

WESTERN AREAS NL



ABN 68 091 049 357

NOTICE OF MEETING AND EXPLANATORY STATEMENT

Meeting to be held at
The Freshwater Bay Room, Hyatt Regency Perth, 99 Adelaide Terrace,
Perth, Western Australia on 8 October 2010 at 3.00pm (WST)



This Notice of Meeting and Explanatory Statement should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser without delay.

Western Areas Annual Report is now available at the Company's website www.westernareas.com.au

The Company is a designated foreign issuer as defined by Canadian National Instrument 71-102 - Continuous Disclosure and Other Exemptions Relating to Foreign Issuers and is subject to Australian law and the regulatory requirements of the Australian Securities and Investment Commission.

NOTICE OF MEETING AND EXPLANATORY STATEMENT

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TIME AND PLACE OF MEETING AND HOW TO VOTE

VENUE

The Annual General Meeting of the Shareholders to which this Notice of Meeting relates will be held at 3.00pm (WST) on 8 October 2010 at:

The Freshwater Bay Room

Hyatt Regency Perth

99 Adelaide Terrace

Perth, Western Australia, 6000

YOUR VOTE IS IMPORTANT

The business of the Annual General Meeting affects your shareholding and your vote is important.

VOTING IN PERSON

To vote in person, attend the Annual General Meeting on the date and at the place set out above.

VOTING BY PROXY

To vote by proxy, please complete and sign the enclosed Proxy Form and return by:

- a) Mail: Computershare Investor Services Pty Limited, GPO Box 242, Melbourne VIC 3001 Australia
- b) Fax : Inside Australia: 1800 783 447
Outside Australia: +61 3 9473 2555
- c) Custodian voting - For Intermediary Online subscribers only (custodians) please visit www.intermediaryonline.com to submit your voting intentions.

so that it is received before 3.00pm (WST) on 6 October 2010.

Proxy Forms received after this time will be invalid.

Notice of Meeting

Notice is given that the annual general meeting of Western Areas NL (Company) will be held at The Freshwater Bay Room, Hyatt Regency Perth, 99 Adelaide Terrace, Perth, Western Australia, 6000 on 8 October 2010 commencing at 3.00pm (WST).

The Explanatory Statement to this Notice of Meeting provides additional information on matters to be considered at the Annual General Meeting. The Explanatory Statement, Annexure and the Proxy Form are part of this Notice of Meeting.

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Annual General Meeting are those who are registered Shareholders of the Company at 5.00pm on 6 October 2010.

Terms and abbreviations used in this Notice of Meeting, Annexure and Explanatory Statement are defined in the Glossary.

AGENDA

1 ORDINARY BUSINESS

Introduction to the meeting

By Julian Hanna, Managing Director and CEO.

Financial Statements and Reports

To receive and consider the annual financial report of the Company for the financial year ended 30 June 2010 together with the declaration of the directors, the directors' report, the remuneration report and the auditor's report.

2 RESOLUTIONS

Resolution 1 – Adoption of remuneration report

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **non-binding resolution**:

"That, for the purpose of Section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the remuneration report as contained in the Company's annual financial report for the financial year ended 30 June 2010."

Resolution 2 – Reappointment of Director – Daniel Lougher

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

"That, for the purposes of clause 17.4 of the Constitution and for all other purposes, Daniel Lougher who was appointed a Director on 12 September 2008 is reappointed as a Director of the Company."

Resolution 3 – Ratification of issue of securities

To consider and, if thought fit, pass, with or without amendment, the following as an ordinary resolution:

"That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, the members of the Company hereby approve and ratify the issue of A\$125,000,000 of Convertible Bonds by the Company to Australian and international institutional and professional investors, as more fully described in the Explanatory Memorandum accompanying this Notice of General Meeting."

Voting Exclusion: For the purposes of Listing Rule 7.4, the Company will disregard any votes cast on Resolution 3 by persons who participated in the issue and their associates. However the Company need not disregard any vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

3 TECHNICAL PRESENTATION

By Daniel Lougher, Operations Director.

Notice of Meeting

The Explanatory Statement accompanying this Notice of Meeting is incorporated in and comprises part of this Notice of Meeting.

Shareholders are specifically referred to the Glossary in the Explanatory Statement which contains definitions of capitalised terms used both in this Notice of Meeting and the Explanatory Statement.

Please note that:

- (a) Shareholders entitled to attend and vote at the General Meeting is entitled to appoint a proxy;
- (b) a proxy need not be a Shareholder; and
- (c) Shareholders entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half of the votes.

The enclosed proxy form provides further details on appointing proxies and lodging proxy forms.

CORPORATE REPRESENTATIVE

Any corporate Shareholder who has appointed a person to act as its corporate representative at the meeting should provide that person with a certificate or letter executed in accordance with the Corporations Act authorising him or her to act as that company's representative that complies with the Corporations Act. The authority may be sent to the Company and/or registry in advance of the meeting or handed in at the meeting when registering as a corporate representative. An appointment of corporate representative form is enclosed if required.

ENTITLEMENT TO ATTEND AND VOTE

The Board has determined that for the purposes of the Meeting, Shareholders are those persons who are the registered holders of Shares at 5.00pm WST on 6 October 2010.

BY ORDER OF THE BOARD



Joseph Belladonna

Company Secretary

Western Areas NL

8 September 2010

Explanatory Statement

This Explanatory Statement has been prepared for the information of Shareholders in relation to the business to be conducted at the Company's general meeting to be held on 8 October 2010.

The purpose of this Explanatory Statement is to provide Shareholders with all information known to the Company which is material to a decision on how to vote on the Resolutions.

This Explanatory Statement should be read in conjunction with the Notice of Meeting. Capitalised terms in this Explanatory Statement are defined in the Glossary.

1 FINANCIAL STATEMENTS AND REPORTS

In accordance with the Corporations Act, the business of the General Meeting will include receipt and consideration of the annual financial report of the Company for the financial year ended 30 June 2010 together with the declaration of the directors, the directors' report, the remuneration report and the auditor's report. A copy of these reports may be accessed by visiting the Company's website www.westernareas.com.au or ASX's website www.asx.com.au.

There is no requirement for Shareholders to approve these reports. However, the Chairman will allow a reasonable opportunity for Shareholders to ask questions or make comments about those reports and the management of the Company. Shareholders will be given a reasonable opportunity to ask the auditor questions about the conduct of the audit and the preparation and content of the auditor's report.

In addition to the taking of questions at the meeting, written questions to the Chairman about the management of the Company or to the Company's auditor about:

- the preparation and content of the auditor's report;
- the conduct of the audit;
- accounting policies adopted by the Company in relation to the preparation of the financial statements; and
- the independence of the auditor in relation to the conduct of the audit,

may be submitted no later than 5 business days before the meeting date to the Company Secretary.

2 RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

The Corporations Act requires that at a listed company's annual general meeting, a resolution that the remuneration report be adopted must be put to the shareholders. However, such a resolution is advisory only and does not bind the Directors or the Company. The remuneration report contains information about the Company's remuneration arrangements and policies for the Directors and senior management of the Company, and the relationship between these arrangements and the Company's performance.

The remuneration report is part of the Directors' report contained in the annual financial report of the Company for the financial year ended 30 June 2010. A copy of the remuneration report may be obtained from the Company's website www.westernareas.com.au or ASX's website www.asx.com.au.

A reasonable opportunity will be provided for discussion of the remuneration report at the General Meeting.

3 RESOLUTION 2 – REAPPOINTMENT OF DIRECTOR – MR DANIEL LOUGHER

Clause 17.4(b) of the Constitution and Listing Rule 14.5 require that an election of Directors must take place each year.

Clause 17.4(b) of the Constitution also requires that if no Director is required to retire at an annual general meeting the Director who has been in office longest since their last re-election is to retire, but, as between persons who became Directors on the same day, the Director to retire must be determined by lot, unless they otherwise agree between themselves. As no Director was required to retire, lots were drawn and Mr Lougher is required to retire.

Mr Lougher has been a valued member of the Board for over 2 years. Mr Lougher is a qualified mining engineer with over 20 years experience in all facets of resources and mining project exploration, feasibility, development and operational activities in Australia and overseas. He is a member of the Australasian Institute of Mining & Metallurgy.

Board recommendation: The Board (excluding Mr Lougher because of his interest) endorses the re-election of Mr Lougher as a Director.

4 RESOLUTION 3 – RATIFICATION OF ISSUE OF SECURITIES

4.1 Introduction

On 8 April 2010 the Company issued A\$125,000,000 of Convertible Bonds due 2015 to Australian and international institutional and professional investors.

The proceeds from the issue were used as follows:

- (a) Fully repay and cancel the A\$45m facility which was provided as part of the offtake agreement with BHP Billiton.
- (b) Repay the A\$60m fully drawn facility from ANZ. The facility remains in place until 31 March 2012.
- (c) Complete the feasibility study at the high grade Spotted Quoll underground mine where an initial Ore Reserve of 70,200 tonnes contained nickel was announced on 19 March 2010.

The effect of the repayment of the BHP Billiton and ANZ cash facility was to extend the maturity of those components of the Company's existing loan debt profile until 2015, at a lower average interest rate.

4.2 Terms of the Convertible Bonds

The Convertible Bonds were issued for A\$125,000,000 with a conversion price set at a premium of approximately 28% to the A\$5.18 Share price at the time. The bonds are convertible into Shares at an initial conversion price of A\$6.61 per Share, bear interest at of 6.4% per annum and are due in July 2015.

The Convertible Bonds are direct, unconditional, unsubordinated and unsecured obligations of the Company.

Unless previously purchased and cancelled, redeemed or converted, the Convertible Bonds will be redeemed on 2 July 2015 for their principal amount. The Company has the further right to redeem any outstanding Convertible Bonds at their principal amount on or after 23 July 2013 if the Company's Share price exceeds for a specified time 130% of the Conversion Price.

Holders of the Convertible Bonds have the right to request redemption of all or some of the Convertible Bonds at their principal amount together with any accrued interest following delisting or a change of control.

Holders of the Convertible Bonds also have the right to request conversion of the Convertible Bonds into Shares. The number of Shares to be issued on conversion is determined by dividing the principal amount of the relevant Convertible Bonds by the applicable conversion price (currently A\$6.61).

The above is only a brief summary of the terms of the Convertible Bonds. A more detailed summary of the terms and conditions of the Convertible Bonds is set out in annexure A to this Explanatory Memorandum.

4.3 Approval under the ASX Listing Rules

Shareholder approval was not required to issue the Convertible Bonds as the issue did not involve the issue of securities in excess of the 15% threshold specified by Listing Rule 7.1.

However, Shareholder approval is now sought to ratify the issue of the Convertible Bonds under Resolution 3 to "refresh" the Company's ability and flexibility to issue new securities up to the 15% threshold specified by Listing Rule 7.1.

The impact of passing Resolution 3 is that the issue of the Convertible Bonds will be regarded as having been issued with Shareholder approval.

4.4 Information required under ASX Listing Rule 7.5

In accordance with Listing Rule 7.5, the following information is given to Shareholders:

- (a) The number of securities allotted.

The Company issued 500 Convertible Bonds each with a face value of A\$250,000, raising A\$125,000,000. The Convertible Bonds are convertible into Shares at the Bondholder's election at an initial conversion price of A\$6.61 per Share (subject to certain adjustments). Based on this, the maximum number of Shares that may be issued on conversion is 18,910,741 (subject to any adjustments).

- (b) The price at which the securities were issued.

The Convertible Bonds were each issued for A\$250,000.

- (c) The terms of the securities.

The terms and conditions of the Convertible Bonds are summarised briefly in paragraph 4.2 above and in more detail in annexure A to this Explanatory Memorandum.

- (d) The names of the allottees or the basis on which allottees were determined.

The Convertible Bonds were issued to Australian and international institutional and professional clients of the Joint Lead Managers (Macquarie Capital (Singapore) Pte. Limited and UBS AG, Australia Branch).

- (e) The use of the funds raised.

The use of funds raised from the issue of the Convertible Bonds is set out in paragraph 4.1 above.

4.5 Board recommendation

The Board considers that the approval of the issue of the above Convertible Bonds is beneficial as it provides the Company with flexibility to issue up to the maximum number of equity securities permitted under Listing Rule 7.1 without shareholder approval, should it be required. The Board recommends that Shareholders vote in favour of Resolution 3.

5 ENQUIRIES

Shareholders should contact the Company Secretary, Mr Joseph Belladonna on +61 (0) 8 9334 7777 if they have any queries in respect of the matters set out in these documents.

GLOSSARY

A\$ or \$	Australian dollars.
Annexure	an annexure to this Notice and Explanatory Statement.
ASX	ASX Limited.
Bondholder	a holder of Convertible Bonds.
Board	board of Directors.
Company	Western Areas NL ABN 68 091 049 357.
Constitution	the constitution of the Company.
Convertible Bonds	the convertible bonds issued by the Company to Australian and international institutional and professional investors on 8 April 2010 on the terms summarised in Annexure A.
Corporations Act	Corporations Act 2001 (Cth).
Director	director of the Company.
Explanatory Statement	the explanatory statement that accompanies the Notice.
Listing Rules	the Listing Rules of the ASX.
Meeting or General Meeting or Annual General Meeting	the meeting convened by the Notice of Meeting.
Notice or Notice of Meeting	this Notice of General Meeting.
Resolutions	the resolutions set out in the Notice of Meeting.
Share	fully paid ordinary share in the capital of the Company.
Shareholder	holder of a Share in the Company.
WST	Australian Western Standard Time.

Annexure A – Summary of Convertible Bond terms and conditions

Note: This is a summary only of the terms and conditions of the Convertible Bonds (Bonds). A full copy of the terms and conditions of the Bonds is contained in the Offering Circular for the Convertible Bonds issued by the Company and dated 31 March 2010, which can be obtained from ASX's website, www.asx.com.au, or from the Company at no charge by contacting the Company Secretary on +61 (0)8 9334 7777.

Terms in this Summary have the same meaning as defined in the full terms and conditions of the Convertible Bonds.

Issuer:	Western Areas NL.
Status:	Direct, unconditional, unsubordinated and unsecured (subject to certain negative pledges).
Final Maturity Date:	Unless previously purchased and cancelled, redeemed or converted, the Bonds will be redeemed by the Company in cash on 2 July 2015 at their principal amount together with accrued but unpaid interest to, but excluding, such date.
Issue Price and Denomination:	A\$250,000 per Bond
Interest Rate:	The Bonds bear interest from and including the Closing Date at the rate of 6.4% per annum calculated by reference to the principal amount thereof and payable semi-annually in equal instalments in arrears on 2 January and 2 July in each year, except that the first payment of interest, made on 2 July 2010, was in respect of the period from 8 April 2010 to 2 July 2010.
Conversion Price:	The initial Conversion Price is A\$6.6102. The Conversion Price will be adjusted in accordance with the terms and conditions of the Convertible Notes to take account of changes to the Company's capital structure such as a bonus issue, subdivision and re-classification of the Shares, the making of a Capital Distribution by the Company (other than a Cash Dividend not exceeding the reference amount based on 4% per annum of the market value of Shares), dilutive issues of securities and other events. The Conversion Price may also be adjusted in the event of a Change in Control of the Company to take into account any control premium to be received by Shareholders in relation to that transaction.
Conversion Right	Unless previously redeemed or purchased and cancelled, Bondholders have the right to convert Bonds into Shares at the then applicable Conversion Price at any time on or after 19 May 2010, provided that the relevant Conversion Date shall fall no later than the date falling 15 London business days prior to the Final Maturity Date (both dates inclusive) or, if such Bond is to be redeemed at the option of the Company or for taxation reasons prior to the Final Maturity Date, then not later than the date fixed for redemption thereof or, if earlier, the date falling 5 London business days prior to the Final Maturity Date.
Redemption at the Option of the Issuer:	The Company may redeem all or some only of the Bonds at their principal amount, together with accrued interest on or after 23 July 2013 if the Parity Value in respect of a Bond on each of at least 20 consecutive Dealing Days ending not earlier than 5 days prior to the giving of notice of redemption is at least 130% of the principal amount of the Bond.

	<p>The Issuer may redeem all but not some only of the Bonds at their principal amount, together with accrued interest at any time if Conversion Rights shall have been exercised and/or purchases and/or redemptions effected in respect of 90% or more in principal amount of the Bonds originally issued.</p>
Redemption at the Option of the Bondholder	<p>Each Bondholder has the right, at such Bondholder's option, following the occurrence of a Delisting or a Change of Control to require the Company to redeem all or some only of that Bondholder's Bonds at their principal amount together with accrued interest up to but excluding the redemption date.</p>
Change of Control	<p>In the event of a Change of Control of the Issuer, Bondholders will have the right to convert the Bonds at a Conversion Price calculated in accordance with the following formula for 30 days following the Change of Control:</p> $\text{COCCP} = \text{OCP} / (1 + (\text{CP} \times c/t))$ <p>where:</p> <p>COCCP means the Change of Control Conversion Price</p> <p>OCP means the Conversion Price in effect on the relevant Conversion Date (disregarding the application of this provision)</p> <p>CP means the Conversion premium of 27.61% (expressed as a fraction)</p> <p>c means the number of days from and including the date of the Change of Control to but excluding the Final Maturity Date</p> <p>t means the number of days from and including the Closing Date to but excluding the Final Maturity Date.</p> <p>A "Change of Control" occurs if:</p> <ul style="list-style-type: none"> (i) an offer is made to all (or as nearly as may be practicable all) shareholders to acquire the whole or any part of the issued ordinary share capital of the Issuer; or (ii) any person proposed a scheme of arrangement with regard to such acquisition; and such offer or scheme of arrangement has become or been declared unconditional in all respects, and the offeror has acquired at any time during the relevant offer period a relevant interest in more than 50% of the ordinary shares on issue in the Company or the scheme of arrangement if approved and implemented will result in a person acquiring a relevant interest in more than 50% of the shares that will be in issue after the scheme of arrangement is implemented, or an event occurs which has a like or similar effect.
Negative Pledge:	<p>The Company is restricted from incurring any further indebtedness that is intended to be quoted, listed or ordinarily dealt in or on a recognised exchange market or clearing system, which is secured on more favourable terms than the Bonds.</p>

Events of Default:	Standard Euro market Events of Default. Upon occurrence of an Event of Default, the Bonds become due and payable at their principal amount together with accrued interest.
Cross Default:	Default under any other present or future indebtedness of the Company, where that indebtedness exceeds A\$10 million is an Event of Default under the Bonds.
Governing Law:	English.
Issue Rating:	Not rated.
Clearing system:	Euroclear / Clearstream.
Listing:	Singapore Exchange Securities Trading Limited.

