

WASHINGTON RESOURCES LIMITED (ASX: WRL)

QUARTERLY REPORT 30 SEPTEMBER 2009

HIGHLIGHTS:

- **ACQUISITION OF MAGNETITE IRON PROJECT, LIMPOPO, SOUTH AFRICA**
 - **THE MOONLIGHT DEPOSIT CONTAINS A JORC-COMPLIANT INFERRED RESOURCE OF 320MT A GRADE OF 32% FE**
 - **THE DE LOSKOP PROSPECT, WHICH HOSTS TACONITE IRON MINERALISATION WITH AN EXPLORATION POTENTIAL OF 200MT TO 1,000MT¹ GRADING BETWEEN 30% FE AND 40% FE**
 - **METALLURGICAL TESTS CONFIRM LOW INTENSITY MAGNETIC SEPARATION USED FOR OPTIMUM SEPARATION, ACHIEVING 80% PASSING THROUGH A SIZE OF 150µ AND A MASS YIELD OF 50%, FINAL PRODUCT GRADES OF 69.7%FE, 2.05%SIO₂, 0.40%AL₂O₃, AND 0.01%P (FE RECOVERY 88%)**
 - **MOONLIGHT DEPOSIT LIES 150KM NW OF POLOKWANE (FORMERLY PIETERSBURG) AND ONLY 8KM SOUTH OF MARNITZ TOWNSHIP ON MAJOR HIGHWAY N1. DE LOSKOP PROSPECT IS 50KM NORTH OF POLOKWANE**
 - **NON-RENOUNCEABLE RIGHTS ISSUE OF OPTIONS**
 - **BOARD CHANGES**
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¹ The potential quantity and grade of the De Loskop Deposit is conceptual in nature and there has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource.

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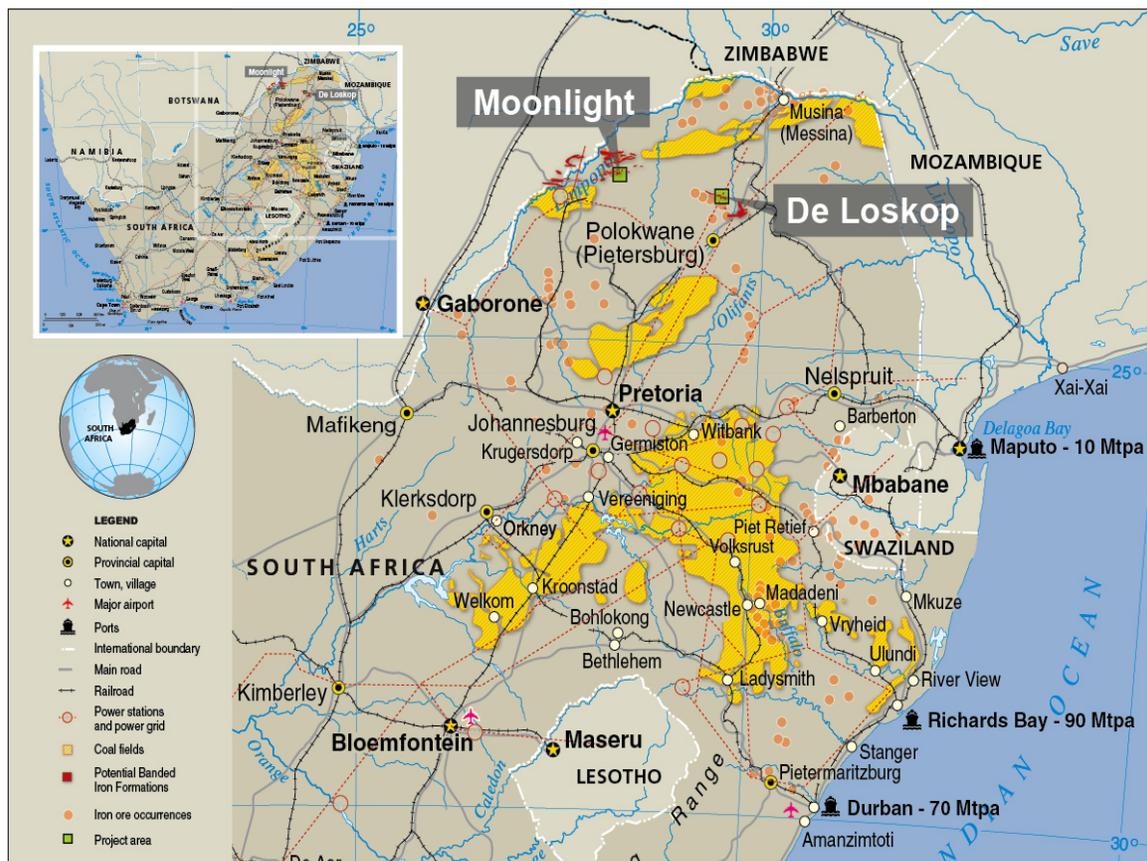
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ACQUISITION OF MAGNETITE IRON PROJECT, LIMPOPO, SOUTH AFRICA

The Project

On 17 September 2009, Washington Resources Limited (“Washington” or “the Company”) announced it had entered in to a conditional agreement to acquire Ferrum Crescent Limited (“Ferrum”), an Australian public unlisted company that has a 74% interest in the advanced Turquoise Moon Iron Project (“Project”), which consists of the Moonlight Deposit and the De Loskop Prospect, located in the Limpopo region of South Africa.

The Moonlight Deposit and the De Loskop Prospect present the Company with a significant opportunity to access an advanced exploration project in close proximity to infrastructure with the ability to fast-track development through the expansion of the existing JORC-compliant Inferred Resource. The Projects have the potential to host economic resources of high quality magnetite iron, from which export grade iron pellets and pig iron can be developed and produced.



The Project is considered to have significant potential to support commercial scale operations in the medium term, with the results from preliminary

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metallurgical testwork considered excellent, displaying high recoveries and low contaminant levels.

The Project's Moonlight Deposit was explored by the South African, Iron and Steel Corporation (ISCOR) between 1983 and 1997. This work detailed and included extensive drilling campaigns and metallurgical and engineering testwork, culminating in resource estimates and mining studies. Historical Project data has been verified by confirmation drilling and resource estimates, resulting in an initial JORC-compliant Inferred Resource of 320Mt grading at 32% Fe in respect of the Moonlight Deposit.

The De Loskop Prospect contains an exploration target of iron-ore mineralisation ranging from 200Mt to 1,000Mt² at a grade of between 30% Fe and 40% Fe. The target formation, the Zandriverspoort Banded Ironstone Formation (BIF), hosts mineralisation at a locality 35km to the SE at a grade of 34.9% Fe where the geology of the deposits is well understood as a result of historical exploration having been undertaken by ISCOR.

Proposed Future Work Program

Washington Resources will focus on adding value to the existing JORC-compliant Inferred Resource and to increase exploration target estimates incrementally. New work to be carried out by the Company will provide geological models incorporating new drilling, mapping, sampling and geophysical techniques. This combined with the improvement in the understanding of key Fe magnetite mineralisation controls, will also lead to defining additional local and regional exploration targets at the Moonlight Deposit and at the De Loskop Prospect.

At the Moonlight Project, the Company intends to undertake drill programs leading to the delineation of a JORC-compliant magnetite reserve, from which scoping studies will be developed encompassing the optimum treatment process. This will form the basis for a reserve sufficient to support a 10 year mine plan. Aligned with the resource upgrade will be baseline environmental studies, metallurgical testwork, engineering studies and hydro-geological investigations resulting in feasibility assessments of integrated mining and production of beneficiated iron products.

The Company has planned an immediate RC and core drilling program to collect bulk samples for process testwork allowing preliminary design and evaluation of comminution circuits. This work will include Davis Tube recovery tests and various engineering tests.

² The potential quantity and grade of the De Loskop Deposit is conceptual in nature and there has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource.

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The Proposed Transaction

The intention of the conditional agreement is to merge the Company and Ferrum and form an ASX listed company with the Project as its main undertaking. To facilitate the merger, the Company has agreed to make offers to acquire 100% of the shares and options in Ferrum. The consideration payable for the acquisition of the Ferrum shares and options is as follows:

- The issue of new fully paid ordinary shares in Washington to Ferrum shareholders on the basis of 12 new Washington shares for every 10 Ferrum shares currently held, on a pro-rata basis. The total number of shares to be issued will equate to 102,000,000 new Washington shares; and
- The issue of new listed options in Washington to Ferrum option holders on the basis of 1 new Washington option for every 1 Ferrum option currently held, on a pro-rata basis. The total number of listed options to be issued will equate to 52,187,500 new Washington options, exercisable at 40 cents per share on or before 31 December 2013

Following completion of the merger, the name of the Company will be changed to Ferrum Crescent Limited, subject to the granting of shareholder approval.

NON-RENOUNCEABLE RIGHTS ISSUE OF OPTIONS

During the quarter, the Company announced a new fully underwritten non-renounceable pro-rata entitlements options issue. The options will be issued on the basis of nine (9) options in the Company for every ten (10) shares already held, at an issue price of 0.1 cents per option. The exercise price of the options is 40 cents per share with an expiry date of 31 December 2013.

The Rights Issue will result in the issue of up to 49,429,229 new options and raise approximately \$49,429 before costs of the offer. The Rights Issue is fully underwritten by Sonray Corporate Pty Ltd with proceeds from the offer applied to general working capital and funding the costs of the offer.

BOARD CHANGES

Mr Glenn Whiddon was appointed Non-executive Chairman and Dr Matthew Sutcliffe was appointed Non-executive Director on 19 August 2009, following the resignations of Ms Melissa Sturgess and Mr Mark Burchnall on the same date.

Mr Gino D'Anna was also appointed Executive Director on 28 August 2009.

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The Washington Board now comprises the following:

Mr Glenn Whiddon	Non-executive Chairman
Mr Gino D'Anna	Executive Director
Mr Richard Jarvis	Executive Director
Dr Matthew Sutcliffe	Non-executive Director

For further information please visit the Company's web site www.washingtonresources.com.au or contact:

Andrew Nealon
Company Secretary
Washington Resources Limited
Tel: (+618) 9485 0755
Fax: (+618) 9324 2977

Competent Persons Statement:

The information in the report is based on information compiled by Parmesh Vakil and John Doepel who are Members of the Australasian Institute of Mining and Metallurgy with a minimum of five years experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Vakil is a contract employee of Washington Resources Pty Ltd and Mr Doepel is Principal Geologist at Continental Resource Management Pty Ltd. Both Mr. Vakil and Mr Doepel have consented to the inclusion in the report of the matters based on their information in the form and context in which it appears.

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

Washington Resources Limited

ABN

58 097 532 137

Quarter ended ("current quarter")

30 September 2009

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (3 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors		
1.2 Payments for (a) exploration and evaluation (b) development (c) production (d) administration	(9) (425)	(9) (425)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	11	11
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other (provide details if material)	10	10
Net Operating Cash Flows	(413)	(413)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets	 (375)	 (375)
1.9 Proceeds from sale of: (a) prospects (b) equity investments (c) other fixed assets		
1.10 Loans to other entities		
1.11 Loans repaid by other entities		
1.12 Other (provide details if material)		
Net investing cash flows	(375)	(375)
1.13 Total operating and investing cash flows (carried forward)	(788)	(788)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(788)	(788)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.		
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other (provide details if material)		
Net financing cash flows			
Net increase (decrease) in cash held		(788)	(788)
1.20	Cash at beginning of quarter/year to date	1,956	1,956
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	1,168	1,168

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	206
1.24	Aggregate amount of loans to the parties included in item 1.10	

1.25 Explanation necessary for an understanding of the transactions

Item 1.23 relates to Directors Remuneration, Directors Fees and Superannuation Contributions. In addition this includes termination payouts made to two directors who resigned in the quarter.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

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2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

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+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities		
3.2 Credit standby arrangements		

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	20
4.2 Development	
Total	20

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	1,168	1,956
5.2 Deposits at call		
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	1,168	1,956

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter	
6.1	Interests in mining tenements relinquished, reduced or lapsed				
6.2	Interests in mining tenements acquired or increased	E58/361	GRANTED	NIL	100%

+ See chapter 19 for defined terms.

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

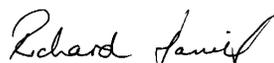
	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference +securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities				
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>			<i>Exercise price</i>	<i>Expiry date</i>
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <i>(totals only)</i>				

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:



Date: 30 October 2009

Print name: Richard Jarvis
Director

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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