

WESTERN METALS LIMITED

ABN 69 009 150 618



HALF YEARLY REPORT FOR THE PERIOD ENDED

31 DECEMBER 2008

WESTERN METALS LIMITED
ABN 69 009 150 618

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CORPORATE DIRECTORY

Directors

George Bauk - Managing Director
Geoffrey Chapman - Executive Director
Peter Smith - Non Executive Director (Executive Director from 1 July 2008 to 30 January 2009)
Chris Greig- Non Executive Director (Resigned 28 November 2008)
Marc Cardaci - Non Executive Director (Resigned 28 November 2008)

Company Secretary

Morgan Ball

Registered Office

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Subiaco WA 6008
Tel: +61 8 6380 3600
Fax: +61 8 9382 8022

Auditors

BDO Kendalls Audit and Assurance (WA) Pty Ltd
128 Hay Street
Subiaco WA 6008
Tel: (08) 9380 8400
Fax: (08) 9380 8499

Share Registry

Security Transfer Registrars Pty Ltd
770 Canning Hwy
Applecross WA 6153
Tel: (08) 9315 2333
Fax: (08) 9315 2233

Home Stock Exchange

Australian Stock Exchange Limited
Level 2, Exchange Plaza
2 The Esplanade
Perth WA 6000
ASX Code: WMT/WMTO

WESTERN METALS LIMITED
ABN 69 009 150 618

DIRECTORS' REPORT

Your directors present their report on Western Metals Limited for the half-year ended 31 December 2008.

Directors

The names of the Directors who held office during or since the end of the half-year and up to the date of this report:

George Bauk - Managing Director
Geoffrey Chapman - Executive Director
Peter Smith - Non Executive Director (Executive Director from 1 July 2008 to 30 January 2009)
Chris Greig - (Non-Executive Chairman – Resigned 28 November 2008)
Marc Cardaci - (Non-Executive Director – Resigned 28 November 2008)

Results and Review of Operations

The economic entity incurred an operating loss after income tax of \$4,858,861 (31 December 2007: \$3,647,573) for the half-year ended 31 December 2008.

Western Metals is a diversified uranium, base metals and gold explorer with a portfolio of potential world class projects in Africa, Australia and the Americas.

With a highly experienced management team, cash reserves of approximately \$20m and no debt, Western Metals is focussed on acquiring an advanced base metal or gold project. The primary geographical focus for this project is Southern Africa or Australia.

Tanzania - Uranium

During the December half-year, the Company's exploration activities focussed on RC drilling along the Mtonya Corridor Prospects and at the Foxy Prospect as well as on regional reconnaissance investigations which continued to centre on generative work and on the follow up of existing prospects and anomalies.

As of 31 December a total of 171 RC holes for 10,670m had been completed during the 2008 drilling programme in Southern Tanzania. Of this, a total of 113 holes for 7,071m were completed during the December half-year reporting period.

The 2008 drill programme was designed to continue to evaluate prospects along the Mtonya Corridor, including the Grandfather Prospect, and to commence evaluation of regional prospects such as Foxy, Eland and Pedro. While most of the objectives of the 2008 drilling programme were achieved, access issues prevented drill evaluation of the Eland and Pedro prospects.

Mtonya Corridor Prospects

Ninety four holes for a total of 5,689m were drilled during the half-year reporting period out of a total of the 152 RC holes (9,288m) that were drilled into prospects along the Mtonya Corridor during 2008. All assays for the drilling undertaken during this period have been received. In the interests of completeness all drill results for 2008 are reported here although some of the drilling was undertaken during the first half-year period.

Infill and extension drilling at known prospects such as Moysten, Para, Tahbilk and Henri have confirmed tenor and extent of mineralisation. Drilling at these prospects and at the recently defined Grandfather Prospect has returned a number of significant intercepts.

Tanzania – Uranium (Cont'd)

Mtonya Corridor Prospects (Cont'd)

Significant intercepts from results received from 2008 RC drilling include:

- MRC143 - 12 metres at 676 ppm U₃O₈ from 22 metres
- MRC143 - 3 metres at 690 ppm U₃O₈ from 12 metres
- MRC139 - 2 metres at 1,525 ppm U₃O₈ from 11 metres
- MRC116 - 7 metres at 263 ppm U₃O₈ from 44 metres
- MRC136 - 5 metres at 222 ppm U₃O₈ from 18 metres
- MRC138 - 2 metres at 300 ppm U₃O₈ from 22 metres
- MRC200* - 4 metres at 1,938 ppm U₃O₈ from 26 metres
- MRC200* - 4 metres at 988 ppm U₃O₈ from 34 metres
- MRC183* - 2 metres at 1,715 ppm U₃O₈ from 56 metres
- MRC235* - 2 metres at 1,320 ppm U₃O₈ from 36 metres
- MRC195* - 5 metres at 1,214 ppm U₃O₈ from 30 metres
- MRC180* - 3 metres at 833 ppm U₃O₈ from 27 metres
- MRC223* - 4 metres at 648 ppm U₃O₈ from 6 metres
- MRC223* - 2 metres at 700 ppm U₃O₈ from 19 metres
- MRC231* - 6 metres at 517 ppm U₃O₈ from 15 metres
- MRC131* - 6 metres at 420 ppm U₃O₈ from 9 metres
- MRC190* - 7 metres at 496 ppm U₃O₈ from 27 metres
- MRC190* - 7 metres at 417 ppm U₃O₈ from 10 metres
- MRC167* - 4 metres at 475 ppm U₃O₈ from 2 metres
- MRC189* - 5 metres at 364 ppm U₃O₈ from 23 metres

(Note: * holes drilled after 1 July 2008)

Foxy Prospect

A total of 19 RC holes were drilled for a total of 1,382m into the Foxy Prospect. Holes intersected shallow, low-moderate grade uranium mineralisation with the best results from hole FRC014 which returned 6m at 213ppm U₃O₈ from 27m.

Eland Prospect

Detailed geological mapping as well as ground geophysical and geochemical surveys continued.

Detailed ground radiometric and spectrometric readings were completed at the discovery site at the Eland Prospect. In addition, traverses were made to the SW to locate anomalous areas indicated on the 'informal' total count heli-borne survey carried out in 2007. Grab samples were collected from hotspots as well as a range of type samples.

At Eland, the radiometric data shows a clear 300 cps total count (Geogammer) anomaly (150m x 30m in size) along the NE margin of the hill. The anomaly is located along the contact between equigranular syenite and a melange of syenitic rock and frosted felsic gneiss. The anomaly continues to the SE into a zone of syenitic rubble and soil cover.

Preliminary geological scout maps were also made of both the discovery area at Eland Hill and along traverses away from the hill. Reconnaissance traverses to the SW resulted in the discovery of several patches with uranium hotspots associated with nepheline syenite and frosted altered gneiss. Outcrop was generally scattered with boulder sub-crop.

A number of rock chip samples taken from the Eland environs returned anomalous uranium, tantalum and niobium values. Of particular interest is the fact that this "hard rock" style of mineralisation has similarities to other deposits located in Namibia and Malawi.

Tanzania – Uranium (Cont'd)

Eland Prospect (Cont'd)

More significant results include:

• A7-535	1,040 ppm U ₃ O ₈ ;	2,740 ppm Nb;	530 ppm Ta
• A7-536	370 ppm U ₃ O ₈ ;	6,480 ppm Nb;	950 ppm Ta
• A7-539	1,060 ppm U ₃ O ₈ ;	4,640 ppm Nb;	690 ppm Ta
• A7-547	1,260 ppm U ₃ O ₈ ;	5,450 ppm Nb;	870 ppm Ta
• A7-568	880 ppm U ₃ O ₈ ;	2,890 ppm Nb;	620 ppm Ta
• B0-200	1,140 ppm U ₃ O ₈ ;	4,960 ppm Nb;	860 ppm Ta

Technical Review

During the reporting period a detailed review of all work carried out to date in Southern Tanzania by Western Metals Limited, has been undertaken.

The Mtonya Prospect has been the focus of exploration through 2007-2008 with the drilling of 265 holes for an aggregate of 16,271 metres. In addition to this a total of 19 holes for an aggregate of 1,382 metres have been drilled at the Foxy Prospect.

Mineralisation at the Mtonya and Foxy Prospects (sandstone hosted, redox controlled) has been found to be located within a sand-dominated, fluvially derived sequence of very coarse sands to silts. Locally, mineralisation is controlled at the redox front boundaries between pale green coloured sands (reduced) and red, brown or off-white coloured sands (oxidized). Uranium mineralisation is predominantly in the form of secondary uranium minerals such as meta-uranocircite and autonite, although primary minerals have tentatively been identified as coffinite or pitchblende and possibly uranium polymerized organics 'thucolite'. The mineralisation at the Mtonya Prospect itself is within a 4.5km wide, NE trending corridor (the Mtonya Trend). The length of the prospective corridor as defined by airborne and surface radiometrics is approximately 7km.

Drilling results have shown that uranium mineralisation is hosted within flat lying lenses, is widespread and in places is of economic grade and thicknesses. The best zones of mineralisation drilled to date are located at the Henri and Grandfather Prospects, where at least three mineralised levels have been identified between 760mRL and 810mRL.

While current drilling has not yet defined a mineral resource at the Mtonya or Foxy Prospects there are still a large number of anomalies and prospects that remain to be tested. In addition to these, a number of conceptual targets have been generated and remain to be evaluated.

It is also still believed that there is potential to find new mineralisation to the south-west of the Mtonya Trend under cover of unmineralised sediments of similar age and composition. This view is supported by a re-emergence of surface mineralisation some 25km further south along trend at the Madfish Prospect.

A number of other sandstone hosted anomalies have been defined and are currently the subject of investigation including Pedro and Carlos in the Ruhuhu Project area.

Uranium associated with nepheline syenite gneiss was discovered at Eland in the southernmost part of the Njuga Tenement in the Ruvuma Project area. The mineralisation is associated with pyrochlore, appears to be contained wholly within the syenite intrusion and may have a secondary control within the metamorphic banding. The prospect has potential to be a large tonnage, moderate to low grade deposit with niobium and tantalum credits.

Australia - West Georgetown: Silver-Zinc-Lead-Copper-Gold

During the December Half Year period, exploration activities at West Georgetown focused on drill testing of a number of targets on the Northern Fog Creek tenement and on granting, permitting and obtaining necessary approvals to drill on the Southern Norman River tenement.

The West Georgetown project comprises of a northern (Fog Creek) and a southern tenement (Norman River). Under the Company's agreement with BHP Billiton, the top seven targets for priority drill testing have been identified on the Norman River tenement.

Fog Creek (EPM14724)

A total of 9 holes for an aggregate of 655m RC and 814m diamond were completed at Fog Creek (EPM14724). Holes tested conceptual structural/magnetic targets, Falcon™ IOCG/BHT targets as well as following up on an historical drill hole that was reported to have intersected native copper. Rugged topography and access problems prevented drilling of anomalies WGN-F002 and WGN-F004. Consideration will be given to a helicopter supported drill programme, however, a decision to proceed and the timing of such a programme will be subject to the availability of a suitable drill rig and the costs involved.

The RC holes drilled to test structural/magnetic targets and follow-up on of old drill results failed to return any significant intercepts.

Two holes drilled to test the Falcon™ anomaly WGN-F003 intersected graphitic metasediments (Proterozoic basement) at depths of around 30 metres. Holes showed little obvious signs of alteration and while returning some anomalous assays, these were not considered to be of any economic significance. The most likely explanation of the gravity anomaly is the excess mass associated with the shallow basement. Nothing in the holes suggested the presence of or proximity to a significant mineralised system and the anomaly has been downgraded. A further two holes drilled to test Falcon™ anomaly - WGN-F001 intersected a gabbroic body at a relatively shallow depth of 30m. The intrusive body displayed little evidence of alteration or mineralisation, contacts were benign and the body showed no evidence of differentiation. The gabbro is interpreted to be the source of the excess mass and associated gravity anomaly.

Norman River (EPM14722)

Western Metals was advised that the Norman River tenement (EPM14722) of the West Georgetown project was granted to BHP Billiton on the 22nd July 2008. The assignment of the tenement to Western Metals has now been completed.

Ground reconnaissance investigations have revealed that access to the three western targets is relatively straightforward but that access to eastern targets is more challenging and a helicopter supported drilling programme may have to be considered. Once again, the decision to proceed and the timing of such a programme will be subject to the availability of a suitable drill rig and the costs involved.

Community and stakeholder consultations have been undertaken and site specific heritage surveys completed on the three western Falcon™ targets.

Canada - Snowbird: Nickel-Base Metals-Gold

On the 29th July Western Metals announced that it had progressed its Option to purchase 100% of the Snowbird polymetallic project in Canada from BHP Billiton. The decision followed a due diligence field investigation completed on this highly prospective region in the Northwest Territories. Additional work on the Wendy Prospect adjacent to the Snowbird project identified it as prospective for high grade gold mineralisation. This led to the staking of the five additional Wendy claims now held 100% by Western Metals.

Rock chip sampling conducted during the field investigation confirmed tenor of mineralisation and delivered highly encouraging results including:

- KB-1 Magmatic Copper-Nickel target
 - 2.57% Cu, 0.12% Ni
 - 1.88% Cu, 0.12% Ni

- KB-2 Gold-Silver-Base Metals target
 - 31.2 g/t Au, 806 g/t Ag, 3.16% Cu, 10.55% Zn
 - 25.4 g/t Au, 769 g/t Ag, 2.23% Cu, 7.44% Zn, 4.22% Pb

- Wendy Gold target
 - 273 g/t (9.6 oz/t) Au, 28.5 g/t Ag
 - 9.97 g/t Au

The new Snowbird project area now consists of 21 claims within the Snowbird Tectonic Zone, located 625 km NW of the city of Thompson. The Snowbird Tectonic Zone is on the margin of an ancient continent that hosts the Thompson, Raglan and Voisey's Bay nickel deposits as well as various gold and base metals mines. Several EM bedrock anomalies and the presence of elevated Cu, Ni, Ag, Zn and Au in exposed sulphide mineralisation have resulted in the definition of a number of drill-ready targets.

During the latter part of the year work focused on logistical and permitting issues associated with drilling in the North West Territories, Canada. An application for a Land Use Permit has been made to the McKenzie Land and Water Board and negotiations have begun with stakeholders including First Nation Groups.

Mid Continent: Nickel

During the December Half Year Western Metals consolidated its land position in the area. A base line environmental study was also undertaken.

Divestments

On the 13th August 2008 Western Metals advised the market that following a detailed review of its project portfolio it had decided to exit from its interest in the Glade Uranium project in Colorado, USA and would not exercise its option of over the Lukkacha Copper project in Peru.

Western Metals' withdrawal from the Lukkacha Project in Peru is now complete.

Work on the withdrawal of Western Metals' interest in the Glade Uranium Project in Colorado, USA has progressed but has not yet been finalised.

Personnel

In recent months the company has reviewed its structure and its Board composition and has made a number of changes including the departure of Dr Chris Greig and Mr Marc Cardaci as well as Mr Peter Smith moving into a non executive role. This structure better reflects the current status of the company and will be revisited again post business development success.

Western Metals continues to focus on maintaining a high quality team to take the company forward through both acquisitions and exploration. People are our core asset and we believe that we have the right team in place.

WESTERN METALS LIMITED
ABN 69 009 150 618

Corporate

Western Metals held its Annual General Meeting on Friday, 28 November. Three resolutions were put to the meeting and passed by the requisite majority of shareholders on a show of hands.

The company continues to ensure that we manage our costs effectively and where possible, we have made decisions to minimise expenditure. The company is focussed on building a successful mining company through outstanding commercial and technical management.

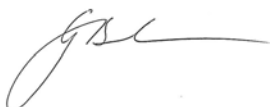
Business Development

Western Metals remains focussed on business development and over the past 6 months has continued to evaluate a number of opportunities. The process is challenging for all involved and can be frustrating for our shareholders and potential shareholders as most of these activities are completed under confidentiality terms, resulting in no information being provided on many unsuccessful business development opportunities.

During the six months, Western Metals withdrew from the acquisition of the Parys Mountain Project. Whilst the commodity prices associated with this project have dramatically fallen, the opportunity was exciting but agreed commercial terms could not be reached.

We have just announced the completion of our acquisition of the Nyanzaga Gold Project (and associated exploration prospects) in Tanzania from Sub Sahara Resources NL ("SBS"). Western Metals will pay up to \$1.25m cash in instalments during 2009 with a \$5m cash payment on commercial production. SBS held a 49% interest in the Project which has 4.5moz gold (100%) in joint venture with Barrick Gold with the ability to earn up to 68% on the successful completion of a Bankable Feasibility Study. This Project had been targeted by Western Metals based on the right focus areas of opportunity, commodity and country.

Given our cash balance of \$20m with no debt and the low entry cost to the Nyanzaga Gold Project, we will continue to search for other business development opportunities and continue exploration.



George Bauk
Managing Director

Dated this 6th day of March 2009

WESTERN METALS LIMITED
ABN 69 009 150 618

CONSOLIDATED INCOME STATEMENT
FOR THE HALF-YEAR ENDED
31 DECEMBER 2008

		Half-Year	
	Notes	31 December 2008 \$	31 December 2007 \$
Revenue from continuing operations	2	2,360,685	1,042,010
Administrative expenses		(74,438)	(609,532)
Compliance fees		(49,500)	(133,032)
Computer and software expenses		(89,500)	(138,070)
Consultants		(170,989)	(138,986)
Depreciation expense		(79,444)	(38,359)
Due diligence		(470,662)	-
Employee benefits expense		(1,600,998)	(1,372,281)
Foreign exchange loss		-	(156,715)
Impairment of available for sale financial assets		(611,673)	-
Impairment of exploration expenditure	3	(3,238,412)	-
Legal expenses		(83,401)	(60,826)
Promotion expenses		(73,175)	(64,333)
Rent expense		(148,939)	(146,254)
Share based payments		(430,788)	(1,616,565)
Travel and accommodation		(97,627)	(214,630)
Total Expenses		(7,219,546)	(4,689,583)
Loss Before Income Tax		(4,858,861)	(3,647,573)
Income Tax Expense		-	-
Loss for the half-year		(4,858,861)	(3,647,573)
Loss Attributable To Members of Western Metals Limited		(4,858,861)	(3,647,573)
Basic loss per share (cents per share)		(0.78)	(0.59)

Where diluted loss per share are not dilutive, they have not been disclosed.

The accompanying notes form part of this financial report.

WESTERN METALS LIMITED
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CONSOLIDATED BALANCE SHEET
AS AT
31 DECEMBER 2008

	Notes	31 December 2008 \$	30 June 2008 \$
Current Assets			
Cash and cash equivalents		20,098,005	24,255,036
Trade and other receivables		142,901	177,882
Total Current Assets		<u>20,240,906</u>	<u>24,432,918</u>
Non-Current Assets			
Other financial assets		172,194	172,194
Property, plant & equipment		1,108,707	922,040
Exploration assets	3	8,560,438	8,264,612
Available-for-sale assets		222,427	945,313
Total Non-Current Assets		<u>10,063,766</u>	<u>10,304,159</u>
Total Assets		<u>30,304,672</u>	<u>34,737,077</u>
Current Liabilities			
Trade and other payables		607,879	1,537,766
Total Current Liabilities		<u>607,879</u>	<u>1,537,766</u>
Total Liabilities		<u>607,879</u>	<u>1,537,766</u>
Net Assets		<u>29,696,793</u>	<u>33,199,311</u>
Equity			
Contributed equity		39,701,019	39,701,019
Reserves		6,158,936	4,802,592
Accumulated losses		(16,163,162)	(11,304,300)
Total Equity		<u>29,696,793</u>	<u>33,199,311</u>

The accompanying notes form part of this financial report.

WESTERN METALS LIMITED
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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED
31 DECEMBER 2008

	Half-Year	
	31 December 2008 \$	31 December 2007 \$
Total equity at the beginning of the half-year	33,199,311	37,464,839
Exchange differences on translation of foreign subsidiaries	1,036,768	(54,426)
Changes in fair value of available-for-sale financial assets	<u>(111,213)</u>	<u>-</u>
Net Loss Recognised Directly in Equity	925,555	(54,426)
Net Loss for the half-year	<u>(4,858,861)</u>	<u>(3,647,573)</u>
Total recognised income and expense for the half-year	<u>(3,933,306)</u>	<u>(3,647,573)</u>
Contributions of equity, net of transaction costs	-	96,995
Share based payments	430,788	1,616,565
Total equity at the end of the half-year	<u>29,696,793</u>	<u>35,476,400</u>
Total recognised income and expense for the half-year is attributable to:		
Members of Western Metals Limited	<u>(4,858,861)</u>	<u>(3,647,573)</u>

The accompanying notes form part of this financial report.

WESTERN METALS LIMITED
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CONSOLIDATED CASH FLOW STATEMENT
FOR THE HALF-YEAR ENDED
31 DECEMBER 2008

	Half-Year	
	31 December 2008 \$	31 December 2007 \$
Cash Flows From Operating Activities		
Payments to suppliers and employees (inclusive of GST)	(3,445,813)	(2,227,783)
Interest received	677,905	1,023,321
Rent received	24,174	6,107
Research and development rebate received	155,336	-
	<hr/>	<hr/>
Net Cash (Outflows) From Operating Activities	(2,588,398)	(1,198,355)
	<hr/>	<hr/>
Cash Flows From Investing Activities		
Purchase of property, plant and equipment	(266,363)	(713,212)
Payments for exploration expenditure	(2,679,619)	(2,184,518)
	<hr/>	<hr/>
Net Cash (Outflows) From Investing Activities	(2,945,982)	(2,897,730)
	<hr/>	<hr/>
Cash Flows From Financing Activities		
Proceeds from issues of shares	-	136,661
	<hr/>	<hr/>
Net Cash Inflows From Financing Activities	-	136,661
	<hr/>	<hr/>
Net Decrease In Cash and Cash Equivalents	(5,534,380)	(3,959,424)
Cash and cash equivalents at beginning of the half-year	24,255,036	34,061,586
Effects of exchange rate changes on cash and cash equivalents	1,377,349	(173,650)
	<hr/>	<hr/>
Cash and Cash Equivalents At End Of the Half-Year	<u>20,098,005</u>	<u>29,928,512</u>

The accompanying notes form part of this financial report.

WESTERN METALS LIMITED
ABN 69 009 150 618

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED
31 DECEMBER 2008

1. Basis of Preparation

The half-year financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standard AASB 134: Interim Financial Reporting and other authoritative pronouncements of the Australian Accounting Standards Board.

It is recommended that this financial report be read in conjunction with the financial report for the year ended 30 June 2008 and any public announcements made by Western Metals Limited during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

The half-year report does not include full disclosure of the type normally included in an annual financial report.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

2. Loss for the half-year

	Half Year	
	31 December 2008	31 December 2007
	\$	\$
Loss for the half-year includes the following items that are unusual because of their size:		
Interest	677,905	1,023,231
Foreign exchange gain	1,708,549	-
Impairment of available-for-sale assets	(611,673)	-
Impairment of exploration expenditure	(3,238,412)	-

3. Exploration Assets

	\$
Balance as at 30 June 2008	8,264,612
Expenditure during the six months to 31 December 2008	3,534,238
Impairment of exploration expenditure	(3,238,412)
Balance as at 31 December 2008	8,560,438

Capitalised exploration and evaluation expenditure represents the accumulated cost of acquisition and subsequent cost of exploration and evaluation of the properties. In the opinion of the directors the value of the properties is at least that at which they are carried in the financial report.

Ultimate recoupment of these costs is dependent on the successful development and commercial exploitation, or alternatively sale, of the respective areas of interest.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)
FOR THE HALF-YEAR ENDED
31 DECEMBER 2008

4. Events Subsequent To Reporting Date

On the 27th of February 2009, Western Metals Limited (ASX:WMT) completed a deal with Sub Sahara Resources NL (ASX:SBS) to acquire SBS' interests in its advanced gold exploration projects in Tanzania ("Projects") through the acquisition of a number of Australian and Tanzanian subsidiaries of SBS ("the Target Companies").

The agreement represents a low-cost, low risk opportunity to secure advanced high quality gold assets with multi-million ounce potential.

The key commercial terms of the acquisition are:

- WMT paid a refundable deposit of A\$100,000 to SBS on signing of a HOA and a further deposit of A\$150,000 on signing of the formal sale agreement.
- WMT paid SBS A\$650,000 on completion of the transaction.
- Finalisation of the transaction may see WMT pay SBS a further A\$250,000 by the end of 2009 subject to the final liabilities of the Target Companies being determined.
- WMT will pay SBS A\$5.0m on the commencement of commercial production at the Nyanzaga Gold Project in Tanzania.

5. Contingent Liabilities

The Directors are not aware of any contingent liabilities as at 31 December 2008. There has been no change in liabilities since the last annual reporting date.

6. Segment Information

Business Segments

During the half-year ended 31 December 2008, the company operated in the mineral exploration industry.

Secondary reporting – geographical segments

The consolidated entity undertakes exploration activities in Australia, Tanzania, the United States and Canada while the corporate office is located in Australia.

2008	Australia – Corporate	Tanzania	Other	Consolidated
Segment revenue	2,205,312	-	155,373	2,360,685
Segment result	(3,253,280)	32,148	(1,637,729)	(4,858,861)
2007				
Segment revenue	1,042,010	-	-	1,042,010
Segment result	(3,699,471)	51,898	-	(3,647,573)

WESTERN METALS LIMITED
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)
FOR THE HALF-YEAR ENDED
31 DECEMBER 2008

7. Equity Securities Issued

	Half-Year		Half-Year	
	2008	2007	2008	2007
	Shares	Shares	\$	\$
Ordinary Shares				
(a) Issues and paid up capital				
Ordinary shares fully paid	621,550,796	619,550,796	39,701,019	39,651,019
(b) Movements in ordinary shares on issue				
Balance at beginning of the period	621,550,796	617,598,056	39,701,019	39,554,025
Conversion of options at 2.50 cents	-	1,250,000	-	31,250
Conversion of options at 15.00 cents	-	332,876	-	49,931
Conversion of options at 15.00 cents	-	369,864	-	55,479
Transaction costs	-	-	-	(39,666)
Balance at end of period	621,550,796	619,550,796	39,701,019	39,651,019

8. Dividends

No dividends have been paid or declared and no dividends have been recommended by the Directors.

9. Director Share-Based Payments

No options were granted to Directors as compensation benefits during the period 1 July 2008 to 31 December 2008.

All options held by Chris Grieg and Marc Cardaci were cancelled during the half year. This resulted in a credit to the profit and loss of \$163,408.

10. Commitments

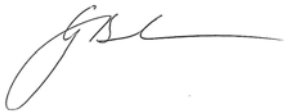
	31 December 2008 \$	30 June 2008 \$
Non-cancellable operating leases contracted for but not capitalised in the financial instruments		
Payable – minimum lease payments		
- Not later than 12 months	443,634	333,600
- Between 12 months and 5 years	1,238,654	1,068,317
	1,682,288	1,401,917

DIRECTOR'S DECLARATION

The Directors of the company declare that:

- 1) The financial statements and notes set out on pages 7 to 13 are in accordance with the Corporations Act 2001, including:
 - (i) Giving a true and fair view of the consolidated financial position of the Group as at 31 December 2008 and the performance of the Group, as represented by the results of its operations, changes in equity and its cash flows for the half-year ended on that date, and
 - (ii) Complying with Accounting Standards 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.

Signed in accordance with a resolution of the Board of Directors.



George Bauk
Managing Director

Dated this 6th day of March 2009



6th March 2009

The Directors
Western Metals Limited
PO Box 1674
SUBIACO WA 6904

Dear Sirs

DECLARATION OF INDEPENDENCE BY GLYN O'BRIEN TO THE DIRECTORS OF WESTERN METALS LIMITED.

As lead auditor of Western Metals Limited for the half year ended 31 December 2008, 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 review; and
- any applicable code of professional conduct in relation to the review.

This declaration is in respect of Western Metals Limited and the entities it controlled during the period.

Glyn O'Brien
Director

BDO Kendalls Audit & Assurance (WA) Pty Ltd
Perth, Western Australia

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF WESTERN METALS LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Western Metals Limited, which comprises the consolidated balance sheet as at 31 December 2008, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the half-year ended on that date, a statement or description of accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the disclosing entity and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the consolidated entity are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) 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 Interim and Other Financial Reports 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 financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Western Metals Limited, 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.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

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 Western Metals Limited is not 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 2008 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and Corporations Regulations 2001.

BDO Kendalls Audit & Assurance (WA) Pty Ltd

BDO Kendalls
Glyn O'Brien

Glyn O'Brien
Director

Perth, Western Australia
Dated this 6th day of March 2009