



25 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

Contact Details

6/136 Main Street

OSBORNE PARK

Western Australia 6017

Tel: +61 8 92019202

Fax: +61 8 92019203

admin@goldenwestresources.com

www.goldenwestresources.com

Enquiries:

Gary Hutchinson

Managing Director

Mick Wilson

Exploration Manager / Director

Peter Thompson

Director General Manager, Operations

**FAIRSTAR BID FOR GOLDEN WEST RESOURCES
DEFICIENT
SHAREHOLDERS ADVISED TO CONTINUE TO
TAKE NO ACTION**

Golden West Resources Limited (ASX: GWR) advises its shareholders to continue to **take no action** in regards to the all script takeover bid from Fairstar Resources Ltd (ASX: FAS).

Legal and tax advice received by Golden West Resources on the FAS Bidder's Statement has identified the offer as deficient on several fronts and lacking in material information (see below).

Golden West Resources has informed FAS of this advice and also advised FAS that, subject to the response of FAS to the issues raised, it may refer the Bidder's Statement to the Takeovers Panel.

In the meantime, Golden West Resources will continue to prepare a Target Statement response to the FAS Bidder's Statement, at which stage the Board will make a recommendation to shareholders.

The Company reiterates the proposed merger provides no synergies between Golden West and Fairstar.

The bid also fails to recognise the Company's potential 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.

The advice to Golden West Resources on the FAS bid specifically refers to a number of substantive issues that are either not dealt with in the Bidder's Statement or there is insufficient disclosure concerning their impacts in order to allow shareholders to make a reasonable informed decision on the offer.

Specific areas of concern include:

Exercisable Options

Golden West Resources is concerned that funds representing \$28 million of the \$32 million disclosed in the pro-forma FAS balance sheet originate from the exercise of long dated options. There is no evidence that these options will be exercised with the result that there is no basis to assume these funds be available to the merged entity.

Stamp Duty

FAS have failed to advise shareholders that if they are successful in acquiring 90% or more of the issued shares of Golden West Resources, the transaction will be subject to between \$11million and \$14 million in Stamp Duty.

There are presently inadequate funds in either entity to pay these costs or in the combined entity. The issue of funding the Stamp Duty impost will be further heightened if the options referred to above are not exercised and if FAS proceeds to the compulsory acquisition of these options (as it has stated it may if it achieves 90% or greater acceptances for its bid).

Disruption to Project and Exploration Activities

Based solely on the two issues above, Golden West Resources believes the new merged entity would face a severe financial burden, due to the approximately \$20 - \$25 million of fees, taxes and other transaction costs, triggered by the merger of these two entities, and that the new merged entity may be unable to discharge its duties to progress the development of the Wiluna West Project or FAS's exploration prospects.

The raising of additional equity capital to meet this enhanced funding requirement will only further dilute the interest of Golden West Resources shareholders in the Wiluna West Project.

Inadequate Taxation Disclosures

The Bidder's Statement fails to outline the potential tax consequences for Golden West Resources shareholders if they were to accept the FAS offer.

FAS have 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 Golden West Resources, 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

The Company will continue to keep shareholders advised on any future advice it receives in regards to the Bidder's Statement.

For more information, please contact:

Michael Minosora Azure Capital (08) 6263 0888	Paul Downie Porter Novelli (08) 9386 1233 0414 947 129
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