



30 January 2009

ASX:WVL

## ACTIVITIES REPORT Quarter Ended 31 December 2008

### PROJECT DEVELOPMENT

#### ***Construction and Procurement***

The Company continues to progress construction of the Windimurra vanadium project.

GR Engineering Services (“GRES”) has been engaged to manage construction activities for the site and to support the Windimurra project team. GRES has seconded key personnel to the project, including the Project Manager. GRES along with its Managing Director, Joe Ricciardo, has a good reputation for the delivery of construction projects.

GRES undertook a review of the project schedule and costs in December 2008. The review indicates the project will be progressively commissioned from January 2009, but that schedule slippage in the Vanadium Refinery will result in production ramp-up commencing towards the end of the second quarter of 2009. The project remains on track with this revised schedule.



At the end of the year all critical equipment items had been delivered to site and more than 350 people were engaged in construction activities. Fabrication of structural steel, piping and platework was essentially complete with a few remaining items due for delivery in January 2009.

Apart from the Vanadium Refinery, all aspects of the project are expected to be mechanically complete before the end of the first quarter 2009. These include:

- borefield – completed;

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- gas delivery system - completed;
- crushing and screening plant – completed;
- power station – substantially complete; and
- magnetite beneficiation plant – substantially complete.

Key milestones going forward are:

- power station commissioning – **February 2009**;
- ore crushing – **February/March 2009**. The crushing and screening plant has been dry commissioned, but requires the power station to be commissioned to enable ore crushing;
- magnetite beneficiation – **March 2009**. Dry commissioning of the beneficiation plant will commence before this date but the tailings storage facility is required to be completed before ore processing can commence; and
- vanadium processing – **May 2009**. Additional construction labour and supervision has been applied to the Vanadium Refinery in order to advance construction as rapidly as possible. By way of example, numbers in the key disciplines of piping and electrical installation have doubled relative to their levels in late 2008.

A significant milestone for the project was the commencement of mining in November 2008. Mining activities include development of the pit and building Run-of-Mine (“ROM”) stockpiles to enable the delivery of the optimal ore blend from the start of commissioning of the plant.

At the end of the quarter, 73% of the forecast capital cost at completion had been spent compared to 59% at the end of the September 2008 quarter.



### ***Operational Readiness***

In the lead-up to production, the Company has appointed most senior operational roles, with personnel actively engaged in operational readiness planning. It is anticipated that during operations up to 200 people will be employed by Windimurra either directly or through our contractors.

Commissioning plans are well advanced, with pre-commissioning and wet commissioning activities integrated into the construction schedule.

Business systems and processes required for operations are under development.



The majority of service and supply contracts are in place and those yet to be signed are now in the final stages of negotiation. Reagent deliveries will commence in January 2009 with the first consignment of soda ash shipped from Penrice in South Australia to the Port of Geraldton.

## MINERAL RESOURCES AND ORE RESERVES

2008 has seen a significant improvement in the understanding of the geological controls on mineralisation and metallurgical response of the Windimurra orebody. The drill programs conducted through the year have resulted in a significant increase in the mineral resource and ore reserve. The following drilling programs were completed during 2008.

**Table 1 – Drill Programs – 2008**

Drill Type	No of Holes	Metres	Month Drilled	Location & Reason
RC	42	4,959	February	Central Area - infill & depth extensions
Diamond	4	673	July	North & Central Areas - geotechnical & depth extensions
RC	7	977	November	Northern Area - infill in DOIR approved start-up cutback
<b>Total</b>	<b>53</b>	<b>6,609</b>		

This exploration has enabled the mineral resource base to be extended below the 2007, 90m vertical depth, to 150m in the Central area. It has also quantified the geotechnical and metallurgical inputs required to define the ore reserves from a deeper pit. These designs will increase the proportion of higher recoverable magnetite mill feed.

The revised mineral resource statement shows a **19% increase** in total tonnes compared to that reported in 2007, with a significant improvement in the measured component, resulting in a **20% increase** in total contained vanadium metal.

**Table 2 - Mineral Resources – December 2008**

Category	Tonnes (Mt)	V <sub>2</sub> O <sub>5</sub> (%)	V (%)	V (tonnes)
Measured	46.68	0.48	0.27	126,000
Indicated	70.73	0.47	0.26	183,900
Inferred	59.18	0.44	0.25	148,000
<b>Total</b>	<b>176.59</b>	<b>0.46</b>	<b>0.26</b>	<b>457,000</b>

A pit optimisation, mine design and mine schedule exercise was undertaken resulting in a significant improvement in the ore reserve base, with the central core of the defined ore reserve base extending down to a depth of 150m. This resulted in an improvement of the global ore reserve tonnage status by **24% and a mine life extended out to 25 years** at four million tonnes per annum ore feed.

The ore reserve study was compiled by the company and independently reviewed by Cube Consulting, as the competent persons.

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**Table 3 - Ore Reserves – December 2008**

Classification	Unit	Central Pit	North Pit	South Pit	Combined
<b>Probable</b>					
Ore	Mt	11.3	16.6	29.2	57.1
V <sub>2</sub> O <sub>5</sub>	%	0.47	0.47	0.48	0.47
<b>Proven</b>					
Ore	Mt	36.2	2.8	1.7	40.7
V <sub>2</sub> O <sub>5</sub>	%	0.48	0.44	0.49	0.47
<b>Total</b>					
<b>Ore</b>	<b>Mt</b>	<b>47.5</b>	<b>19.4</b>	<b>30.9</b>	<b>97.8</b>
<b>V<sub>2</sub>O<sub>5</sub></b>	<b>%</b>	<b>0.47</b>	<b>0.46</b>	<b>0.48</b>	<b>0.47</b>

There exist two listed cultural heritage sites within the expanded 'life of mine' designs. These heritage sites had been approved for removal by the previous operators of the mine. Given that the sites were previously approved for removal and have since been salvaged, the Company is confident of reaching agreement with the relevant authorities to re-establish the approvals.

## FINANCING

The Company is in negotiation with its key stakeholders for a significant amount of funding, and a draft term sheet has been prepared and provided to them. As at the date of this release, discussions between the parties were ongoing but no firm commitment to funding had been received by the Company. The final amount of the capital raising has yet to be determined.

The Company has taken a number of measures to conserve cash. These include a hiring freeze, staff reductions and approaches to key contractors to renegotiate terms. All items of construction and operating expenditure have been reviewed. In addition, the rate of production ramp-up to nameplate capacity has been examined by an independent expert to ensure that working capital requirements are minimised.

The Company had \$71 million in cash at the end of December 2008.

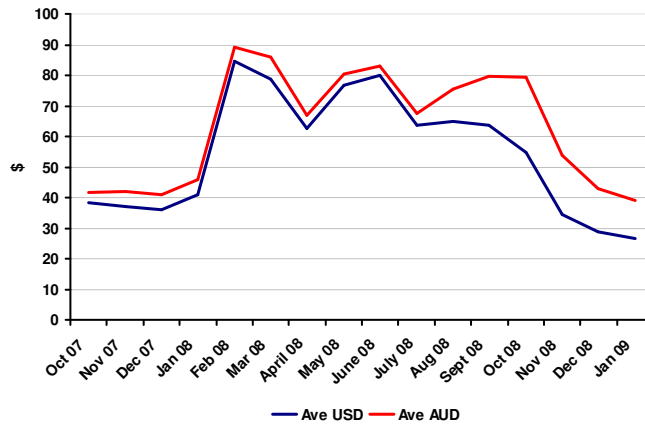
## MARKETING

The reduction in steel demand flowing from the global financial crisis has resulted in reduced demand for vanadium. The vanadium prices have halved from the historically high levels they traded at in 2008. However, relative to several other ferroalloys, vanadium prices have been less affected by the market conditions. The recent decline in the A\$:US\$ exchange rate has reduced the impact of the decline in US\$ denominated vanadium prices, relative to 2007 when the investment decision on the project was made.

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**Ferrovandium Prices**



Vanadium supply and demand both decreased in the fourth quarter of 2008 and prompt steel production cuts by vanadium co-producers have assisted to stabilise prices at current levels by reducing the supply of vanadium co-produced in slags.

The spot vanadium price is being determined by small volume sales. This could lead to some volatility in the short term until consumers have exhausted site inventories and recommence buying at rates matched to production.

The Company has reviewed recent economic forecasts from a number of sources. These forecasts reflect steel demand starting to recover in the second quarter of 2009 in Brazil, Russia, India and China and later in the year for developed countries. Vanadium demand recovery is forecast to commence in association with the recovery in the steel market. Windimurra will not be selling vanadium until the second half of 2009 when the recovery in demand is forecast to have commenced.

The consensus of the forecasters is a prediction for strong steel demand growth in 2010/2011 coinciding with the period when Windimurra production ramps up. New vanadium supply sources during the next few years are expected to be constrained by the current difficulties in capital markets. Vanadium pricing is expected to respond to the supply/demand conditions.

**WINDIMURRA VANADIUM LIMITED**

30 January 2009

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## COMPETENCY STATEMENT

### **Colin Arthur – Mineral Resources**

The information in this report that relates to exploration activities and mineral resources is based on information compiled by Colin Arthur, who is a Chartered Geologist, Member of The Australasian Institute of Mining and Metallurgy and Fellow of the Geology Society of London. Colin Arthur is a full-time employee of MidWest Vanadium Pty Ltd, (a 90% owned operating subsidiary of Windimurra Vanadium Ltd) in the capacity of Chief Mine Geologist. Colin Arthur has over eighteen years experience in this style of mineralisation and the type of deposit under consideration and related mining method and project evaluation. He has sufficient experience which is relevant to the style of mineralization and to the activity which he is undertaking. He is therefore qualified as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Colin Arthur consents to the inclusion in the report of the matters, based on his information in the form and context in which it appears.

### **Scott Jackson – Mineral Resources**

Scott Jackson, Director and Principal Consultant of Quantitative Group ("QG"), has reviewed the June 2008 Windimurra resource estimate and considers it likely to be free of material error. These conclusions come from undertaking a site visit, reviewing the new geological model, a limited review of the data, independent checks on the parameters used in estimation followed by model validation and discussions with Windimurra on resource classification. QG consider the estimation methodology chosen and subsequent implementation to be robust and appropriate. There are three significant changes from the last estimate: i) additional drilling giving greater confidence in the estimate ii) a new geological interpretation that differentiates several 'bands' of waste material in the main ore zone and iii) additional SG data. QG recommends continuing collection of SG data as part of the grade control practices to further confirm the validity of those used in the current estimate.

### **Quinton de Klerk – Ore Reserves**

Information in this report that relates to Ore Reserves has been compiled under the guidance of Quinton de Klerk, Director and Principal Consultant at Cube Consulting Pty Ltd (CUBE). Quinton de Klerk is a Member of the Australasian Institute of Mining and Metallurgy and has sufficient experience which is relevant to the activity which he is reporting on 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 de Klerk attended a visit to the Windimurra Mine site in September 2008. Mr de Klerk consents to the inclusion in the report of the matters based on the information compiled by him, in the form and context in which it appears.

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