WESTERN MANGANESE LIMITED

ABN: 63 144 079 667

ANNUAL FINANCIAL REPORT

For the year ended 30 June 2012

CONTENTS

CORPORATE DIRECTORY

DIRECTORS

Colin Locke
Christopher Clower
Paulus Irawan
Kent Hunter

SECRETARY

David Palumbo

REGISTERED OFFICE

Level 1, Atlas Building
8 The Esplanade
PERTH WA 6000

Ph: +61 89421 7777
Fax: +61 89325 1411
Mob: +61 411 864256

INDONESIAN OFFICE

17 F Tower 2
Indonesian Stock Exchange Building
Jl. Jend. Sudirman Kav. 52 - 53
JAKARTA 12190

Tel: +62 21 5291 7491
Fax: +62 21 515 7799
Mob: +62 81380 548303

AUDITORS

Bentleys
Level 1
12 Kings Park Rd
West Perth WA 6005

CORPORATE GOVERNANCE

The Company is committed to implementing the highest standards of corporate governance. In determining what those high standards should involve the Company has turned to the ASX Corporate Governance Council's *Principles of Good Corporate Governance and Recommendations*.

The Company is pleased to advise that the Company's practices are largely consistent with those ASX guidelines. As consistency with the guidelines has been a gradual process, where the Company did not have certain policies or committees recommended by the ASX Corporate Governance Council (the Council) in place during the reporting period, we have identified such policies or committees.

Where the Company's corporate governance practices do not correlate with the practices recommended by the Council, the Company is working towards compliance however it does not consider that all the practices are appropriate for the Company due to the size and scale of Company operations.

To illustrate where the Company has addressed each of the Council's recommendations, the following table cross-references each recommendation with sections of this report. The table does not provide the full text of each recommendation but rather the topic covered. Details of all of the recommendations can be found on the ASX Corporate Governance Council's website at asx.com.au/about/corporate governance/index.htm.

Recommendation	Section
Recommendation 1.1 Functions of the Board and Management	1.1
Recommendation 1.2 Performance Evaluation of Senior Executives	1.4.10
Recommendation 1.3 Reporting on Principle 1	1.1 and 1.4.10
Recommendation 2.1 Independent Directors	1.2.1
Recommendation 2.2 Independent Chairman	1.2.1
Recommendation 2.3 Role of the Chairman and CEO	1.2.2
Recommendation 2.4 Establishment of Nomination Committee	2.3
Recommendation 2.5 Performance Evaluation Processes	1.4.10
Recommendation 2.6 Reporting on Principle 2	1.2.1, 1.4.10, 2.3 and the Directors' Report
Recommendation 3.1 Code of Conduct	5
Recommendation 3.2 Diversity Policy	4
Recommendation 3.3 Diversity Objectives	4
Recommendation 3.4 Diversity Reporting	4
Recommendation 3.5 Reporting on Principle 3	4 and 5
Recommendation 4.1 Establishment of Audit Committee	2.1
Recommendation 4.2 Structure of Audit Committee	2.1.1
Recommendation 4.3 Audit Committee Charter	2.1
Recommendation 4.4 Reporting on Principle 4	2.1

Recommendation 5.1 Policy for Compliance with Continuous Disclosure	1.4.4
Recommendation 5.2 Reporting on Principle 5	1.4.4
Recommendation 6.1 Communications Strategy	1.4.8
Recommendation 6.2 Reporting on Principle 6	1.4.8
Recommendation 7.1 Policies on Risk Oversight and Management	3.1
Recommendation 7.2 Risk Management Reporting	3.1
Recommendation 7.3 Attestations by CEO and CFO	1.4.11
Recommendation 7.4 Reporting on Principle 7	2.1.3 , 1.4.11
Recommendation 8.1 Establishment of Remuneration Committee	2.2
Recommendation 8.2 Structure of Remuneration Committee	2.2
Recommendation 8.3 Executive and Non-Executive Director Remuneration	2.2.4
Recommendation 8.4 Reporting on Principle 8	2.2 and 2.2.4

1. Board of Directors

1.1 Role of the Board

The Board's role is to govern the Company rather than to manage it. In governing the Company, the Directors must act in the best interests of the Company as a whole. It is the role of senior management to manage the Company in accordance with the direction and delegations of the Board and the responsibility of the Board to oversee the activities of management in carrying out these delegated duties.

In carrying out its governance role, the main task of the Board is to drive the performance of the Company. The Board must also ensure that the Company complies with all of its contractual, statutory and any other legal obligations, including the requirements of any regulatory body. The Board has the final responsibility for the successful operations of the Company.

To assist the Board carry out its functions, it has developed a Code of Conduct to guide the Directors, the Chairman and other key executives in the performance of their roles.

1.2.1 Composition of the Board

To add value to the Company the Board has been formed so that it has effective composition, size and commitment to adequately discharge its responsibilities and duties given its current size and scale of operations. The names of the Directors and their qualifications and experience are stated in the Directors' Report along with the term of office held by each of the Directors. Directors are appointed based on the specific skills required by the Company and on their decision-making and judgment skills.

The Company recognises the importance of Non-Executive Directors and the external perspective and advice that Non-Executive Directors can offer. Mr Kent Hunter and Mr Paulus Irawan are Non-Executive Directors and independent directors as they meet the following criteria for independence adopted by the Company. The Board recognises that the following criteria is not exhaustive in determining the independence of directors.

An Independent Director is a Non-Executive Director and:

- is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- has not been employed in an executive capacity by the Company or another Company member since incorporation;
- within the last three years has not been a principal of a material professional adviser or a material consultant to the Company or another Company member, or an employee materially associated with the service provided;
- is not a material supplier or customer of the Company or another Company 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 other Company member other than as a Director of the Company.
- their role is to advise the Company on matters pertaining to their expertise and provide governance in the best interests of the Company. Independent Directors do not participate in day to day operations or management of the Company and its affairs.
- are remunerated based on a set scale relating to the risks undertaken within their roles as Non-Executive Directors. Additional work engagements may be undertaken by independent Directors at commercial rates, however the Company and the Independent Directors must ensure that materiality thresholds are not breached.

Mr Colin Locke and Mr Christopher Clower are Executive Directors of the Company and do not meet the Company's criteria for independence. However, their experience and knowledge of the Company makes their contribution to the Board such that it is appropriate for them to remain on the Board.

1.2.2 Role of the Chairman and CEO

Recommendation 2.3 has been complied with as the Company currently does not have a CEO in place and appointed management is separate from the Chairman's position.

1.3 Responsibilities of the Board

In general, the Board is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the Company. It is required to do all things that may be necessary to be done in order to carry out the objectives of the Company.

Without intending to limit this general role of the Board, the principal functions and responsibilities of the Board include the following:

- Leadership of the Organisation: overseeing the Company and establishing codes that reflect the values of the Company and guide the conduct of the Board.
- Strategy Formulation: to set and review the overall strategy and goals for the Company and ensuring that there are policies in place to govern the operation of the Company.
- Overseeing Planning Activities: the development of the Company's strategic plan.
- Shareholder Liaison: ensuring effective communications with shareholders through an appropriate communications policy and promoting participation at general meetings of the Company.

- Monitoring, Compliance and Risk Management: the development of the Company's risk management, compliance, control and accountability systems and monitoring and directing the financial and operational performance of the Company.
- Company Finances: approving expenses and approving and monitoring acquisitions, divestitures and financial and other reporting.
- Ensuring the Health, Safety and Well-Being of Employees: in conjunction with the senior management team, developing, overseeing and reviewing the effectiveness of the Company's occupational health and safety systems to ensure the well-being of all employees.
- Delegation of Authority: delegating appropriate powers to the CEO to ensure the effective day-to-day management of the Company and establishing and determining the powers and functions of the Committees of the Board.

Full details of the Board's role and responsibilities are contained in the Board Charter, a copy of which is available for inspection at the Company's registered office.

1.4 Board Policies

1.4.1 Conflicts of Interest

Directors must:

- disclose to the Board actual or potential conflicts of interest that may or might reasonably be thought to exist between the interests of the Director and the interests of any other parties in carrying out the activities of the Company; and
- if requested by the Board, within seven days or such further period as may be permitted, take such necessary and reasonable steps to remove any conflict of interest.

If a Director cannot or is unwilling to remove a conflict of interest then the Director must, as per the *Corporations Act*, absent himself or herself from the room when discussion and/or voting occurs on matters about which the conflict relates.

1.4.2 Commitments

Each member of the Board is committed to spending sufficient time to enable them to carry out their duties as a Director of the Company.

1.4.3 Confidentiality

In accordance with legal requirements and agreed ethical standards, Directors and key executives of the Company have agreed to keep confidential, information received in the course of the exercise of their duties and will not disclose non-public information except where disclosure is authorised or legally mandated.

1.4.4 Continuous Disclosure

The Board has adopted a continuous disclosure policy to ensure that the Company complies with the disclosure requirements of the ASX Listing Rules which is available on the Company's website. The Board has designated the Company Secretary as the person responsible for overseeing and coordinating disclosure of information to the ASX as well as communicating with the ASX. In accordance with the *ASX Listing Rules* the Company immediately notifies the ASX of information:

- concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities; and
- that would, or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose of the Company's securities.

1.4.5 Education and Induction

It is the policy of the Company that new Directors undergo an induction process in which they are given a full briefing on the Company. Where possible this includes meetings with key executives, tours of the premises, an induction package and presentations. Information conveyed to new Directors include:

- details of the roles and responsibilities of a Director;
- formal policies on Director appointment as well as conduct and contribution expectations;
- access to a copy of the Board Charter;
- guidelines on how the Board processes function;
- details of past, recent and likely future developments relating to the Board;
- background information on and contact information for key people in the organisation;
- an analysis of the Company;
- a synopsis of the current strategic direction of the Company; and
- a copy of the Constitution of the Company.

In order to achieve continuing improvement in Board performance, all Directors are encouraged to undergo continual professional development. Specifically, Directors are provided with the resources and training to address skills gaps where they are identified.

1.4.6 Independent Professional Advice

The Board collectively and each Director has the right to seek independent professional advice at the Company's expense, up to specified limits, to assist them to carry out their responsibilities.

1.4.7 Related Party Transactions

Related party transactions include any financial transaction between a Director and the Company. Unless there is an exemption under the *Corporations Act* from the requirement to obtain shareholder approval for the related party transaction, the Board cannot approve the transaction.

1.4.8 Shareholder Communication

The Company respects the rights of its shareholders and to facilitate the effective exercise of those rights the Company is committed to:

- communicating effectively with shareholders through releases to the market via ASX, information mailed to shareholders, the Company website and the general meetings of the Company;
- giving shareholders ready access to balanced and understandable information about the Company and corporate proposals;
- making it easy for shareholders to participate in general meetings of the Company; and
- requesting 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.

The Company also makes available a telephone number and email address for shareholders to make enquiries of the Company and encourages shareholders to visit the Company's website for information. The Company's policy for shareholder communication is available on the Company's website.

1.4.9 Trading in Company Shares

On 10 February 2011 the Board adopted a Share Trading Policy. The Board periodically reminds directors, officers and employees of the prohibition in the Corporations Act 2001, and any other prohibited trading periods stated in the Share Trading Policy, concerning trading in the Company's securities when in possession of "inside information". The Board also periodically reminds directors of their obligations under to notify the Company Secretary of any trade in securities to ensure that ASX Listing Rule requirements are met. The Company's policy for trading in Company securities is available on the Company's website.

1.4.10 Performance Review/Evaluation

It is the policy of the Board to conduct regular evaluation of its performance against appropriate measures. The evaluation process was introduced via the Board Charter adopted on 12 November 2010 and was implemented for the financial year ended 30 June 2012. A performance evaluation of senior executives will be undertaken during the financial period ended 30 June 2013 in accordance with the Board Charter. The objective of this evaluation is to provide ongoing best practice corporate governance to the Company.

1.4.11 Attestations by CEO and CFO

It is the Board's policy, that the CEO and the CFO make the attestations recommended by the ASX Corporate Governance Council as to the Company's financial condition prior to the Board signing the Annual Report. However, as at the date of this report the Company does not have a designated CEO or CFO. Due to the size and scale of operations of the Company these roles are performed by the Board as a whole.

2. Board Committees

2.1 Audit Committee

Due to the size and scale of operations of the Company the full Board undertakes the role of the Audit Committee. In the absence of a formal audit committee the board considers the issues that would otherwise would be considered by the audit committee. A copy of the Audit Committee Charter is available on the Company's website.

Below is a summary of the role and responsibilities of an Audit Committee.

2.1.1 Role

The Audit Committee is responsible for reviewing the integrity of the Company's financial reporting and overseeing the independence of the external auditors.

As the whole Board only consists of four (4) members, the Company does not have an audit committee because it would not be a more efficient mechanism than the full Board for focusing the Company on specific issues and an audit committee cannot be justified based on a cost-benefit analysis. In the absence of an audit committee, the Board sets aside time to deal with issues and responsibilities usually delegated to the audit committee to ensure the integrity of the financial statements of the Company and the independence of the external auditor.

2.1.2 Audit Committee Charter

The Board has adopted an Audit Committee Charter which sets of the roles and responsibilities, composition, structure and membership requirements. The Board refers to the Audit Committee Charter to ensure they are meeting all the requirements otherwise delegated to an audit committee. A copy of the Audit Committee Charter is available on the Company's website.

2.1.3 Responsibilities

The Audit Committee or as at the date of this report the full Board of the Company reviews the audited annual and half-yearly financial statements and any reports which a Company published financial statements and recommends their approval to the members.

The Audit Committee or as at the date of this report the full Board of the Company each year reviews the appointment of the external auditor, their independence, the audit fee, and any questions of resignation or dismissal. The Audit Committee or as at the date of this report the full Board of the Company is also responsible for establishing policies on risk oversight and management.

2.1.4 Risk Management Policies

The Board's Charter clearly establishes that it is responsible for ensuring there is a good sound system for overseeing and managing risk. Due to the size and scale of operations, risk management issues are considered by the Board as a whole. On completion of the 30 June annual audit Mr C Locke (Executive Director) and Mr K Hunter (Non Executive Director) will provide the Board with written assurance that the financial statements are founded on a sound system of risk management and internal compliance. Their statement assured the Board that the risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

2.1.5 External Auditor

The Board's has adopted a policy setting out criteria for the selection and appointment of an external auditor. A copy of this policy is available on the Company's website.

2.2 Remuneration Committee

2.2.1 Role

The role of a Remuneration Committee is to assist the Board in fulfilling its responsibilities in respect of establishing appropriate remuneration levels and incentive policies for employees. As the whole Board only consists of four (4) members, the Company does not have a remuneration committee because it would not be a more efficient mechanism than the full Board for focusing the Company on specific issues.

2.2.2 Responsibilities

The responsibilities of a Remuneration Committee, or the full Board include setting policies for senior officers' remuneration, setting the terms and conditions of employment for the executive officers, reviewing and making recommendations to the Board on the Company's incentive schemes and superannuation arrangements, reviewing the remuneration of both Executive and Non-Executive Directors, recommendations for remuneration by gender and making recommendations on any proposed changes and undertaking reviews of the Chief Executive Officer's performance, including, setting with the Chief Executive Officer goals and reviewing progress in achieving those goals.

2.2.3 Remuneration Policy

Current directors' Remuneration was approved the Board of Directors through the execution of director employment contracts.

2.2.3.1 Senior Executive Remuneration Policy

The Company is committed to remunerating its senior executives in a manner that is market-competitive and consistent with best practice as well as supporting the interests of shareholders. Consequently, under the Senior Executive Remuneration Policy the remuneration of senior executive may be comprised of the following:

- fixed salary that is determined from a review of the market and reflects core performance requirements and expectations;
- long term incentives in the form of shares or options in the Company;
- participation in any share/option scheme with thresholds approved by shareholders;
- statutory superannuation.

By remunerating senior executives through performance and long-term incentive plans in addition to their fixed remuneration the Company aims to align the interests of senior executives with those of shareholders and increase Company performance. During the year the Non Executives of the Company were Mr Kent Hunter, Mr Marlon Ticoalu and Mr Paulus Irawan.

Where shares and options are granted to senior executives the value would be calculated using the Black and Scholes method.

The objective behind using this remuneration structure is to drive improved Company performance and thereby increase shareholder value as well as aligning the interests of executives and shareholders.

The Board may use its discretion with respect to the payment of bonuses, stock options and other incentive payments.

2.2.3.2 Non-Executive Director Remuneration Policy

Non-Executive Directors are to be paid their fees out of the maximum aggregate amount approved by shareholders for the remuneration of Non-Executive Directors.

Non-Executive Directors are entitled to but not necessarily paid statutory superannuation.

2.2.4 Current Director Remuneration

Full details regarding the remuneration of Directors, is included in the Directors' Report.

2.3 Nomination Committee

2.3.1 Role

The role of a Nomination Committee is to help achieve a structured Board that adds value to the Company by ensuring an appropriate mix of skills are present in Directors on the Board at all times.

As the whole Board only consists of four (4) members, the Company does not have a nomination committee because it would not be a more efficient mechanism than the full Board for focusing the Company on specific issues.

2.3.2 Responsibilities

The responsibilities of a Nomination Committee, as performed by the full Board, include devising criteria for Board membership, regularly reviewing the need for various skills and experience on the Board and identifying specific individuals for nomination as Directors for review by the Board. The Nomination Committee also oversees management succession plans including the CEO and his/her direct reports and evaluate the Board's performance and make recommendations for the appointment and removal of Directors. Currently the Board as a whole performs this role.

2.3.3 Criteria for selection of Directors

Directors are appointed based on the specific governance skills required by the Company. Given the size of the Company and the business that it operates, the Company aims at all times to have at least one Director with experience appropriate to the Company's target market. In addition, Directors should have the relevant blend of personal experience in accounting and financial management and Director-level business experience.

3. Risk Management

3.1 Risk Management Policies

The Company's risk management strategy policy states that the Board as a whole is responsible for the oversight of the Company's risk management and control framework. The objectives of the Company's risk management strategy are to:

- identify risks to the Company,
- balance risk to reward,
- ensure regulatory compliance is achieved; and
- ensure senior management, the Board and investors understand the risk profile of the Company.

The Board monitors risk through various arrangements including:

- regular board meetings;
- share price monitoring;
- market monitoring; and
- regular review of financial position and operations.

The Board requires that each major transaction proposed to the Board for decision is accompanied by a risk assessment. The Company's risk management strategy was formally reviewed by the Board on 12 November 2010 and was considered the Company's risk management strategy sound for addressing and managing risk. A copy of the strategy is available on the Company's website.

4. Diversity

The Company recognises and respects the value of diversity at all levels of the organisation.

The Company is committed to setting measurable objectives for attracting and engaging women at the Board level, in senior management and across the whole organisation.

As at the date of this report, the Company has the Company has the following proportion of women appointed:

- to the Board – nil
- to senior management – nil
- to the organisation as a whole – 17%

The Company's objective is to promote a culture which embraces diversity through ongoing education, succession planning, director and employee selection and recognising skills are not gender specific.

The Board continues to monitor diversity across the organisation and is satisfied with the current level of gender diversity within the Company as disclosed above. Due to the size of the company and its small number of employees, the Board does not consider it appropriate at this time, to formally set measurable objectives for gender diversity.

5. Company Code of Conduct

The Board adheres to and is responsible for enforcing the Code of Conduct set out in this Corporate Governance Statement.

The Company is committed to:

- applying the Company's funds efficiently to provide above average and sustainable return to shareholders through capital appreciation; and
- adopting high standards of occupational health and safety, environmental management and ethics.

The Board through the Managing Director monitors the Company's compliance with the Code of Conduct periodically. The Code of Conduct will be reviewed by the Board to ensure it reflects the standards of behaviour and practices necessary to maintain confidence in the Company's integrity.

The Code of Conduct applies to all the directors and employees of the Company who must comply with all legal obligations and the Company policies.

The Board and the executives are obligated to avoid situations of real or apparent conflict of interest between them as individuals and as Directors or employees of the Company. If a situation where a conflict of interest arises the Managing Director is to be notified; the matter will then be considered and the appropriate steps taken to avoid a repetition. Any breach of Corporate Governance is to be reported directly to the Managing Director.

Corporate Responsibility

The Company complies with all legislative and common law requirements that affect its business, particularly environmental regulations, native title and cultural heritage laws. A copy of the Company's Code of Conduct is available on the Company's website.

DIRECTORS' REPORT

Your Directors present their report on the Company for the financial year ended 30 June 2012.

Directors

The names of the Directors of the Company in office during the financial year and up to the date of this report are:

- Christopher Clower (Appointed Non-Executive Director 25 October 2011, Executive Chairman from 22 December 2011)
- Colin Locke (Executive Chairman to 22 December 2011, Executive Director thereafter)
- Kent Hunter (Non-Executive Director)
- Paulus Irawan (Non-Executive Director, appointed 22 December 2011)
- Allen Lyons (Non-Executive Director, resigned 20 March 2012)
- Marlon Ticoalu (Non-Executive Director, resigned 24 October 2011)

Unless noted above, all directors have been in office since the start of the financial year to the date of this report.

Company Secretary

The following persons held the position of company secretary during the financial period:

- David Palumbo

Details of the company secretaries' experience are set out below under 'Information on Directors'

Principal Activities

The principal activity of the Company during the year was the acquisition and exploration and evaluation of manganese projects within Indonesia.

Operating Results

Loss after income tax for the financial year was $3,444,080 (2011: $254,785).

Financial Position

The net assets of the Company at 30 June 2012 are $9,350,070 (2011: $2,769,173).

The Company's working capital, being current assets less current liabilities is $1,720,070 at 30 June 2012 (2011: $2,486,030).

Dividends Paid or Recommended

No dividends were paid during the period and no recommendation is made as to dividends.

Significant Changes in State of Affairs

The following significant changes in the state of affairs occurred during the year:

- In total, 1,397,711 ordinary shares were issued during the year on exercise of $0.20 options;
- On 23 March 2012, WMN entered into an alliance with Borneo Brothers Limited by issuing 5,000,000 ordinary shares and 10,000,000 $0.20 options for the option to acquire 51% interest of issued capital in PT Genesis who holds a manganese production license in Central Sulawesi, Indonesia.
- On 23 March 2012, 2,000,000 ordinary shares and 4,000,000 $0.20 options were issued to consultants for assisting the Company in facilitating and negotiating the terms of the option acquisition with Borneo Brothers Limited.
- On 23 March 2012, 500,000 options exercisable at $0.30 on or before 4 March 2013 and 500,000 options exercisable at $0.40 on or before 4 March 2014 were issued to executive chairman, Christopher Clower.

Review of Operations

Nusalontar License

During the year, surface sampling was conducted over a number of manganese tenements in West Timor, Indonesia. A total of 31 samples were taken from the Company's Nusalontar tenement. The results of the surface sampling were announced on 20 September 2011.

The Board also continued extensive community awareness and socialization programs to help foster good relations with the local community with a donation made to Gerakan Nasional Orang Tua Asuh (www.gn-ota.or.id) to help support the educational needs of the Timor Tengah Utara Regency's children. Nusalontar is situated within the Timor Tengah Utara Regency.

Kasih Mulia License

No further exploration activities were conducted during the year.

Genesis Project – WMN holds option to acquire 51%

On 21 October 2011, Western Manganese Limited ("WMN") announced that it had signed a Heads of Agreement ("HOA") with Borneo Brothers Limited ("BBL") to build an alliance by having an option to purchase 51% of PT Genesis, a company holding a manganese production license in Central Sulawesi.

On 21 November 2011, WMN executed an Option Sale and Purchase Agreement and Investment Agreement with BBL which legally binds the transaction pursuant to the HOA.

The issuing of 5,000,000 ordinary shares and 10,000,000 $0.20 options to Borneo Brothers Limited to have the option to purchase 51% interest of the issued capital of PT Genesis was approved by shareholders on 23 March 2012.

Since 23 March 2012, the Company has continued its community relations campaign in Central Sulawesi where the Genesis Tenement is located. Discussions with local government representatives and the Department of forestry continued with WMN representatives. It appears that WMN has the support of the local communities should extraction commence.

Subsequent to the June 2012 quarter, the Company announced it had received confirmation of "Clean and Clear" status of its Genesis tenement from the Ministry of Energy and Mineral Resources of the Republic of Indonesia (MEMR).

The designation of "Clean and Clear", as defined under Law 4, year 2009, and PP no. 23, year 2010, provides assurance to WMN that the validity of the Company's Genesis tenement and production license has been scrutinized by MEMR, who have determined that the tenement and its respective license do not overlap with any other tenements or licenses.

The Genesis Project has attracted interest from other parties as it is an IUP production license listed as "Clean and Clear". There are only a limited number of manganese licenses in Indonesia listed as "Clean and Clear" by the MEMR. WMN is currently evaluating its plans regarding the Genesis Tenement.

Project Generation-Manganese

During the year, the Company focused on its commitment of securing additional tenements of strategic importance for the purposes of expanding the land area held by conducting a number of multi provincial exploration expeditions throughout the Indonesian Archipelago.

The company is currently reanalysing all previous manganese opportunities, with discussions ongoing with the tenement owners regarding potential acquisition. Management feels that the current uncertainty in commodity prices and proposed amendments to Indonesian mining laws regarding mineral exports are creating opportunities to acquire quality assets under reasonable terms.

In addition to tenements previously studied, the team has become particularly interested in an artisanal mining area covering approximately 20,000 ha in West Timor. Although the area is not yet licensed as an exploration area, the local land owners have approached the Company to jointly apply for an exploration license. This joint cooperation between local communities and the company is a result of WMN's extensive Community Awareness and Socialization Programs. The company is currently evaluating the best course of action to apply for the tenements.

Project Generation-Coal

One of the objectives of Western Manganese Limited, as outlined in its December 2010 IPO Prospectus, is to also acquire interests or part thereof in non-manganese projects. During the June 2012 quarter, the Company began actively looking at project acquisition opportunities in coal.

WMN management has identified that Indonesia's thermal coal industry, the largest sector in the Indonesian Mining Industry has changed significantly. The combination of lower coal prices and less consumption by China and India, and uncertainty regarding newly announced amendments to the Indonesian Mining Laws and regulations as well as proposed taxes has created confusion and eroded confidence amongst some of the tenement holders. WMN's management team, especially those that have joined the Company since the Board reshuffle, have extensive experience in the Indonesian Coal Industry. Management has concluded that the current market conditions described above have fostered a highly advantageous scenario for acquiring tenements. The current situation has created a "buyer's market" which the Company feels it is well positioned to take advantage of.

During the June 2012 quarter, WMN was offered not less than 28 coal tenements for review. Of these 28 coal tenements, the Company has chosen to further review 11 tenements. These 11 opportunities range from greenfields tenements to currently producing mines with further exploration potential.

Board Reshuffle

During the half year, WMN reshuffled its Board of Directors and added a highly experienced management, operation, technical and production team with proven experience and success in the natural resources sector in Indonesia.

Christopher Clower joined the Board as a non-executive director on 25 October 2011 and was subsequently as Executive Chairman on 22 December 2011. Mr. Clower adds strength to the WMN board through his significant experience and track record of success in the Indonesian mineral, energy, corporate finance and investment banking sectors.

The Company also appointed Paulus Irawan to the Board as Non-Executive Director. Mr. Irawan adds strength to the Board with his decades of experience in the Mining, Natural Resources, Maritime/Logistics and Banking Industries in Indonesia and Australia. He brings extensive resource sector experience and financial acumen to the Board of WMN.

Information on Directors

Christopher Clower

Executive Chairman (Appointed 22 December 2011, previously Non-Executive director)

Background

Mr. Clower has 17 years of investment banking experience, 7 of which were spent specialising in natural resources in Indonesia.

Mr. Clower was previously Head of South East Asia Corporate Finance at Merrill Lynch Investment Banking Division. At Merrill Lynch, Mr. Clower raised in excess of US$2 billion for Indonesian natural resources clients between 2005 and 2009. Prior to his role at Merrill Lynch, Mr. Clower held executive positions with Deutsche Bank and Bankers Trust Investment Banking, Corporate Finance Divisions.

Mr. Clower holds an MBA (Honors) from University of Chicago and a BS in Nuclear Engineering from Northwestern University.

Interest in shares and options

Ordinary shares	-
Options exercisable at $0.30 before 4 March 2013	500,000
Options exercisable at $0.40 before 4 March 2014	500,000

Directorships held in other listed entities

None

Colin Locke

Executive Director (Appointed 22 December 2011, previously Executive Chairman)

Background

After leaving school, Colin spent 10 years in the mining industry processing base and precious metals. During this time, he traded resource stocks and international futures contracts. In 1993, Colin joined an Australian commodity and futures broking firm as an investment advisor and became a Director in 1994.

In 1998 Colin co-founded CK Locke and Partners Pty Ltd (formally Australian Futures & Options Brokers), AFSL 222440. Colin held the position of Managing Director from 1999 until 2010. In 2007 Colin held the role of Corporate Advisor during the acquisition process for the Mayoko iron ore project in the Republic of Congo (now taken over by Cape Lambert Ltd). Accordingly, Colin brings to the board 26 years of mining and financial experience. Since 2008, Colin has concentrated on the exploration and acquisition of Indonesian mining and exploration projects in Kalimantan, Sumatera, West Timor, Java, Halmahera and Papua.

Interest in shares and options

Ordinary shares	4,558,354
Options exercisable at $0.30 before 4 March 2013	2,631,579
Options exercisable at $0.40 before 4 March 2014	2,631,579
Options exercisable at $0.20 before 30 June 2013	687,510

Directorships held in other listed entities

None

Paulus Irawan
Non-Executive Director (Appointed 22 December 2011)

Background
Mr. Irawan is currently a partner at Trust Capital, a Jakarta based boutique financial services firm focusing on mining and oil and gas in Indonesia. Previously he was a Director at a holding company of PT Citra Tubindo Tbk, an Indonesia Stock Exchange's listed manufacturer of oilfield tubular goods with market capitalization of over US$300 million, and a Director of a holding company of PT Arpeni Pratama Ocean Line Tbk, an Indonesia Stock Exchange's listed bulk carrier, with approximately US$700 million in assets, including Indonesia's largest privately owned shipyard.

Previously, Mr. Irawan held various executive positions in the banking industry where he focused on commodity finance, debt restructuring and leverage finance for Indonesian corporate clients in the resources sector at ING Baring Bank in Indonesia, NM Rothschild & Sons, Australia and HSBC, Australia.

Mr. Irawan holds an MBA from Radford University, Virginia and a B. Sc. in Industrial Engineering from Northwestern State University, Louisiana. Mr. Irawan is an Indonesian Citizen and holds Permanent Residency in Australia.

Interest in shares and options

Ordinary shares	-
Options exercisable at $0.30 before 4 March 2013	-
Options exercisable at $0.40 before 4 March 2014	-

Directorships held in other listed entities
None

Kent Hunter
Non-Executive Director

Background
Kent is a Chartered Accountant with over 16 years' corporate and company secretarial experience. He has been involved in the listing of over 20 exploration companies on ASX in the past 8 years. He has experience in capital raisings, ASX compliance and regulatory requirements.

Interest in shares and options

Ordinary shares	521,687
Options exercisable at $0.30 before 4 March 2013	526,316
Options exercisable at $0.40 before 4 March 2014	526,316
Options exercisable at $0.20 before 30 June 2013	105,000

Directorships held in other listed entities
Cazaly Resources Limited
Carbon Conscious Limited
Stratum Metals Limited

Allen Lyons
Non-Executive Director (Resigned 20 March 2012)

Background
Allen has over 20 years' experience in mining and exploration geology, previously holding senior management positions in multinational companies. For the last 12 years, Allen has worked as an independent consultant throughout Africa and Indonesia.

From 1998 to 2008 he worked in Africa on projects in Tanzania, Uganda, Mali, Mozambique and South Africa. Companies he worked for during this period include AngloGold, Avgold, Impala Platinum, Lonmin Platinum, Barrick Gold, Placer Dome, Falconbridge and a number of AIM listed companies.

In 2008 he joined Ravensgate, a Perth base geological consulting company, as their Exploration Manager for Asia. While with Ravensgate he has worked mostly for ASX-listed companies in Indonesia, Malaysia and Azerbaijan. Prior to joining Ravensgate he was Country Manager for Pangea Exploration in Central African Republic, where he was responsible for overseeing the company's gold and diamond projects.

His experience covers a wide range of commodities. Allen has worked on hydrothermal gold (South Africa, Zimbabwe, Tanzania, Uganda, Central African Republic and Mali), carbonate hosted gold, Witwatersrand gold, alluvial gold, volcanogenic massive sulphides, Mississippi-Valley type sulphide deposits, replacement tin, nickel sulphides, nickel laterites, manganese, heavy mineral sands, skarns, coal, alluvial diamonds and platinum.

World class deposits and metallogenic provinces Allen has worked on are Kabanga Nickel and Bulyanhulu Gold Mine in Tanzania, Corridor Sands in Mozambique, the manganese fields in South Africa, the Witwatersrand basin and the Bushveld Igneous Complex.

Allen is registered with both the South African Council for Natural Scientific Professions and the Australasian Institute of Mining and Metallurgy.

Interest in shares and options (at date of resignation)

Ordinary shares	510,001
Options exercisable at $0.30 before 4 March 2013	1,315,789
Options exercisable at $0.40 before 4 March 2014	1,315,789

Directorships held in other listed entities
None

Marlon Ticoalu
Non-Executive Director (Resigned 24 October 2011)

Background
Marlon is fluent in both Indonesian and English.

After finishing his commerce degree, Marlon worked in marketing executive roles before spending five years in a managerial position at The Ocean Beach Hotel in Perth.

Since 2010 Marlon has been working closely with the Managing Director of PT. Resource Management which is a Jakarta based due-diligence and resource project evaluation consultancy company.

Marlon's ability to interpret commercial documents has already been of significant benefit to the board.

Interest in shares and options (at date of resignation)

Ordinary shares	200,001
Options exercisable at $0.30 before 4 March 2013	526,316
Options exercisable at $0.40 before 4 March 2014	526,316

Directorships held in other listed entities
None

COMPANY SECRETARY

David Palumbo
Secretary

Background
David is a Chartered Accountant with over six years' experience in the auditing and financial reporting of ASX listed and unlisted companies. David provides corporate advisory and financial management advice to clients of Mining Corporate and specialises in corporate compliance, statutory reporting and financial accounting services. David is currently also company secretary of Rumble Resources Limited.

REMUNERATION REPORT (AUDITED)

This report details the nature and amount of remuneration for each director of Western Manganese Limited and for the executives receiving the highest remuneration.

1. Employment Agreements

Mr Colin Locke currently works for the Company in an executive capacity.

Mr Locke's contract is for a term of 3 years from the commencement date with the option to extend for a further 3 years. Under the terms of the agreement, Mr Locke's annual salary is $90,000 plus superannuation.

The Company may terminate Mr Locke's contract by giving Mr Locke a minimum of 3 months written notice or by paying Mr Locke 3 months' salary in lieu of notice. Mr Locke may terminate the contract by giving 3 months written notice to the Company.

Mr Christopher Clower currently works for the Company in an executive capacity.

Mr Clower's contract is for a term of 3 years from the commencement date with the option to extend for a further 3 years. Under the terms of the agreement, Mr Clower's annual salary is $90,000.

The Company may terminate Mr Clower's contract by giving Mr Clower a minimum of 3 months written notice or by paying Mr Clower 3 months' salary in lieu of notice. Mr Clower may terminate the contract by giving 3 months written notice to the Company.

Appointments of non-executive directors Paulus Irawan and Kent Hunter are formalised in the form of service agreements between themselves and the Company. Their engagements have no fixed term but cease on their resignation or removal as a director in accordance with the Corporations Act. They are entitled to receive directors' fees of $30,000 per annum plus superannuation.

2. Remuneration policy

The Company's remuneration policy has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the Company's financial results. Currently those long-term incentives include shares and options acquired by the executives prior to the Australian Securities Exchange listing of the Company. The board believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the Company, as well as create goal congruence between directors, executives and shareholders.

The board's policy for determining the nature and amount of remuneration for board members and senior executives of the Company is as follows:

- The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed by the board

- All executives receive a base salary (which is based on factors such as length of service and experience), superannuation and are entitled to the issue of share options. The remuneration committee reviews executive packages annually by reference to the Company's performance, executive performance and comparable information from industry sectors.

The performance of executives is measured against criteria agreed annually with each executive and is based predominantly on the forecast growth of the Company's shareholders' value. The board may, however, exercise its discretion in relation to approving incentives, bonuses and options, and can recommend changes to the committee's recommendations. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest caliber of executives and reward them for performance that results in long-term growth in shareholder wealth.

Executives are also entitled to participate in the employee share and option arrangements.

The executive director receives a superannuation guarantee contribution required by the government, which is currently 9%, and does not receive any other retirement benefits.

All remuneration paid to directors and executives is valued at the cost to the Company and expensed, or capitalised to exploration expenditure if appropriate. Options, if given to directors and executives in lieu of remuneration, are valued using the Black-Scholes methodology.

The board policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The remuneration committee determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive directors are not linked to the performance of the Company. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company and are able to participate in the employee share option plan.

3. Options issued as part of remuneration for the year ended 30 June 2012

1,000,000 unlisted options were issued to Directors as part of their remuneration during the period. The options were not issued based on performance criteria, but are issued to Directors of Western Manganese Limited to increase goal congruence between Directors and shareholders.

4. Details of remuneration for the year ended 30 June 2012:

The remuneration for each key management personnel of the Company during the period was as follows:

2012	Short-term Benefits	Post-employment Benefits	Other Long-term Benefits	Share based Payment		Total	Perfor-mance Related	% of Options as Remuneration
Key Management Person	Cash, salary & commissions	Super-annuation	Other	Equity	Options			
	$	$	$	$	$	$	%	%
Directors								
Chris Clower	52,193	-	-	-	215,705	267,898	-	80.5
Colin Locke	90,000	8,100	-	-	-	98,100	-	-
Allen Lyons	45,000	14,000	60,000	-	-	119,000	-	-
Marlon Ticoalu	10,000	900	-	-	-	10,900	-	-
Paulus Irawan	15,807	1,423	-	-	-	17,230	-	-
Kent Hunter (a)	30,000	2,700	-	-	-	32,700	-	-
	243,000	**27,123**	**60,000**	**-**	**215,705**	**545,828**	**-**	**39.6**

2011	Short-term Benefits	Post-employment Benefits	Other Long-term Benefits	Share based Payment		Total	Perfor-mance Related	Value of Options Remuneration
Key Management Person	Cash, salary & commissions	Super-annuation	Other	Equity	Options			
	$	$	$	$	$	$	%	%
Directors								
Colin Locke	30,000	2,700	-	-	-	32,700	-	-
Allen Lyons	30,000	-	-	-	-	30,000	-	-
Marlon Ticoalu	9,758	878	-	-	-	10,636	-	-
Kent Hunter (a)	10,000	900	-	-	-	10,900	-	-
	79,758	**4,478**	**-**	**-**	**-**	**84,236**	**-**	**-**

(a) Director fees were paid to Mining Corporate Advisory Services Pty Ltd, an entity associated with Kent Hunter.

(b) Mining Corporate Pty Ltd, a company of which the Company Secretary Mr David Palumbo is an employee, was paid or due to be paid $86,950 (2011: $75,000) in cash and equity for company secretarial and accounting services.

5. Options and Rights Over Equity Instruments Granted as Compensation

Details of options over ordinary shares in the Company that were granted as compensation to each key management person and details of options that were vested are as follows:

Director/Key Management Personnel	Number Options Granted During Period	Grant Date	Fair Value per Option at Grant Date	Exercise Price per Option	Expiry Date	Number Options Vested During Period
Chris Clower	500,000	23 March 2012	0.2093	$0.30	4 March 2013	500,000
	500,000	23 March 2012	0.2221	$0.40	4 March 2014	500,000
Colin Locke	2,631,579	27 October 2010	-	$0.30	4 March 2013	2,631,579
	2,631,579	27 October 2010	-	$0.40	4 March 2014	2,631,579
Allen Lyons	1,315,789	27 October 2010	-	$0.30	4 March 2013	1,315,789
	1,315,789	27 October 2010	-	$0.40	4 March 2014	1,315,789
Marlon Ticoalu	526,316	27 October 2010	-	$0.30	4 March 2013	526,316
	526,316	27 October 2010	-	$0.40	4 March 2014	526,316
Kent Hunter	526,316	27 October 2010	-	$0.30	4 March 2013	526,316
	526,316	27 October 2010	-	$0.40	4 March 2014	526,316

"End of Remuneration Report (Audited)"

Meetings of Directors

During the financial period, 1 meeting of directors was held. Attendances by each director during the period were as follows:

	Directors' Meetings	
	Number eligible to attend	Number attended
Colin Locke	1	1
Allen Lyons	1	1
Marlon Ticoalu	1	-
Kent Hunter	1	1
Chris Clower	-	-
Paulus Irawan	-	-

After Balance Date Events

A total of 457,858 ordinary shares have been issued since balance date on exercise of $0.20 options.

No other matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

Future Developments

Likely developments in the operations of the Company and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the Company.

Environmental Issues

The Company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

The directors have considered the National Greenhouse and Energy Reporting Act 2007 (the NGER Act) which introduces a single national reporting framework for the reporting and dissemination of information about the greenhouse gas emissions, greenhouse gas projects, and energy use and production of corporations. At the current stage of development, the directors have determined that the NGER Act will have no effect on the Company for the current, nor subsequent, financial year. The directors will reassess this position as and when the need arises.

Options

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

Date of Expiry	Exercise Price	Number under Option
4 March 2013	$0.30	5,500,000
4 March 2014	$0.40	5,500,000
30 June 2013	$0.20	29,633,433

During the year ended 30 June 2012, 1,397,711 ordinary shares of Western Manganese Limited were issued on the exercise of options. A further 457,858 shares have been issued as a result of the exercise of options since year end.

No person entitled to exercise the option had or has any right by virtue of the option to participate in any share issue of any other body corporate.

Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

Indemnifying of Officers

The Company has entered into deeds of indemnity with each director whereby, to the extent permitted by the Corporations Act 2001, the Company agreed to indemnify each director against all loss and liability incurred as an officer of the Company, including all liability in defending any relevant proceedings.

Non-Audit Services

There were no fees paid or payable to the external auditors for non-audit services provided during the year ended 30 June 2012.

Auditor's Declaration of Independence

The auditor's independence declaration for the year ended 30 June 2012 has been received and is included within the financial statements.

Signed in accordance with a resolution of directors.

Colin Locke
Executive Director
28 September 2012

Bentleys
THINKING AHEAD

Bentleys Audit & Corporate (WA) Pty Ltd
Level 1, 12 Kings Park Road
West Perth WA 6005
Australia
PO Box 44
West Perth WA 6872
Australia
ABN 33 121 222 802
T +61 8 9226 4500
F +61 8 9226 4300
bentleys.com.au

To The Board of Directors

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

As lead audit director for the audit of the financial statements of Western Manganese Limited for the financial year ended 30 June 2012, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours faithfully

Bentleys

BENTLEYS
Chartered Accountants

CHRIS WATTS CA
Director

DATED at PERTH this 28th day of September 2012

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 $	4 June 2010 to 30 June 2011 $
Revenue	2	88,196	10,325
Administration expenses		(247,935)	(37,532)
Consulting expenses	15	(1,940,000)	-
Corporate compliance expenses		(154,925)	(41,746)
Directors fees		(455,828)	(54,236)
Occupancy costs		(71,441)	(77,676)
Travel expenses		(102,480)	(53,920)
Impairment of exploration expenditure	8	(559,667)	-
Loss before income tax benefit		**(3,444,080)**	**(254,785)**
Income tax benefit	3	-	-
Loss attributable to members of the parent entity		**(3,444,080)**	**(254,785)**
Other comprehensive income			
Other comprehensive income (net of income tax)		-	-
Total comprehensive loss attributable to members of the parent entity		**(3,444,080)**	**(254,785)**
Basic loss per share (cents per share)	12	(9.23)	(19.12)
Diluted loss per share (cents per share)	12	(9.23)	(19.12)

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2012

	Note	2012 $	2011 $
ASSETS			
Current Assets			
Cash and cash equivalents	4	1,744,325	2,539,772
Trade and other receivables	5	10,447	37,187
Other assets	6	12,116	7,071
Total Current Assets		**1,766,888**	**2,584,030**
Non-Current Assets			
Other assets	6	30,000	30,000
Other financial assets	7	7,600,000	-
Exploration and evaluation expenditure	8	-	253,143
Total Non-Current Assets		**7,630,000**	**283,143**
Total Assets		**9,396,888**	**2,867,173**
LIABILITIES			
Current Liabilities			
Trade and other payables	9	46,818	98,000
Total Current Liabilities		**46,818**	**98,000**
Total Liabilities		**46,818**	**98,000**
Net Assets		**9,350,070**	**2,769,173**
EQUITY			
Issued capital	10	9,578,340	3,023,958
Reserves	11	3,470,595	-
Accumulated losses		(3,698,865)	(254,785)
Total Equity		**9,350,070**	**2,769,173**

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2012

	Issued Capital $	Reserves $	Accumulated Losses $	Total $
Balance at 4 June 2010	-	-	-	-
Loss for the period	-	-	(254,785)	(254,785)
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	-	-	(254,785)	(254,785)
Transactions with owners recorded directly in equity				
Shares issued during the period	3,507,995	-	-	3,507,995
Share issue expenses	(484,037)	-	-	(484,037)
Options issued during the period	-	-	-	-
Balance at 30 June 2011	**3,023,958**	**-**	**(254,785)**	**2,769,173**

	Issued Capital $	Reserves $	Accumulated Losses $	Total $
Balance at 1 July 2011	3,023,958	-	(254,785)	2,769,173
Loss for the period			(3,444,080)	(3,444,080)
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	-	-	(3,444,080)	(3,444,080)
Transactions with owners recorded directly in equity	-	-	-	-
Shares issued during the year	6,644,543	-	-	6,644,543
Share issue expenses	(90,161)	-	-	(90,161)
Options issued during the year		3,470,595	-	3,470,595
Balance at 30 June 2012	**9,578,340**	**3,470,595**	**(3,698,865)**	**9,350,070**

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 $ Inflows/ (Outflows)	4 June 2010 to 30 June 2011 $ Inflows/ (Outflows)
Cash flows from operating activities			
Interest received		88,196	10,325
Payments to suppliers and employees		(846,392)	(209,564)
Exploration and evaluation expenditure		(306,524)	(53,143)
Interest paid		-	(1,804)
Net cash (used in) operating activities	17	(1,064,720)	(254,186)
Cash flows from investing activities			
Purchase of financial assets		(100,000)	-
Purchase of exploration and evaluation prospects		-	(200,000)
Payment for security bond		-	(30,000)
Net cash (used in) investing activities		(100,000)	(230,000)
Cash flows from financing activities			
Proceeds from issue of shares		284,544	3,507,995
Payment of share issue costs		(90,161)	(484,037)
Proceeds from issue of options		174,890	-
Net cash provided by financing activities		369,273	3,023,958
Net increase (decrease) in cash held		(795,447)	2,539,772
Cash at beginning of the financial period		2,539,772	-
Cash and cash equivalents at period end	4	**1,744,325**	**2,539,772**

The accompanying notes form part of these financial statements.

1. Statement of Significant Accounting Policies

These financial statements and notes represent those of Western Manganese Limited (the "Company"). Western Manganese is a listed public Company, incorporated and domiciled in Australia.

The financial statements were authorised for issue on 28 September 2012 by the directors of the Company.

Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected financial assets for which the fair value basis of accounting has been applied. All amounts are presented in Australian dollars unless otherwise stated.

Accounting Policies

The following is a summary of the material accounting policies adopted by the Company in the preparation of the financial report.

a) **Income Tax**

The income tax expense (revenue) for the period comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the period as well unused tax losses.

1. *Statement of Significant Accounting Policies (Continued)*

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

b) **Exploration and evaluation expenditure**

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

1. Statement of Significant Accounting Policies (continued)

b) Exploration and evaluation expenditure (continued)

Accumulated costs in relation to an abandoned area are written off in full against profit in the period in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis. Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one period of abandoning the site.

c) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term. Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

d) Financial Instruments

Initial recognition and measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

1. Statement of Significant Accounting Policies (continued)

d) **Financial Instruments (continued)**

Financial instruments are initially measured at fair value plus transaction costs where the instrument is not classified as 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Finance instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost.

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and reduction for impairment, and adjusted for any cumulative amortisation of the difference between the amount initially recognised and the maturity amount calculated using the effective interest method.

Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

The Company does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

(i) Financial assets at fair value through profit and loss

Financial assets are classified 'at fair value through profit or loss' when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance valuation where a Company of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in the carrying value being included in profit or loss.

1. Statement of Significant Accounting Policies (continued)

d) **Financial Instruments (continued)**

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period. (All other loans and receivables are classified as non-current assets).

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period. (All other investments are classified as current assets).

If during the period the Company sold or reclassified more than an insignificant amount of the held-to-maturity investments before maturity, the entire held-to-maturity investments category would be tainted and reclassified as available-for-sale.

(iv) Available for sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

Available-for-sale financial assets are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period. (All other financial assets are classified as current assets).

(v) Financial Liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Fair Value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value of all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

1. Statement of Significant Accounting Policies (continued)

d) Financial Instruments (continued)

Impairment
At each reporting date the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

De-recognition
Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity is no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

e) Impairment of Assets

At the end of each reporting date, the Company assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed.

Impairment testing is performed annually for intangible assets with indefinite lives. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

f) Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within a 12 month period have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than 12 months have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Equity-settled compensation
The Company operates equity-settled share-based payment employee share and option schemes. The fair value of the equity to which employees become entitled is measured at

1. Statement of Significant Accounting Policies (continued)

f) Employee Benefits (continued)

grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using a Black –Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

g) Provisions

Provisions are recognised when the Company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

h) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of 3 months or less.

i) Borrowing Costs

All borrowing costs are recognised as expense in the period in which they are incurred.

j) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. 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 expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

k) Revenue

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

All revenue is stated net of the amount of goods and services tax (GST).

1. Statement of Significant Accounting Policies (continued)

l) Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company.

Environmental Issues
Balances disclosed in the financial statements and notes thereto are not adjusted for any pending or enacted environmental legislation, and the directors understanding thereof. At the current stage of the Company's development and its current environmental impact the directors believe such treatment is reasonable and appropriate.

Taxation
Balances disclosed in the financial statements and the notes thereto, related to taxation, are based on the best estimates of directors. These estimates take into account both the financial performance and position of the Company as they pertain to current income taxation legislation, and the directors understanding thereof. No adjustment has been made for pending or future taxation legislation. The current income tax position represents that directors' best estimate, pending an assessment by the Australian Taxation Office.

Exploration and Evaluation Expenditure
Exploration and evaluation costs are carried forward where right of tenure of the area of interest is current. These costs are carried forward in respect of an area that has not at balance date reached a stage that permits reasonable assessment of the existence of economically recoverable reserves, refer to the accounting policy stated in note 1(b).

Share based payment transactions
The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an internal valuation using a Black-Scholes option pricing model, using the assumptions detailed in note 15.

For equity transactions with consultants and other employees, the fair value reflects the value attributable to services where applicable. Where there is no quantifiable value of services the value of options is calculated using the Black and Scholes option pricing model.

m) New Accounting Standards for Application in Future Periods

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Company. The Company has decided not to early adopt any of the new and amended pronouncements. The Company's assessment of the new and amended pronouncements that are relevant to the Company but applicable in future reporting periods is set out below:

1. *Statement of Significant Accounting Policies (continued)*

– AASB 9: Financial Instruments (December 2010) and AASB 2010–7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127] (applicable for annual reporting periods commencing on or after 1 January 2013).

These Standards are applicable retrospectively and include revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments.

The key changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- simplifying the requirements for embedded derivatives;
- removing the tainting rules associated with held-to-maturity assets;
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument;
- requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on: (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows; and
- requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income, except when that would create an accounting mismatch. If such a mismatch would be created or enlarged, the entity is required to present all changes in fair value (including the effects of changes in the credit risk of the liability) in profit or loss.

The Company has not yet been able to reasonably estimate the impact of these pronouncements on its financial statements.

– AASB 2010–8: Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112] (applies to periods beginning on or after 1 January 2012).

This Standard makes amendments to AASB 112: Income Taxes and incorporates Interpretation 121: Income Taxes – Recovery of Revalued Non-Depreciable Assets into AASB 112.

1. Statement of Significant Accounting Policies (continued)

m) **New Accounting Standards for Application in Future Periods (continued)**

Under the current AASB 112, the measurement of deferred tax liabilities and deferred tax assets depends on whether an entity expects to recover an asset by using it or by selling it. The amendments introduce a presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

The amendments are not expected to significantly impact the Company

– AASB 10: Consolidated Financial Statements, AASB 11: Joint Arrangements, AASB 12: Disclosure of Interests in Other Entities, AASB 127: Separate Financial Statements (August 2011), AASB 128: Investments in Associates and Joint Ventures (August 2011) and AASB 2011–7: Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards [AASB 1, 2, 3, 5, 7, 9, 2009–11, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17] (applicable for annual reporting periods commencing on or after 1 January 2013).

AASB 10 replaces parts of AASB 127: Consolidated and Separate Financial Statements (March 2008, as amended) and Interpretation 112: Consolidation – Special Purpose Entities. AASB 10 provides a revised definition of control and additional application guidance so that a single control model will apply to all investees. The Company has not yet been able to reasonably estimate the impact of this Standard on its financial statements.

AASB 11 replaces AASB 131: Interests in Joint Ventures (July 2004, as amended). AASB 11 requires joint arrangements to be classified as either "joint operations" (where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities) or "joint ventures" (where the parties that have joint control of the arrangement have rights to the net assets of the arrangement). Joint ventures are required to adopt the equity method of accounting (proportionate consolidation is no longer allowed).

AASB 12 contains the disclosure requirements applicable to entities that hold an interest in a subsidiary, joint venture, joint operation or associate. AASB 12 also introduces the concept of a "structured entity", replacing the "special purpose entity" concept currently used in Interpretation 112, and requires specific disclosures in respect of any investments in unconsolidated structured entities. This Standard will affect disclosures only and is not expected to significantly impact the Company.

1. *Statement of Significant Accounting Policies (continued)*

m) New Accounting Standards for Application in Future Periods

To facilitate the application of AASBs 10, 11 and 12, revised versions of AASB 127 and AASB 128 have also been issued. These Standards are not expected to significantly impact the Company.

– AASB 13: Fair Value Measurement and AASB 2011–8: Amendments to Australian Accounting Standards arising from AASB 13 [AASB 1, 2, 3, 4, 5, 7, 9, 2009–11, 2010–7, 101, 102, 108, 110, 116, 117, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 & 1038 and Interpretations 2, 4, 12, 13, 14, 17, 19, 131 & 132] (applicable for annual reporting periods commencing on or after 1 January 2013).

AASB 13 defines fair value, sets out in a single Standard a framework for measuring fair value, and requires disclosures about fair value measurement.
AASB 13 requires:

- inputs to all fair value measurements to be categorised in accordance with a fair value hierarchy; and
- enhanced disclosures regarding all assets and liabilities (including, but not limited to, financial assets and financial liabilities) to be measured at fair value.

These Standards are not expected to significantly impact the Company.

– AASB 2011–9: Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049] (applicable for annual reporting periods commencing on or after 1 July 2012).

The main change arising from this Standard is the requirement for entities to group items presented in other comprehensive income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently.

This Standard affects presentation only and is therefore not expected to significantly impact the Company.

– AASB 119: Employee Benefits (September 2011) and AASB 2011–10: Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) [AASB 1, AASB 8, AASB 101, AASB 124, AASB 134, AASB 1049 & AASB 2011–8 and Interpretation 14] (applicable for annual reporting periods commencing on or after 1 January 2013).

These Standards introduce a number of changes to accounting and presentation of defined benefit plans. The Company does not have any defined benefit plans and so is not impacted by the amendment. AASB 119 (September 2011) also includes changes to

1. *Statement of Significant Accounting Policies (continued)*

m) New Accounting Standards for Application in Future Periods

the accounting for termination benefits that require an entity to recognise an obligation for such benefits at the earlier of:

(i) for an offer that may be withdrawn – when the employee accepts;

(ii) for an offer that cannot be withdrawn – when the offer is communicated to affected employees; and

(iii) where the termination is associated with a restructuring of activities under AASB 137: Provisions, Contingent Liabilities and Contingent Assets, and if earlier than the first two conditions – when the related restructuring costs are recognised.

The Company has not yet been able to reasonably estimate the impact of these changes to AASB 119.

2. *Revenue*

	2012 $	2011 $
Interest received	88,196	10,325

3. *Income tax benefit*

(a) Recognised in the statement of comprehensive income

	2012 $	2011 $
Net loss before tax	(3,444,080)	(254,785)
Income tax benefit on above at 30%	(1,033,224)	(76,436)
Increase in income tax due to the tax effect of:		
Non-deductible expenses	873,363	18,333
Other assessable income	178	-
Current year tax losses not recognised	172,734	57,124
Decrease in income tax due to the effect of:		
Movement in unrecognised temporary differences	2,808	14,347
Deductible equity raising costs	(15,859)	(13,368)
Income tax reported in the statement of comprehensive income	-	-

(b) Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following:

	2012 $	2011 $
Tax revenue losses	229,858	57,124
Deductible temporary differences	67,219	67,820
	297,077	124,944

	2012	2011
4. *Cash and cash equivalents*	**$**	**$**
Cash at bank	1,744,325	2,539,772

5. *Trade and other receivables*

Current		
GST receivable	10,447	37,187

As at 30 June 2012, current trade and other receivables do not contain impaired assets and are not past due. It is expected that these amounts will be received when due.

6. *Other assets*

Current		
Prepayments	12,116	7,071
Non-Current		
Security bond	30,000	30,000

7. *Other Financial Assets*

Unlisted investment	7,600,000	-

Western Manganese Limited has acquired an option to purchase 51% interest of the issued capital of PT Genesis, a company which holds a Manganese Production License located in Central Sulawesi.

The consideration paid to build an alliance with Borneo Brothers Limited ("Vendor" or "BBL") by acquiring the option was comprised of $100,000 cash, 10,000,000 ordinary shares and 10,000,000 options exercisable at $0.20 on or before 30 June. Refer to note 15: Share Based Payments for further details.

8. *Exploration and evaluation expenditure*

Carrying amount at the beginning of the year	253,143	-
Exploration and evaluation prospects purchased	-	200,000
Expenditure capitalised during the year	306,524	53,143
Impairment of exploration expenditure during the year	(559,667)	-
Carrying amount at the end of the year	-	253,143

The value of the Company's interest in exploration expenditure is dependent upon:

- the continuance of the Company's rights to tenure of the areas of interest;
- the results of future exploration; and
- the recoupment of costs through successful development and exploitation of the areas of interest, or alternatively, by their sale.

9. *Trade and other payables*	**2012 $**	**2011 $**
Current		
Trade payables and accruals	46,818	98,000

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

10. *Issued capital*
(a) Issued and paid up capital

43,375,715 (2011: 34,978,004) Ordinary shares fully paid of no par value	9,578,340	3,023,958

(b) Movement in ordinary shares on issue	**2012 Number**	**2012 $**	**2011 Number**	**2011 $**
Balance at beginning of period	34,978,004	3,023,958	-	-
Shares issued during the year:				
- 4 June 2010	-	-	4	4
- 5 June 2010	-	-	14,913,000	1,491
- 30 June 2010	-	-	2,275,000	227,500
- 21 July 2010	-	-	350,000	35,000
- 5 October 2010	-	-	2,440,000	244,000
- 2 March 2011	-	-	15,000,000	3,000,000
- 28 November 2011	225,000	45,000	-	-
- 9 December 2011	25,000	5,000	-	-
- 3 January 2012	90,000	18,000	-	-
- 17 February 2012	40,000	8,000	-	-
- 20 February 2012	85,000	17,000	-	-
- 22 February 2012	34,395	6,879	-	-
- 6 March 2012	100,000	20,000	-	-
- 8 March 2012	39,999	8,000	-	-
- 12 March 2012	20,000	4,000	-	-
- 23 March 2012	7,000,000	3,710,000	-	-
- 30 March 2012	230,000	46,000	-	-
- 10 April 2012	87,640	17,528	-	-
- 16 April 2012	219,999	44,000	-	-
- 3 May 2012	79,748	15,950	-	-
- 11 May 2012	68,600	13,720	-	-
- 12 June 2012	52,330	10,466	-	-
Shares unissued at 30 June 2012 (e)	-	2,655,000	-	-
Transaction costs relating to share issues	-	(90,161)	-	(484,037)
Balance at end of period	43,375,715	9,578,340	34,978,004	3,023,958

10. *Issued capital (continued)*

(c) Terms and conditions of contributed equity

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

(d) Capital Management

The Company's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they may continue to provide returns for shareholders and benefits for other stakeholders. The Company's capital includes ordinary share capital and financial liabilities, supported by financial assets. There are no externally imposed capital requirements.

Due to the nature of the Company's activities, being mineral exploration, the Company does not have ready access to credit facilities, with the primary source of funding being equity raisings. Therefore, the focus of the Company's capital risk management is the current working capital position against the requirements of the Company to meet exploration programmes and corporate overheads. The Company's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required.

The net working capital position of the Company at 30 June 2012 is $1,720,070 and the net decrease in cash held during the year was $795,447.

The Company's capital includes ordinary share capital and financial liabilities, supported by financial assets.

Share Options

At 30 June 2012, a total of 11,000,000 (2011:10,000,000) director options are on issue, comprised of:

- 5,500,000 unlisted options exercisable at $0.30 on or before 4 March 2013
- 5,500,000 unlisted options exercisable at $0.40 on or before 4 March 2014

At 30 June 2012, a total of 30,091,291 (2011: nil) listed company options exercisable at $0.20 on or before 30 June 2013 are on issue. Options carry no rights to dividends and have no voting rights.

(e) Shares unissued at 30 June 2012

On 21 November 2011, WMN executed an agreement with BBL to acquire an option to purchase 51% of PT Genesis, a company holding a manganese production license in Central Sulawesi (refer note 7: Other Financial Assets for further details). As part of the consideration, the Company has issued 5,000,000 ordinary shares and 10,000,000 options exercisable at $0.20 on or before 30 June 2013, with a further 5,000,000 ordinary shares unissued at 30 June 2012.

10. *Issued capital (continued)*

As at 30 June 2012, the Company had received $5,000 in option exercise notices which had not yet been converted into ordinary shares.

11. *Reserves*	**2012 $**	**2011 $**
Options reserve	3,470,595	-
Reserve at the beginning of the year	-	-
Options issued under entitlement issue prospectus	174,890	
Options issued to vendors and consultants	3,080,000	
Options issued to directors	215,705	
Reserve at end of year	3,470,595	-

Options reserve
The options reserve arises on the grant of share options to directors as part of their remuneration and to consultants for services provided. Further information about share-based payments is made in Note 15 to the financial statements.

12. *Earnings per share*	**2012 Cents per Share**	**2011 Cents per Share**
Basic/diluted loss per share	(9.23)	(19.12)

The loss and weighted average number of ordinary shares used in this calculation of basic/ diluted loss per share are as follows:

	$	**$**
Loss	(3,444,080)	(254,785)
	Number	**Number**
Weighted average number of ordinary shares for the purposes of basic/ diluted loss per share	37,322,264	1,332,616

As the Company is in a loss position the options outstanding at 30 June 2012 have no dilutive effects on the earnings per share calculation.

13. *Auditors' remuneration*	**2012 $**	**2011 $**
Amounts, received or due and receivable by auditors for:		
- investigating accountants report	-	7,500
- an audit or review services	17,500	11,500
	17,500	19,000

14. *Key Management Personnel (KMP)*

Refer to the remuneration report contained in the directors' report for details of the remuneration paid or payable to each member of the Company's key management personnel for the year ended 30 June 2012.

The totals of remuneration paid to KMP of the Company during the year are as follows:

	2012 $	2011 $
Short term	243,000	79,758
Post-employment	27,123	4,478
Other long-term benefits	60,000	-
Share-based payments	215,705	-
	545,828	84,236

KMP Shareholdings

30 June 2012	Balance at beginning of year	Granted during the year	Options exercised	Net change other	Balance at end of year
Directors					
Colin Locke	4,508,354	-	-	50,000	4,558,354
Kent Hunter	470,001	-	-	51,686	521,687
Chris Clower	-	-	-	-	-
Paulus Irawan	-	-	-	-	-
Allen Lyons	510,001	-	-	(510,001)*	-
Marlon Ticoalu	200,001	-	-	(200,001)*	-
	5,688,357	-	-	(608,316)	5,080,041

* Balance of shares at resignation

30 June 2011	Balance at beginning of year	Incorporation & promoter capital	Options exercised	Net change other	Balance at end of year
Directors					
Colin Locke	-	4,375,021	-	133,333	4,508,354
Allen Lyons	-	510,001	-	-	510,001
Marlon Ticoalu	-	200,001	-	-	200,001
Kent Hunter	-	470,001	-	-	470,001
	-	5,555,024	-	133,333	5,688,357

All incorporation and promoter capital shares are held in escrow until 4 March 2013.

14. *Key Management Personnel (KMP)(continued)*

KMP Option holdings

30 June 2012	Balance at beginning of year	Granted as remuneration	Options exercised	Net change other	Balance at end of year
Directors					
Colin Locke	5,263,158	-	-	687,510	5,950,668
Kent Hunter	1,052,632	-	-	105,000	1,157,632
Chris Clower		1,000,000	-	-	1,000,000
Paulus Irawan	-	-	-	-	-
Allen Lyons	2,631,578	-	-	(2,631,578)*	-
Marlon Ticoalu	1,052,632	-	-	(1,052,632)*	-
	10,000,000	1,000,000	-	(2,891,700)	8,108,300

30 June 2011	Balance at beginning of year	Granted as remuneration	Options exercised	Net change other	Balance at end of year
Directors	-				
Colin Locke	-	5,263,158	-	-	5,263,158
Allen Lyons	-	2,631,578	-	-	2,631,578
Marlon Ticoalu	-	1,052,632	-	-	1,052,632
Kent Hunter	-	1,052,632	-	-	1,052,632
	-	10,000,000	-	-	10,000,000

All options granted in the 2011 financial year are held in escrow until 4 March 2013.

Other KMP Transactions

There have been no other transactions involving equity instruments other than those described in the tables above. For details of other transactions with KMP, refer to Note 16: Related Party Transactions.

15. *Share based payments*

	2012 $	2011 $
The following share based payments were made during the year:		
On 27 October 2010, 5,000,000 unlisted options exercisable at $0.30 on or before 4 March 2013 were granted to directors (a)	-	-
On 27 October 2010, 5,000,000 unlisted options exercisable at $0.40 on or before 4 March 2014 were granted to director (a)	-	-
On 23 March 2012, 500,000 unlisted options exercisable at $0.30 on or before 4 March 2013 were granted to director (b)	104,650	-
On 23 March 2012, 500,000 unlisted options exercisable at $0.40 on or before 4 March 2014 were granted to directors (c)	111,055	-
On 23 March 2012, 10,000,000 ordinary shares were granted to vendors for the option and building the alliance	5,300,000	
On 23 March 2012, 2,000,000 shares were granted to consultants (d)	1,060,000	-
On 23 March 2012, 10,000,000 listed options exercisable at $0.20 on or before 30 June 2013 were granted to vendors (e)	2,200,000	-
On 23 March 2012, 4,000,000 listed options exercisable at $0.20 on or before 30 June 2013 were granted to consultants (e)	880,000	-

Fair value of share options granted in the period:

(a) Options were issued pre ASX listing and deemed to have nil value based on the company being in the early stages of its establishment.

(b) The fair value of the options granted was calculated using the Black-Scholes option pricing model applying the following inputs:

Exercise price:	0.30
Stock price at grant date	0.53
Life of option:	0.95 years
Expected volatility rate:	100
Risk free interest rate:	3.87%
Discount:	30%*

(c) The fair value of the options granted was calculated using the Black-Scholes option pricing model applying the following inputs:

Exercise price:	0.40
Stock price at grant date	0.53
Life of option:	1.95 years
Expected volatility rate:	100
Risk free interest rate:	3.72%
Discount:	30%*

15. *Share based payments (continued)*

* A discount of 30% for lack of marketability has been applied to reflect that the director options will not be listed and will be transferable only in limited circumstances.

(d) The fair value of the shares was calculated with reference to the closing ordinary share price on the date of grant.

(e) The fair value of the listed options was calculated with reference to the closing option price on the date of grant.

A summary of the movements of all director options issued is as follows:

	Number	Weighted average exercise price ($)
Opening Options outstanding	-	-
Granted	10,000,000	0.35
Expired	-	-
Exercised	-	-
Options outstanding as at 30 June 2011	10,000,000	0.35
Granted	1,000,000	0.35
Expired	-	-
Exercised	-	-
Options exercisable as at 30 June 2012	11,000,000	0.35

The weighted average remaining contractual life of options outstanding at period-end was 1.19 years (2011:2.19 years).

16. *Related Party Transactions*

(a) Key management personnel

Disclosures relating to key management personnel are set out in Note 14.

(b) Other transactions

During the year the Company incurred the following transactions with related parties:

A total of $86,950 (2011: $20,000) in company secretarial and accounts assistance fees and nil (2011:$50,000) in IPO Compliance fees were paid to Mining Corporate Pty Ltd, a company of which Kent Hunter is a director.

16. *Related Party Transactions (continued)*

A total of $60,000(2011: $60,000) in office rental was paid to CK Locke & Partners (CKL), a company of which Colin Locke is a director. In 2011, a security bond of $30,000 in respect of the rental premises (equivalent to 6 months rent) was also paid to CKL.

In consideration for CKL's corporate advisory services for the IPO and to facilitate corporate financing transactions on behalf of the Company by way of seed capital, initial public offering (IPO) and future placements (as required by the Company), the Company paid CKL the following amounts:

a) a lead management and share placement fee of nil (2011:$210,390)
b) a license fee of nil (2011:$40,000)
c) a corporate advisory fee of $80,000 (2011:$40,000)
d) a mandate acceptance fee of nil (2011:$10,000)

There were no other transactions with key management personnel during the period.

17. *Cash Flow Information*

	2012 $	2011 $
(a) Reconciliation of Cash Flow from Operations with Loss after Income Tax		
Loss after income tax	(3,444,080)	(254,785)
Non cash flows in loss:		
Share based payments	2,155,705	-
Exploration expenditure written off	559,667	-
Changes in assets and liabilities:		
- (increase)/decrease in trade and other receivables	26,739	(37,187)
- (increase)/decrease in other assets	(5,045)	(7,071)
- (increase)/decrease in exploration and evaluation expenditure	(306,524)	(53,143)
- increase/(decrease) in trade and other payables	(51,182)	98,000
	(1,064,720)	(254,186)

(b) Non Cash Investing & Financing Activities

During the year, the Company issued 5,000,000 shares and 10,0000,000 $0.20 options and granted a further 5,000,000 shares which are unissued at 30 June 2012 to Borneo Brothers Limited for the option to acquire 51% interest of the issued capital of PT Genesis, as disclosed in Note 7. The shares and options transferred are not reflected in the Statement of Cash Flows for the year ended 30 June 2012.

Apart from the above, there were no non-cash investing or financing activities entered into by the Company during the period.

18. *Commitments*

(a) Exploration expenditure commitments

The Exploration licenses which the Company hold, being KASIH MULIA (IUP number 540/BP.PP/36/V/2009) and NUSALONTAR KARYATAMA (IUP No. 863/2010) are not subject to any minimum annual expenditure obligations.

The Company has no other commitments at 30 June 2012.

19. *Financial reporting by segments*

The Company has identified its operating segments based on the internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and determining the allocation of resources. During the period, the Company operated in two geographical segments being Australia and Indonesia, and two business segments being mineral exploration and treasury.

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted
Unless stated otherwise, all amounts reported to the Board of Directors as the chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Company.

Inter-segment transactions
Inter-segment loans payable and receivable are initially recognised at the consideration received net of transaction costs. If inter-segment loans receivable and payable are not on commercial terms, these are not adjusted to fair value based on market interest rates. This policy represents a departure from that applied to the statutory financial statements.

Segment assets
Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

Segment liabilities
Liabilities are allocated to segments where there is direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Company as a whole and are not allocated. Segment liabilities include trade and other payables and certain direct borrowings.

Unallocated items
The following items of revenue, expense, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- head office and other administration expenditure

19. *Financial reporting by segments (continued)*

(a) Segment performance
Total segment revenue

	Exploration $	Treasury $	Total Operations $
Year Ended 30 June 2012			
Revenue	-	88,196	88,196
Interest revenue			
Total segment revenue	-	88,196	88,196
Reconciliation of segment result to net loss before tax			
Unallocated revenue			
Total revenue	**-**	**88,196**	**88,196**
Segment net profit/(loss) before tax	**(2,499,667)**	**88,196**	**(2,411,471)**
Reconciliation of segment result to net loss before tax			
Unallocated items:			
- other			(1,032,609)
Net loss before tax from continuing operations			**(3,444,080)**

	Exploration $	Treasury $	Total Operations $
Period Ended 30 June 2011			
Revenue			
Interest revenue	-	-	-
Total segment revenue	**-**	**-**	**-**
Reconciliation of segment result to net loss before tax			
Unallocated revenue	-	-	-
Total revenue	**-**	10,325	**10,325**
Segment net profit/(loss) before tax	**-**	**10,325**	**10,325**
Reconciliation of segment result to net loss before tax			
Unallocated items:			
- other			(265,200)
Net loss before tax from continuing operations			**(254,875)**

19. *Financial reporting by segments (continued)*

(b) Segment assets

	Exploration $	Treasury $	Total Operations $
As at 30 June 2012			
Segment assets	**7,600,000**	**1,744,325**	**9,344,325**
Segment asset increases/(decreases) for the period:			
- cash and cash equivalents	-	(795,447)	(795,447)
- other financial asset	7,600,000	-	7,600,000
- capital expenditure	(253,143)		(253,143)
	7,346,857	(795,447)	(6,551,410)
Reconciliation of segment assets to total assets			
Unallocated items:			
- trade and other receivables			10,447
- other assets			42,116
Total assets			**9,396,888**

	Exploration $	Treasury $	Total Operations $
As at 30 June 2011			
Segment assets	**253,143**	**2,539,772**	**2,792,915**
Segment asset increases/(decreases) for the period:			
- cash and cash equivalents	-	2,539,772	2,539,772
- capital expenditure	253,143	-	253,143
	253,143	2,539,772	2,792,915
Reconciliation of segment assets to total assets			
Unallocated items:			
- trade and other receivables			37,187
- other assets			37,071
Total assets			**2,867,173**

19. *Financial reporting by segments (continued)*

(c) Segment liabilities

	Exploration $	Treasury $	Total Operations $
As at 30 June 2012			
Segment liabilities	**-**	**-**	**-**
Reconciliation of segment liabilities to total liabilities			
- other liabilities			46,818
Total liabilities from continuing operations			**46,818**

19. *Financial reporting by segments (continued)*

	Exploration $	Treasury $	Total Operations $
As at 30 June 2011			
Segment liabilities	**-**	**-**	**-**
Reconciliation of segment liabilities to total liabilities			
- other liabilities			98,000
Total liabilities from continuing operations			**98,000**

d) Assets by geographical location

	Indonesia $	Australia $	Total Assets $
As at 30 June 2012			
Segment assets	7,600,000	1,796,888	9,396,888

	Indonesia $	Australia $	Total Assets $
As at 30 June 2011			
Segment assets	253,143	2,614,030	2,867,173

20. *Financial risk management*

Overview
The Company has exposure to the following risks from their use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Company's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Management monitors and manages the financial risks relating to the operations of the Company through regular reviews of the risks.

Credit risk
Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities.

Trade and other receivables
As the Company has just started operations, it does not have trade receivables and therefore is not exposed to credit risk in relation to trade receivables.

Exposure to credit risk
The carrying amount of the Company's financial assets represents the maximum credit exposure. The Company's maximum exposure to credit risk at the reporting date was:

	2012 $	2011 $
Financial assets at fair value		
Cash and cash equivalents – AAA rated counterparties	1,744,325	2,539,772
Receivables – other	10,447	37,187
	1,754,772	2,576,959

Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows. Typically the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

20. *Financial risk management (continued)*

Market risk
Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The Company is exposed to interest rate risk as it invests funds at floating interest rates.

Maturity profile of financial instruments
The following table details the Company's exposure to interest rate risk as at 30 June:

			Fixed interest rate maturing in:			
	Average interest rate	Floating interest rate	<1 year	1 – 5 years	Non-interest bearing	Total
	%	$	$	$	$	$
2012						
Financial assets						
Cash and cash equivalents	5%	1,744,325	-	-	-	1,744,325
Trade and other receivables	N/A	-	-	-	10,447	10,447
Other financial assets	N/A	-	-	-	7,600,000	7,600,000
		1,744,325	-	-	7,610,447	9,354,772
Financial liabilities						
Trade and other payables	N/A	-	-	-	46,818	46,818
		-	-	-	46,818	46,818
Net financial assets		**1,744,325**	**-**	**-**	**7,563,629**	**9,307,954**
2011						
Financial assets						
Cash and cash equivalents	5%	2,539,772	-	-	-	2,539,772
Trade and other receivables	N/A	-	-	-	37,187	37,187
		2,539,772	-	-	37,187	2,576,959
Financial liabilities						
Trade and other payables	N/A	-	-	-	98,000	98,000
		-	-	-	98,000	98,000
Net financial assets		**2,539,772**	**-**	**-**	**(60,813)**	**2,478,959**

20. *Financial risk management (continued)*

Interest rate risk sensitivity analysis
The effect on loss and equity as a result of a 2% increase in the interest rate, with all other variables remaining constant would be a decrease in loss by $34,887 (2011: $50,796) and an increase in equity by $34,887 (2011: $50,796). The effect on loss and equity as a result of a 2% decrease in the interest rate, with all other variables remaining constant would be an increase in loss by $34,887 (2011: $50,796) and an decrease in equity by $34,887 (2011: $50,796).

Fair value of financial instruments
The Directors consider that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair value.

Financial instruments measured at fair value
The financial instruments recognised at fair value in the statement of financial position have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the measurements. The fair value hierarchy consists of the following levels:

- Quoted prices in active markets for identical assets and liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

2012	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets	**$**	**$**	**$**	**$**
Unlisted investments	-	7,600,000	-	7,600,000

In determining the fair values of unlisted investments included in Level 2 of the hierarchy, valuation techniques such as using comparisons to similar investments for which market observable prices are available have been adopted.

21. *Contingent liabilities*

The Company exercised the Option to acquire the Mining Rights attaching to the tenements comprising the Kasih Mulia and the Nusa Lontar Karyatama Manganese projects on or about 19 November 2010 and acquired the Mining Rights on the same date. As part of the consideration, the following amounts may become payable:

- AUD250,000 in the form of a loan payable by the Company to CV.KASIH MULIA ("CVKM") and CV.NUSALONTAR KARYATAMA ("CVNK") upon agreement to mine with the loan to be repaid by CVKM from CVKM's profit share.
- A 38% profit share arrangement in favour of CVKM; and
- USD300,000 to CVKM, subject to 10,000 tonnes of manganese ore being mined, shipped and receipts being received by the Company, as and when there is sufficient capital to do so and at the discretion of the Company's directors.

In the opinion of the Directors, the Company has no other contingent liabilities at 30 June 2012 (2011: nil).

22. *Events Subsequent to Period End*

A total of 457,858 ordinary shares have been issued since balance date on exercise of $0.20 options.

No other matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

DIRECTORS' DECLARATION

The directors of the Company declare that:

1. the financial statements and notes, as set out on pages 28 to 60 are in accordance with the *Corporations Act 2001* and:
   a) comply with Accounting Standards and the Corporations Regulations 2001; and
   b) give a true and fair view of the Company's financial position as at 30 June 2012 and its performance for the year ended on that date; and
   c) are in accordance with International Financial Reporting Standards, as stated in note 1 to the financial statements; and
2. the Chief Executive Officer and Company Secretary have each declared that:
   a) the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
   b) the financial statements and notes for the financial year comply with the Accounting Standards; and
   c) the financial statements and notes for the financial year give a true and fair view;
3. in the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with a resolution of the Board of Directors.

Colin Locke
Executive Chairman
28 September 2012

Independent Auditor's Report

To the Members of Western Manganese Limited

Bentleys
THINKING AHEAD

Bentleys Audit & Corporate (WA) Pty Ltd

Level 1, 12 Kings Park Road
West Perth WA 6005
Australia

PO Box 44
West Perth WA 6872
Australia

ABN 33 121 222 802

T +61 8 9226 4500
F +61 8 9226 4300

bentleys.com.au

We have audited the accompanying financial report of Western Manganese Limited ("the Company"), which comprises the statement of financial position as at 30 June 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of accounting policies, other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standards AASB 101: *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

Auditor's Opinion

In our opinion:

a. The financial report of Western Manganese Limited is in accordance with the *Corporations Act 2001*, including:

   i. giving a true and fair view of the Company's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

   ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. The financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in directors' report for the year ended 30 June 2012. The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Western Manganese Limited for the year ended 30 June 2012, complies with section 300A of the *Corporations Act 2001*.

Bentleys

BENTLEYS
Chartered Accountants

CHRIS WATTS CA
Director

DATED at PERTH this 28th day of September 2012

ASX ADDITIONAL INFORMATION

The following additional information is required by the ASX Limited in respect of listed public companies and was applicable at 14 September 2012.

1. Shareholding

a. **Distribution of Shareholders**

Category (size of holding)	Number (as at 14 September 2012) Shareholders	Ordinary Shares
1 – 1,000	13	2,885
1,001 – 5,000	47	155,498
5,001 – 10,000	159	1,517,805
10,001 – 100,000	208	8,108,461
100,001 – and over	56	34,048,924
	483	43,833,573

b. The number of shareholdings held in less than marketable parcels is 12 shareholders amounting to 24,087 shares.

c. The followings securities are restricted at 14 September 2012:

- 15,038,000 ordinary shares fully paid until 4 March 2013
- 5,000,000 unlisted options exercisable at $0.30 on or before 4 March 2013 until 4 March 2013
- 5,000,000 unlisted options exercisable at $0.40 on or before 4 March 2014 until 4 March 2013

d. The names of substantial shareholders listed in the company's register as at 14 September 2012 are:

Shareholder	Ordinary Shares	% Held of Total Ordinary Shares
Borneo Brothers Limited	5,000,000	11.407%
PT Resource Management	4,862,940	11.094%
Armada Energy Pty Ltd	3,000,060	6.844%
CK Locke & Partners Pty Ltd	3,000,000	6.844%

e. Voting Rights

The voting rights attached to the ordinary shares are as follows:

Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

f. 20 Largest Shareholders as at 16 September 2012 — Ordinary Shares

		Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1.	BORNEO BROTHERS LIMITED	5,000,000	11.407
2.	PT RESOURCE MANAGEMENT	4,862,940	11.094
3.	ARMADA ENERGY PTY LTD	3,000,060	6.844
4.	CK LOCKE & PARTNERS PTY LTD	3,000,000	6.844
5.	CITICORP NOMINEES PTY LIMITED	2,605,072	5.943
6.	NATIONAL NOMINEES LIMITED	2,260,000	5.156
7.	COLIN KENNETH LOCKE	1,050,001	2.395
8.	PROFESSOR YEW KWANG NG	1,000,000	2.281
9.	MR RICHARD GEOFFREY AUSTIN & MRS PAMELA MARGRET AUSTIN <AUSTIN SUPER FUND A/C>	1,000,000	2.281
10.	CUSTODY MANAGEMENT HOLDINGS CORPORATION	1,000,000	2.281
11.	TAMBAR PTY LTD	670,000	1.529
12.	ALLEN LYONS	510,001	1.163
13.	HSBC CUSTODY NOMINEES	421,000	0.960
14.	RC FISHING PTY LTD	395,000	0.902
15.	CHANCERY HOLDINGS PTY LTD <MCKENZIE NO 1 SUPER FUND A/C>	359,980	0.821
16.	NEFCO NOMINEES PTY LTD	305,040	0.696
17.	OZNEWYORKER ENTERPRISES PTY LTD	300,000	0.684
18.	MARIANNINA PAPICCIO	300,000	0.684
19.	MR JULIAN DOMINC HALTON COX	258,000	0.589
20.	SUTTERBY INVESTMENTS PTY LTD	222,191	0.507
		28,519,695	65.064

2. The name of the company secretary is David Palumbo.

3. The address of the principal registered office in Australia is:
Level 1, Atlas Building, 8 The Esplanade, Perth WA 6000.

4. Registers of securities are held at the following address:
Advanced Share Registry, 150 Stirling Hwy, Nedlands, WA 6009

5. Stock Exchange Listing
Quotation has been granted for all the ordinary shares of the company on all Member Exchanges of the ASX Limited.

6. Unquoted Securities
The Company has the following unquoted securities:
- 5,500,000 options exercisable at $0.30 on or before 4 March 2013
- 5,500,000 options exercisable at $0.40 on or before 4 March 2014

7. Options over Unissued Shares ($0.20 options – expiry 30 June 2013)

A total of 29,633,433 $0.20 options are on issue. Each option can be exercised upon the payment of $0.20 and will receive one ordinary share. The expiry date for the options is 30 June 2013.

Listed below are the 20 largest $0.20 option holders as at 14 September 2012

	Name	Number of Options Held	% Held of total options on issue
1.	BORNEO BROTHERS LIMITED	10,000,000	33.746
2.	NATIONAL NOMINEES LIMITED	2,700,000	9.112
3.	MISS MEILY DAHLIA EVIANA	1,292,502	4.362
4.	LUCKY BILLION INVESTMENTS LTD	1,250,000	4.218
5.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,240,001	4.184
6.	PERSHING AUSTRALIA NOMINEES PTY LTD	1,185,370	4.000
7.	MR RICHARD GEOFFREY AUSTIN & MRS PAMELA MARGRET AUSTIN <AUSTIN SUPER FUND A/C>	1,000,000	3.375
8.	KD YEO PTY LTD	570,655	1.926
9.	COLIN KENNETH LOCKE	500,000	1.687
10.	PROFESSOR YEW KWANG NG	500,000	1.687
11.	PT RESOURCE MANAGEMENT INDONESIA	491,000	1.657
12.	MELBAR VIC PTY LTD <RICCINI FAMILY A/C>	404,709	1.366
13.	MR BERNARD JOHN MCCARTNEY & MRS FAYE CATHERINE MCCARTNEY <RIPILI P/L PERSONAL SUPER FUND>	270,000	0.911
14.	JOY SMART LTD	250,000	0.844
15.	TAMBAR PTY LTD	250,000	0.844
16.	DR JONH ROBERT TYRRELL <TYRRELL FAMILY ACCOUNT>	206,364	0.696
17.	MR HEATH BERNARD MCCARTNEY <MCCARTNEY INVESTMENT A/C>	200,000	0.675
18.	MR JASON JAMES RICCHINI	200,000	0.675
19.	ARMADA ENERGY PTY LTD	187,510	0.633
20.	MR JOHN LOMBARDO & MRS MICHELLE FALZON <J&M LOMBARDO FAMILY A/C>	174,616	0.589
		22,872,827	77.186

Use of Cash and Assets

The Company used the cash and assets in a form readily convertible to cash that it had at the time of admission in a way consistent with its business objectives stated in the company's prospectus dated 8 December 2010.

SCHEDULE OF MINERAL TENEMENTS
AS AT 14 SEPTEMBER 2012

Project	*Tenement*	*Interest held by Western Manganese Limited*
KASIH MULIA	540/BP.PP/36/V/2009	100%
NUSALONTAR KARYATAMA	863/2010	100%
GENESIS	155 TAHUN 2011	0%*

* WMN has an option to acquire a 51% interest in the Genesis Project through the acquisition of PT Genesis