

FINANCIAL REPORT

HALF-YEAR ENDED
31 DECEMBER 2008



ACN 122 301 848



WESTERN DESERT RESOURCES LIMITED ACN 122 301 848 AND CONTROLLED ENTITIES

CONTENTS	Page
DIRECTORS' REPORT	1
AUDITOR'S INDEPENDENCE DECLARATION	3
CONSOLIDATED INCOME STATEMENT	4
CONSOLIDATED BALANCE SHEET	5
CONSOLIDATED CASH FLOW STATEMENT	6
CONSOLIDATED STATEMENT OF CHANGE IN EQUITY	7
NOTES TO THE FINANCIAL STATEMENTS	8
DIRECTORS' DECLARATION	10
INDEPENDENT REVIEW REPORT	11

WESTERN DESERT RESOURCES LIMITED ACN 122 301 848 AND CONTROLLED ENTITIES

DIRECTOR'S REPORT

Your Directors submit the financial report of the Company and its controlled entities for the half-year ended 31 December 2008.

Directors

Michael Robert Billing *BBus ASA*
Non-executive Chairman

Norman Wayne Gardner
Managing Director

Graham John Bubner *Bsc (Hons)*
Non-executive director

David John Cloke *FCA*
Non-executive director

Michael Kevin Ashton
Non-executive director

Alastair Wansbone Mackie *BSc Post Grad Dip Sci*
Non-executive director
(resigned 16 July 2008)

Company Secretary

Michael Robert Billing *BBus ASA*

Review of Operations

The net result of operations for the half-year was a loss of \$2,634,306 (2007: \$694,191).

During the half year ended 31 December 2008, the consolidated entity continued to explore its portfolio of tenements for economic mineral deposits. Drilling programs were carried out at the Explorer 42 project near Tennant Creek, the Blueys project near Alice Springs, and in the Roper Bar project, all in the Northern Territory of Australia. In other projects the review and planning processes continued along with geophysical surveys at the Gladstone manganese project, and the Winnecke / Sliding Rock Well gold and base metal prospects.

In December 2008 the consolidated entity executed an agreement with the ITOCHU subsidiary, IMEA Exploration and Development of Australia Pty Ltd (IEDA) for IEDA to acquire a 15% interest in the Roper Bar tenements and for up to a further A\$15.0 farm-in to increase their equity in the project to 51%.

WESTERN DESERT RESOURCES LIMITED ACN 122 301 848 AND CONTROLLED ENTITIES
DIRECTOR'S REPORT (continued)

Auditor's Declaration

The lead auditor's independence declaration under Section 307c of the Corporations Act 2001 is set out on page 3 for the half-year ended 31 December 2008.

The report is signed in accordance with a resolution of the Board of Directors.



Director

Adelaide

Dated this 16th day of March 2008



Grant Thornton

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AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF WESTERN DESERT RESOURCES LIMITED

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Western Desert Resources Limited for the half-year ended 31 December 2008, I declare that, to the best of my knowledge and belief, there have been:

- a No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b No contraventions of any applicable code of professional conduct in relation to the review.

GRANT THORNTON
South Australian Partnership
Chartered Accountants



S J Gray
Partner

Signed at Wayville on this 16th day of March 2009

WESTERN DESERT RESOURCES LIMITED ACN 122 301 848
CONSOLIDATED INCOME STATEMENT
For the half year ended 31 December 2008

		Consolidated Group	
		31 Dec 2008	31 Dec 2007
	Note	\$	\$
Revenues from ordinary activities		2,117,575	200,943
Less Cost of Sales		(167,701)	-
Gross profit from ordinary activities		1,949,874	200,943
Expenses from ordinary activities			
Exploration expense written off		(411,315)	-
Salaries and wages		(183,077)	(35,059)
Directors fees		(79,364)	(70,933)
Shareholder relations		(175,830)	(58,898)
Corporate consulting expenses		(229,236)	(128,670)
Legal fees		(105,522)	(3,936)
Other administration expenses		(108,636)	(167,266)
Occupancy expenses		(70,566)	(16,503)
Depreciation		(31,474)	(9,011)
Share based payments		(943,990)	(201,000)
Impairment of assets	7	(2,069,938)	-
Share of associates loss		(175,232)	-
Loss before income tax expense		(2,634,306)	(490,333)
Income tax expense		-	(203,858)
Loss for the period		(2,634,306)	(694,191)
Loss attributable to members of the parent entity		(2,634,306)	(694,191)
Basic loss cents per share		(3.25)	(1.13)

The accompanying notes form part of these financial statements

WESTERN DESERT RESOURCES LIMITED ACN 122 301 848

CONSOLIDATED BALANCE SHEET

As at 31 December 2008

	Note	Consolidated Group	
		31 Dec 2008 \$	30 June 2008 \$
CURRENT ASSETS			
Cash and cash equivalents	6	211,199	1,996,002
Trade and other receivables		3,911,830	218,499
Other current assets		1,233,018	52,629
TOTAL CURRENT ASSETS		5,356,047	2,267,130
NON-CURRENT ASSETS			
Plant and equipment		181,937	146,517
Exploration and evaluation expenditure		5,538,874	3,343,325
Equity accounted investments	7	499,892	2,714,603
TOTAL NON-CURRENT ASSETS		6,220,703	6,204,445
TOTAL ASSETS		11,576,750	8,471,575
CURRENT LIABILITIES			
Trade and other payables		1,879,366	379,139
Short-term provision		18,845	7,525
TOTAL CURRENT LIABILITIES		1,898,211	386,644
NON-CURRENT LIABILITIES			
Provision		7,491	-
TOTAL NON-CURRENT LIABILITIES		7,491	-
TOTAL LIABILITIES		1,905,702	386,644
NET ASSETS		9,671,048	8,084,910
EQUITY			
Issued capital	2	14,436,220	11,159,766
Reserves		1,167,813	223,823
Accumulated losses		(5,932,985)	(3,298,679)
TOTAL EQUITY		9,671,048	8,084,910

The accompanying notes form part of these financial statements

WESTERN DESERT RESOURCES LIMITED ACN 122 301 848
CONSOLIDATED CASH FLOW STATEMENT
For the half year ended 31 December 2008

	Note	Consolidated Group 31 Dec 2008 \$	31 Dec 2007 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(1,168,503)	(406,691)
NET CASH PROVIDED USED IN OPERATING ACTIVITIES		(1,168,503)	(406,691)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		49,377	49,247
Payments for exploration expenditure		(1,408,911)	(564,235)
Payments for plant and equipment		(84,820)	(130,365)
NET CASH USED IN INVESTING ACTIVITIES		(1,444,354)	(645,353)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share issues		866,025	8,975,000
Payments for capital raising costs	2	(37,971)	(679,525)
NET CASH USED IN FINANCING ACTIVITIES		828,054	8,295,475
Net (decrease)/ increase in cash held		(1,784,803)	7,243,430
Cash at beginning of period		1,996,002	298,770
Cash at end of period		211,199	7,542,200

The accompanying notes form part of these financial statements

WESTERN DESERT RESOURCES LIMITED ACN 122 301 848
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the half year ended 31 December 2008

	Share Capital \$	Share Reserve \$	Accumulated Losses \$	Total \$
BALANCE AT 1 JULY 2007	630,394	-	(68,859)	561,535
Shares issued during the period	10,975,000	-	-	10,975,000
Loss attributable to the members of parent entity	(475,668)	-	-	(475,668)
Fair value of share options issued	-	201,000	-	201,000
Loss attributable to the members of parent entity	-	-	(694,191)	(694,191)
BALANCE AT 31 DECEMBER 2007	11,129,726	201,000	(763,050)	10,567,676
BALANCE AT 1 July 2008	11,159,766	223,823	(3,298,679)	8,084,910
Shares issued during the period	3,314,425	-	-	3,314,425
Cost of capital raising (net of tax)	(37,971)	-	-	(37,971)
Fair value of share options issued	-	943,990	-	943,990
Loss attributable to the members of parent entity	-	-	(2,634,306)	(2,634,306)
BALANCE AT 31 DECEMBER 2008	14,436,220	1,167,813	(5,932,985)	9,671,048

The accompanying notes form part of these financial statements

WESTERN DESERT RESOURCES LIMITED ACN 122 301 848
NOTES TO THE FINANCIAL STATEMENTS
For the half year ended 31 December 2008

NOTE 1 - BASIS OF PREPARATION

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

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

The accounting policies have been consistently applied by the entities in the consolidated group and are consistent with those in the June 2008 financial report.

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

REPORTING BASIS AND CONVENTIONS

The half-year report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Note 2 - ISSUED CAPITAL

		Consolidated Group	
	Date Issued	Ordinary Shares	\$
Balance 30 June 2008		69,720,000	11,159,766
Issued pursuant to Rights issue	30 July 2008	4,800,929	864,168
Tenement purchase agreement	30 July 2008	680,000	88,400
Tenement purchase agreement	14 August 2008	5,000,000	700,000
Exercise of Options	16 December 2008	8,845	1,592
Issue to Greenstone property Pty Ltd	17 December 2008	7,500,000	1,500,000
Exercise of Options	17 December 2008	1,471	265
Tenement purchase agreement	19 December 2008	1,999,998	160,000
Transaction costs (net of tax)			(37,971)
Balance at 31 December 2008		<u>89,711,243</u>	<u>14,436,220</u>

NOTE 3— SHARE BASED PAYMENTS

In September 2008, 5.0 million options were issued to directors following shareholder approval. In addition 1,650,000 options were issued to employees pursuant to the Employee Share Option Plan. These options have been valued according to the Black-Scholes model and the calculated value has been recorded as an expense in the Income Statement. The terms and conditions of the options granted are as follows:

WESTERN DESERT RESOURCES LIMITED ACN 122 301 848
NOTES TO THE FINANCIAL STATEMENTS
For the half year ended 31 December 2008

2008

	Number of instruments	Vesting conditions	Contractual life of options
Grant date			
26 September 2008	1,650,000	On issue	5 years

2007

	Number of instruments	Vesting conditions	Contractual life of options
Grant date			
18 July 2007	1,500,000	On issue	1,443 days

Fair value of share options and assumptions for the six months ended 31 December 2008 :

	Options issued to directors	Options issued pursuant to Employee Share Option Plan
Fair value at grant date	\$0.1456	\$0.147
Share price	\$0.17	\$0.17
Exercise price	\$0.20	\$0.18
Expected volatility	128%	128%
Option expiry	30 November 2013	30 September 2011
Risk-free interest rate	5.43%	5.43%

NOTE 4– COMMITMENTS FOR EXPENDITURE AND CONTINGENT LIABILITIES

There were no changes to commitments for expenditure and contingent liabilities from those disclosed in the annual report for the period ended 30 June 2008.

NOTE 5 – SEGMENT REPORTING

The consolidated entity operates in the mineral exploration industry in Australia.

NOTE 6 – EVENTS SUBSEQUENT TO REPORTING DATE

Subsequent to the end of the half year ended 31 December 2008, the Company received payment from the ITOCHU subsidiary IMEA Exploration and Development of Australia Pty Ltd, of A\$2.0 million as consideration for a 15% interest in the Roper Bar iron ore tenements in the Northern Territory.

Other than as reported above, there has been no material event subsequent to the half-year ended 31 December 2008.

NOTE 7 – IMPAIRMENT OF ASSETS

The consolidated entity holds an interest in Thor Mining PLC, the market value of which has reduced in line with other listed companies in the resources sector in recent months. The valuation of this asset is according to the market price of shares in Thor Mining PLC as at 31 December 2008.

WESTERN DESERT RESOURCES LIMITED ACN 122 301 848

DIRECTORS' DECLARATION

In the opinion of the Directors:

1. The Financial Statements and Notes as set out on pages 4 to 9.
 - a) comply with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations; and
 - b) give a true and fair view of the economic entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date.
2. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Director

Adelaide

Dated this 16th day of March 2008



Grant Thornton

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

Report on the half-year financial report

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

Directors' responsibility for the half-year 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 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 consolidated half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagement ASRE 2410: Review of an 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 Desert Resources 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

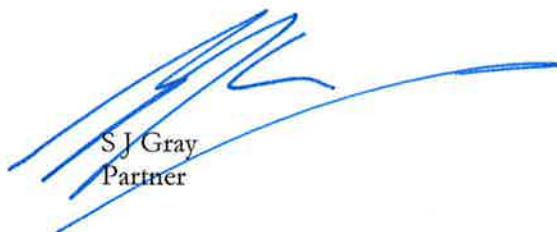
In conducting our review, we complied with the independence requirements of the Corporations Act 2001.

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 Desert Resources 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.

GRANT THORNTON
South Australian Partnership
Chartered Accountants



S J Gray
Partner

Signed at Wayville on this 16th day of March 2009