WESTERN AREAS NL

August 22, 2011 **ASX & TSX: WSA**

News Release

STRONG FINANCIAL RESULTS FOR YEAR ENDED 30 JUNE 2011 & FULL YEAR DIVIDEND

The Board of Western Areas is pleased to announce a substantial increase in all aspects of financial performance for the year ended 30 June 2011, including record Net Profit after Tax (NPAT) of A$135.0m (A$14.2m in FY2010).

Cashflow from operations increased by A$189.0m to A$276.2m from FY2010, whilst free cashflow was A$143.58m (A$14.84m loss in FY2010). Furthermore earnings per share increased from A$0.08 in FY2010 to over $A0.75 in FY2011

The strong results for the financial year have been primarily driven by the following factors:

1. Production targets being exceeded from Spotted Quoll and Flying Fox mines in respect of both grade and tonnage - resulting in production of 32,222t nickel in ore;
2. 93% average mill recovery for the 2nd half, lifting the average recovery to 91% for the year;
3. In combination with a higher nickel price, the Company had record sales of nickel in concentrate and ore (27,498t) to offtake partners. As a result the contract tonnage to Jinchuan will be filled earlier than anticipated; and
4. Cash costs of nickel in concentrate of A$2.12/lb for the full year (A$3.00/lb FY2010).

Due to these results, the Board has declared an unfranked final dividend of 15 cents, bringing the full year dividend payout to 25 cents, unfranked (6 cents in FY2010). The record date for the dividend will be 16 September 2011, with the payment date 3 October 2011.

Full year highlights are summarised in the following table:

Highlights	2H 2010/11	FY 2010	FY 2011	FY Variance
Mine Production (tonnes Ni)	15,961	13,811	**32,222**	*18,411*
Mill Production (tonnes Ni)	13,009	9,576	**25,663**	*16,087*
Recovery	93%	90%	**91%**	*1%*
Sales Volume (tonnes Ni)	14,259	10,866	**27,498**	*16,632*
Cash Costs (US$/lb)	2.35	2.65	**2.11**	*(0.54)*
Cash Costs (A$/lb)	2.27	3.00	**2.12**	*(0.88)*
Exchange Rate USD/ AUD	1.03	0.88	**0.99**	*0.11*
Nickel Price (U$/tn)	25,600	19,416	**24,000**	*4,584*
EBITDA ('000)	156,152	95,544	**312,018**	*216,474*
EBIT ('000)	114,834	53,710	**231,991**	*178,281*
NPAT ('000)	67,809	14,212	**134,973**	*120,761*
Cashflow from Operations ('000)	160,495	87,207	**276,235**	*189,028*
Net Cashflow ('000)	83,873	(14,842)	**143,580**	*158,422*
Cash at Bank	208,948	65,368	**208,948**	*143,580*
Earnings Per Share (cents)	37.5	8.0	**75.1**	*67.1*
Dividend (cents)	15.0	6.0	**25.0**	*19.0*

Full financial details are contained in the attached Financial Statements.

THIS NEWS RELEASE IS NOT FOR DISTRIBUTION TO U.S. NEWSWIRE SERVICES OR FOR DISSEMINATION IN THE U.S.

Discussion

Western Areas Managing Director, Mr Julian Hanna, said that the company had continued to exceed all operational and financial benchmarks for the financial year.

"Western Areas production and sales volumes have exceeded our targets and this performance has naturally flowed into our financial results for the full year and second half. These results are not possible without a dedicated team effort across all the Company's operations," said Mr Hanna.

"Importantly, due to the excellent nickel grades, mine life and low cash cost position of Western Areas, the company is well positioned for the future. Having a solid base case as one of Australia's largest independent nickel sulphide producers and an enviable project pipeline at Forrestania, regionally and internationally, Western Areas is well primed for growth.

"The Western Areas Board is very pleased to be able to announce an increased final dividend of 15 cents, which when combined with the 10 cent interim dividend places the Company as one of the highest yielding mining stocks on the ASX200," said Mr Hanna.

An updated presentation for the financial results is available on the company's website.

-ENDS-

For further details, please contact:

Julian Hanna
Managing Director – Western Areas NL
Telephone +61 8 9334 7777 / 0419 956 983
Email: jhanna@westernareas.com.au

David Southam
Finance Director – Western Areas NL
Telephone +61 8 9334 7777 / 0408 931 151
Email: dsoutham@westernareas.com.au

Shane Murphy
FTI Consulting
Telephone +61 8 9386 1233 / 0420 945 291
Email: Shane.Murphy@fticonsulting.com

Or visit: www.westernareas.com.au

APPENDIX 4E – PRELIMINARY FINAL REPORT Financial year ended 30 June 2011

August 22, 2011 **ASX & TSX: WSA**

Reporting Period

The reporting period is the financial year ended 30 June 2011. The previous corresponding period is 30 June 2010.

Results for announcement to the market

		% Change		**Amount A$'000**
Revenue from ordinary activities	up	175%	to	468,659
Profit from ordinary activities after tax attributable to members of Western Areas NL	up	850%	to	134,973
Net profit after tax attributable to members of Western Areas NL	up	850%	to	134,973

Dividends

	Amount per security	**Unfranked amount per security**	**% CFI**
Financial year ended 30 June 2011			
Final dividend	15.0 cents	15.0 cents	0%
Interim dividend	10.0 cents	10.0 cents	0%
Financial year ended 30 June 2010			
Final dividend	3.0 cents	3.0 cents	0%
Interim dividend	3.0 cents	3.0 cents	0%

Dividend payments

Date the final 2011 dividend is payable	3 October 2011
Record date to determine entitlements to dividend	16 September 2011
Date final dividend was declared	22 August 2011

Total dividend per security (interim plus final)

	Current year	Previous year
Ordinary securities	25.0 cents	6.0 cents

Total dividends paid or payable on all securities

	Current year A$'000	Previous year A$'000
Ordinary securities	44,931	10,786

Management Discussion and Analysis

Full Financial Year - Results Summary			
	20010/11	2009/10	Change
	A$M	A$M	%
Revenue	468.7	170.4	175%
Gross Profit	244.9	51.8	373%
EBIT	232.0	53.7	332%
Profit before Tax	195.3	22.9	753%
Net Profit After Tax	135.0	14.2	851%

Consolidated revenue for the year increased by 175% to $468.7 million, while gross profit increased by $193.2 million to $244.9 million. Consolidated net profit after tax for the group amounted to $135.0 million, an improvement of 850.0% from the results reported for the year ended 30 June 2010.

Full Financial Year - Balance Sheet Summary			
	2010/11	2009/10	Change
	A$M	A$M	A$M
Cash at bank	209.0	65.4	143.6
Current Assets	272.3	107.3	165.0
Total Assets	692.3	520.7	171.6
Current Liabilities	59.9	48.4	11.5
Total Liabilities	403.9	348.7	55.2
Net Equity	288.5	172.1	116.4

Cash at bank on 30 June 2011 totaled $209.0 million. The positive movement of $143.6 million from the corresponding period resulted from increased receipts from customers of $276.4 million due to record concentrate sales. Continued capital development at Forrestania has seen a further $106.2 million invested into new mines, processing capacity and exploration.

Financial Year - Physical Summary				
		2010/11	2009/10	Change
Tonnes Mined	*Tns*	594,274	318,828	86%
Nickel Grade (average)	*%*	5.4	4.3	26%
Tonnes Milled	*Tns*	519,465	270,350	92%
Milled Grade (average)	*%*	5.4	3.9	38%
Recovery	*%*	91	90	1%
Nickel in Concentrate	*Tns*	25,663	9,576	168%
Nickel Sales in Concentrate	*Tns*	25,055	10,754	133%

Increased ore production tonnes and nickel grades resulted from the ramping up of mining at the Tim King Open Pit and material mined from Flying Fox's large high grade T5 ore body.

The nickel concentrator milled 519,465 tonnes of ore from Western Areas assets as well as 38,119 tonnes of ore under the Lounge Lizard agreement, bringing the combined milled tonnage to 557,584 tonnes. Nickel sales were significantly (133%) higher than the prior year with consistent sales of nickel to the Company's offtake customers.

Stockpiles

At the end of the financial year there were 8,653 tonnes of concentrate, grading 14.1% nickel containing 1,220 tonnes of nickel stockpiled at the nickel concentrator.

Ore stockpiles ready for treatment at the Forrestania Project comprise 97,334 tonnes of ore at an average grade of 5.1% nickel comprising 4,949 tonnes of nickel.

Net Tangible Asset Backing

	Current year	Previous year
The net tangible assets per security	159.14 cents	95.32 cents

The statement of financial position, balance sheet, cashflow statement and associated notes are contained in the financial statements in the attached Financial Report for the year ended 30 June 2011. Other detailed commentary on the variation between the results for the year ended 30 June 2011 and the comparative period is provided in the Directors Report of the Financial Report.

Investments in Controlled Entities

Wholly Owned and Controlled Subsidiaries of Western Areas NL:

- BioHeap Ltd
- FinnAust Mining Plc 77% (United Kingdom Entity)
- Western Platinum NL
- Australian Nickel Investments Pty Ltd

Investments in Associates & Joint Ventures

Associates of Western Areas NL did not contribute to the result of the consolidated group for the financial year ended 30 June 2011.

Associates of Western Areas NL:

- Mustang Minerals Inc. 16% (Canadian Entity)
- Polar Gold Pty Ltd 78% (Australian Entity)

Audit Review & Accounting Standards

This report is based on Consolidated Financial Statements that have been subject to a full Audit by the Company's Auditor.

All entities incorporated into the Consolidated Group's result were prepared under AIFRS

Date: 22 August 2011

Julian Hanna

Managing Director

WESTERN AREAS NL

ABN 68 091 049 357

FINANCIAL REPORT

FOR THE YEAR ENDED 30 June 2011

TABLE OF CONTENTS

	Page
DIRECTORS REPORT	**3**
CORPORATE GOVERNANCE STATEMENTS	**22**
AUDIT INDEPENDENCE DECLARATION	**27**
CONSOLIDATED INCOME STATEMENT	**28**
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	**29**
STATEMENT OF FINANCIAL POSITION	**30**
STATEMENT OF CHANGES IN EQUITY	**31**
STATEMENT OF CASH FLOWS	**32**
NOTES TO THE FINANCIAL STATEMENTS	**33**
DIRECTORS' DECLARATION	**80**
INDEPENDENT AUDIT OPINION	**81**

DIRECTORS REPORT

The Directors of Western Areas NL submit herewith the financial report of the company for the financial year ended 30 June 2011. Unless noted, all amounts in this report refer to Australian dollars. In order to comply with the provisions of the Corporations Act 2001, the directors' report follows:

Information about the Directors and Senior Management

Directors

Terry Streeter	Chairman. Mr Streeter is a Perth based businessman with extensive experience in exploration and mining companies and has held various interests in the nickel sulphide industry for over 30 years. Mr Streeter is a member of the Remuneration, Nomination, Treasury and Audit & Risk Management Committees.
Julian Hanna	Managing Director & Chief Executive Officer. Mr Hanna is a geologist with over 30 years experience in gold and base metal exploration and mine development. He has a BSc in geology, is a member of AusIMM and has been involved in the discovery and development of several gold and base metal deposits. Mr Hanna is a member of the Nomination Committee.
Dan Lougher	Director of Operations. Mr Lougher is a qualified Mining Engineer with over 30 years experience in all facets of resource and mining, project exploration, feasibility, development and operational activities in Australia and overseas. Mr Lougher is a member of the Australasian Institute of Mining & Metallurgy.
David Southam	Finance Director. Mr Southam is a Certified Practicing Accountant with over 20 years' experience in accounting, banking and finance across the resources and industrial sectors. Mr Southam's previous role was Chief Financial Officer of Gindalbie Metals Limited where he was responsible for completing one of Australia's largest project financing transactions in 2010 from China and was instrumental in securing life of mine offtake contracts for the Karara Iron Ore Project. Mr Southam has also held senior finance and accounting positions with Brambles, WMC Resources and ANZ Investment Bank.
David Cooper	Non-Executive Director. Mr Cooper is a Certified Practicing Accountant with over 20 years experience in the area of taxation and business administration. Mr Cooper is the Chairman of the Audit & Risk Management, Nomination, Remuneration and Treasury Committees.
Robin Dunbar	Non-Executive Director. Mr Dunbar is based in Toronto, Canada and has held a number of senior positions in both commercial and the corporate banking sectors and is currently the President of Mustang Minerals Corp. Mr Dunbar is a member of the Audit & Risk, Nomination, Treasury and Remuneration Committees.
Rick Yeates	Non-Executive Director. Mr Yeates is a Geologist with more than 29 years mining industry experience in various roles and he has significant experience across a wide range of resource projects around the world. He is familiar with both the ASX and TSX regulatory environments and has had exposure to international resource funds and financial institutions. Mr Yeates is a member of the Remuneration, Nomination, Treasury and Audit & Risk Management Committees.

The above mentioned directors held office during the whole financial year and since the end of the financial year except for Mr D Southam who was appointed on 15 November 2010.

DIRECTORS REPORT

Directorships of Other Listed Companies

Name	Company	Period of Directorship
Terry Streeter	Midas Resources Limited Fox Resources Limited Minera IRL	Since February 2003 Since June 2005 Resigned July 2010
Julian Hanna	Mustang Minerals Corp	Since December 2006
Dan Lougher	Mustang Minerals Corp	Since January 2011
Robin Dunbar	Mustang Minerals Corp Lexam VG Gold Inc. Aquila Resources Inc.	Since November 1997 Since September 2005 Since May 2006
Rick Yeates	Middle Island Resources Ltd	Since March 2010

Interests in Shares and Options of the Company

As at the date of this report, the interest of the Directors or associates of the Directors in the shares and options of the Company are:

Name	Ordinary Shares	Share Options $7.50
J Hanna	1,293,987	200,000
D Lougher	50,884	200,000
D Cooper	1,000,000	-
D Southam	-	-
T Streeter	25,809,410	-
R Dunbar	102,500	-
R Yeates	6,000	-

All equity transactions with specified Directors and specified Executives, other than those arising from the exercise of options, have been entered into under terms and conditions no more favourable than those the entity would have adopted if dealing at arm’s length.

Company Secretary

Mr J Belladonna, a Certified Practicing Accountant, has been employed at Western Areas NL since 2005, originally as Financial Controller and then as the Company Secretary. Mr Belladonna was appointed as the Chief Financial Officer on 1 July 2010. Mr Belladonna has over 10 years experience in the resources industry including Gold and Base Metals in a range of management positions.

Remuneration of Directors and Senior Management

Information about the remuneration of directors and senior management is set out in the remuneration report of this directors’ report on page 17.

Share Options Granted to Directors and Senior Management

There were no options granted to directors and senior management during the financial year ended 30 June 2011.

DIRECTORS REPORT

Principal Activities

The principal activities of the Consolidated Entity during the year consisted of mining, processing and sale of nickel sulphide concentrate, the continued feasibility and development of the high grade nickel mines and the exploration for nickel sulphides, and platinum group metals.

Operating and Financial Review

Income Statement

Consolidated revenue for the year increased by 175.1% to $468.7 million, while gross profit increased by $193.2 million to $244.9 million.

Consolidated net profit after tax (NPAT) for the group amounted to $135.0 million, an improvement of 850.0% from the results reported for the year ended 30 June 2010.

Impacting NPAT of $135.0 million for the year were the following non-cash items:
- Depreciation charges of $15.2 million
- Amortisation charges of $64.8 million
- Convertible bond accretion expense of $8.5 million

These non-cash items amounted to $88.5 million.

Balance Sheet

Total assets at reporting date were $692.3 million, representing an increase of $171.6 million from 2010. This movement was primarily driven from free cashflow generation of $143.6 million as a result of record concentrate sales and higher average realised nickel prices. Mine development increased by $29.1 million with the ramping up of the Spotted Quoll Open Pit, combined with the commencement of development at Spotted Quoll Underground. Stockpiles increased by $5.1 million in line with increased mine and mill production.

Total liabilities at reporting date were $403.9 million, an increase of $55.2 million from 2010. The increase is mainly attributable to an increase in the deferred tax liability ($36.1 million) and trade and other payables ($8.8 million), both associated with increased mine activity. In November 2010, Western Areas issued convertible bonds with a face value of $110 million as an exchange offer for a number of the 2012 convertible bonds with a face value of $103 million. The restructured bonds mature on 2 July 2014.

Total equity attributable to shareholders increased by $116.0 million to $288.1 million. The increase is mainly due to a build up in accumulated profits of $111.6 million, and includes dividend payments of $23.4 million.

Cash Flow Statement

Cash at bank on 30 June 2011 totalled $209.0 million. The positive movement of $143.6 million from the corresponding period resulted from increased receipts from customers of $276.4 million with record concentrate sales. Continued capital development at Forrestania has seen a further $106.2 million invested into new mines, processing capacity and exploration.

Consolidated cashflow from operations was $276.2 million, representing an increase of $189.0 million from the prior year. As detailed above, this significant increase was mainly driven by higher concentrate sales combined with a more favourable average realised nickel price versus last year.

Net cash used in investing activities decreased from the corresponding period by $8.2 million to $106.2 million as a result of reduced asset purchases totalling $19.8 million. This was partially offset by an increase in mine development of $9.3 million with the commencement of Spotted Quoll Underground.

Net cash from financing activities decreased by $38.9 million, due primarily to two dividend payments (13 cents) of $23.4 million.

DIRECTORS REPORT

Significant Changes in the State of Affairs

No significant changes in the consolidated group's state of affairs occurred during the financial year.

Subsequent Events

The Board of Directors on 22 August 2011, declared a 15 cent per share unfranked final dividend for the year ended 30 June 2011.

Future Developments

Disclosure of information regarding likely developments in the operations of the consolidated entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the consolidated entity. Accordingly, this information has not been disclosed in this report.

Environmental Regulation and Performance

The Consolidated Entity has conducted exploration and development activities on mineral tenements. The right to conduct these activities is granted subject to State and Federal environmental legislation and regulations, tenement conditions and Mining Proposal commitments. The Consolidated Entity aims to ensure a high standard of environmental management is achieved and, as a minimum, to comply with all relevant legislation and regulations, tenement conditions and Mining Proposal commitments. WSA has achieved a high level of compliance with all environmental conditions set for its projects and actively strives for continual improvement.

Dividends paid or Recommended

In respect of the financial year ended 30 June 2010, as detailed in the directors' report for that financial year, a final unfranked dividend of 3 cents per share was paid to the holders of fully paid ordinary shares on 1 October 2010

In respect of the financial year ended 30 June 2011, an interim unfranked dividend of 10 cents per share was paid to the holders of fully paid ordinary shares on 28 March 2010.

In respect of the financial year ended 30 June 2011, the directors recommend the payment of a final unfranked ordinary dividend of 15 cents per share to the holders of fully paid ordinary shares on 3 October 2011.

Share Options

Details of unissued shares or interests under option as at the date of this report are:

Grant Date	Date of Expiry	Exercise Price	Number under option
13 Nov 2009	30 Sep 2012	$7.25	1,410,000
13 Nov 2009	17 Sep 2012	$7.50	600,000
			2,010,000

DIRECTORS REPORT

Indemnification of Officers and Directors

During the financial period, the parent entity paid a premium under a contract insuring all Directors and Officers of the Western Areas NL against liability incurred in that capacity. Disclosure of the nature of liabilities insured and the premium is subject to a confidentiality clause under the contract of insurance.

The company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the company against a liability incurred as such an officer or auditor.

Directors' Meetings

The following table sets out the number of meetings of the parent entity's Directors and meetings of the sub-committees of the Board held during the year ended 30 June 2011 and the number of meetings attended by each Director.

	Meetings of Committees				
	Directors Meetings	**Audit & Risk Management**	**Remuneration**	**Nomination**	**Treasury**
Number of Meetings held :	10	3	2	1	1
Number of Meetings attended :					
J Hanna	10	-	-	1	-
D Cooper	10	3	2	1	1
T Streeter	10	2	2	1	1
R Dunbar	9	3	2	1	1
D Southam (*)	5	-	-	-	1
D Lougher	10	-	-	-	-
R Yeates	10	3	2	1	1

(*) Mr D Southam attended all meetings called since his appointment on 15 November 2010.

Treasury Policy

The Consolidated Entity has a Treasury Risk Management policy and a set of procedures for managing the Consolidated Entity's currency, commodity and credit risks as well as its debt facilities. A Treasury Committee of selected directors operates within policies set by the Board.

The aim of the Treasury Committee is to maintain the Treasury Risk Management policy and ensure that the Consolidated Entity only enters hedging contracts as approved by the Board to prudently manage currency and nickel price risk in a balanced and measured way, while still maintaining adequate exposure to the spot nickel price.

DIRECTORS REPORT

Risk Management

The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that the group's objectives and activities are aligned with those risks and opportunities.

The Board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the Board. These include:

- Board approval of a strategic plan, which encompasses the Board's objectives and strategies along with identifying risks and plans to manage such risks;
- Implementation of Board approved operating budgets and plans, then monitoring the actual progress against these;
- Establishment of an Audit & Risk Management Committee and a Treasury Risk Management Committee to report on specific business risks.
- Establishing a systematic risk identification and management strategy.

Directors' Benefits

No Directors of the Consolidated Entity have, since the end of the previous financial year, received or become entitled to receive a benefit (other than a benefit included in the total amount of emoluments received or due and receivable by Directors shown on page 17 of the Directors Report) by reason of a contract made by the parent entity or a related body corporate with the director or with any entity in which the director has a substantial financial interest, with the exception of benefits that may be deemed to have arisen in relation to the transactions entered into in the ordinary course of business as disclosed in Note 30 to the accounts.

Proceedings on behalf of the Company

No person has applied for leave of the Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

Auditor's Independence Declaration

The Auditor's Independence Declaration to the Directors of Western Areas NL on page 27 forms part of the Director's Report for the year ended 30 June 2011.

Non – Audit Services

The entity's auditor, Crowe Horwath, did provide non-audit services in the form of due diligence advice during the reporting period. The Board has the following procedures in place before any non-audit services are obtained from the auditors:

- all non audit services are reviewed and approved by the Board and the Audit & Risk Management Committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence as set out in the Institute of Chartered Accountants in Australia and CPA Australia's Professional Statement F1: Professional Independence.

DIRECTORS REPORT

REMUNERATION SUMMARY

The Board has spent considerable time this year focusing on its remuneration framework, reflecting on past feedback, the current strategic direction of the business and how remuneration can best support the future needs of the company.

During 2011 we undertook a comprehensive review of remuneration practices, and commissioned a review of our remuneration framework by external advisors PwC.

This review will result in significant changes to our remuneration framework, with the new remuneration structure to take effect for FY2012.

The key initiatives under this review were:

- Introducing new executive contracts for all executives which align with current market expectations.
- Benchmarking executive remuneration to determine current market practices for long-term incentives.
- Design and implementation of a new equity based long-term incentive (LTI) plan.

Part A – Overview of the Company's new approach to long-term incentives

1) Selecting the right plan vehicle

In the past the company had made use of a standard employee share option plan, however, grants under this plan were more typically made on an ad-hoc basis and over the last two years no new grants have been made under this plan.

It was recognised that the options plan was no longer fit for purpose and was not providing an effective tool to reward, retain and motivate senior executives.

A number of different equity incentive vehicles were explored with the Board deciding that the most appropriate LTI plan going forward should be a Performance Rights Plan.

Under a Performance Rights plan executives will be granted a right to be issued a share in the future subject to the performance based vesting conditions being met.

2) Grant frequency and LTI quantum

Under the new remuneration structure executives will receive a new grant of Performance Rights each year, such that the LTI will now form a key component of executives Total Annual Remuneration.

The LTI dollar value that executives will be entitled to receive is set at a fixed percentage of their base salary and ranges from 50% to 100% of base salary, depending on the participants position within the company. This level of LTI is in line with current market practice.

The number of Performance Rights to be granted is determined by dividing the LTI dollar value of the award by the fair value of a Performance Right.

DIRECTORS REPORT

REMUNERATION SUMMARY (Continued...)

3) Performance conditions

The focus was on selecting a performance condition that would only reward executives for creating shareholder value as determined via the change in the company's share price.

Reflecting on market practice the Board has decided that the most appropriate performance measure to track share price performance is via a relative total shareholder return (TSR) measure.

The company's TSR will be measured against a customised peer group comprising the following companies:

Aditya Birla Minerals Ltd	Kagara Ltd	Oz Minerals Ltd
Alumina Ltd	Medusa Mining Ltd	PanAust Ltd
Acquarius Platinum Ltd	Minara Resources Ltd	Panoramic Resources Ltd
Atlas Iron Ltd	Mincor Resources NL	Perilya Ltd
Bouganville Copper Ltd	Mirabela Nickel Ltd	Rex Minerals Ltd
Discovery Metals Ltd	Mt Gibson Iron	Sandfire Resources Ltd
Gindalbie Metals Ltd	OM Holdings Ltd	Zimplats Holdings Ltd
Independence Group NL		

No Performance Rights will vest unless the percentile ranking of the Company's TSR for the relevant performance year, as compared to the TSRs for the peer group companies, is at or above the 50th percentile.

The following table sets out the vesting outcome based on the company's relative TSR performance:

Relative TSR performance	Performance Vesting Outcomes
Less than 50th percentile	0% vesting
At the 50th percentile	50% vesting
Between 50th and 75th percentile	For each percentile over the 50th, an additional 2% of the performance rights will vest
At or above 75th percentile	100% vesting

DIRECTORS REPORT

REMUNERATION SUMMARY (Continued...)

4) Performance period

As no LTI awards have been made to executives for a number of years, with significant shareholder value being realised in this time, it was felt that the initial grants under the LTI needed to serve a number of different purposes:

a) recognise the period of two years where no LTI awards have been made
b) act as a key retention tool
c) focus on future shareholder value generation

Therefore, the focus on the initial awards under the LTI was to provide a transitional award which would meet the key needs noted previously while providing a step towards a structure that in the future would be solely focused on long term sustainable shareholder value generation.

Company Performance

Year Ended 30 June	2011	2010	2009	2008	2007
Net Profit / (Loss) after Tax	134,973	14,212	(35,172)	(54,907)	(54,907)
EPS	75.1	8.0	(20.9)	(31.7)	(31.7)
Dividends	0.25	0.06	-	-	-
Market capitalisation	1,060.4M	679.4M	1,053.6M	1,727.5M	803.8M
Closing share price	5.90	3.78	5.90	10.30	4.83
TSR – 1 year (%)	65.2	0.0	69.6	81.8	68.2
TSR – 3 year rolling (%)	39.1	54.6	77.3	80.0	52.6

DIRECTORS REPORT

REMUNERATION SUMMARY (Continued...)

FY 2012 LTI Grant

Performance Rights will vest subject to the meeting of service and performance conditions as defined below:

- One-third of the rights will be performance tested against the relative TSR measure for the period 1 July 2011 to 30 June 2012
- One-third of the rights will be performance tested against the relative TSR measure for the period 1 July 2012 to 30 June 2013
- One-third of the rights will be performance tested against the relative TSR measure for the period 1 July 2013 to 30 June 2014

All of the grant will be subject to a service based vesting condition which will provide that, notwithstanding the passing of the performance test, no rights will vest and become exercisable into shares unless the participant remains employed as at 30 June 2014.

For the FY 2013 grant the LTI performance will be structured as follows:

Performance Rights will vest subject to the meeting of service and performance conditions as defined below:

- Two-thirds of the rights will be performance tested against the relative TSR measure for the period 1 July 2012 to 30 June 2014
- One-third of the rights will be performance tested against the relative TSR measure for the period 1 July 2012 to 30 June 2015

All of the grant will be subject to a service based vesting condition which will provide that notwithstanding the passing of the performance test no rights will vest and become exercisable into shares unless the participant remains employed as at 30 June 2015.

For the FY 2014 grant onwards the LTI performance will be structured as follows:

Performance Rights will vest subject to the meeting of service and performance conditions as defined below:

- All of the rights will be performance tested against the relative TSR measure for the period 1 July 2013 to 30 June 2016

Part B – Overview of the Company's new approach to executives contracts

All company officers have been moved on to new executive service agreements which comply with current legal requirements and align to current market practice. The key changes under the new contracts are as follows:

- Removal of any notice period where termination is due to dismissal with cause.
- Remove any change of control redundancy provisions.
- Introduce market practice clauses for notice periods being:
    - Voluntary resignation – 3 months notice
    - Material change in duties – 6 to 12 months notice
    - Company termination on notice (excludes with cause) – 6 to 12 months notice

DIRECTORS REPORT

REMUNERATION REPORT

This report outlines the remuneration arrangements in place for Directors and Executives of Western Areas NL.

Director and Senior Management Details

The following persons acted as directors of the company during or since the end of the financial year:

Mr T Streeter (Chairman)
Mr J Hanna (Managing Director and Chief Executive Officer)
Mr D Lougher
Mr D Southam (Appointed 15 November 2010)
Mr D Cooper
Mr R Dunbar
Mr R Yeates

The term 'senior management' is used in this remuneration report to refer to the following persons.

Mr J Belladonna (Chief Financial Officer / Company Secretary)
Mr C Wilkinson (General Manager Exploration)
Mr G Marshall (General Manager Commercial)
Mr K McKenzie (General Manager Operations)

SECTION 1: OVERVIEW OF OUR EXECUTIVE REMUNERATION STRATEGY AND PROGRAMS

Remuneration Committee

The Remuneration Committee of the Board of Directors of Western Areas is responsible for determining compensation arrangements for the Directors and the senior management team.

Remuneration levels and other terms of employment for the Directors and the senior management team are reviewed at least annually by the committee, having regard to qualifications and experience, relevant market conditions, and performance against goals set each year.

The committee assesses the appropriateness of the remuneration levels to ensure the Company is able to attract and retain high quality Executives. The remuneration committee utilises independent consultants to assist in this regard.

Remuneration Philosophy

The Company recognises that Western Areas operates in a global environment and to prosper in such it must attract, motivate and retain personnel of the highest calibre.

The principles supporting the Company's remuneration policy are that:

- Reward reflects the competitive global market in which we operate;
- Individual reward is based on performance across a range of disciplines that apply to delivering results for the Company;
- Executive remuneration is linked to the creation of shareholder value; and
- Remuneration arrangements are equitable and fair and facilitate the deployment of senior management across the Company.

DIRECTORS REPORT

REMUNERATION REPORT (Continued...)

Remuneration Structure

In accordance with best practice corporate governance, the structure of Non-Executive Director and senior management remuneration is separate and distinct.

The remuneration structure for executives has several components:

- Total Fixed Remuneration – which includes base salary, superannuation, allowances and salary sacrificed components.
- Variable Rewards – "at-risk" component relates to performance and comprises:
    - a cash based short-term incentive (STI); and
    - participation in long-term incentive equity plans (LTI).

Executive Director and Senior Management Remuneration

"The key principle of our remuneration strategy is pay for performance"

The Company aims to reward Executives with a level and mix of remuneration commensurate with their position, experience and responsibilities within the Company. The objective is to:

- Reward Executives for their individual performance against targets set by reference to appropriate benchmarks;
- Align the interests of Executives with those of the shareholders; and
- Ensure the total remuneration is competitive by market standards.

The Company's reward structure combines fixed remuneration, short and long term incentives.

Fixed

"Fixed remuneration is positioned around the median of the external market for comparable roles"

Fixed remuneration consists of cash (or base salary), superannuation, allowances and any salary sacrifice components. The fixed remuneration component is reviewed annually by the Remuneration Committee. The committee has access to external independent advice to ensure that the remuneration levels set meet the objectives of the Company.

Short Term Incentive (STI)

"The short-term incentive plan is designed to motivate and reward executives for the achievement of short-term business goals"

The objective of STI's is to link the achievement of key Company operational targets with the remuneration received by those Executives charged with meeting those targets. The STI Plan involves linking key performance indicators (KPIs) with the opportunity to earn a cash bonus. The maximum value of the award for executives and specified management ranges from between 25% to 60% of their base salary, depending on the nature of their role.

The KPIs used and the respective weightings of the KPI's will vary by role and are designed to align to those measures relevant to the responsibilities of each role.

For FY11 the KPI's which could be selected as part of an executives balanced scorecard had to be sourced from the below KPI list. Due to the commercial sensitive nature of these KPIs, the precise metrics being used have not been disclosed.

DIRECTORS REPORT

REMUNERATION REPORT (Continued...)

KPIs for Operations Group Executives	Overview KPI
Forrestania safety performance	Based on Lost Time Injury performance in each quarter.
Forrestania cash cost	Focused on average cash costs for Flying Fox (FF) and Spotted Quoll (SQ) mines per pound of nickel produced. Above budget performance required.
Forrestania Ni in ore production	Need to exceed set budget nickel metal in ore from combined production of FF and SQ mines.
Forrestannia CB plant recoveries	Achieve a set threshold recovery above budget levels for the combined ore feed from FF and SQ mines.
Forrestania nickel in concentrate sales	Sale of nickel metal in concentrate to exceed a set tonnes per quarter target (above budget).
Forrestannia Environmental accidents	Based on reportable environmental incidents per quarter.

KPIs for Corporate Executives	Overview KPI
Bond conversion	Convert a minimum percentage of outstanding convertible bonds into shares.
Bond restructure	Convert a set percentage of the bonds face value into new bonds with a threshold interest rate.
Company performance against ASX	Achieve a set relative level of outperformance for WSA shares over FY11 when compared to the S&P ASX 200 index.
Earnings	Achieve EBIT target above budget.
Peers	Achieve a set percentile ranking of WSA Total Shareholder Return for FY11 when compared to other listed nickel companies.
Fund raising	Achieve a target investment threshold for a greenfields project from an external party.

KPIs for Exploration Executives	Overview KPI
New Nickel resource	Establish a new published nickel resource exceeding a targeted nickel tonnage level.
New Nickel Discovery	Discovery of a new Nickel deposit.

The percentage of the maximum STI payment that was paid and forfeited during FY11 are outlined in the table below:

Name	Percentage of max STI awarded	Percentage of max STI forfeited
Executive Directors		
Mr J Hanna	60%	40%
Mr D Lougher	100%	0%
Mr D Southam	68%	32%
Executives		
Mr J Belladonna	100%	0%
Mr C Wilkinson	0%	100%
Mr G Marshall	58%	42%
Mr K McKenzie	100%	0%

DIRECTORS REPORT

REMUNERATION REPORT (Continued...)

Long Term Incentive (LTI)

"The objective of the LTI plan is to reward senior management in a manner that aligns this element of remuneration with the creation of shareholder wealth"

For the FY12 year and beyond the LTI will be based on the new Performance Rights Plan as described in the introduction section of the remuneration report.

30 June FY11 LTI

Employees

The structure of the Company's LTI program for all employees is an Employee Share Option Incentive Scheme which was established and approved by shareholders on 6 November 2009. At the discretion of the Board, participation in the scheme is offered to all employees of the group, except the Managing Director and Executive Directors.

Executive Directors and Key Management Personnel

No LTI's for FY11 have been awarded or set for the Key Management Personnel of the Company.

The table below represents the Executives' mix of fixed remuneration, short-term incentives and long-term incentives based upon remuneration paid or expensed during the 2011 financial year.

Name	Fixed Remuneration	STI	LTI[1]
Executive Directors			
J Hanna	60.2%	23.2%	16.6%
D Lougher	49.9%	32.9%	17.2%
D Southam	74.4%	25.6%	-
Executives			
C Wilkinson	73.4%	5.3%	21.3%
J Belladonna	59.1%	22.4%	18.5%
G Marshall	71.3%	16.7%	12.0%
K McKenzie	59.6%	24.3%	16.1%

1. LTI refers to the value of the options that was expensed during the 2010/11 financial year.
No options have been granted over the last two financial years.

DIRECTORS REPORT

REMUNERATION REPORT (Continued...)

SECTION 2: REMUENRATION DETAILS OF EXECUTIVE DIRECTORS AND EXECUTIVES

	Short Term Employee Benefits				LTI (i)	Post Employment	
2011	Base Salary	STI Payments / Bonuses	Allowances	Non Monetary	Share Based Options	Superannuation	**TOTAL**
Non-executive Directors							
T Streeter	159,135	-	17,314	8,758	-	15,914	**201,121**
D Cooper	137,917	-	-	-	-	13,792	**151,709**
R Dunbar	151,709	-	-	-	-	-	**151,709**
R Yeates	137,917	-	-	-	-	13,792	**151,709**
Executive Directors							
J Hanna (iii)	583,495	260,000	22,531	9,682	186,000	58,350	**1,120,058**
C Oliver (ii)	283,352	-	15,286	913	186,000	25,000	**510,551**
D Lougher (iii)	477,405	335,000	23,333	10,366	186,000	47,741	**1,079,845**
D Southam (iv)	291,249	115,000	20,794	4,355	-	18,123	**449,521**
Executive Officers							
C Wilkinson (iii)	291,748	25,000	16,692	10,605	101,000	29,175	**474,220**
G Marshall	265,225	70,000	5,694	2,116	50,500	26,523	**420,058**
J Belladonna	270,000	122,000	20,899	5,463	101,000	25,333	**544,695**
K McKenzie	341,000	153,000	-	-	101,000	34,100	**629,100**
							5,884,296

	Short Term Employee Benefits				LTI (i)	Post Employment	
2010	Base Salary	STI Payments / Bonuses	Allowances	Non Monetary	Share Based Options	Superannuation	**TOTAL**
Non-executive Directors							
T Streeter	152,250	-	24,486	585	-	15,225	**192,546**
D Cooper	131,950	-	-	586	-	13,195	**145,731**
R Dunbar	145,145	-	-	-	-	-	**145,145**
R Yeates	99,450	-	-	293	-	9,945	**109,688**
Executive Directors							
J Hanna	558,250	-	12,581	5,304	175,530	55,825	**807,490**
C Oliver (ii)	472,200	-	12,946	5,304	175,530	22,500	**688,480**
D Lougher	456,750	-	16,355	5,305	175,530	49,008	**702,948**
Executive Officers							
C Wilkinson	279,125	-	11,695	4,425	96,000	27,913	**419,158**
G Marshall	107,917	-	-	2,066	48,000	10,792	**168,775**
J Belladonna	203,000	-	-	4,133	96,000	20,300	**323,433**
							3,703,394

(i) LTI refers to the value of the options that was expensed during the 2011 financial year. No options were granted during the year.
(ii) Mr Oliver was deceased on 19 June 2010.
(iii) Bonuses disclosed includes the payment of deferred bonuses from 2008/09 plus all paid and accrued bonuses for 2010/11.
(iv) Mr Southam was appointed on 15 November 2010.

Remuneration components as a proportion of total remuneration

DIRECTORS REPORT

REMUNERATION REPORT (Continued...)

SECTION 3: EXECUTIVE CONTRACTS

A summary of the key contractual provisions for each of the current executives is set out in below table:

Name & job title	Base salary $	Contract duration	Notice period employee	Termination provision
J. Hanna, Managing Director & Chief Executive Officer*	630,612	No fixed term	3 months	12 months termination payment and accrued leave entitlements
D.Lougher, Operations Director*	515,597	No fixed term	3 months	12 months termination payment and accrued leave entitlements
D.Southam, Finance Director*	486,000	No fixed term	3 months	12 months termination payment and accrued leave entitlements
J. Belladonna, Company secretary*	291,600	No fixed term	3 months	6 months termination payment and accrued leave entitlements
C Wilkinson, General Manager Exploration	315,087	No fixed term	4 weeks	6 months termination payment and accrued leave entitlements
G Marshall, General Manager Commercial	286,443	No fixed term	4 weeks	8 weeks termination payment and accrued leave entitlements
K McKenzie, General Manager Operations	368,443	No fixed term	1 month	1 month termination payment and accrued leave entitlements

*In the event that there is a takeover of, or merger with, the company, the company must pay the executive a bonus within 10 days of that takeover or merger occurring.

The amount of the takeover bonus will be calculated as follows:

(a) The positive difference between the bid price for the company's shares as a result of the takeover or merger bid and the volume weighted share price of the company's share price for the 20 days immediately preceding the takeover or merger bid; and

(b) Multiplied by 3,

as a percentage of the executive's base annual salary at the time that such a bid is completed.

All other Key Management contracts are as per the group's standards terms and conditions and there are no contracted entitlements to cash bonuses, options or performance rights.

DIRECTORS REPORT

REMUNERATION REPORT (Continued...)

SECTION 4: EQUITY TABLES

Options held by Key Management Personnel

	Balance at 1 July 2010	Granted as Remuneration	On Exercise of Options	Purchases / (Sales)	Expired / Lapsed	Balance at 30 June 2011	Options Vested (*)
J Hanna	600,000	-	-	-	(400,000)	200,000	100,000
D Cooper	400,000	-	-	-	(400,000)	-	-
T Streeter	400,000	-	-	-	(400,000)	-	-
R Dunbar	400,000	-	-	-	(400,000)	-	-
D Lougher	600,000	-	-	-	(400,000)	200,000	100,000
D Southam	-	-	-	-	-	-	-
C Wilkinson	340,000	-	-	-	(240,000)	100,000	50,000
G Marshall	50,000	-	-	-	-	50,000	25,000
J Belladonna	180,000	-	-	-	(80,000)	100,000	50,000
K McKenzie	190,000	-	-	-	(90,000)	100,000	50,000
TOTAL	**3,160,000**	**-**	**-**	**-**	**(2,410,000)**	**750,000**	**375,000**

(*) 100% of options that have vested with the Directors and Executives are exercisable at any time up until expiry.

Shareholding by Key Management Personnel

	Balance at 1 July 2010	Granted as Remuneration	On Exercise of Options	Other Changes During the Year	Balance at 30 June 2011
J Hanna	1,360,179	-	-	(66,192)	1,293,987
D Cooper	1,000,000	-	-	-	1,000,000
T Streeter	25,809,410	-	-	-	25,809,410
R Dunbar	102,500	-	-	-	102,500
R Yeates	-	-	-	6,000	6,000
D Lougher	50,884	-	-	-	50,884
D Southam	-	-	-	-	-
C Wilkinson	7,000	-	-	-	7,000
J Belladonna	65,000	-	-	(5,000)	60,000
K McKenzie	27,918	-	-	-	27,918
TOTAL	**28,422,891**	**-**	**-**	**(65,192)**	**28,357,699**

Options Granted as part of remuneration for the Year Ended 30 June 2011

No options were granted during the financial year ended 30 June 2011.

DIRECTORS REPORT

REMUNERATION REPORT (Continued...)

SECTION 5: NON-EXECUTIVE DIRECTORS' REMUNERATION

Non-executives Remuneration policy and Structure

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain Directors of the highest calibre whilst incurring a cost which is acceptable to shareholders.

The aggregate remuneration of Non-Executive Directors is determined from time to time by shareholders in a General Meeting. An amount not exceeding the approved amount is then divided between the Directors as determined by the Remuneration Committee.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst Directors is reviewed annually. The Board and the Remuneration Committee considers advice from external consultants as well as the fees paid to Non-Executive Directors of comparable companies when undertaking this annual review.

It is an objective of the Company to encourage Directors to own shares in Western Areas. However share based payments in the form of options or equity in the Company are not offered to Non-Executives Directors as encouraged by Corporate Governance guidelines.

There is no scheme to provide retirement benefits, other than statutory superannuation, to Non-Executive Directors.

Directors Fees Limits

Non Executive Directors' fees are determined with an aggregated Directors' fee limit of insert $800,000, which was approved by shareholders at the 2008 AGM.

Directors Fee Structure

Non Executive Directors' remuneration consists of a base Directors fee for their role as Board members which also compensate for any role on nominated Board sub-committees. That is, no separate committee fees are payable.

Non - Executive Director Remuneration for the Year Ended 30 June 2011

Refer to page 17 for details of non-executive directors' remuneration.

DIRECTORS REPORT

Rounding of Amounts

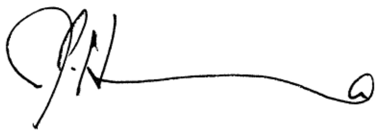
The company is a company of the kind referred to in ASIC Class Order 98/100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

Corporate Governance

In recognising the need for the highest standards in corporate behaviour and accountability, the Directors of Western Areas NL support and, unless otherwise stated, adhere to the Australian Stock Exchange Corporate Governance Council's "Principles of Good Corporate Governance and Best Practice Recommendations".

The Company's corporate governance statement is contained in the following section of this report.

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



____

Julian Hanna
Managing Director

Perth, 22 August 2011

CORPORATE GOVERNANCE STATEMENTS

The Board of Directors of Western Areas NL is responsible for the corporate governance of the Consolidated Entity. The Board guides and monitors the business and affairs of Western Areas on behalf of the shareholders by whom they are elected and to whom they are accountable.

In accordance with the Australian Stock Exchange Corporate Governance Council's "Principles of Good Corporate Governance and Best Practice Recommendations" (the "Recommendations"), the Corporate Governance Statement must contain certain specific information and must disclose the extent to which the Company has followed the guidelines during the period. Where a recommendation has not been followed; that fact must be disclosed, together with the reasons for the departure.

During the current financial year the Board of Directors have monitored, developed and implemented changes to ensure that an appropriate level of corporate governance was in place during this year. The Board has taken into consideration the nature of the governance matter, the impact of immediate or accelerated change to comply on the Company and the issues (particularly risks) associated with deferred implementation. Where compliance has not been achieved explanations are provided.

Other than as highlighted in this Statement, Western Areas' corporate governance practices were in place throughout the year and were compliant with the Council's best practice recommendations.

For further information on corporate governance policies adopted by the Company, refer to our website:
www.westernareas.com.au

Board Composition

The skills, experience and expertise relevant to the position held by each Director in office at the date of the annual report is included on page 3. One of the Council's recommendations is that the Board of Directors should comprise a majority of independent Directors. Directors of Western Areas NL are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the exercise of their unfettered and independent judgement.

In the context of director independence, "materiality" is considered from both the Company and individual Director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal to or less than 5% of the appropriate base amount. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount. Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors which point to the actual ability of the Director in question to influence the direction of the Company.

In accordance with the definition of independence above, and the materiality thresholds set, the following Directors of Western Areas NL are considered to be independent:

Name	Position
D Cooper	Non-Executive Director
R Dunbar	Non-Executive Director
R Yeates	Non-Executive Director

CORPORATE GOVERNANCE STATEMENTS

At the date of this report and throughout the financial year, Western Areas NL has not complied with the Council's recommendation of having the majority of the Board comprise Independent Directors and that the Chair be an Independent Director. The Company remains committed to the process of bringing new independent Directors onto the Board and is currently searching for an addition two Independent Non-Executive Directors. To assist in the process the Nomination Committee engaged a specialist director search consultant to assist in sourcing and securing suitable candidates. The Chairman, while not independent, is a non-executive and the Board considers that the Chairman is the most suitable person that exists on the board to hold the office.

The Board has in place a Charter which defines the role and structure of the Board. It also outlines the Board's ability to delegate authority to the Managing Director and Senior Management of the Company and highlights the procedures in place to enable Directors, in furtherance of their duties, to seek independent professional advice at the Company's expense.

Ethical Standards

The Board acknowledges the importance of maintaining high levels of ethical conduct. A code of conduct is in place and contained inside the Company's Corporate Governance Statement.

The key provisions of the code of conduct are to:

- Act honestly and with integrity.
- Act in the best interests of the Company and Shareholders.
- Avoid and disclose any conflicts of interest both real and perceived.
- Comply with the law.
- Keep all material information confidential, until released to the wider market.
- Not use their position for personal gain
- Ensure compliance with the code of conduct

Diversity Policy

The Company's policy regarding Diversity is contained in the Western Areas Code of Conduct. Diversity in the context of the policy includes, but is no limited to, gender, age, ethnicity and cultural back ground. The policy ensures that roles and positions are filled by the best possible candidate available without discrimination.

The Diversity Policy outlines the requirements of the board to develop measurable objectives for achieving diversity, and annually assess both the objectives and the progress in achieving those objectives. Over the next few years the Company aims to increase diversity in senior appointments as positions become available. All appointments will be based on merit and expertise required to discharge the duties of such roles.

	30 June 2011	*%*
Women on the Board	*0*	*0*
*Women in Senior Management **	*0*	*0*
Women employees in total	*19*	*15*

* During the year Financial Year one women was employed in a senior management role but resigned in March 2011. Post 30 June 2011, one woman was appointed into a senior management role.

CORPORATE GOVERNANCE STATEMENTS

Trading Policy

The Company's policy regarding Directors and Employees trading in securities is published in the Western Areas Code of Conduct and is also available on the Company's website. The policy contains provisions on trading in Company securities, including when trading windows are available, restricted periods and prohibited periods. The policy defines Insider Trading and restricts Directors and Employees from acting on material information until it has been released to the market and adequate time has elapsed for this to be reflected in the securities price.

Nomination Committee

The Board has established a Nomination Committee to assess the necessary and desirable competencies of a Board member and to evaluate the Board's performance. The Nomination Committee shall also review Board succession plans and make recommendations for the appointment and removal of Directors. The Nomination Committee operates under a charter approved by the Board.

For details of the Directors' that are members of the Nomination Committee and their attendance at meetings of the Nomination Committee, refer to page 7 of the Directors' Report.

During the year the Nomination Committee conducted one performance evaluation, which involved an assessment of each Board members performance against specific qualitative and quantitative criteria and nominated a candidate as a Non-Executive Independent Director to the Board. The Nomination Committee has a majority of Non-Executive Independent Directors.

Audit & Risk Management Committee

The Board has an established Audit & Risk Management Committee, which operates under a charter approved by the Board. It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators. The Board has delegated the responsibility for the establishment and maintenance of a framework of internal control and ethical standards for the management of the Consolidated Entity to the Audit & Risk Management Committee.

The committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports. The Majority of the members of the audit committee are Independent Non-Executive Directors.

Refer to page 7 of the Directors' report for a list of committee members and the number of meetings of the Audit & Risk Management Committee attended throughout the year.

CORPORATE GOVERNANCE STATEMENTS

Risk Management

Management of material risks

Management of material risks is governed by the Risk Management ("RM") program. The RM program involves the relevant WSA personnel (including all senior management where required) and external experts participating in regular workshop based risk reviews, during which risks and related controls are identified and evaluated.

The RM program contains RM Standards which detail specific management roles, responsibilities and an organisational structure that governs lines of communication, authority and reporting. The Standards provide that nominated risk and control owners have responsibility for implementing required further actions to improve controls over material risks, and this is the subject of management review and audit.

Reporting on material risks

The Board requires management to report on whether material business risks are being managed effectively. "Effectiveness" is determined during workshop based risk reviews against standard risk and control effectiveness criteria.

As part of the program management reports to the Board on the effectiveness of our controls over material risks following the RM criteria.

Risk and control reporting is undertaken six monthly, comprising a statement of relevant business objectives, a summary of risk and control profiles against those objectives, a commentary on the effectiveness of the risk management system and key activities. Material risks, covering strategic and business risks, include commentary on changes impacting the risk and control profile.

Reporting covers financial, safety, environment, community, reputation, compliance and other material risks impacts identified in WSA's risk criteria.

Activity

In 2011 WSA enhanced its approach to risk management developing a whole of business approach, recognising the importance of risk management to business success and in meeting Corporate Governance requirements. The integration of our approach to risk management across the business is designed to facilitate the capture all significant risks and to ensure senior management and the Board are made aware of material risks in operations, projects and corporate activities. This occurs by applying a standard approach, including the assessment and communication of risks.

The Company has an ongoing operational risk management program, with a strong emphasis on safety and emergency risk management embedded in our Health and Safety management system.

Within the new program we have, or intend to, focus workshops on risk management in four key areas, Strategy, Business as Usual, Sustainability and Resilience.

The Company engages MYR Consulting Pty Ltd to assist in development of the risk management framework, activities and policies.

CORPORATE GOVERNANCE STATEMENTS

Remuneration

The Board has established a Remuneration Committee, which operates under a charter approved by the Board.

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality Board and Executive team by remunerating Directors and key Executives fairly and appropriately with reference to relevant employment market conditions and the review of independent employment statistics such as the McDonald Remuneration Report. The Remuneration Committee will also engage independent remuneration consultants to provide impartial advice in respect of remuneration trends and executive employment contracts.

To assist in achieving this objective the Remuneration Committee links the nature and amount of Executive Directors' and Officers' emoluments to the Company's financial and operational performance. The expected outcomes of the remuneration structure are:

- Retention and motivation of key Executives;
- Attraction of quality management to the Company; and
- Performance incentives which allow Executives to share the rewards of the success of the Company.

A full discussion of the Company's remuneration philosophy and framework along with details on the amount of remuneration received by Directors and Executives during the year is provided in the Remuneration Report, which is contained within the Directors' Report.

For details on the members, number of meetings held and member attendance of the Remuneration Committee meetings held during the year refer to page 7 of the Directors' Report.

For further details regarding the Board's committees refer to our website www.westernareas.com.au

Treasury

The board established a Treasury Committee that operates within policies set by the Board.

The aim of the Treasury Committee is to maintain the Treasury Risk Management policy and ensure that the Company only enters hedging contracts as approved by the Board to prudently manage currency and nickel price risk in a balanced and measured way, while still maintaining adequate exposure to the spot nickel price.

For details on the members, number of meetings and meeting attendance of the Treasury Committee held during the year at those meetings, refer to page 7 of the Directors' Report.

Board and Executive Performance

The performance of the Board and key Executives is reviewed against both measurable and qualitative indicators. The performance criteria against which Directors and Executives are assessed is aligned with the financial and non-financial objectives of the Company.

Shareholder Rights

Shareholders are entitled to vote on significant matters impacting on the business, which include the election and remuneration of directors, changes to the constitution and receipt of annual and interim financial statements. Shareholders are strongly encouraged to attend and participate in the Annual General Meeting of Western Areas NL, to lodge questions to be responded to at the meeting, and are able to appoint proxies

AUDIT INDEPENDENCE DECLARATION

Crowe Horwath

AUDITOR'S INDEPENDENCE DECLARATION

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Western Areas NL for the year ended 30 June 2011, 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 audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

Crowe Horwath Perth

CROWE HORWATH PERTH

CYRUS PATELL
Partner

Signed at Perth, 22 August 2011

Crowe Horwath Perth is a WHK Group Firm and a member of Crowe Horwath International, a Swiss verein.
Each member firm of Crowe Horwath is a separate and independent legal entity.

CONSOLIDATED INCOME STATEMENT
Year Ended 30 June 2011

	Notes	Consolidated Entity	
		2011 $'000	**2010 $'000**
Sales		468,659	170,365
Cost of sales		(223,729)	(118,600)
Gross profit		**244,930**	**51,765**
Other revenue	2	6,682	23,037
Finance costs	3	(36,721)	(30,852)
Employee benefits expenses		(8,488)	(4,319)
Foreign Exchange Adjustment		1,236	117
Administration and other expenses		(3,790)	(5,026)
Share based payments		(574)	(4,731)
Impairment of non-current assets	3	(4,334)	(212)
Realised derivative losses	3	(1,728)	(6,499)
Unrealised movement in market value of derivatives	3	(1,943)	(422)
Profit before income tax		**195,270**	**22,858**
Income tax expense	4	(60,297)	(8,646)
Profit for the year		**134,973**	**14,212**
Basic earnings per share (cents per share)	19	75.1	8.0
Diluted earnings per share (cents per share)	19	75.1	8.0

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year Ended 30 June 2011

	Notes	Consolidated Entity 2011 $'000	Consolidated Entity 2010 $'000
Profit for the year		134,973	14,212
Other comprehensive income, net of tax			
Net loss on mark to market valuation of hedging instruments		(12)	(564)
Net gain / (loss) on revaluation of available for sale financial assets		2,610	(1,051)
Convertible note reserve		1,205	19,146
Exchange differences on translation of foreign controlled entities		10	-
Total comprehensive income for the year		**138,786**	**31,743**
Profit attributable to:			
Members of the parent entity		135,007	14,212
Non controlling interest		(34)	-
Comprehensive Income attributable to:			
Members of the parent entity		138,818	31,743
Non controlling interest		(32)	-

STATEMENT OF FINANCIAL POSITION
AS AT 30 June 2011

	Notes	Consolidated Entity 2011 $'000	Consolidated Entity 2010 $'000
Current Assets			
Cash and cash equivalents	20 (b)	208,948	65,368
Trade and other receivables	6	27,719	16,700
Inventories	7	30,942	25,228
Other financial assets	8 (b)	4,739	-
Total Current Assets		272,348	107,296
Non Current Assets			
Property, plant and equipment	9	111,683	111,108
Intangible asset	10	521	506
Exploration & evaluation expenditure	11	91,875	94,895
Mine development	12	209,454	180,403
Deferred tax assets	13	-	24,228
Other financial assets	8 (a)	6,445	2,303
Total Non Current Assets		419,978	413,443
Total Assets		692,326	520,739
Current Liabilities			
Trade and other payables	14	55,608	46,765
Short term borrowings	15	61	83
Short term provisions	16	1,344	1,057
Other financial liabilities	17	2,839	496
Total Current Liabilities		59,852	48,401
Non Current Liabilities			
Long term borrowings	15	301,825	295,370
Long term provisions	16	6,122	4,886
Deferred tax liability	13	36,069	-
Total Non Current Liabilities		344,016	300,256
Total Liabilities		403,868	348,657
Net Assets		**288,458**	**172,082**
Equity			
Issued capital	18	202,611	202,611
Reserves	32	78,564	74,177
Accumulated profit / (losses)		6,937	(104,706)
Equity attributable to owners of the company		**288,112**	**172,082**
Non controlling interest		346	-
Total Equity		**288,458**	**172,082**

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
Year Ended 30 June 2011

CONSOLIDATED ENTITY	Note	Issued Capital $'000	Prospectus Expenses $'000	Option Reserve $'000	Hedge Reserve $'000	Investment Reserve $'000	Convertible Note Reserve $'000	Foreign Exchange Reserve $'000	Retained Earnings $'000	Non-Controlling Interest	Total Equity $'000
Total Equity at 1 July 2009		**209,060**	**(10,168)**	**10,854**	**576**	**(4,254)**	**44,739**	**-**	**(113,525)**	**-**	**137,282**
Shares issued during the year	18	3,773									3,773
Share issue expenses incurred	18		(54)								(54)
Share based payments expense				4,731							4,731
Total comprehensive income for the year					(564)	(1,051)	19,146		14,212		31,743
Dividends paid									(5,393)		(5,393)
Total Equity at 30 June 2010		**212,833**	**(10,222)**	**15,585**	**12**	**(5,305)**	**63,885**	**-**	**(104,706)**	**-**	**172,082**
Share based payments expense				574							574
Non-controlling shares in FinnAust PLC										380	380
Total comprehensive income for the year					(12)	2,610	1,205	10	135,007	(34)	138,786
Dividends paid									(23,364)		(23,364)
Total Equity at 30 June 2011		**212,833**	**(10,222)**	**16,159**	**-**	**(2,695)**	**65,090**	**10**	**6,937**	**346**	**288,458**

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS
For The Year Ended 30 June 2011

	Notes	Consolidated Entity	
		2011 $'000	**2010 $'000**
Cash Flows From Operating Activities			
Receipts from customers		437,457	161,131
Payments to suppliers and employees		(122,193)	(61,663)
Interest received		3,478	2,683
Royalties paid		(22,135)	(8,069)
Other receipts		679	19,315
Finance costs		(22,429)	(21,223)
Derivative settlement receipt / (payments)		1,378	(4,967)
Net Cash Provided by Operating Activities	20(a)	**276,235**	**87,207**
Cash Flows From Investing Activities			
Purchase of non-current assets		(13,409)	(33,204)
Proceeds from sale of assets		-	300
Rental Deposit		(8)	-
Mine development expenditure		(70,664)	(61,376)
Exploration & evaluation expenditure		(20,074)	(19,564)
Rental deposit		-	(66)
Purchase of available for sale financial assets		(1,999)	(64)
Capitalised development costs		-	(506)
Net Cash Used In Investing Activities		**(106,154)**	**(114,480)**
Cash Flows From Financing Activities			
Repayment of borrowings		-	(105,000)
Proceeds from issue of convertible note		-	125,000
Proceeds from issue of shares for non controlling interests		380	3,773
Finance lease principal repayments		(125)	(69)
Borrowing costs		(3,392)	(5,826)
Capital raising costs		-	(54)
Dividends paid		(23,364)	(5,393)
Net Cash (Used in)/ Provided by Financing Activities		**(26,501)**	**12,431**
Net increase / (decrease) in cash held		143,580	(14,842)
Cash as at 1 July		65,368	80,210
Cash as at 30 June	20(b)	**208,948**	**65,368**

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2011

Note 1: Statement of Significant Accounting Policies

The financial report covers the Consolidated Entity of Western Areas NL and its controlled entities (the "Consolidated Entity).

The separate financial statements of the parent entity, Western Areas NL, have not been presented within this financial report as permitted by amendments made to Corporation Act 2001 effective as at 28 June 2010.

Basis of Preparation

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards, including Australian Accounting Interpretations, and other authoritative pronouncements of the Australian Accounting Standards Board.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

The financial statements have been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Adoption of new and revised Accounting Standards

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 July 2010:

- AASB 2009-5 Further *Amendments to Australian Accounting Standards arising from the Annual Improvements Project;*
- AASB 2009-8 *Amendments to Australian Accounting Standards – Group cash-settled Share-based Payment Transactions;*
- AASB 2009-10 *Amendments to Australian Accounting Standards – Classification of Rights Issues;*
- AASB Interpretation 19 *Extinguishing Financial Liabilities with Equity Instruments;*
- AASB 2009-13 *Amendments to Australian Accounting Standards arising from Interpretation 19*; and
- AASB 2010-3 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project.*

The adoption of these standards did not have any impact on the amounts for the current period or prior periods.

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2011

Note 1: Statement of Significant Accounting Policies

(a) Principles of Consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Western Areas NL at the end of the reporting period. A controlled entity is an entity over which Western Areas NL has the power to govern the financial and operating policies so as to obtain benefits from its activities.

Control will generally exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are also considered.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities are included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 8 to the financial statements.

In preparing consolidated financial statements, all inter-group balances and transactions between entities in the consolidated group have been eliminated in full on consolidation.

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are shown separately within the equity section of the consolidated statement of financial position and statement of comprehensive income. The non-controlling interest in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

Business Combinations

Business combinations occur where an acquirer obtains control over one or more businesses and results in the consolidation of its assets and liabilities.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exceptions).

The acquisition may result in the recognition of goodwill or a gain from a bargain purchase. The method adopted for the measurement of goodwill will impact on the measurement of any non-controlling interest to be recognised in the acquiree where less than 100% ownership interest is held in the acquiree.

The acquisition date fair value of the consideration transferred for a business shall form the cost of the investment in the separate financial statements.

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or a liability is remeasured each reporting period to fair value through the statement of comprehensive income unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the income statement.
The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.
As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended.

The accounting policies of the subsidiaries have been changed where necessary to ensure consistency with the policies applied by the parent entity. All consolidated entities have a 30 June financial year end.

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2011

Note 1: Statement of Significant Accounting Policies

(b) Revenue

Revenue from the sale of nickel is recognised when the risks and rewards of the products pass to the buyer, currently being the point at which the product is delivered on site to the buyer or passes the ships' rail or as otherwise agreed between Western Areas and the buyer. Revenue is recognised at estimated sales value. The estimated sales value is determined by reference to the estimated metal content, metal recovery, the metal price and exchange rate. An adjustment is made to reflect the final sales value when the actual metal content and metal recovery has been determined. The final metal content and metal recovery is generally known between 30 and 90 days after delivery to the customer.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

All revenue is stated net of the amount of goods and services tax (GST).

(c) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to prepare for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use.

All other borrowing costs are recognised in the income statement in the period in which they are incurred.

(d) Inventories

Inventories are valued at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories on hand by the method most appropriate to each class of inventory with the majority being valued on an average cost basis. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

The cost of mining stocks includes direct materials, direct labour, transportation costs and variable and fixed overhead costs relating to mining activities.

The cost of consumables and spare parts includes cost of materials and transportation costs.

(e) Property, Plant and Equipment

Each class of plant and equipment is carried at cost less, where applicable, any accumulated depreciation. The carrying amount of property, plant and equipment is reviewed annually by the Directors to ensure it is not in excess of the recoverable amount (note 1(m)).

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Depreciation
The depreciable amount of all property, plant and equipment is depreciated on a straight line basis over their useful lives to the consolidated entity commencing from the time the asset is held ready for use. The depreciation rates used for each major type of depreciable assets are:

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2011

Note 1: Statement of Significant Accounting Policies

Property, Plant and Equipment (continued)

Type of Fixed Asset	Depreciation Rate
Property	2-20%
Plant and equipment	2-33%
Motor vehicles	23%
Furniture and fittings	6-27%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement.

(f) Exploration and Evaluation Expenditure

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development and/or disposal of the area or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned or sold area are written off in full against profit in the year in which the decision to abandon or sell the area is made.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. Where it is determined that uncertainty exists as to the ability to recoup carry forward exploration, evaluation and development costs an impairment loss will be raised against the asset and charged against profit in the year that determination is made.

Once a development decision has been taken, the carrying amount of the exploration and evaluation expenditure in respect of the area of interest is aggregated with the development expenditure and classified under non-current assets as mine development.

(g) Mine Development

Development expenditure incurred by or on behalf of the consolidated entity is accumulated separately for each area of interest in which economically recoverable resources have been identified. Such expenditure comprises costs directly attributable to the construction of a mine, the related infrastructure and capitalised exploration and evaluation expenditure transferred from capitalised exploration and evaluation expenditure account.

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2011

Note 1: Statement of Significant Accounting Policies

(g) Mine Development (Continued)

Amortisation is charged using the units-of production method, with separate calculations being made for each area of interest. The units-of-production basis results in a amortisation charge proportional to the depletion of proved and probable reserves.

Mine properties are tested for impairment in accordance with the policy in note 1 (m).

Costs of site restoration are provided for over the life of the facility from when exploration commences and are included in the costs from that stage. Site restoration costs include obligations relating to dismantling and removing mining plant, reclamation, waste dump rehabilitation and other costs associated with restoration and rehabilitation of the site. Such costs have been determined using estimates for current costs and current legal requirements and technology. Any changes in the estimates for the costs are accounted for on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

(h) Income Tax

The income tax expense for the year comprises current income tax expense and deferred tax expense.

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the balance sheet date.

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at the end of the reporting period. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2011

Note 1: Statement of Significant Accounting Policies

(h) Income Tax (Continued)

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Tax Consolidation

Western Areas NL and its wholly owned Australian subsidiaries have formed an income tax consolidated group under the Tax Consolidation Regime from 1 July 2002. Western Areas NL is responsible for recognising the current and deferred tax assets and liabilities for the tax consolidated group. Each entity in the Group recognises its own current and deferred tax assets and liabilities. Such taxes are measured using the 'stand-alone taxpayer' approach to allocation. Current tax liabilities (assets) and deferred tax assets arising from unused tax losses and tax credits in the subsidiaries are immediately transferred to the head entity. The tax consolidated group has entered into a tax funding arrangement whereby each company in the Group contributes to the income tax payable by the Group in proportion to their contribution to the Group's taxable income. Differences between the amounts of net tax assets and liabilities derecognised and the net amounts recognised pursuant to the funding arrangement are recognised as either a contribution by, or distribution to the head entity.

(i) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2011

Note 1: Statement of Significant Accounting Policies

(j) Employee Benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year together with entitlements arising from salaries and wages, annual leave and sick leave have been measured at their nominal amount. Employee benefits that are expected to be settled after one year have been discounted to the present value of the future expected cash outflow to be made for those benefits.

Contributions are made by the consolidated entity to employee superannuation funds and are charged as expenses when incurred.

Equity-settled compensation

The group operates an employee option plan, namely the "Western Areas Employee Share Option Incentive Scheme" (**The Scheme**). An expense is recognised in the income statement for the fair value of the options issued under the scheme; this is applied evenly over the granted options vesting period. The number of shares and options expected to vest is reviewed and adjusted at each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. The fair value of the options granted under the scheme is determined via applying the Binominal option pricing model.

(k) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that is transferred to entities in the consolidated group, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2011

Note 1: Statement of Significant Accounting Policies

(l) Financial Instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through the income statement, in which case transaction costs are expensed to the income statement immediately.

Classification and Subsequent Measurement

Financial instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost. *Fair value* represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

a) the amount at which the financial asset or financial liability is measured at initial recognition;
b) less principal repayments;
c) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the *effective interest method*; and
d) less any reduction for impairment.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

Financial assets at fair value through profit and loss

Financial assets are classified at 'fair value through profit or loss' when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period. (All other loans and receivables are classified as non-current assets.)

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2011

Note 1: Statement of Significant Accounting Policies

(l) Financial Instruments (Continued…)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

Available-for-sale financial assets are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period. (All other financial assets are classified as current assets.)

Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

De-recognition

Financial assets are de-recognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are de-recognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Impairment

At each reporting date, the group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available for sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in the income statement.

Derivative financial instruments

Derivative financial instruments are used by the consolidated entity to hedge exposures to commodity prices and foreign currency exchange rates.

The Group documents at the inception of a transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

Derivatives are initially recognised at fair value on the date the contract is entered into and are subsequently remeasured to their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Hedging derivatives are either Fair Value Hedges or Cashflow Hedges.

Fair Value Hedges

Changes in the fair value of derivatives classified as fair value hedges are recognised in the Income Statement, together with any changes in the fair value of the hedge asset or liability that are attributable to the hedged risk.

Cash Flow Hedge

The effective portion of changes in the fair value of derivatives that qualify as cash flow hedges are recognised in equity in the hedging reserve. The ineffective portion is recognised directly in the Income Statement.

All Other Derivatives

Changes in the fair value of derivatives that do not qualify for hedge accounting are recognised in the Income Statement.

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2011

Note 1: Statement of Significant Accounting Policies

(m) Impairment of Assets

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

(n) Rounding Amounts

The parent entity has applied the relief available to it under the ASIC Class Order 98/100 and accordingly, amounts in the financial report have been rounded to the nearest $1,000.

(o) Joint Ventures

The Group's share of the assets, liabilities, revenue and expenses of joint venture operations are included in the appropriate items of the consolidated financial statements. Details of the group's interests are shown at Note 28.

The parent entity's interests in joint venture entities are brought to account using the cost method.

(p) Cash and Cash Equivalents

Cash and cash equivalents comprise cash-on-hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

(q) Provisions

Provisions are recognised where the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow is able to be reliably measured.

(r) Convertible Bonds

The component of the convertible bond that exhibits characteristics of a liability is recognised as a liability in the balance sheet, net of transaction costs. On issuance of the convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this is carried as a long term liability. The increase in the liability due to the passage of time is recognised as a finance cost.

The remainder of the proceeds are allocated and included in shareholder equity, net of transaction costs. The carrying amount of the convertible bond is not remeasured in subsequent years.

(s) Foreign Currency Transactions and Balances

Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2011

Note 1: Statement of Significant Accounting Policies

(s) Foreign Currency Transactions and Balances (Continued...)

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost, continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the transaction of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the transaction of non-monetary items are recognised directly in equity to the extent that the gain or loss can be directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at the end of the reporting period;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the statement of financial position. These differences are recognised in the statement of comprehensive income in the period in which the operation is disposed.

(t) Critical Accounting Estimates and Balances

The directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

Key estimates

(i). *Impairment*

The Group assesses impairment at each reporting date by evaluating conditions and events specific to the Group that may be indicative of impairment triggers. Recoverable amounts for mine development assets are reassessed using the value-in-use calculations which incorporate various assumptions and estimates.

In the 2011 financial report the Group and the parent entity made a significant judgement about the impairment of a number of its available-for-sale assets.

In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, the financial health and near term outlook for the investee, including factors such as status of its current exploration projects and planned exploration projects, industry and sector performances and operational and financing cashflows.

Consequently, after considering the factors mentioned above, management has concluded that the cumulative change between cost and fair value of these available for sale financial assets to be a change in fair value and therefore accounted through the statement of comprehensive income. The carrying value of available for sale assets at 30 June 2011 were $6.4 million.

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2011

Note 1: Statement of Significant Accounting Policies

(t) Critical Accounting Estimates and Balances (Continued...)

Key judgements

(i). Exploration and evaluation expenditure

The Group capitalised expenditure relating to exploration and evaluation where it is considered likely to be recoverable or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. While there are certain areas of interest from which no reserves have been extracted, the directors are of the continued belief that such expenditure should not be written off since feasibility studies in such areas have not yet concluded. Such capitalised expenditure is carried at reporting date at $91.9M

(u) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

If the entity reacquires its own equity instruments, for example as the result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the profit and loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

(v) Earnings per share

Basic earnings per share

Basic earnings per share are calculated by dividing:

- The profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares
- By the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares (note 19).

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- The after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- The weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2011

Note 1: Statement of Significant Accounting Policies

(w) Comparative figures

Where necessary, comparative figures have been restated to conform with changes in presentation for the current year.

(x) Intangibles

Expenditure during the research phase of a project is recognised as an expense when incurred. Patents and trademarks are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.

Patents and trademarks have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project.

Note 2: Other Income

	Consolidated Entity	
	2011 $'000	**2010 $'000**
- Interest received – Bank Deposits	5,242	2,721
- Infrastructure access fee – Kagara Ltd	-	20,000
- Asset sales income	-	314
- Sundry income	-	2
- Profit on convertible bond swap	1,440	-
Total revenue	**6,682**	**23,037**

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2011

Note 3: Profit for the Year

	Notes	Consolidated Entity 2011 $'000	Consolidated Entity 2010 $'000
The following expense items are relevant in explaining the financial performance for the year:			
- Depreciation of non-current assets		15,229	7,318
- Amortisation of mine development assets		64,798	34,516
- Rental expenditure – operating leases		483	411
- Impairment of capitalised exploration expenditure	11	4,334	212
- Realised derivative losses		1,728	6,449
- Mark-to-market revaluation of derivatives		1,943	422
- Borrowing costs:			
Interest expense – borrowings		23,948	23,715
Bond accretion expense		8,503	5,487
Interest expense – finance leases		6	12
Borrowing costs amortised		4,049	2,525
Other borrowing costs		3,607	5,013
Total borrowing costs		40,113	36,752
Less: borrowing costs capitalised corporate facility.		-	(140)
Less: interest expense capitalised to fixed assets		-	(443)
Less: interest expense capitalised to mine development	12	-	(443)
Less: borrowing costs capitalised - Convertible bond		(3,392)	(4,874)
Total borrowing costs expensed		**36,721**	**30,852**

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2011

Note 4: Income Tax

	Notes	Consolidated Entity 2011 $'000	Consolidated Entity 2010 $'000
The Components of the Tax expense comprise:			
- Current Tax		60,151	7,450
- Deferred income tax		146	1,196
Income tax expense		**60,297**	**8,646**

The prima facia tax on the profit from ordinary activities before income tax at the statutory income tax rate to income tax expense at the groups' effective income tax rate is as follows:

Income from ordinary activities at 30%	58,581	6,857
Adjusted for the tax effect of:		
- Unrealised hedge loss	(583)	127
- Share based payments	172	1,419
- Premium on bond swap	(432)	-
- Other non allowed items	156	479
- Share issue costs deducted	(294)	(486)
- Temporary other	146	(1,196)
- Convertible bond accretion	2,551	1,446
Tax Expense	**60,297**	**8,646**

Note 5: Dividends

Dividends paid		
Final unfranked ordinary dividend of 3 cents per share for the 2010 financial year	5,393	-
Interim unfranked ordinary dividend of 10 cents (2010: 3.0 cents) per share	17,971	5,393
	23,364	5,393
Dividends proposed		
Proposed final 2011 unfranked ordinary dividend of 15 cents (2010: 3.0 cents) per share	26,960	5,393

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2011

	Notes	Consolidated Entity 2011 $'000	2010 $'000
Note 6: Trade and Other Receivables			
Trade debtors		21,219	14,662
Other debtors		2,012	223
GST refund due		2,136	1,285
Prepayments		2,352	530
		27,719	**16,700**

There are no balances within trade and other receivables that contain assets that are not past due. It is expected the balances will be received when due.

	Notes	2011 $'000	2010 $'000
Note 7: Inventories			
Ore Stockpiles – at cost		19,976	12,475
Nickel Concentrate Stockpiles – at cost		7,641	10,068
Consumables and Spare Parts – at cost		3,325	2,685
		30,942	**25,228**
Note 8: Other Financial Assets			
Available for sale	8 (a)	6,445	1,837
Derivatives	8 (b)	4,739	466
		11,184	2,303
Less non-current portion		(6,445)	(2,303)
Current portion		4,739	-
(a) Available for sale financial assets			
Investments in listed companies at fair value		6,445	1,837
(b) Derivatives			
Nickel Collar Options	29 (c)	4,739	466
		4,739	**466**

Nickel collar options are used to hedge cash flow risk associated with future transactions. Gains and losses arising from changes in the fair value of derivatives are initially recognised directly in the statement of comprehensive income. At the date of the transaction, amounts included in the hedge reserve are transferred from equity and included in the income statement.

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2011

Note 8: Other Financial Assets (Continued…)

(c) Investments in subsidiaries

Name	Country of Incorporation	Percentage of equity held	
		2011 %	2010 %
Western Platinum NL	Australia	100%	100 %
Australian Nickel Investments Pty Ltd	Australia	100%	100 %
Bioheap Ltd	Australia	100%	100%
FinnAust Mining PLC	United Kingdom	77%	75%

All the entities above, except FinnAust Mining PLC, are members of the tax consolidated group of which Western Areas is the head entity. Western Areas is the parent entity and is incorporated and domiciled in Australia.

Australian Nickel Investments Pty Ltd has a controlling interest in 1 unlisted company. Due to the immaterial value of the financial results of these companies the financial results have not been consolidated into the consolidated entity.

Note 9: Property, Plant and Equipment

	Consolidated Entity 2011 $'000	Consolidated Entity 2010 $'000
Property – at cost	20,937	19,260
Accumulated depreciation	(4,697)	(3,034)
	16,240	16,226
Plant & equipment – at cost	119,268	105,141
Accumulated depreciation	(23,958)	(10,519)
	95,310	94,622
Plant & equipment under lease	579	579
Accumulated depreciation	(446)	(319)
	133	260
Total property, plant & equipment - at cost	140,784	124,980
Accumulated Depreciation	(29,101)	(13,872)
Total	**111,683**	**111,108**

Assets Pledged as Security
The property, plant and equipment are assets over which a mortgage has been granted as security over project loans. The terms of the mortgage preclude the assets from being sold or being used as security for further mortgages without the permission of the existing mortgagor.

Assets under lease are pledged as security for the associated lease liabilities.

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2011

Note 9: Property, Plant and Equipment (Continued…)

Movement in carrying amounts:

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current year:

	Consolidated Entity	
	2011 **$'000**	**2010** **$'000**
Property		
Written down value at the beginning of the year	16,226	17,665
- Additions	1,677	11
- Depreciation expense	(1,663)	(1,450)
Written down value at the end of the year	**16,240**	**16,226**
Plant & Equipment		
Written down value at the beginning of the year	94,622	63,749
- Additions	14,127	36,678
- Depreciation expense	(13,439)	(5,805)
Written down value at the end of the year	**95,310**	**94,622**
Plant & Equipment under Lease		
Written down value at the beginning of the year	260	299
- Additions	-	24
- Depreciation expense	(127)	(63)
Written down value at the end of the year	**133**	**260**

Note 10: Intangible Assets

Capitalised patents and trademarks costs – at cost	**521**	**506**

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2011

	Consolidated Entity	
	2011 $'000	**2010 $'000**
Note 11: Exploration & Evaluation Expenditure		
Exploration & Evaluation Expenditure consists of:		
- At cost	152,358	130,044
- Transferred to mine development	(41,000)	(20,000)
- Accumulated impairment loss	(19,483)	(15,149)
Total Exploration and Evaluation	**91,875**	**94,895**

Movement in carrying amount:

Movement in the carrying amounts for exploration and evaluation expenditure between the beginning and the end of the current period:

Exploration & Evaluation Expenditure		
Written down value at the beginning of the year	94,895	80,059
- Expenditure incurred during the year	22,314	15,048
- Transferred to mine development	(21,000)	-
- Impairment loss	(4,334)	(212)
Written down value at the end of the year	**91,875**	**94,895**

The impairment losses recognised for the year were for the companies' regional areas of interests. While exploration is ongoing for these areas, the Company has raised impairment provisions due to the lack of economically viable discovery so far.

Carry Forward Exploration & Evaluation Expenditure

The recovery of the costs of exploration and evaluation expenditure carried forward is dependent upon the discovery of commercially viable mineral and other natural resource deposits and their development and exploitation or alternatively their sale.

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2011

	Notes	Consolidated Entity 2011 $'000	2010 $'000
Note 12: Mine Development			
Capitalised development expenditure consists of:			
- Mine development		135,890	104,296
- Exploration expenditure transfer		41,000	20,000
- Deferred mining expenditure		164,891	125,172
- Capitalised restoration costs		5,843	4,307
- Capitalised interest		11,175	11,175
- Accumulated amortisation		(149,345)	(84,547)
Total Mine Development		**209,454**	**180,403**

Movement in carrying amount:

Movement in the carrying amounts for mine development expenditure between the beginning and the end of the current period:

Development Expenditure		
Written down value at the beginning of the year	180,403	141,511
- Additions	71,313	72,965
- Exploration expenditure transfer	21,000	-
- Increase in restoration cost provision	1,536	-
- Capitalised interest	-	443
- Amortisation charge for the year	(64,798)	(34,516)
Written down value at the end of the year	**209,454**	**180,403**

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2011

Note 13 Tax Asset

	Consolidated Entity 2011 $'000	Consolidated Entity 2010 $'000
(a) Liabilities		
Deferred tax liabilities comprise:		
- Exploration & mine development expenditure	44,126	39,315
- Other	2,106	453
Total	46,232	39,768
(b) Assets:		
Deferred tax assets comprise:		
- Future income tax benefits due to tax losses	168	60,919
- Provisions	1,837	1,783
- Property, plant and equipment	2,026	-
- Mine development	5,023	1,211
- Other	1,109	83
Total	10,163	63,996

(c) Reconciliation

(i) Gross movement

The overall movement in the deferred tax account is as follows:

	2011 $'000	2010 $'000
Opening balance	24,228	32,874
(Debit) / Credit to income statement	(60,297)	(8,646)
Closing balance	(36,069)	24,228

(ii) Deferred tax liability

The movement in the deferred tax liabilities for each temporary difference during the year is as follows:

	2011 $'000	2010 $'000
Exploration & development expenditure		
Opening balance	(39,315)	(38,148)
Credit to income statement	(4,811)	(1,167)
Closing balance	(44,126)	(39,315)
Other		
Opening balance	(453)	(135)
Debit / (Credit) to income statement	(1,653)	(318)
Closing balance	(2,106)	(453)

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2011

Note 13 Tax Asset (Continued...)

(iii) *Deferred tax assets*

The movement in the deferred tax assets for each temporary difference during the year is as follows:

	Consolidated Entity 2011 $'000	Consolidated Entity 2010 $'000
Future income tax benefits due to tax losses		
Opening balance	60,919	64,811
(Credit) to income statement	(60,751)	(3,892)
Closing balance	168	60,919
Provisions		
Opening balance	1,783	1,664
Debit to income statement	54	119
Closing balance	1,837	1,783
Mine development		
Opening balance	1,211	4,467
(Credit) to income statement	3,812	(3,256)
Closing balance	5,023	1,211
Property, plant & equipment		
Opening balance	-	-
Credit to income statement	2,026	-
Closing balance	2,026	-
Other		
Opening balance	83	215
(Credit) / Debit to income statement	1,026	(132)
Closing balance	1,109	83

Note 14: Trade & Other Payables

Current trade & other payables	13,822	20,026
Accrued expenses	30,053	16,532
Accrued interest	11,733	10,207
	55,608	**46,765**

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2011

Note 15: Borrowings

	Notes	Consolidated Entity 2011 $'000	Consolidated Entity 2010 $'000
Current			
Lease liability	15 (c) & 21 (b)	61	83
Corporate loan facility	15 (a)	-	-
		61	**83**
Non Current			
Corporate loan facility	15 (a)	-	-
Corporate loan facility borrowing cost		-	(720)
Convertible bonds	15 (b)	309,980	304,527
Convertible bond borrowing costs		(8,155)	(8,495)
Lease liability	15 (c) & 21(b)	-	58
		301,825	**295,370**

The carrying value of assets secured under the corporate loan facility is as follows:

	2011 $'000	2010 $'000
Corporate facility		
Mine development	209,454	180,403
Property, plant & equipment	111,550	110,848
	321,004	**291,251**

(a) The Corporate Loan facility is available for broad company purposes as agreed between the Australia and New Zealand Banking Group Ltd (ANZ) and Western Areas NL. The ANZ corporate loan was repaid in April 2010 from the proceeds raised by issue of the $125M convertible note. The ANZ Bank corporate facility remains in place until March 2012.

(b) **Convertible Bond**

	2011 $'000	2010 $'000
Convertible bond (Issued June 2007)	103,186	198,860
Convertible bond (Issued April 2010)	108,645	105,667
Convertible bond (Issued November 2010)	98,149	-
	309,980	**304,527**

(i) The convertible notes issued in June 2007 mature on 2 July 2012 and the convertible notes issued in April 2010, mature on 2 July 2015. In November 2010, Western Areas NL issued bonds with a face value of $110.2 million as an exchange offer for a number of the 2012 bonds with a face value of $103 million. These bonds mature on 2 July 2014.

(ii) Interest is payable on the convertible note as follows:

- 8% on convertible note issued in June 2007
- 6.4% on convertible note issued in April 2010
- 6.375% on convertible note issued in November 2010

(c) The lease liability is secured over the assets under the lease. The finance leases have an average term of 4 years and an average implicit discount rate of 6.08%. Refer to note 9 for the carrying value of the assets under lease.

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2011

Note 16: Provisions

		Consolidated Entity 2011 $'000	Consolidated Entity 2010 $'000
Current			
Employee Entitlements	16 (a)	**1,344**	**1,057**
Non Current			
Rehabilitation and restoration cost			
Opening balance		4,886	4,682
Discount unwind		214	204
Rehabilitation expenditure		(514)	-
Additional provisions raised		1,536	-
Closing balance	16 (b)	**6,122**	**4,886**

(a) Employee entitlements refer to the balance of annual leave and long service leave accrued by the Company's employees. Recognition and measurement criteria have been disclosed in Note 1.

(b) Rehabilitation relates to an estimate of restoration costs that will result from the development of the Forrestania Nickel Project. The current mine life is 9 years, after which time the rehabilitation activities will be undertaken.

Note 17: Other Financial Liabilities

		2011 $'000	2010 $'000
Derivatives			
Forward Exchange Contracts	29 (c)	-	139
Collar Options	29 (c)	2,839	357
		2,839	**496**

Nickel collar options are used to hedge cash flow risk associated with future transactions. Gains and losses arising from changes in the fair value of derivatives are initially recognised directly in the statement of comprehensive income. At the date of the transaction, amounts included in the hedge reserve are transferred from equity and included in the income statement.

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2011

Note 18: Issued Capital

a) **Issued capital**

	Consolidated Entity	
	2011 $'000	**2010 $'000**
179,735,899 Ordinary shares fully paid (2010: 179,735,899)	**202,611**	**202,611**

b) **Movements in issued capital**

2011

There was no movement in issued capital during the year.

2010	**Number of Shares**	**$'000**
Balance at beginning of the financial year	178,826,649	198,892
- Share issue expense	-	(54)
- Issued via option conversions	909,250	3,773
Balance at end of the financial year	**179,735,899**	**202,611**

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor, and market confidence and to sustain future development of the business. There were no changes to the consolidated entity's approach to capital management during the year. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

The Board effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

c) **Share Options**

For information relating to the Western Areas Employee Share Option Incentive Scheme, including details of the options issued, exercised and lapsed during the year and the options outstanding at the end of the year refer to Note 31 Share Based Payments.

d) **Terms and Conditions of Issued Capital**

Ordinary shares

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2011

Note 19: Earnings Per Share

	Consolidated Entity	
	2011 $'000	2010 $'000
Earnings used to calculate basic / diluted earnings per share	134,973	14,212
Weighted average number of ordinary shares outstanding during the year used in calculating basic earnings per share	179,735,899	178,163,303
Weighted average number of dilutive options outstanding (*)	-	-
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive earnings per share	179,735,899	178,163,303

(*) As at 30 June 2011, none of the outstanding options were dilutive as the weighted average exercise price of the options were higher than the weighted average share price.

Note 20: Cash Flow Information

	Consolidated Entity	
	2011 $'000	2010 $'000
a) Reconciliation of the net profit after tax to the net cash flow from operations :		
Profit after income tax	134,973	14,212
Depreciation	15,229	7,318
Amortisation	68,847	37,041
Convertible bond accretion expense	8,503	5,487
Discount on convertible bond payout	(1,440)	-
GST relating to non operating activity	(399)	(354)
Impairment expenses	4,334	212
Capitalised interest paid	-	(886)
Interest receivable	(1,764)	(38)
Other	(1,078)	(125)
Loss from sale of non-current assets	-	(301)
Share based payment	574	4,731
Unrealised movement in market value of derivatives	(1,943)	422
Change in Assets and Liabilities		
Increase in payables	850	10,248
(Increase)/ decrease in inventory	(5,714)	4,349
(Increase) in receivables	(6,560)	(5,611)
Decrease in interest payable	1,526	1,856
Decrease in deferred tax	60,297	8,646
Net Cash Flows Received from Operating Activities	**276,235**	**87,207**

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2011

Note 20: Cash Flow Information (continued…)

b) Reconciliation of Cash

	Consolidated Entity	
	2011 $000	2010 $000
Cash balance comprises :		
Cash on hand	208,948	65,368
Closing Cash Balance	**208,948**	**65,368**

c) Financing Facilities Available

As at the reporting date the Company had the following facilities in place:

	Total Facility $'000	Utilised at Balance Date $'000	Available Facilities (*) $'000
Banking Facilities:-			
ANZ Banking Group			
- Cash advance facility (*)	30,000	-	30,000
- Letter of Credit	2,000	1,938	62
Performance Guarantees:-			
ANZ Banking Group			
- Security bond facility	10,000	6,611	3,389
Commonwealth Bank			
- Security bond facility	71	71	-
	42,071	**8,620**	**33,451**

(*) The facility is made available to the Company upon satisfaction of conditions precedent typically associated with corporate finance loans. While the entire facility covers a maximum available limit, the entire balance may not be available at all times.

d) Non Cash Financing Activities

During the year, the consolidated entity did not acquire any plant & equipment by means of a finance lease (2010: $24K).

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2011

Note 21: Commitments

The Directors are not aware of any commitments as at the date of these financial statements other than those listed below.

a) Operating Lease Commitments

Non-cancellable operating leases contracted for but not capitalised in the accounts.

	Consolidated Entity	
	2011 $'000	2010 $'000
- no later than 1 year	304	295
- later than 1 year and not later than 5 years	153	388
Lease expenditure contracted for at year end	457	683

The operating leases are for miscellaneous office equipment and office premises in West Perth. The West Perth office lease expires December 2012.

b) Finance Lease Commitments

	2011 $'000	2010 $'000
- no later than 1 year	61	89
- later than 1 year and not later than 5 years	-	60
Total Minimum Lease Payments	61	149
- future finance charges	-	(8)
Total Lease Liability	61	141
- current	61	83
- non current	-	58
	61	141

The finance lease commitments relate primarily to the motor vehicles, but also include some office equipment. Motor vehicles are finance leased under 3 year contracts at normal commercial rates, balloon payments are generally required at the expiry of the finance lease, at which point the Company takes ownership of the vehicle.

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2011

Note 21: Commitments (continued…)

c) Capital Expenditure Commitments

	Consolidated Entity	
	2011 $'000	**2010 $'000**
- no later than 1 year	623	-
- later than 1 year and not later than 5 years	-	-
Total minimum commitments	623	-

d) Exploration Expenditure Commitments

	2011 $'000	2010 $'000
- no later than 1 year	4,315	3,443
- later than 1 year and not later than 5 years	17,260	11,722
Total Minimum Payments	21,575	15,165

Under the terms and conditions of the Company's title to its various tenements, it has an obligation to meet tenement rentals and minimum levels of exploration expenditure as gazetted by the Department of Mines and Petroleum.

e) Other Commitments

As part of the acquisition agreement for the final 25% of the Forrestania tenements (completed in May 2003), the Company is paying a 2% net smelter royalty to Outokumpu Mining Ltd on all nickel sales from the Forrestania Nickel project.

Note 22: Auditor Remuneration

	2011 $'000	2010 $'000
The following remuneration was earned by the company's Auditor during the period		
- Audit and review of financial statements	141	132
- Other services	9	26
	150	158

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2011

Note 23: Material Contracts

Western Areas NL has two main customers. A summary of the key terms of the off-take agreements entered into with these customers are detailed below. Credit risk associated with these customers is detailed in note 29.

In May 2009 the Company entered a Concentrate Purchase Agreement ("CPA") with BHP Billiton Ltd. Under the terms of this agreement BHP Billiton are entitled to purchase up to 10,000 tonnes per annum of nickel in concentrate produced from the Forrestania tenements. The agreement is for a term of 7.5 years.

In June 2009 the Company entered a contract with Jinchuan Group Ltd ("Jinchuan"). Under the terms of this agreement, Jinchuan are entitled to purchase up to 25,000 tonnes of nickel in concentrate produced from the Forrestania tenements. The contract is for a term of 2 years commencing on 1 January 2010, until all 25,000 tonne nickel in concentrate is delivered.

Note 24: Contingent Liabilities

The Directors are not aware of any contingent liabilities as at the date of these financial statements.

Note 25: Subsequent Events

There are no subsequent events to be reported at the report date.

Note 26: Statement of Operations by Segments

Identification of reportable segment

The group identifies its operating segments based on the internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Group operates primarily in nickel mining and exploration in Australia and exploration in Finland. The financial information in relation to the operations in Finland is not reported separately to the chief operating decision maker and as a result, the financial information presented in the income statements and balance sheet is the same as that presented to chief operating decision maker.

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors as the chief decision maker is in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2011

Note 27: Key Management Personnel (KMP)

Key Management Personnel

T Streeter	Chairman (Non-Executive)
D Cooper	Director (Non-Executive)
J Hanna	Managing Director and Chief Executive Officer
R Dunbar	Director (Non-Executive)
R Yeates	Director (Non-Executive)
D Lougher	Operations Director
D Southam	Finance Director (Appointed 15 November 2010)
J Belladonna	Chief Financial Officer (Appointed 1 July 2010) / Company Secretary
C Wilkinson	General Manager Exploration
G Marshall	General Manager Commercial

Refer to the remuneration report contained in the Directors' report for details of the remuneration paid or payable to each member of the group's key management personnel for the year ended 30 June 2011.

The totals of remuneration paid to KMP of the group during the year are as follows:

	2011 $'000	2010 $'000
Short term employee benefits	4,664	2,711
Share based payments	912	767
Post-employment benefits	308	225
	5,884	3,703

Options held by Key Management Personnel

	Balance at 1 July 2010	Granted as Remuneration	On Exercise of Options	Purchases / (Sales)	Expired / Lapsed	Balance at 30 June 2011	Options Vested (*)
J Hanna	600,000	-	-	-	(400,000)	200,000	100,000
D Cooper	400,000	-	-	-	(400,000)	-	-
T Streeter	400,000	-	-	-	(400,000)	-	-
R Dunbar	400,000	-	-	-	(400,000)	-	-
D Lougher	600,000	-	-	-	(400,000)	200,000	100,000
C Wilkinson	340,000	-	-	-	(240,000)	100,000	50,000
G Marshall	50,000	-	-	-	-	50,000	25,000
J Belladonna	180,000	-	-	-	(80,000)	100,000	50,000
K McKenzie	190,000	-	-	-	(90,000)	100,000	50,000
TOTAL	**3,160,000**	**-**	**-**	**-**	**(2,410,000)**	**750,000**	**375,000**

(*) 100% of options that have vested with the Directors and Executives are exercisable at any time up until expiry.

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2011

Note 27: Key Management Personnel (KMP) (Continued...)

Shareholding by Key Management Personnel

	Balance at 1 July 2010	Granted as Remuneration	On Exercise of Options	Other Changes During the Year	Balance at 30 June 2011
J Hanna	1,360,179	-	-	(66,192)	1,293,987
D Cooper	1,000,000	-	-	-	1,000,000
T Streeter	25,809,410	-	-	-	25,809,410
R Dunbar	102,500	-	-	-	102,500
R Yeates	-	-	-	6,000	6,000
D Lougher	50,884	-	-	-	50,884
C Wilkinson	7,000	-	-	-	7,000
J Belladonna	65,000	-	-	(5,000)	60,000
K McKenzie	27,918	-	-	-	27,918
TOTAL	**28,422,891**	**-**	**-**	**(65,192)**	**28,357,699**

Note 28: Interests in Joint Ventures

At balance date the consolidated entity had entered into the following material unincorporated joint ventures. The consolidated entity and percentage interest and share of non-current assets after impairment write off is listed below:

			Consolidated Entity	
Joint Venture	**% Interest**	**Principal Activities**	**2011 $'000**	**2010 $'000**
Koolyanobbing (3 JV's)	51% - 100%	Nickel & Gold exploration	200	628
Sandstone Project	51% - 70%	Nickel exploration	2,500	1,494
Mt Alexander	25%	Nickel & Copper exploration	100	106
Great Western Project	51%-70%%	Nickel & Copper exploration	100	173
Kawana Project	70%-80%	Nickel & Copper exploration	100	153

The principal activities of the consolidated entity joint ventures are to explore tenement interests for exploitable mineral resources.

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2011

Note 29: Financial Risk Management

Financial Risk Management Policies

The Treasury Committee consisting of senior management and non executive board members meets on a regular basis to analyse and discuss amongst other issues, monitoring and managing financial risk exposures of the consolidated entity. The Treasury Committee monitors the consolidated entity financial risk management policies and exposures and approves financial transactions within the scope of its authority. It also reviews the effectiveness of internal controls relating to commodity price risk, counter party credit risk, currency risk, financing risk and interest rate risk.

The Treasury Committee's overall risk management strategy seeks to assist the consolidated entity in meeting its financial targets, while minimising potential adverse effects on financial performance. Its functions include the review of the use of hedging derivative instruments, credit risk policies and future cash flow requirements.

Specific Financial Risk Exposures and Management

The main risks the Group is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk, foreign currency risk and commodity and equity price risk.

a) Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults.

The consolidated entity does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings.

The consolidated entity does not have significant credit risk exposure to trade receivables as the consolidated entity's customers are considered to be of high credit quality. There were no balances within trade and other receivables that are not past due. It is expected these balances will be received when due.

b) Liquidity Risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages this risk through the following mechanisms which include:

- preparing forward looking cash flow analysis in relation to its operational, investing and financing activities
- using derivatives that are only traded in highly liquid markets
- monitoring undrawn credit facilities, to the extent that they exist
- obtaining funding from a variety of sources
- maintaining a reputable credit profile
- managing credit risk related to financial assets
- investing surplus cash only with major financial institutions
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets

The tables below reflect an undiscounted contractual maturity analysis for financial liabilities. Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward.

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2011

Note 29: Financial instruments (Continued…)

b) Liquidity Risk (Continued…)

Financial liability and financial asset maturity analysis

The Consolidated Entity's maturity analysis of financial assets and financial liabilities shown below:

2011 Consolidated Entity

	1 year or less $'000	Over 1 to 5 years $'000	More than 5 Years $'000	**Total $'000**
Financial Assets – Non Derivative				
Cash	208,948	-	-	**208,948**
Receivables	27,719	-	-	**27,719**
Financial Assets –Derivative				
Nickel Collar Options (net settled)	4,739	-	-	**4,739**
	241,406	-	-	**241,406**
Financial Liabilities – Non Derivative				
Payables	55,608	-	-	**55,608**
Convertible bonds (*)	-	340,700	-	**340,700**
Lease liability	61	-	-	**61**
Financial Liabilities –Derivative				
Collar options (net settled)	2,839	-	-	**2,839**
	58,508	340,700		**399,208**
Net Financial Assets/(Liabilities)	**182,898**	**(340,700)**	-	**(157,802)**

2010 Consolidated Entity

	1 year or less $'000	Over 1 to 5 years $'000	More than 5 Years $'000	**Total $'000**
Financial Assets – Non Derivative				
Cash	65,368	-	-	**65,368**
Receivables	16,700	-	-	**16,700**
Financial Assets –Derivative				
Nickel Collar Options (net settled)	466	-	-	**466**
	82,534	-	-	**82,534**
Financial Liabilities – Non Derivative				
Payables	46,765	-	-	**46,765**
Convertible bonds	-	333,500	-	**333,500**
Lease liability	83	58	-	**141**
Financial Liabilities –Derivative				
Collar options (net settled)	357	-	-	**357**
Forward exchange contracts (net settled)	139	-	-	**139**
	47,344	333,558		**380,902**
Net Financial Assets/(Liabilities)	**35,190**	**(333,558)**	-	**(298,368)**

* Included in 1-5 years maturity analysis of the convertible bond is a convertible bond with a carrying value of $105.5M maturing on 2 July 2012.

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2011

Note 29: Financial instruments (Continued…)

c) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, other price risk and currency risk.

i) Interest Rate Risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at reporting date whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. Interest rate risk is managed using a mix of fixed and floating rate debt.

At the reporting date, the interest rate risk profile of the consolidated entity's interest bearing financial instruments was as follows:

2011 Consolidated Entity		Fixed Interest maturing in:					
	Floating Interest Rate $'000	1 year or less $'000	Over 1 to 5 years $'000	More than 5 Years $'000	Non-Interest Bearing $'000	**Total $'000**	Weighted Average Interest Rate
Financial Assets							
Cash	208,948	-	-	-	-	**208,948**	6.12%
Receivables	-	-	-	-	27,719	**27,719**	-
	208,948	-	-	-	27,719	**236,667**	
Financial Liabilities							
Payables	-	-	-	-	55,608	**55,608**	-
Convertible bonds	-	-	340,700	-	-	**340,700**	7.05%
Lease liability	-	61	-	-	-	**61**	6.09%
	-	61	340,700	-	55,608	**396,369**	
Net Financial Assets/(Liabilities)	**208,948**	**(61)**	**(340,700)**	**-**	**(27,889)**	**(159,702)**	

2010 Consolidated Entity		Fixed Interest maturing in:					
	Floating Interest Rate $'000	1 year or less $'000	Over 1 to 5 years $'000	More than 5 Years $'000	Non-Interest Bearing $'000	**Total $'000**	Weighted Average Interest Rate
Financial Assets							
Cash	65,368	-	-	-	-	**65,368**	5.70%
Receivables	-	-	-	-	16,700	**16,700**	-
	65,368	-	-	-	16,700	**82,068**	
Financial Liabilities							
Payables	-	-	-	-	46,765	**46,765**	-
Convertible bonds	-	-	333,500	-	-	**333,500**	7.40%
Lease liability	-	83	58	-	-	**141**	6.09%
	-	83	333,558	-	46,765	**380,406**	
Net Financial Assets/(Liabilities)	**65,368**	**(83)**	**(333,558)**	**-**	**(30,065)**	**(298,338)**	

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2011

Note 29: Financial instruments (Continued…)

c) Market Risk (Continued…)

ii) Price Risk

a) Equity Price Risk

The consolidated entity is exposed to equity securities price risk. This arises from investments held by the Group and classified on the balance sheet as available-for-sale.

The majority of the consolidated entity's equity investments are publicly traded and are quoted either on the ASX or the TSX.

The table below summarises the impact of increases/decreases of these two indexes on the Consolidated entity's equity. The analysis is based on the assumption that the equity indexes had increased by 10% / decreased by 10% (2010 – increased by 10% / decreased by 10%) and foreign exchange rate increased by 5% / decrease by 5% (2010 increased by 5% / decrease by 5%) with all other variables held constant and all the Group's equity instruments moved according to the historical correlation with the index. The percentages are the sensitivity rates used when reporting equity price risk internally to key management personnel and represents management's assessment of the possible change in equity prices.

	Impact on equity	
Available for sale financial assets –	30 June 2011	30 June 2010
Index	$'000	$'000
ASX	66	33
TSX	273	123

Equity would increase/decrease as a result of gains/losses on equity securities classified as available-for-sale. A decrease in the share price and exchange rate would result in a further decrease in fair value compared to cost. Management is satisfied that the decrease in fair value will not require an impairment loss to be recognised in the income statement.

b) Commodity Price Risk

The consolidated entity is exposed to commodity price risk. This arises from the sale of nickel at spot market rates.

The following table details the consolidated entity's sensitivity to a USD 500 increase and decrease in the nickel price. USD 500 is the sensitivity rate used when reporting commodity price risk internally to key management personnel and represents management's assessment of the possible change in commodity price. The table below assumes all other variables remaining constant.

Sensitivity analysis	**Profit $'000**	**Equity $'000**
Year Ended 30 June 2011		
+- $500 / tonne nickel	+-1,283	+-1,283
	Profit $'000	**Equity $'000**
Year Ended 30 June 2010		
+- $500 / tonne nickel	+-1,173	+-1,173

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2011

Note 29: Financial instruments (Continued…)

c) Market Risk (Continued…)

Hedging of Specific Commitments

The consolidated entity enters into financial transactions in the normal course of business and in line with Board guidelines for the purpose of hedging and managing its expected exposure to nickel prices and exchange rates. The hedges are treated as cashflow hedges in accordance with AASB 139 "Financial Instruments: Recognition and Measurement" when they qualify for hedge accounting under the standard.

Nickel Hedging Contracts

As at balance date the consolidated entity had forward sold 3,300 tonnes of nickel at an average USD price/tonne call of US$27,429 and US price/tonne put of US$22,141. The hedging contracts are vanilla forward sales contracts with maturity dates as shown in the table below.

	FY 2011	TOTAL	FY 2010	TOTAL
Nickel Tonnes	3,300	**3,300**	400	**500**
US Price ($/tonne) Call	27,429	**27,429**	22,550	**22,550**
USD Value ($'000)	90,516	**90,516**	9,020	**9,020**
US Price ($/tonne) Put	22,141	**22,141**	20,000	**20,000**
USD Value ($'000)	73,065	**73,065**	8,000	**8,000**

iii) Currency Risk

The consolidated entity undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts. The carrying amount of the consolidated entity's foreign currency denominated monetary assets and monetary liabilities at the reporting date is as follows:

	Liabilities	Assets
US$ '000	-	32,080

The following table details the consolidated entity's sensitivity to a 5% increase and decrease in the Australian Dollar against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 5% change in foreign currency rates.

Sensitivity analysis	**Profit $'000**	**Equity $'000**
Year Ended 30 June 2011		
+ 5% in $A/$US	(2,726)	(2,726)
- 5% in $A/$US	3,013	3,013

	Profit $'000	**Equity $'000**
Year Ended 30 June 2010		
+ 5% in $A/$US	(1,088)	(1,088)
- 5% in $A/$US	1,203	1,203

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2011

Note 29: Financial instruments (Continued…)

c) Market Risk (Continued…)

Forward exchange contracts

The consolidated entity had open forward exchange contracts, exchange options and exchange collar options at 30 June 2010 relating to highly probable forecast transactions and recognised financial assets and financial liabilities. These contracts commit the Group to buy and sell specified amounts of foreign currencies in the future at specified exchange rates.

The following table summarises the notional amounts of the consolidated entity's commitments in relation to forward exchange contracts. The notional amounts do not represent amounts exchanged by the transaction counter parties and are therefore not a measure of the exposure of the consolidated entity through the use of these contracts

	Notional Amounts		**Average Exchange Rate**	
Consolidated Group	**2011 $000**	**2010 $000**	**2011 $**	**2010 $**
Buy AUD / Sell USD				
Settlement				
— less than 6 months	-	23,000	-	0.8932
— 6 months to 1 year	-	5,000	-	0.9000

Forward exchange contracts are measured at fair value with gains and losses taken to the cash flow hedge reserve until such time as they are included in the costs of hedged inventory purchases or other asset acquisitions.

d) Net fair values

The fair values of financial assets and financial liabilities are presented in the following table and can be compared to their carrying values as presented in the balance sheet. Fair values are those amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction

Fair values derived may be based on information that is estimated or subject to judgment, where changes in assumptions may have a material impact on the amounts estimated. Areas of judgment and the assumptions have been detailed below. Where possible, valuation information used to calculate fair value is extracted from the market, with more reliable information available from markets that are actively traded. In this regard, fair values for listed securities are obtained from quoted market bid prices. Where securities are unlisted and no market quotes are available, fair value is obtained using discounted cash flow analysis and other valuation techniques commonly used by market participants.

Differences between fair values and carrying values of financial instruments with fixed interest rates are due to the change in discount rates being applied by the market since their initial recognition by the Group. Most of these instruments which are carried at amortised cost are to be held until maturity and therefore the net fair value figures calculated bear little relevance to the Group.

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2011

Note 29: Financial instruments (Continued…)

d) Net fair values (Continued…)

		2011		2010	
		Carrying Amount $'000	Net Fair Value $'000	Carrying Amount $'000	Net Fair Value $'000
Financial Assets					
Cash and cash equivalents	(i)	208,948	208,948	65,368	65,368
Available-for-sale assets at fair value	(iv)	6,445	6,445	1,837	1,837
Derivative financial assets	(vi)	4,739	4,739	466	466
Loans and receivables	(ii & iii)	27,719	27,719	16,700	16,700
		247,851	247,851	84,371	84,371

		2011		2010	
		Carrying Amount $'000	Net Fair Value $'000	Carrying Amount $'000	Net Fair Value $'000
Financial Liabilities					
Trade and sundry payables	(i)	55,608	55,608	46,765	46,765
Convertible notes	(v)	309,980	333,500	304,527	333,500
Derivative financial liabilities	(vi)	2,839	2,839	496	496
Other liabilities	(i)	61	61	141	141
		368,488	392,008	351,929	380,902

The fair values disclosed in the above table have been determined based on the following methodologies:

i) Cash and cash equivalents, trade and other receivables and trade and other payables are short-term instruments in nature whose carrying value is equivalent to fair value. Trade and other payables exclude amounts provided for annual leave, which is not considered a financial instrument.

ii) Term receivables generally reprice to a market interest rate every 6 months, and fair value therefore approximates carrying value.

iii) Discounted cash flow models are used to determine the fair values of loans and advances. Discount rates used on the calculations are based on interest rates existing at reporting date for similar types of loans and advances. Differences between fair values and carrying values largely represent movements of the effective interest rate determined on initial recognition and current market rates.

iv) Quoted market prices at reporting date are used as well as valuation techniques incorporating observable market data relevant to the hedged position.

v) Fair values are determined using a discounted cash flow model incorporating current commercial borrowing rates. The fair values of fixed rate bank debt will differ to the carrying values

vi) Quoted closing bid prices at reporting date.

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2011

d) Net fair values (Continued…)

Financial Instruments Measured at Fair Value

The financial instruments recognised at fair value in the statement of financial position have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the measurements. The fair value hierarchy consists of the following levels:

- quoted prices in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

Consolidated Group

	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
2011				
Financial assets:				
Available-for-sale financial assets:				
- listed investments	6,445	-	-	6,445
2010				
Financial assets:				
Available-for-sale financial assets:				
- listed investments	1,837	-	-	1,837

Note 30: Related Party Transactions

There were no other related party transactions during the financial year, except for the key management compensation as disclosed in the directors' report.

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2011

Note 31: Share Based Payments

The following share based payments arrangements existed at the end of the financial year:

i) On 17 September 2009 1,750,000 options were issued as part of the Western Areas Employee Share Option Scheme. These are redeemable for one ordinary share in the Company and have an exercise price of $7.25

ii) On 15 September 2009, the remuneration committee resolved to issue 600,000 options to the Western Areas Executive Directors. These are redeemable for one ordinary share in the Company and have an exercise price of $7.50. This was ratified by shareholders at the annual general meeting on 6 November 2009.

An employee share scheme has been established whereby Western Areas NL may, at the discretion of the Board of Directors, grant options over the ordinary shares of the Company to employees and key contractors of the Company. The options, which are issued at nil consideration, are granted in accordance with guidelines established by the scheme.

The options are issued with an exercise price which is determined by the Board, however must be no less than the average of the last sale price of the Company's shares on the ASX at the close of business on each of the 15 business days immediately preceding the date the Directors resolve to grant the said options.

The following options were outstanding at 30 June 2011:

	Consolidated Entity			
	2011		**2010**	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Opening balance	7,300,000	12.80	9,189,250	11.55
Options issued	-	-	2,350,000	7.31
Options cancelled	(420,000)	8.73	(140,000)	15.00
Options Expired	(4,870,000)	15.38	(3,190,000)	7.50
Options exercised	-	-	(909,250)	4.15
Closing balance	**2,010,000**	**7.32**	**7,300,000**	**12.80**
Vested balance	**1,340,000**	**7.32**	**5,030,000**	**15.37**

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2011

Note 31: Share Based Payments (Continued…)

Options issued to employees under the Western Areas Employee Share Option Scheme and Directors incentive options vest as detailed below:

i) The $7.25 employee options issued in September 2009 vest as follows: Half vest 12 before expiry and half vest 24 months before expiry date.

ii) The $7.50 directors options issued in November 2009 vest as follows: half vest 12 months before the expiry date and half vest 24 months before expiry date.

The weighted average contractual life remaining for the current outstanding options is 12 Months.

The fair value of the options outstanding as at 30 June 2011 was determined as detailed below:

i) The employee options issued on 17 Sep 2009 were independently valued via the Binomial option pricing model applying the following inputs. Average closing share price: $4.87, option exercise price: $7.25, life of the option: 3 years, price volatility: 76% and risk free rate: 4.66% for year 1, price volatility: 83% and risk free rate: 4.86% for year 2.

ii) The directors options issued on 24 November 2009 were independently valued via the Binomial option pricing model applying the following inputs. Average closing share price: $4.87, option exercise price: $7.50, life of the option: 3 years, price volatility: 76% and risk free rate: 5.09% for year 1, price volatility: 74% and risk free rate: 5.09% for year 2.

The movement in the various classes of options for the year ended 30 June 2011 were as follows:

	-- Option Terms (Exercise Price and Maturity) --						
	Employee $7.50 Jan 11	Employee $15.00 May 11	Contractor $17.00 May 11	Director $17.00 May 11	Director $7.50 Nov 12	Employee $7.25 Sep 12	**TOTAL**
Opening balance	**500,000**	**1,730,000**	**400,000**	**2,400,000**	**600,000**	**1,670,000**	**7,300,000**
Options issued	-	-	-	-	-	-	-
Options Expired	(500,000)	(1,570,000)	(400,000)	(2,400,000)	-	-	(4,870,000)
Options Cancelled	-	(160,000)	-	-	-	(260,000)	(420,000)
Options exercised	-		-	-	-	-	-
Closing balance	**-**	**-**	**-**	**-**	**600,000**	**1,410,000**	**2,010,000**

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2011

Note 32: Reserves

(i) *Option equity reserve*

The option reserve records the items recognised as expenses on valuation of employee share options.

(ii) *Hedge reserve*

The hedge reserve records revaluations of items designated as hedges.

(iii) *Investment Revaluation reserve*

The investment revaluation reserve records revaluations of available for sale financial assets.

(iv) *Convertible Bond Reserve*

The Convertible bond reserve records the equity proportion value of the convertible bond.

Note 33: New Accounting Standards for Application in the Future Periods

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods and which the Group has decided not to early adopt. A discussion of those future requirements and their impact on the Group is as follows:

– AASB 9: Financial Instruments (December 2010) (applicable for annual reporting periods commencing on or after 1 January 2013).

  This Standard is applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments. The Group has not yet determined any potential impact on the financial statements.

  The key changes made to accounting requirements include:

  - simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
  - simplifying the requirements for embedded derivatives;
  - removing the tainting rules associated with held-to-maturity assets;
  - removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
  - allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument;
  - requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on: (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows; and

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2011

Note 33: New Accounting Standards for Application in the Future Periods (Continued…)

- requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income, except when that would create an accounting mismatch. If such a mismatch would be created or enlarged, the entity is required to present all changes in fair value (including the effects of changes in the credit risk of the liability) in profit or loss.

– AASB 124: Related Party Disclosures (applicable for annual reporting periods commencing on or after 1 January 2011).

This Standard removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities and clarifies the definition of a "related party" to remove inconsistencies and simplify the structure of the Standard. No changes are expected to materially affect the Group.

– AASB 2009–12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011).

This Standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB. The Standard also amends AASB 8 to require entities to exercise judgment in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. The amendments are not expected to impact the Group.

– AASB 2010–4: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101 & AASB 134 and Interpretation 13] (applicable for annual reporting periods commencing on or after 1 January 2011).

This Standard details numerous non-urgent but necessary changes to Accounting Standards arising from the IASB's annual improvements project. Key changes include:

- clarifying the application of AASB 108 prior to an entity's first Australian-Accounting-Standards financial statements;
- adding an explicit statement to AASB 7 that qualitative disclosures should be made in the context of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments;
- amending AASB 101 to the effect that disaggregation of changes in each component of equity arising from transactions recognised in other comprehensive income is required to be presented, but is permitted to be presented in the statement of changes in equity or in the notes;
- adding a number of examples to the list of events or transactions that require disclosure under AASB 134; and
- making sundry editorial amendments to various Standards and Interpretations.

This Standard is not expected to impact the Group.

– AASB 2010–5: Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042] (applicable for annual reporting periods beginning on or after 1 January 2011).

This Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB. However, these editorial amendments have no major impact on the requirements of the respective amended pronouncements.

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2011

Note 33: New Accounting Standards for Application in the Future Periods (Continued…)

- AASB 2010–6: Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & AASB 7] (applicable for annual reporting periods beginning on or after 1 July 2011).

  This Standard adds and amends disclosure requirements about transfers of financial assets, especially those in respect of the nature of the financial assets involved and the risks associated with them. Accordingly, this Standard makes amendments to AASB 1: First-time Adoption of Australian Accounting Standards, and AASB 7: Financial Instruments: Disclosures, establishing additional disclosure requirements in relation to transfers of financial assets.

  This Standard is not expected to impact the Group.

- AASB 2010–7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127] (applies to periods beginning on or after 1 January 2013).

  This Standard makes amendments to a range of Australian Accounting Standards and Interpretations as a consequence of the issuance of AASB 9: Financial Instruments in December 2010. Accordingly, these amendments will only apply when the entity adopts AASB 9.

  As noted above, the Group has not yet determined any potential impact on the financial statements from adopting AASB 9.

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2011

Note 34: Parent Information

The following information has been extracted from the books of the parent and has been prepared in accordance with the accounting standards.

Statement of Financial Position

	Parent Entity	
	2011 $'000	**2010 $'000**
Assets		
Current Assets	269,664	106,909
Non Current Assets	422,381	413,068
Total Assets	692,045	519,977
Liabilities		
Current Liabilities	59,064	48,041
Non Current Liabilities	344,017	300,256
Total Liabilities	403,081	348,297
Net Assets	**288,964**	**171,680**
Equity		
Issued capital	202,611	202,611
Reserves	78,554	74,177
Accumulated profit / (loss)	7,799	(105,108)
Total Equity	**288,964**	**171,680**

Statement of Comprehensive Income

Profit for the period	**132,162**	**14,713**
Total comprehensive income for the period	**135,965**	**33,372**

Guarantees

Western Areas NL has not entered into any guarantees, in the current or previous financial year, in relation to the debts of its subsidiaries.

Contingent Liabilities

The Directors are not aware of any contingent liabilities as at the date of these financial statements.

Contractual Commitments

Refer to Note 21 as all commitments entered into were by Western Areas NL.

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2011

Note 35: Additional Company Information

Western Areas NL is a Public Company, incorporated and domiciled in Australia.

Registered office and Principal place of business:
Suite 3, Level 1
11 Ventnor Avenue
West Perth WA 6005
Tel: +61 8 9334 7777
Fax: +61 8 9486 7866
Web: www.westernareas.com.au
Email: info@westernareas.com.au

DIRECTORS' DECLARATION

1. In the opinion of the Directors of Western Areas NL:

   (a) the Consolidated Entity's financial statements and notes set out on pages 28 to 79 are in accordance with the Corporations Act 2001, including:
      (i) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2011 and of its performance, for the financial period ended on that date; and
      (ii) complying with Australian Accounting Standards (including the Australia Accounting Interpretations) and the Corporations Regulations 2001;

   (b) the financial report also complies with International Financial Reporting Standards as set out in note 1;

   (c) the remuneration disclosures that are contained in the remuneration report in the Directors' report comply with Australian Accounting Standard AASB 124 Related Party Disclosures, the Corporations Act 2001 and the Corporations Regulations 2001;

   (d) there are reasonable grounds to believe that the Consolidated Entity will be able to pay its debts as and when they become due and payable.

2. the Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer, Managing Director and Chief Financial Officer for the financial year ended 30 June 2011.

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

J. Hanna
Director

Dated this 22nd day of August 2011

INDEPENDENT AUDIT OPINION

Crowe Horwath

INDEPENDENT AUDIT REPORT TO MEMBERS OF WESTERN AREAS NL AND ITS CONTROLLED ENTITIES

We have audited the accompanying financial report of Western Areas NL, which comprises the consolidated statement of financial position as at 30 June 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report
The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility
Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

Auditor's Opinion
In our opinion:

(a) the financial report of Western Areas NL is in accordance with the *Corporations Act 2001*, including:
   (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
   (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the consolidated financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Crowe Horwath

REPORT ON THE REMUNERATION REPORT

We have audited the Remuneration Report included in pages 13 to 20 of the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Western Areas NL for the year ended 30 June 2011 complies with section 300A of the *Corporations Act 2001*.

Crowe Horwath Perth

CROWE HORWATH PERTH

CYRUS PATELL
Partner

Signed at Perth, 22 August 2011