



Windy Knob Resources Limited

ABN 46 122 417 243

Interim Financial Report

31 December 2008

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DIRECTORS' REPORT

Your directors submit the financial report of the Company for the half-year ended 31 December 2008. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

The names of directors who held office during or since the end of the half-year and until the date of this report are noted below. Directors were in office for this entire period unless otherwise stated.

Mr Klaus Eckhof	Non-Executive Chairman
Mr Mathew Walker	Executive Director
Mr Russell Lynton-Brown	Non-Executive Director
Mr Andrew McIlwain	Non-Executive Director

Operating Results

The loss of the Company for the half-year after income tax was \$144,713 (2007- \$114,158).

Review of Operations

TITIRIBI PROJECT, COLUMBIA (Earning 65% interest)

Titiribi is a historic mining district in Colombia and is located some 70 kms south of the city of Medellin. Located at Titiribi is the Cerro Vetas porphyry system, first discovered by Gold Fields Limited in the late 1990's.

The 2008 diamond drill program was completed during the half and consisted of 17 holes for over 6100 metres. The main focus of drilling was Cerro Vetas. 14 holes were drilled at Cerro Vetas, and these holes, together with 3 holes drilled in 2007 were used to calculate the Maiden Resource statement for the Cerro Vetas prospect as announced to the market on 15 December 2008. This consisted of a JORC compliant inferred resource of 370 million tonnes @ 0.4 g/t Au & 0.2% Cu.

Prior to the closure of the 2008 exploration season, Windy Knob drill tested the La Candela anomaly, less than 1 km south of Cerro Vetas. La Candela is a co-incident hyperspectral, geophysical and geochemical target. Initial drill testing consisted of 3 diamond holes into the most prominent Au and Cu responses defined by soil geochemistry. Geological logging of these holes has indentified brecciated rocks with significant amount of sulphides present.

WKR has the right, but not the obligation, to earn a 65% interest in the Titiribi project by the funding of USD 4,500,000 in exploration. To date approximately USD 4,000,000 has been spent (this is yet to be reconciled with the the joint venture partner), with the balance required to be spent by 6 May 2009.

The board is currently considering its options with respect to the ongoing funding requirements of the Titiribi Project. The board has resolved not to spend any further funds on the project at this time but is actively pursuing other arrangements and opportunities in order to complete the earn in.

WINDY KNOB BORE PROSPECT, WESTERN AUSTRALIA (Windy 100%)

Preliminary interpretation of the airborne magnetic and radiometric survey completed on the Windy Knob Bore prospect in the half has now been received. A final report, inclusive of any future exploration recommendations, is pending.

TUCKANARRA PROSPECT, WESTERN AUSTRALIA (Windy 100%)

An infill soil sampling program was completed on the Tuckanarra prospect during the half. Results have been received and interpretation is pending.

MT WAY PROSPECT, WESTERN AUSTRALIA (Windy 100%)

During the half tenement P53/1498 at the Mt Way prospect was granted.

Significant Events

On 10 July 2008 the Company issued 8,269,579 shares with a one for one free attaching option (exercisable @ 20cents on or before 31/12/2009) to raise \$661,566 before costs.

On 17 July 2008 the Company issued 500,000 shares at a deemed price of 8 cents in consideration for exploration licence application E51/1198 as per the Binding Terms Sheet dated 8 July 2008.

On 3 December 2008 James Robinson was appointed company secretary of the company following the resignation of David Parker.

On 15 December 2008 the Company announced its Maiden Resource Statement for the Cerro Vetas prospect at the Titiribi Project in Columbia (earning 65% interest). This consisted of a JORC compliant inferred resource of 370 million tonnes @ 0.4 g/t Au & 0.2% Cu.

Corporate and Cash at Bank

The Company had 63,000,000 fully paid ordinary shares and 45,499,995 listed options (exercisable at 20 cents on or before 31 December 2009) on issue at the end of the half.

Cash and cash equivalents held by the Company at the end of the half was approximately \$710,000.

Other Activities and Company Strategy

The Company continues to focus on the exploration of its local and international projects with the aim of finding and developing world class deposits. The Company continues to monitor resource exploration opportunities both locally and internationally.

Auditor's Independence Declaration

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the company with an Independence Declaration in relation to the review of the half-year financial report. This Independence Declaration is set out on page 3 and forms part of this directors' report for the half-year ended 31 December 2008.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to s.306(3) of the Corporations Act 2001.



MATHEW WALKER

Director

11 March 2009



Accountants | Business and Financial Advisers

Auditor's Independence Declaration

As lead auditor for the review of the financial report of Windy Knob Resources 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:

- a) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b) any applicable code of professional conduct in relation to the review.

This declaration is in respect of Windy Knob Resources Limited.

A handwritten signature in blue ink, appearing to read 'Norman Neill'.

Perth, Western Australia
11 March 2009


N G NEILL
Partner, HLB Mann Judd

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**CONDENSED INCOME STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

	Notes	2008 \$	2007 \$
Continuing operations			
Interest income		50,666	70,146
Employee benefits expense		96,667	75,833
Finance costs		-	320
Other expenses		98,712	108,151
Loss before income tax expense	2	(144,713)	(114,158)
Income tax expense		-	-
Loss for the period		(144,713)	(114,158)
Basic loss per share (cents per share)		(0.231)	(0.487)

The accompanying notes form part of these financial statements

**CONDENSED BALANCE SHEET
AS AT 31 DECEMBER 2008**

	Note	31 Dec 2008 \$	30 June 2008 \$
Assets			
Current Assets			
Cash and cash equivalents		710,441	2,297,316
Trade and other receivables		60,943	49,977
Total Current Assets		771,384	2,347,293
Non-Current Assets			
Deferred exploration and evaluation expenditure	3	5,980,394	4,087,286
Total Non-Current Assets		5,980,394	4,087,286
Total Assets		6,751,778	6,434,579
Liabilities			
Current Liabilities			
Trade and other payables		63,290	295,868
Total Current Liabilities		63,290	295,868
Non-Current Liabilities			
		-	-
Total Liabilities		63,290	295,868
Net Assets		6,688,488	6,138,711
Equity			
Issued capital	4	6,757,685	6,100,116
Reserves		609,233	572,312
Retained earnings		(678,430)	(533,717)
Total Equity		6,688,488	6,138,711

The accompanying notes form part of these financial statements

**CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

	Issued Capital	Accumulated Losses	Option Reserve	Total Equity
	\$	\$	\$	\$
Balance at 1 July 2007	2,806,696	(160,550)	23,812	2,669,958
Shares issued during the half-year	900,000	-	-	900,000
Share issue expenses	(231,607)	-	-	(231,607)
Profit attributable to members of the parent entity	-	(114,158)	-	(114,158)
Recognition of option based payments	-	-	194,936	194,936
Balance at 31 December 2007	3,475,089	(274,708)	218,748	3,419,129
Balance at 1 July 2008	6,100,116	(533,717)	572,312	6,138,711
Shares issued during the half-year	701,567	-	-	701,567
Share issue expenses	(43,998)	-	-	(43,998)
Loss for the period	-	(144,713)	-	(144,713)
Recognition of share based payments	-	-	36,921	36,921
Balance at 31 December 2008	6,757,685	(678,430)	609,233	6,688,488

The accompanying notes form part of these financial statements.

**CONDENSED CASH FLOW STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

	2008 \$	2007 \$
	Inflows/(Outflows)	
Cash flows from operating activities		
Receipts from customers	-	-
Interest received	49,371	69,493
Payments to suppliers and employees	(400,707)	(160,623)
Net cash provided by/(used in) operating activities	<u>(351,336)</u>	<u>(91,130)</u>
Cash flows from investing activities		
Payments for exploration and evaluation expenditure	(1,853,108)	(39,188)
Net cash provided (used in)/provided by investing activities	<u>(1,853,108)</u>	<u>(39,188)</u>
Cash flows from financing activities		
Net proceeds from issue of shares	617,569	863,328
Net cash provided by financing activities	<u>617,569</u>	<u>863,328</u>
Net increase/(decrease) in cash held	(1,586,875)	733,010
Cash and cash equivalents at the beginning of the period	2,297,316	2,039,658
Cash and cash equivalents at the end of the period	<u>710,441</u>	<u>2,772,668</u>

The accompanying notes form part of these financial statements

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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The half-year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, applicable accounting standards including AASB 134: Interim Financial Reporting, Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). Compliance with AASB 134 ensures compliance with IAS 34 'Interim Financial Reporting'.

This condensed half-year report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Company as in the full financial report.

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 Windy Knob Resources Limited during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

Basis of preparation

The half-year report has been prepared on a historical cost basis. Cost is based on the fair value of the consideration given in exchange for assets. The company is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted.

For the purpose of preparing the half-year report, the half-year has been treated as a discrete reporting period.

Significant accounting judgements and key 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, liabilities, income and expense. Actual results may differ from these estimates.

Except as described below, in preparing this half-year report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2008.

Going concern

The financial statements have been prepared on the going concern basis, the validity of which depends upon the positive cash position, reduced ongoing costs and the positive working capital position. The Company's existing projections show that further funds will be required to be generated, either by capital raisings, sales of assets or other initiatives, to enable the Company to fund its activities for at least the next twelve months from the date of signing these financial statements. Additionally, in order to complete the Company's earn in of a 65% interest in the Titiribi Project, the Company is required to spend a further USD 500,000 (approximately) prior to 6 May 2009. Any inability to obtain these additional funds may have a material adverse effect on the Company's ability to continue as a going concern and therefore whether it will realise its assets, in particular its carried forward exploration and evaluation expenditure, and extinguish its liabilities in the normal course of business and at the amounts stated in the balance sheet.

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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of new and revised Accounting Standards

In the half-year ended 31 December 2008, the Company has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2008.

It has been determined by the Company that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Company accounting policies.

NOTE 2: LOSS BEFORE INCOME TAX EXPENSE

	31 December 2008 \$	31 December 2007 \$
The following revenue and expense items are relevant in explaining the financial performance for the half-year:		
Directors Fees	96,667	75,833

NOTE 3: DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

	31 December 2008 \$	30 June 2008 \$
Costs carried forward in respect of areas of interest in the following phases:		
Exploration and evaluation phase – at cost		
Balance at beginning of half-year	4,087,286	641,504
Expenditure incurred		
• Windy Knob tenement	112,783	91,416
• Honeymoon Well tenement	5,009	111,057
• Tuckannara tenement	27,928	61,368
• Titribi project	1,691,915	3,181,941
• Hood tenement	55,473	-
Total deferred exploration and evaluation expenditure	5,980,394	4,087,286

The recoupment of costs carried forward in relation to areas of interest in the exploration and evaluation phases are dependent on the successful development and commercial exploitation or sale of the respective areas.

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

NOTE 4: ISSUED CAPITAL

	31 December 2008	30 June 2008
	\$	\$
<i>Ordinary shares</i>		
Issued and fully paid	6,801,683	6,851,379
Less share issue costs	(43,998)	(751,263)
	<u>6,757,685</u>	<u>6,100,116</u>
	No.	\$
<i>Movements in ordinary shares on issue</i>		
At 1 July 2008	54,230,421	6,100,116
Shares at 8 cents issued on 10 July 2008	8,269,579	661,567
Shares at 8 cents issued on 17 July 2008	500,000	40,000
Less share issue costs		(43,998)
At 31 December 2008	<u>63,000,000</u>	<u>6,757,685</u>

NOTE 5: OPTIONS

	No.
<i>Movements in options over ordinary shares on issue</i>	
At 1 July 2008	37,230,416
Issued on 10 July 2008	8,269,579
At 31 December 2008	<u>45,499,995</u>

NOTE 6: DIVIDENDS

The directors of the company have not declared an interim dividend.

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

NOTE 7: SEGMENT REPORTING

Segment information is presented in the interim financial statements in respect of the Company's geographical segments, which are the primary basis for segment reporting. The Company operates in a single business segment, namely natural resources exploration.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly income earning assets, interest income, corporate assets and corporate expenses.

Geographical segments

	Australia \$	South America \$	Unallocated \$	Total \$
31 December 2008				
Segment expenses	21,053	92,731	81,594	195,378
Segment result	(21,053)	(92,731)	-	(113,784)
Unallocated revenues and expenses				<u>(30,929)</u>
Loss from ordinary activities before related income tax expense				<u>(144,713)</u>
Segment assets	1,106,538	4,873,856	771,384	6,751,778
Segment liabilities	-	-	(63,290)	(63,290)

In the comparative half year, the Company only operated in one geographical segment being Australia.

NOTE 8: CONTINGENT LIABILITIES

There were no contingent liabilities as at 31 December 2008.

NOTE 9: EVENTS SUBSEQUENT TO REPORTING DATE

There have been no significant events since the reporting date.

DIRECTORS' DECLARATION

In the opinion of the directors of Windy Knob Resources Limited ('the company'):

1. The financial statements and notes thereto, as set out on pages 4 to 11, are in accordance with the Corporations Act 2001 including:
 - a. complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations; and
 - b. giving a true and fair view of the Company's financial position as at 31 December 2008 and of its performance for the half-year then ended.
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.

This declaration is signed in accordance with a resolution of the Board of Directors made pursuant to s.303(5) of the Corporations Act 2001.



MATHEW WALKER

Executive Director

11 March 2009



Accountants | Business and Financial Advisers

INDEPENDENT AUDITOR'S REVIEW REPORT

**To the members of
WINDY KNOB RESOURCES LIMITED**

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report, which comprises the condensed balance sheet as at 31 December 2008, the condensed income statement, condensed statement of changes in equity, condensed cash flow statement and notes to the financial statements for the half-year ended on that date, and the directors' declaration of Windy Knob Resources Limited ("company").

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 designing, implementing and maintaining internal controls 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 company'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 Windy Knob 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 have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001* has been provided to the directors of Windy Knob Resources Limited on 11 March 2009.

HLB Mann Judd (WA Partnership) ABN 22 193 232 714

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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 Windy Knob Resources Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the company'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 the *Corporations Regulations 2001*.

Continuation as a Going Concern

Without qualification to the opinion expressed above, we draw attention to Note 1 in the financial report which indicates that the company will require additional sources of funding to enable it to carry out its objectives. If the company is unable to generate additional cash flows, there is significant uncertainty whether the company will continue as a going concern and, therefore, whether it will realise its assets, in particular it's carried forward exploration and evaluation expenditure, and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.



HLB MANN JUDD
Chartered Accountants



N G NEILL
Partner

Perth, Western Australia
11 March 2009