



ASX / MEDIA ANNOUNCEMENT

23 December 2008

MARKET UPDATE

At the AGM of the 26 November, the company announced that the Windimurra Vanadium project completion would be delayed. This resulted from late supply of equipment and materials and delays in obtaining statutory approvals. The project would be commissioned and produce ferrovanadium in the second quarter of 2009. GR Engineering Services (GRES) has been appointed to assist with completing the project. GRES along with its Managing Director, Joe Ricciardo has an excellent reputation for the delivering of construction projects.

GRES has undertaken a complete review of the project schedule and costs. The review indicates the plant will be progressively commissioned from January, but that slippage in the Vanadium Refinery would result in production ramp up towards the end of the second quarter of 2009. An allowance is needed for additional construction labour to achieve the schedule and for fixed costs associated with the extension. Both factors have resulted in the need for additional funds. Based on the GRES review, the Company has determined that \$81 million is required, including \$20m of contingencies. This allows for commissioning and working capital until the project is cash flow positive.

The Company is in discussion with debt and equity providers. The existing debt arrangements allow for a banking facility of up to \$30m. Discussions are underway with a major Australian bank to provide such a facility. The Company is in negotiation with its key stakeholders for funding. These parties have the capacity to underwrite a capital raising. These discussions to date have been positive, but they are yet to be finalised. The Company has commenced a fund raising program, which is likely to include a Rights Issue, which the Company believes would attract substantial underwriting.

The company has taken a number of measures to conserve cash. These include 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.

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

- Bore field – complete
- Gas Inlet Delivery system – complete
- Commencement of mining – complete
- Crushing plant - complete
- Magnetite beneficiation plant - substantially complete
- Power station – 90% complete, with commissioning scheduled for January 2009.



The Company had \$91m in cash at the end of November 2008. These funds are sufficient to meet project expenditure until completion of the capital raising planned to be finalised before the end of Q1 2009. The Company continues to monitor the Vanadium price as well as supply and demand dynamics. The reduction in the US\$ vanadium price has been largely offset by the weakening Australian Dollar. The project remains viable at current prices and exchange rates. The ramp up of production to reach 90% of design capacity in 2010, is in line with expected global recovery in steel and other commodity prices. The outlook for Windimurra Vanadium remains as a low cost, profitable and long life producer of vanadium for the global steel market.

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Background

Windimurra Vanadium Limited (WVL) is a mining company based in Perth, Western Australia and is listed on the Australian Stock Exchange (ASX:WVL). The Company's focus is the development of the world class Windimurra Vanadium Mine, located 600km north east of Perth in WA's Mid-West region.

WVL has a strategic alliance and off-take agreement with leading global supply chain manager, Noble Group Limited, based in Hong Kong. Noble has agreed to purchase the total vanadium output of the Windimurra mine, at prevailing market prices for the life of the mine.

Windimurra contains one of the largest reported proven vanadium Ore Reserves in the world with current mineable reserves of 79.0 million tonnes at a bulk grade of 0.47% V₂O₅ (vanadium pentoxide), which will underpin an initial mine life of 20 years at the proposed mining rate of 3.9mtpa. A total of 148 million tonnes of resources have been modelled at a bulk grade of 0.46%.

The quality of the ore body, the opportunity to use the latest proven technology and the scale of the project, that will produce 8% of the worlds' vanadium, combine to ensure that Windimurra will be a low cost producer.

The Windimurra mine was originally built by the Company with a joint venture partner in 1999, and, whilst operating, was the world's largest primary vanadium mine, gaining recognition as one of the highest-quality sources of vanadium in the world market.

Since 2003, world demand for vanadium and the price of the commodity have increased strongly, largely driven by growth in Chinese steel production. Marketing studies commissioned by WVL forecast that vanadium demand will continue to increase through 2015 at a compound annual growth rate of 7.8%.

For more information, please visit www.windimurra.com.au