

Windimurra Vanadium Limited
and its Controlled Entities

31 December 2007
Interim Financial Report

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The directors present their report together with the consolidated financial report for the six months ended 31 December 2007 and the review report thereon.

Directors

The directors of the Company at any time during or since the end of the interim period are:

Name	Period of directorship
Non-executive	
Mr Michael Kiernan Chairperson	Resigned 29 February 2008
Earl of Warwick Non-Executive Director	Director since 14 January 1999
Mr Roderick Smith Non-Executive Director	Resigned 3 January 2008
Mr Andrew Simpson Non-Executive Director	Resigned 29 February 2008
Mr Ricardo Leiman Non-Executive Director	Director since 3 November 2006
Mr Wolf Martinick Non-Executive Director	Director since 22 December 2006
Mr Shaun Bunn Non-Executive Director	Resigned 22 August 2007
Executive	
Dr Iain Scott	Appointed 19 April 2007
Mr Garry Korte	Appointed 28 December 2007

Review of operations

The Consolidated Entity holds a 90% interest in the Windimurra Vanadium Mine ("Windimurra Mine"), located some 600km to the north east of Perth and 80km east south east of the town of Mt Magnet in Western Australia.

The Windimurra Vanadium Mine hosts one of the largest proven reserves of vanadium reported anywhere in the world.

During the half-year the consolidated entity announced a number of important milestones including:

- Securing a A\$200m finance package required to complete construction and commissioning of the Windimurra Mine project. This includes US\$127.5m debt funding and a A\$54.8m entitlement issue that closed in February 2008.
- Entering into a \$300m contract with Mineral Resources Ltd to build, own, operate and transfer (BOOT) the beneficiation plant over a 10 year period.
- Significant progress with project execution with approximately 50% of project capital expenditure spent or committed.
- Construction at the mine site commenced with the pouring of concrete for the crushing and beneficiation plant.
- Planning and contractor selection completed for a 4,700 metre Reverse Circulation drilling program, with drilling in January 2008.
- Increasing JORC-compliant Measured and Indicated Resource to 93.73Mt at 0.47% V2O5 (with additional Inferred Resource of 55.10Mt at 0.44% V2O5).
- New JORC-compliant Proved and Probable Reserve of 79.0Mt at 0.47% V2O5 delivers a 20 year life of mine schedule.
- Successfully negotiating a gas supply agreement with Santos and securing the supply of natural gas for the project.
- Receiving principal environmental approvals to reconstruct and commence operation of the mine.

Windimurra Vanadium Limited is currently redeveloping the Windimurra mine, with first production targeted for the last quarter of 2008. The mine is expected to produce 6,400 tonnes per annum of ferrovanadium, which will represent approximately 7% of the world market. The Windimurra Mine is expected to be a low cost vanadium mine.

Global demand for vanadium is expanding, driven mainly by growth in steel consumption which together with supply restrictions has seen vanadium spot prices increasing to above US\$80/kg from price levels of just under US\$40/kg during 2007.

Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 17 and forms part of the directors' report for the six months ended 31 December 2007.

Rounding off

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Dated at Perth this 14th day of March 2008.

Signed in accordance with a resolution of the directors:



Dr Iain Scott
Director

Consolidated interim income statement

For the six months ended 31 December 2007

In thousands of AUD

	31 Dec 2007	31 Dec 2006
Other income	93	12,367
Administrative expenses	(3,222)	(2,582)
Care and maintenance expenses	-	(289)
Marketing expenses	(280)	(425)
Results from operating activities	(3,409)	9,071
Finance income	1,714	1,393
Finance expenses	(949)	(2)
Net finance costs	765	1,391
Profit/(Loss) before income tax	(2,644)	10,462
Income tax expense	-	-
Profit/(Loss) for the period	(2,644)	10,462
Attributable to:		
Equity holders of the Company	(2,417)	10,515
Minority interest	(227)	(53)
Profit /(Loss) for the period	(2,644)	10,462
Earnings per share		
Basic earnings per share (AUD)	(0.03)	0.14
Diluted earnings per share (AUD)	(0.03)	0.14

The condensed notes on pages 9 to 14 are an integral part of these consolidated interim financial statements.

Consolidated interim statement of changes in equity

<i>In thousands of AUD</i>	Share capital	Employee option reserve	Option premium reserve	Accumulated losses	Total	Minority interest	Total equity
Balance at 1 July 2006	76,889	429	3,966	(45,291)	35,993	-	35,993
Total recognised income and expense	-	-	-	10,515	10,515	(53)	10,462
Issue of ordinary shares – in company	21,203	-	-	-	21,203	1,168	22,371
Share options exercised by Directors	75	-	-	-	75	-	75
Share options exercised by Employees and Executives	654	(209)	-	-	445	-	445
Employee Share Options	-	1,065	-	-	1,065	-	1,065
Balance at 31 December 2006	98,821	1,285	3,966	(34,776)	69,296	1,115	70,411
Balance at 1 July 2007	128,322	1,409	3,966	(38,454)	95,243	863	96,106
Total recognised income and expense	-	-	-	(2,417)	(2,417)	(227)	(2,644)
Issue of ordinary shares – in Company	-	-	-	-	-	-	-
Share options exercised by Directors	274	(87)	-	-	187	-	187
Share options exercised by Employees and Executives	-	-	-	-	-	-	-
Employee Share Options	-	934	-	-	934	-	934
Balance at 31 December 2007	128,596	2,256	3,966	(40,871)	93,947	636	94,583

The condensed notes on pages 9 to 14 are an integral part of these consolidated interim financial statements

Consolidated interim balance sheet

As at 31 December 2007

In thousands of AUD

	Note	31 Dec 2007	30 Jun 2007
Assets			
Cash and cash equivalents		35,235	63,406
Trade and other receivables		965	425
Inventories		123	69
Other Investments		-	-
Total current assets		36,323	63,900
Restricted cash on deposit		3,857	3,857
Property, plant and equipment	8	81,511	51,572
Total non-current assets		85,368	55,429
Total assets		121,691	119,329
Liabilities			
Trade and other payables		6,416	5,493
Loans and borrowings	10	300	372
Employee benefits		191	133
Total current liabilities		6,907	5,998
Loans and borrowings	10	8,031	5,093
Employee benefits		63	25
Provisions		12,107	12,107
Total non-current liabilities		20,201	17,225
Total liabilities		27,108	23,223
Net assets		94,583	96,106
Equity			
Share capital		128,596	128,322
Reserves		6,222	5,375
Retained earnings		(40,871)	(38,454)
Total equity attributable to equity holders of the Company		93,947	95,243
Minority interest		636	863
Total equity	9	94,583	96,106

The condensed notes on pages 9 to 14 are an integral part of these consolidated interim financial statements.

Consolidated interim statement of cash flows

For the six months ended 31 December 2007

In thousands of AUD

	31 Dec 2007	31 Dec 2006
Cash flows from operating activities		
Cash paid to suppliers and employees	(3,726)	(2,321)
Cash used by operations	(3,726)	(2,321)
Interest received	1,714	1,490
Interest paid	(122)	-
Income taxes paid	-	-
Net cash used in operating activities	(2,134)	(831)
Cash flows from investing activities		
Transfers into restricted cash	-	(260)
Acquisition of property, plant and equipment	(28,724)	(2,055)
Exploration and evaluation expenditure	-	(4,855)
Net cash used in investing activities	(28,724)	(7,170)
Cash flows from financing activities		
Proceeds from borrowings – related parties	2,688	-
Proceeds from the issue of share capital	-	22,610
Proceeds from issue of shares to minority interest	-	13,500
Proceeds from the exercise of options	187	-
Payment of finance lease liabilities	(189)	(4)
Net cash received from financing activities	2,686	36,106
Net increase (decrease) in cash and cash equivalents	(28,172)	28,105
Cash and cash equivalents at 1 July	63,407	36,822
Cash and cash equivalents at 31 December	35,235	64,927

The condensed notes on pages 9 to 14 are an integral part of these consolidated interim financial statements.

Condensed notes to the consolidated interim financial statements

1. **Reporting entity**
 Windimurra Vanadium Limited (the "Company") is a company domiciled in Australia. The consolidated interim financial report of the Company as at and for the six months ended 31 December 2007 comprises the Company and its subsidiaries (together referred to as the "Consolidated Entity").

 The consolidated annual financial report of the Consolidated Entity as at and for the year ended 30 June 2007 is available upon request from the Company's registered office at Level 4, 76 Kings Park Road, West Perth WA 6005 or at www.windimurra.com.au.
2. **Statement of compliance**
 The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the Corporations Act 2001.

 The consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the Consolidated Entity as at and for the year ended 30 June 2007.

 This consolidated interim financial report was approved by the Board of Directors on 14th March 2008.

 The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with the Class Order, amounts in the financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.
3. **Significant accounting policies**
 The accounting policies applied by the Consolidated Entity in this consolidated interim financial report are the same as those applied by the Consolidated Entity in its consolidated financial report as at and for the year ended 30 June 2007.

 The Consolidated Entity has adopted AASB 2007-4 *Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments* (April 2007) (AASB 2007-4).

 There has been no impact on the consolidated interim financial report, as a result of adopting AASB 2007-4.
4. **Estimates**
 The preparation of interim financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

 In preparing this consolidated interim financial report, the significant judgements made by management in applying the Consolidated Entity's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 30 June 2007.
5. **Financial risk management**
 The Consolidated Entity's financial risk management objectives and policies are consistent with that disclosed in the consolidated financial report as at and for the year ended 30 June 2007.
6. **Segment Reporting**
 The Consolidated Entity operates in one industry, being mining and mining exploration, and is in the one geographical segment, Australia.

7. **Change of Name**
On the 13th December 2007 the Company changed its name from Precious Metals Australia Limited to Windimurra Vanadium Limited.

On the same date Windimurra Vanadium Pty Ltd, a subsidiary of the Company, changed its name to MidWest Vanadium Pty Ltd

8. **Property, plant and equipment**
Acquisitions and disposals
During the six months ended 31 December 2007 the Consolidated Entity acquired equipment with a cost of \$0.46 million (six months ended 31 December 2006: \$4.40 million).

During the six months ended 31 December 2007 the Consolidated Entity capitalised \$29.49 million (six months ended 31 December 2006 \$10.78 million) of development expenditure to Mining Property and Development Assets in accordance with the consolidated entity's accounting policies.

Capital commitments

During the six months ended 31 December 2007 the Consolidated Entity entered into contracts to purchase property, plant and equipment. Capital commitments at reporting date, payable within one year, total \$45.94 million (six months ended 31 December 2006: \$5.02 million). These capital commitments relate to items of plant and equipment for the redevelopment of the Windimurra Vanadium mine.

Condensed notes to the consolidated interim financial statements

9. Capital and reserves

Reconciliation of movements in capital and reserves

<i>In thousands of AUD</i>	Share capital	Employee option reserve	Option premium reserve	Accumulated losses	Total	Minority interest	Total equity
Balance at 1 July 2006	76,889	429	3,966	(45,291)	35,993	-	35,993
Total recognised income and expense	-	-	-	10,515	10,515	(53)	10,462
Issue of ordinary shares – in company	21,203	-	-	-	21,203	1,168	22,371
Share options exercised by Directors	75	-	-	-	75	-	75
Share options exercised by Employees and Executives	654	(209)	-	-	445	-	445
Employee Share Options	-	1,065	-	-	1,065	-	1,065
Balance at 31 December 2006	98,821	1,285	3,966	(34,776)	69,296	1,115	70,411
Balance at 1 July 2007	128,322	1,409	3,966	(38,454)	95,243	863	96,106
Total recognised income and expense	-	-	-	(2,417)	(2,417)	(227)	(2,644)
Issue of ordinary shares – in Company	-	-	-	-	-	-	-
Share options exercised by Directors	274	(87)	-	-	187	-	187
Share options exercised by Employees and Executives	-	-	-	-	-	-	-
Employee Share Options	-	934	-	-	934	-	934
Balance at 31 December 2007	128,596	2,256	3,966	(40,871)	93,947	636	94,583

Dividends

No dividends were declared or paid by the Consolidated Entity.

Condensed notes to the consolidated interim financial statements

10. Loans and borrowings
The following loans and borrowings (non-current and current) were issued and repaid during the six months ended 31 December 2007:

<i>In thousands of AUD</i>	Currency	Interest rate		Face value	Carrying amount	Year of maturity
		nominal	effective			
Balance at 1 July 2007:						
Finance lease liabilities					2,493	
Loans from related parties					2,972	
New issues						
Finance lease liabilities	AUD	10.46%	10.46%	367	367	2011
Loans from related parties	AUD	-	-	2,688	2,688	(1)
Repayments						
Finance lease liabilities					(189)	
Balance at 31 December 2007					<u>8,331</u>	

(1) Loan from Noble Resources Limited (being the minority interest holder) advanced under the Shareholder Agreement date 4 October 2006. The loan is denominated in AUD, is unsecured and non-interest bearing, callable only when permitted by project loan covenants.

11. Convertible notes
The Consolidated Entity and Noble Resources Limited have a Heads of Agreement (HOA) that has a convertible note facility. The convertible note has a face value of \$8,202,207 and is convertible to 3,728,549 ordinary shares in the company, which has not yet been drawn upon.

Under the HOA, Noble Resources Limited can not convert the note into equity until the consolidated entity has drawn upon the note. The consolidated entity is not obliged to draw upon the note at any time. To date, the Consolidated Entity has not drawn upon the note facility.

As a result, the Consolidated Entity does not currently consider the convertible note to be dilutive to its current shareholders.

12. Share-based payments
In 2005 the Consolidated Entity established a share option program that entitles key management personnel and senior employees to purchase shares in the entity. The terms and conditions of the share option program are disclosed in the consolidated financial report as at and for the year ended 30 June 2007. In November 2007 a further grant on similar terms was made to key management personnel.

The terms and conditions of the grants made during the six months ended 31 December 2007 are as follows:

Grant date	Number of instruments	Vesting Date	Contractual life of options
Option grant at 5 November 2007	500,000	5 November 2007	3 years
Option grant at 5 November 2007	500,000	5 November 2008	4 years

Fair value of share options and assumptions for the six months ended 31 December 2007:

Fair value at grant date	\$1.12
Share price	\$2.04
Exercise price	\$2.02
Expected volatility (expressed as weighted average volatility used in the modelling under binomial lattice model)	75%
Option life (expressed as weighted average life used in the modelling under binomial lattice model)	3.5 years
Expected dividends	NIL
Risk-free interest rate (based on government bonds)	6.75%

The basis of measuring fair value is consistent with that disclosed in the consolidated financial report as at and for the year ended 30 June 2007.

13.

Contingencies

The Consolidated Entity had contingent liabilities at 31 December 2007 in respect of:

Performance bonds

The Consolidated Entity has provided unconditional performance bonds, guaranteed by a financial institution, amounting to \$3,657,362 (2006: nil) to the Department of Industry and Resources in respect of compliance with environmental conditions in relation to certain tenements.

The financial institution has taken security, by way of right of offset, against the term deposit of \$3,657,362 invested with it. A provision for site rehabilitation has been established based on current values should Windimurra mine site be rehabilitated from its current state.

Bank guarantee

The Consolidated Entity has provided bank guarantees for the operation of corporate credit cards, and other facilities.

A financial institution has taken security, by way of right of offset, against the term deposit to a maximum of \$200,000 invested with it.

14.

Related parties

Transactions with key management personnel

Key management personnel receive compensation in the form of short-term employee benefits, post-employment benefits and share-based payments (see note 12).

Other related party transactions

During the six months ended 31 December 2007, the Parent of the Consolidated Entity provided management services to its subsidiary, MidWest Vanadium Pty Ltd for \$999,544. The balance outstanding at 31 December 2007 was \$744,749.

All outstanding balances with these related parties are to be settled in cash within 1 month of the balance sheet date. None of the balances are secured.

15.

Subsequent event

On the 28th February 2008, a A\$200m finance package required to complete construction and commissioning of the Windimurra Vanadium project was finalised. This includes US\$127.5m debt funding and a A\$54.8m entitlement issue which closed on 15 February 2008. 34,250,031 shares were issued at \$1.60 each.

The debt comprises a US\$90m senior portion with a 5 year term bearing interest at Libor plus 6% and a US\$37.5m junior portion over a 7 year term with a cash interest rate of 11%. 8,653,846 options to subscribe for ordinary shares in the company were issued to junior debt holders.

In January 2008, the Consolidated Entity purchased Australian Dollar (A\$) currency call options giving the right to exchange US\$203m of future vanadium sales revenue into A\$236m to pay for A\$ operating costs on a monthly basis over the period April 2009 to December 2011, effectively managing foreign exchange risk on our A\$ operating costs and capping the maximum foreign exchange rate over this period at the rate of A\$1.00 : US\$0.86.

Windimurra Vanadium Limited

Directors' declaration

In the opinion of the directors of Windimurra Vanadium Limited:

1. the financial statements and notes set out on pages 5 to 14, are in accordance with the Corporations Act 2001 including:
 - (a) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2007 and of its performance for the six month period ended on that date; and
 - (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Perth this 14th day of March 2008.

Signed in accordance with a resolution of the directors:



Iain Scott
Director

Independent auditor's review report to the members of Windimurra Vanadium Ltd

Report on the financial report

We have reviewed the accompanying half-year financial report of Windimurra Vanadium Ltd, which comprises the consolidated interim balance sheet as at 31 December 2007, income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, a description of accounting policies and other explanatory notes 1 to 15 and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2007 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Windimurra Vanadium Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Windimurra Vanadium Ltd is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2007 and of its performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001.



KPMG



B C Fullarton
Partner

Perth
14 March 2008

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

To: the directors of Windimurra Vanadium Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit for the half-year ended 31 December 2007 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.



KPMG



B C Fullarton
Partner

Perth
14 March 2008