shares are recognised directly in equity as a reduction of the Share proceeds received.

Convertible notes that exhibit the characteristics of equity are recognised as equity in the Statement of Financial Position.

## 2. Assumptions Used in Preparing the Proforma Statements of Financial Position

Washington's proforma statements of financial position have been prepared as if the following transactions had taken place as at 31 March 2005.

- Shares issued subsequent to 31 March 2005:
  - the issue of 1,250,000 Shares at fair value of 13.5 cents per Share on 5 April 2005 to a promoter of the Company (see note 10) – 1 cent per Share was received in cash;
  - the issue of 3,000,000 Shares at fair value of 13.5 cents per Share on 5 April 2005 to promoters of the Company (see note 10) – 1 cent per Share was received in cash;
  - the issue of 1,500,000 Shares at fair value of 13.5 cents per Share on 5 April 2005 for the acquisition of mining tenements (see note 10) – 0.667 cents per Share was received in cash;
- the issue of 15,000,000 (Maximum Subscription) or 12,500,000 (Minimum Subscription) Shares at 20 cents per Share pursuant to this Prospectus to raise \$3,000,000 (Maximum Subscription) or \$2,500,000 (Minimum Subscription);
- the issue of 4,000,000 (Maximum Subscription) or 2,000,000 (Minimum Subscription) Shares at fair value of 13.5 cents per Share to a promoter of the Company – 0.1 cent per Share will be received in cash to raise \$4,000 (Maximum Subscription) or \$2,000 (Minimum Subscription).
- the issue of 500,000 Shares at fair value of 13.5 cents per Share for the acquisition of mining tenements;
- the payment of \$300,000 for the acquisition of mining tenements, and
- the payment and recognition directly in equity of costs incurred by the Company in relation to the capital raising, estimated to be \$214,510.

## 3. Cash

	Reviewed Historical at 31 March 2005	Reviewed Proforma 31 March 2005 Assumed Capital Raising	
		\$2,502,000	\$3,004,000
	\$	\$	\$
Cash at bank	136,730	2,124,220	2,626,220
<b>Reconciliation of adjustments to cash</b>			
Balance as at 31 March 2005	136,730	136,730	136,730
Issue of 15,000,000 Shares at 20 cents per Share pursuant to the capital raising	–	–	3,000,000
Issue of 12,500,000 Shares at 20 cents per Share pursuant to the capital raising	–	2,500,000	–
Issue of 4,000,000 Shares at 0.1 cent per Share to a promoter of the Company	–	–	4,000
Issue of 2,000,000 Shares at 0.1 cent per Share to a promoter of the Company	–	2,000	–
Payment of \$300,000 for the acquisition of mining tenements	–	(300,000)	(300,000)
Cost of the capital raising to be paid	–	(214,510)	(214,510)
<b>Proforma balance as at 31 March 2005</b>	<b>136,730</b>	<b>2,124,220</b>	<b>2,626,220</b>

#### 4. Deferred Exploration and Evaluation Expenditure

	Reviewed Historical at 31 March 2005	Reviewed Proforma 31 March 2005 Assumed Capital Raising	
		\$2,502,000	\$3,004,000
	\$	\$	\$
Deferred exploration and evaluation expenditure	199,502	759,502	759,502
<b>Reconciliation of adjustments to exploration and evaluation expenditure</b>			
Balance as at 31 March 2005	199,502	199,502	199,502
Acquisition costs post 31 March 2005	–	300,000	300,000
Issue of equity instruments as consideration for tenements	–	260,000	260,000
<b>Proforma balance at 31 March 2005</b>	<b>199,502</b>	<b>759,502</b>	<b>759,502</b>

The ultimate recoupment of costs carried forward for exploration and evaluation is dependent on the successful development and commercial exploitation or sale of the respective areas of interest.

To the extent that title in tenements has not legally transferred, the vendors will hold the tenements in trust for Washington.

#### 5. Payables

Trade creditors and accruals	150,078	60,204	60,204
<b>Reconciliation of adjustments to payables</b>			
Balance as at 31 March 2005	150,078	150,078	150,078
Issue of Shares previously subscribed (see note 10)	–	(52,500)	(52,500)
Payment of costs associated with capital raising	–	(37,374)	(37,374)
<b>Proforma balance at 31 March 2005</b>	<b>150,078</b>	<b>60,204</b>	<b>60,204</b>

## 6. Contributed Equity

	Reviewed Historical at 31 March 2005	Reviewed Proforma 31 March 2005 Assumed Capital Raising	
	Number	\$2,502,000 Number	\$3,004,000 Number
Issued and fully paid ordinary Shares	10,850,006	31,600,006	36,100,006
	\$	\$	\$
Issued and fully paid ordinary Shares	515,000	3,914,240	4,684,240
Convertible Note – equity component (a)	250,000	250,000	250,000
	765,000	4,164,240	4,934,240

	Number of Shares	\$
<b>Reconciliation of adjustments to Share capital assuming \$2,502,000 capital raising</b>		
Balance at 1 July 2004	10,850,006	515,000
Issue of Convertible Note	–	250,000
<b>Balance at 31 March 2005</b>	10,850,006	765,000
Shares issued subsequent to 31 March 2005:		
the issue of 4,250,000 Shares at fair value of 13.5 cents per Share on 5 April 2005 to promoters of the Company (see note 10) – 1 cent per Share was received in cash	4,250,000	573,750
the issue of 1,500,000 Shares at fair value of 13.5 cents per Share on 5 April 2005 for the acquisition of mining tenements (see note 10) – 0.667 cents per Share was received in cash	1,500,000	202,500
Issue of Shares at 20 cents per Share pursuant to the Prospectus	12,500,000	2,500,000
Issue of 2,000,000 Shares at fair value of 13.5 cents per Share to a promoter of the Company – 0.1 cent per Share will be received in cash to raise \$2,000	2,000,000	270,000
Issue of 500,000 Shares at fair value of 13.5 cents per Share for the acquisition of mining tenements	500,000	67,500
Cost associated with the capital raising	–	(214,510)
<b>Proforma balance at 31 March 2005</b>	31,600,006	4,164,240

## 6. Contributed Equity (cont.)

	Number of Shares	\$
<b>Reconciliation of adjustments to Share capital assuming \$3,004,000 capital raising</b>		
Balance at 1 July 2004	10,850,006	515,000
Issue of Convertible Note (conversion price and fair value is 10 cents per Share)	–	250,000
<b>Balance at 31 March 2005</b>	<b>10,850,006</b>	<b>765,000</b>
Shares issued subsequent to 31 March 2005:		
the issue of 4,250,000 Shares at fair value of 13.5 cents per Share on 5 April 2005 to promoters of the Company (see note 10) – 1 cent per Share was received in cash	4,250,000	573,750
the issue of 1,500,000 Shares at fair value of 13.5 cents per Share on 5 April 2005 for the acquisition of mining tenements (see note 10) – 0.667 cents per Share was received in cash	1,500,000	202,500
Issue of Shares at 20 cents per Share pursuant to the Prospectus	15,000,000	3,000,000
Issue of 4,000,000 Shares at fair value of 13.5 cents per Share to a promoter of the Company – 0.1 cent per Share will be received in cash to raise \$4,000	4,000,000	540,000
Issue of 500,000 Shares at fair value of 13.5 cents per Share for the acquisition of mining tenements	500,000	67,500
Cost associated with the capital raising		(214,510)
<b>Proforma balance at 31 March 2005</b>	<b>36,100,006</b>	<b>4,934,240</b>

### Acquisition accounting

The acquisition price for mine tenements and services provided by third parties directly relating to the mine tenement acquisitions was settled by the issue of 2,000,000 Washington Shares under both the Minimum and Maximum Subscriptions.

The value of the consideration paid for the purposes of fair value accounting pursuant to Urgent Issues Group Abstract 41, 'Fair Value of Equity Instruments issued as Purchase Consideration', is \$270,000 under both the Minimum and Maximum Subscriptions.

### a) Terms and conditions of the Convertible Note

On the 11 November 2004 Washington issued a Convertible Note. The Note has a face value of \$250,000 and is convertible into 2,500,000 ordinary Shares at 10 cents per Share. Conversion is at the discretion of the holder by way of notice at any point in time between 1 July 2005 and 30 June 2006. No interest is payable if the Note is converted into ordinary Shares. Alternatively, Washington may choose to repay the Note in cash by way of notice at any point in time up to 30 June 2006. If the Note is repaid in cash, interest is payable on the face value of the Note at LIBOR plus 2% per annum and is calculated from the date of issue to the date of repayment. If the conversion right has not been exercised by the holder and the Note has not been repaid by Washington by 30 June 2006, the Note automatically converts to ordinary Shares.

## 7. Options

At 31 March 2005, there were 5,425,000 (30 June 2004: 5,425,000) 30 June 2006 Options exercisable at 20 cents per Share.

## 8. Expenditure and Other Commitments

The Company has certain obligations with respect to tenements and minimum expenditure requirements on areas, as follows.

	\$
Within 1 year	184,100
1-2 years	184,100
Total	<u>368,200</u>

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

## 9. Impact of Adopting AIFRS in Relation to the Statement of Financial Position

The Company will begin reporting under AIFRS from the financial year beginning 1 July 2005. In transitioning to AIFRS, the Company will restate its statement of financial position for the year ending 30 June 2005 as if it was prepared under AIFRS and those balances will become the opening position from which the financial statements to 30 June 2006 will be prepared.

Set out below are key areas in which accounting policies will change and may have an impact on the financial report of the Company. Final interpretation of the new AIFRS standards by the standard setters and professional bodies continues.

- **Income taxes:** under AASB 12, 'Income Taxes', the Company will be required to use a balance sheet liability method, which focuses on the tax effects of transactions and other events that affect amounts recognised in either the statement of financial position or a tax-based balance sheet.
- **Exploration and evaluation expenditure:** AASB 6, 'Exploration for and Evaluation of Mineral Resources', will require the Company to apply 'area of interest' accounting to its exploration and evaluation expenditures, effectively grandfathering the treatment currently used by the Company under AASB 1022, 'Accounting for the Extractive Industries'. Under AASB 6, if facts and circumstances suggest that the carrying amount of any recognised exploration and evaluation assets may be impaired, the Company must perform impairment tests on those assets in accordance with AASB 136, 'Impairment of Assets'. Impairment of exploration and evaluation assets is to be assessed at a cash generating unit or group of cash generating units level, provided this is no larger than an area of interest. Any impairment loss is to be recognised as an expense in accordance with AASB 136.
- **Financial instruments:** under AIFRS, all financial instruments have to be initially recognised at fair value. Subsequently, certain financial instruments, including derivatives, must be re-measured at fair value. Movements in the fair value of derivatives will be taken to profit or loss.

## 10. Subsequent Events

On 5 April 2005, Washington issued 1,250,000 Shares at fair value of 13.5 cents per Share – 1 cent per Share was received on 30 March 2005. These Shares were issued to a promoter of the Company. On the same date, Washington issued a further 1,500,000 Shares at fair value of 13.5 cents per Share – 0.667 cents per Share was received on 30 March 2005. This Share issue related to the acquisition of mining tenements.

Again on 5 April 2005, Washington issued 3,000,000 Shares at fair value of 13.5 cents per Share – 1 cent per Share was received in cash on 22 March 2005. These Shares were issued to promoters of the Company.