



18 October 2007

ASX ANNOUNCEMENT

Corporate Summary

ASX Code: GWR

Issued Capital: 71 Mil

Issued Options: 41 Mil

Market Cap fully diluted

Sep 07 \$A244 Mil

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**GOLDEN WEST RESOURCES RESPONSE TO BIDDER'S
STATEMENT FROM FAIRSTAR RESOURCES LTD**

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**Golden West Resources Limited advises shareholders
TAKE NO ACTION**

Golden West Resources Limited (ASX: GWR) advises it has received a Bidder's Statement from Fairstar Resources Ltd (ASX: FAS) following the takeover offer for GWR announced by FAS on 4 September 2007.

Under the terms of the offer in the Bidder's Statement, FAS are offering five (5) shares in FAS for each GWR share. There is **NO** cash component to the offer and **NO** consideration is being offered to option holders of GWR.

The Company believes this offer materially undervalues GWR. It recommends shareholders **TAKE NO ACTION** in regards to this offer at this time

The Company believes the low premium provided in the bid – 5% above the GWR share price from the day before the bid was announced – is totally unacceptable and in itself enough to encourage shareholders to dismiss the bid.

The Company sees no synergies between Golden West and Fairstar.

The bid fails to recognise the Company's target of increasing the initial Inferred Mineral Resource at Wiluna West from 50 million tonnes at 61% Fe to 100 million tonnes at a similar grade by 31 December 2007, as advised to shareholders in April this year.

Along with the low premium, there are a number of material concerns relating to the FAS Bidder's Statement.

The Company is presently seeking legal advice to determine whether shareholders have been provided all the required information to make an informed decision regarding the offer.

A key concern is the failure by FAS to outline the potential tax consequences for GWR shareholders if they were to accept the FAS offer.

FAS has imposed a minimum acceptance condition of only 50% on the offer (which they also reserve the right to waive). Accepting shareholders will incur a capital gain (or loss) associated with the sale of their shares.

Should the offer be declared unconditional and close with FAS holding less than 80% of GWR, then GWR shareholders who accept the offer will be faced with a capital gains tax liability through not being able to claim scrip-for-scrip capital gains tax rollover relief.¹

GWR intends to thoroughly explain these concerns to shareholders in following announcements and through its Target Statement response.

The FAS Bidder's Statement cannot be posted by FAS to shareholders until 29 October 2007. GWR will issue its Target Statement in response to the Bidder's Statement as soon as possible after the posting of the Bidder's Statement to ensure shareholders are able to fully consider the FAS bid and its implications.

The Target Statements will analyse the proposal from FAS and provide a recommendation to shareholders from your Board.

As part of the Target Statement an Independent Expert's report will be completed, which will provide shareholders with an independent view of whether the proposed offer from FAS is fair and reasonable.

The Board of Golden West Resources recommends that shareholders TAKE NO ACTION with respect to the offer until they have received the Board's recommendation, had the opportunity to read the Target Statement and consider the Independent Expert's report.

GWR Directors Alan Rudd and Michael Wilson are not participating in the Company's deliberations on the FAS offer.

As previously advised Azure Capital, a leading boutique investment bank, has been retained as Financial Advisor to the Company to assist the Board in responding to the bid. PricewaterhouseCoopers, a leading international accountancy firm experienced in corporate valuations, has been retained to provide the Independent Expert's Report. Pullinger Readhead Lucas has been retained as Legal Advisors.

For further information, please contact:

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¹ If Fairstar gains acceptances for at least 80%, Golden West shareholders can elect to claim scrip for scrip rollover relief, which effectively disregards the capital gain they would make from accepting the offer. The information contained in this announcement does not constitute personal taxation advice and Golden West shareholders should seek independent tax advice in relation to their own personal circumstances.