

ANNUAL REPORT 2004

WESTERN AREAS NL

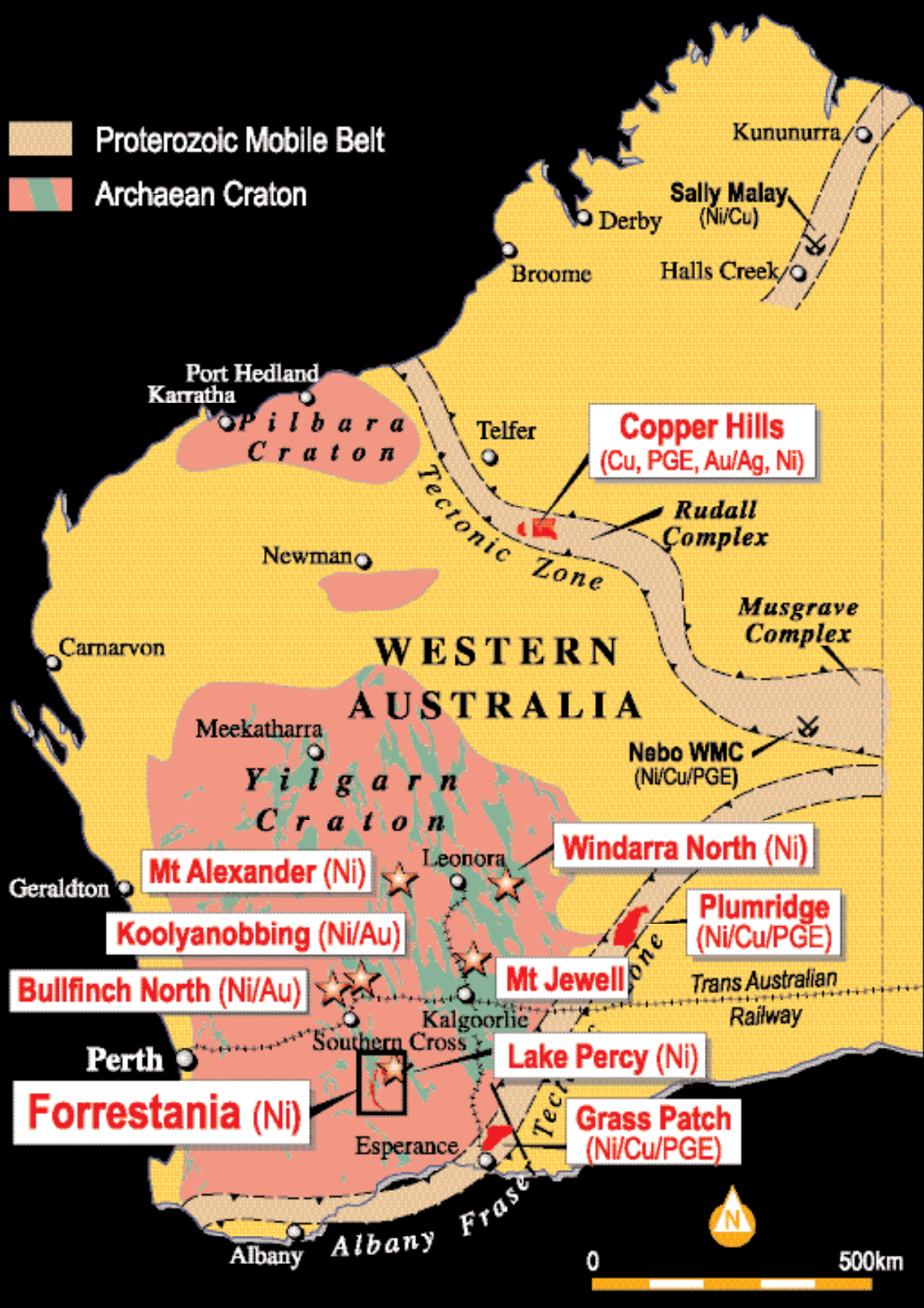


ABN 68 091 049 357



Flying Fox - Stage 1 > 6,000tpa Nickel in Concentrate Production Planned Mid 2006





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C O R P O R A T E D I R E C T O R Y

Directors

Don Boyer
David Cooper
Julian Hanna
Timothy King
Terry Streeter

Company Secretary

Timothy King

Auditors

Grant Thornton
256 St George's Terrace
Perth WA 6000

Bankers

Commonwealth Bank of Australia
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Perth WA 6000

Share Registry

Security Transfer Registrars Pty Ltd
PO Box 535
Applecross WA 6953
Phone (08) 9315 2333
Fax (08) 9315 2233

Stock Exchange

Australian Stock Exchange Limited
Code : WSA

Solicitors

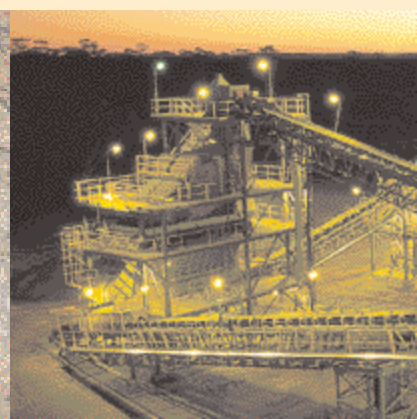
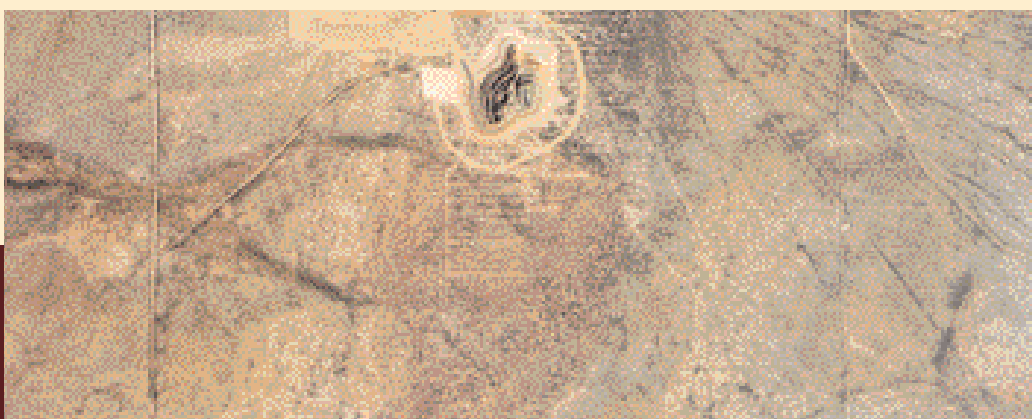
Steinepreis Paganin
Level 14, Chancery House
37 St George's Terrace
Perth WA 6000

Registered Office

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11 Ventnor Avenue
West Perth WA 6005
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Forrestania exploration team with massive sulphide diamond drill core from the recent Flying Fox T5 drill hole FFD 160 W2 which intersected 24.0 m at 7.8% nickel.



CHAIRMAN'S LETTER



It gives me great pleasure to present this Annual Report. The past year has been an exciting one in the development of Western Areas, with significant progress in a number of areas.

The Company is on the threshold of developing its first nickel mine at its 100% owned Forrestania project in Western Australia and is on track to become a substantial nickel producer in mid 2006. Feasibility studies for three nickel deposits are well advanced, nickel sales contracts have been secured and project financing for Flying Fox is near completion. At the same time, Western Areas has established its position as one of Australia's top mineral explorers based on exploration expenditure and a continuing track record of discoveries.

Exploration Success

The Company's vigorous and focused approach to exploration has continued to bear fruit. In late 2003 the Company was able to announce outstanding nickel sulphide intersections at the Flying Fox prospect, later named the Flying Fox T1 deposit. Exploration and evaluation of the T1 deposit was fast-tracked and by year's end a Probable Ore Reserve of 237,200 tonnes grading 5.3% nickel had been delineated containing 12,500 tonnes of nickel metal. A feasibility study has almost been completed for the T1 deposit and mine development is scheduled to commence on approval of the notice of intent. The T1 deposit extends beyond the current ore reserve and follow-up drilling to determine the southern limit of the mineralisation has been completed ahead of a planned ore reserve re-estimation.

The Flying Fox T1 discovery was rapidly followed by the discovery of the underlying high grade T2 nickel shoot and subsequent to year's end deeper drill probes had discovered deeper high grade nickel shoots at T4 and T5, with intersections of up to 12.4 m grading 5.2% nickel. On 6 October another intersection of massive sulphide was announced which assayed 24.0 m at 7.8% nickel, 120m below the previous intersection.

Goals Achieved

The success evidenced by the Flying Fox discoveries and the rapid advancement of the Forrestania mining project has been reflected in the enhanced price of the Company's shares and the inclusion of the Company's shares in the ASX 300 list as a result of the significant increase in market capitalisation.

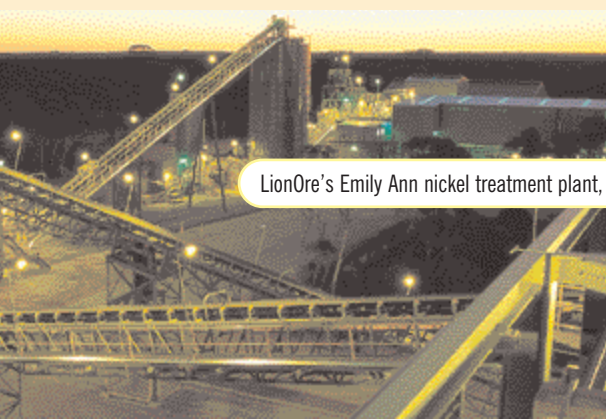
These goals have been substantially achieved and the Company is now in a strong growth position. None of this would have been possible without strong support from Western Areas shareholders, the exceptional effort put in by the Board, management and consulting team, and the interest and support shown by Australian and offshore investors, analysts and stock brokers.

Following the discovery of the high grade Flying Fox T1 nickel deposit your Company's Board set a number of goals. *These were to:*

- complete Flying Fox feasibility study for nickel production in early 2006
- secure a nickel concentrate and ore sales agreement on favourable terms
- secure project financing without the requirement for nickel price hedging
- raise equity funds to continue an active, successful exploration program
- expand the high quality nickel resources and reserves at Forrestania

Further interesting growth opportunities are anticipated in the coming year as the Company moves into the initial mining phase at Forrestania and at the same time maintains a strong exploration program.

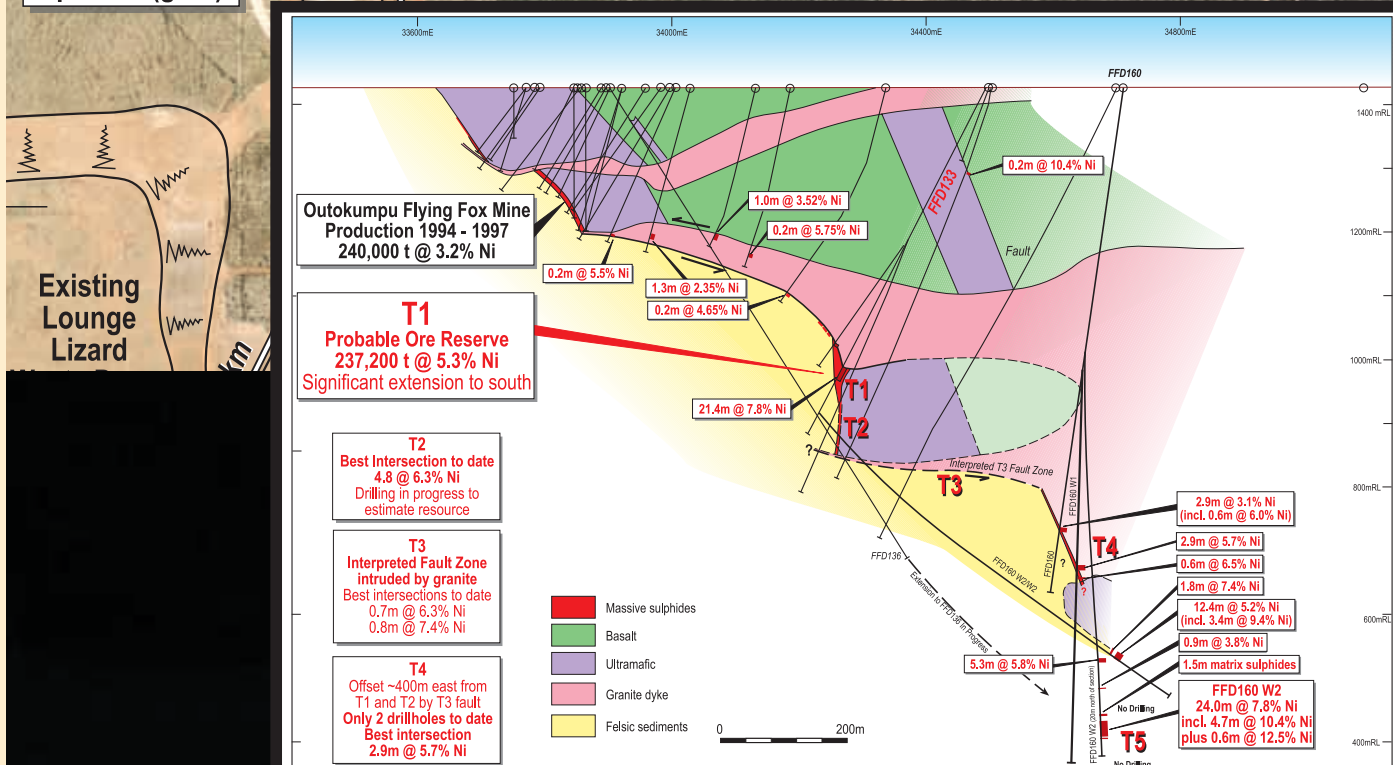
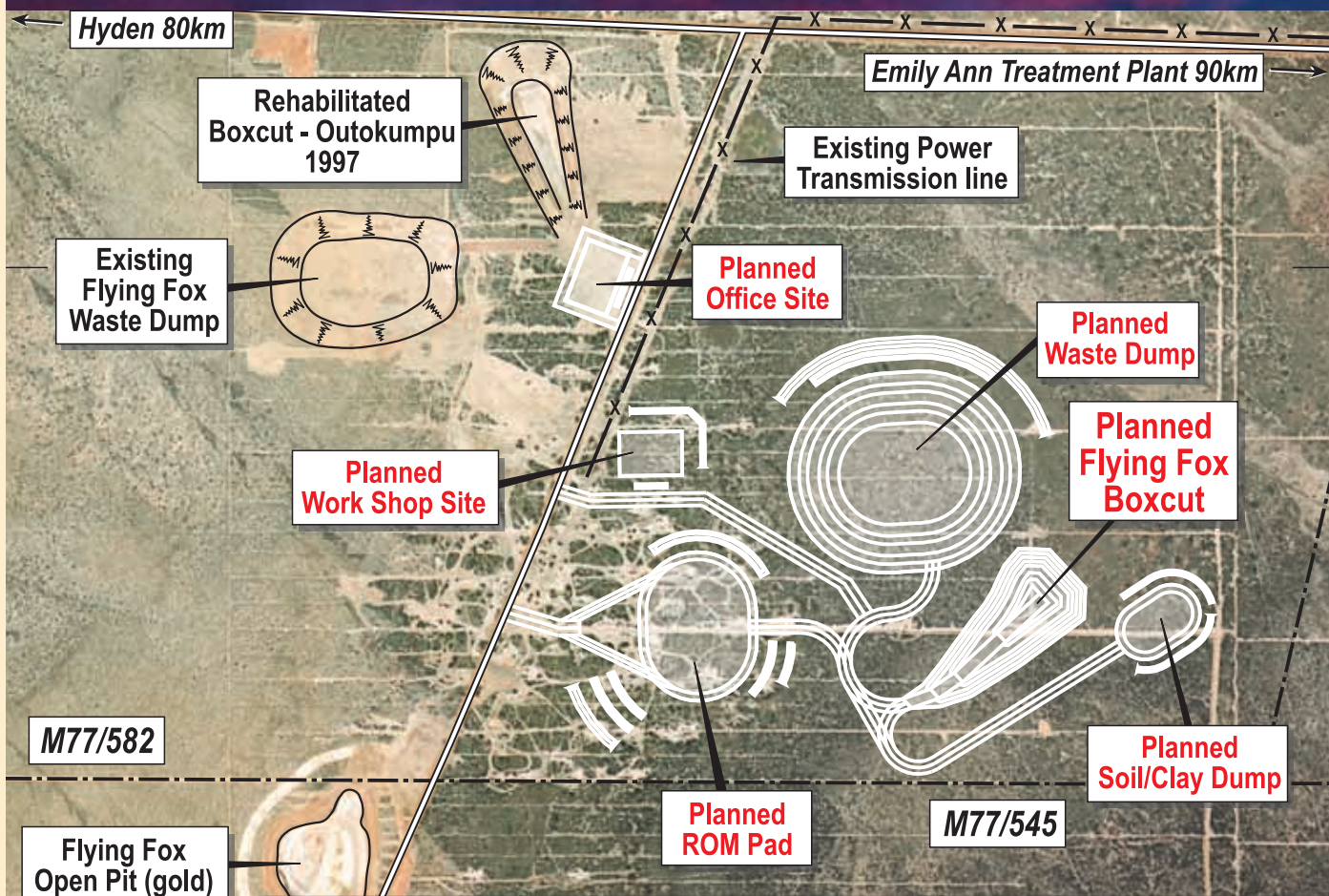
Don Boyer
Chairman



LionOre's Emily Ann nickel treatment plant, 90 kms east of Forrestania



Forrestania Project FLYING FOX MINE - Planned infrastructure



Forrestania Project
FLYING FOX - INTERPRETED CROSS SECTION 28300 mN

REVIEW OF OPERATIONS

During the past 12 months, significant progress has been made towards achieving the goals set out in the Chairman's letter. This has been largely due to the hard work and professionalism of the team of exploration and mining staff, consultants and contractors working at Forrestania, in the Perth office and on the regional exploration projects. I am pleased to be able to report to Western Areas shareholders that the skills and dedication of this team are second to none.

Western Areas is now in the enviable position of having significant nickel resources and ore reserves as well as a flagship project which has outstanding exploration upside. At Flying Fox alone, the southern extensions to the current T1 ore reserve, the underlying high grade T2 zone and recent outstanding drill hole intersections in the deeper T4 and T5 zones suggest that mining will continue well beyond the mine life estimated in the initial feasibility study. In addition to Flying Fox, established nickel resources at Diggers South, New Morning/Daybreak and Cosmic Boy, as well as a list of exploration targets waiting to be drilled, provides confidence that Forrestania will underpin the Company's growth for many years.

Forrestania also provides a rare opportunity to use substantial infrastructure including roads, tailings storage, the village site, airstrip, cleared mine areas etc. which were established by previous companies. This has already resulted in major cost savings and allows Western Areas to develop the project with minimal impact on the environment.

The following review of operations summarises the highlights for the past 12 months not only at Forrestania, but also at some of the other regional exploration projects. Further details are provided in the various Australian Stock Exchange releases listed on our website: www.westernareas.com.au

FORRESTANIA NICKEL PROJECT

Flying Fox feasibility study

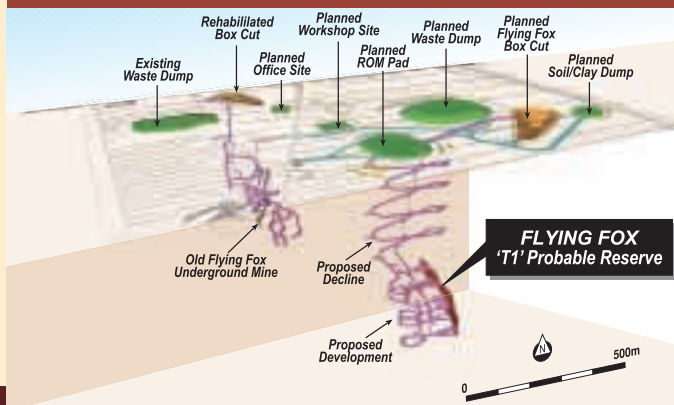
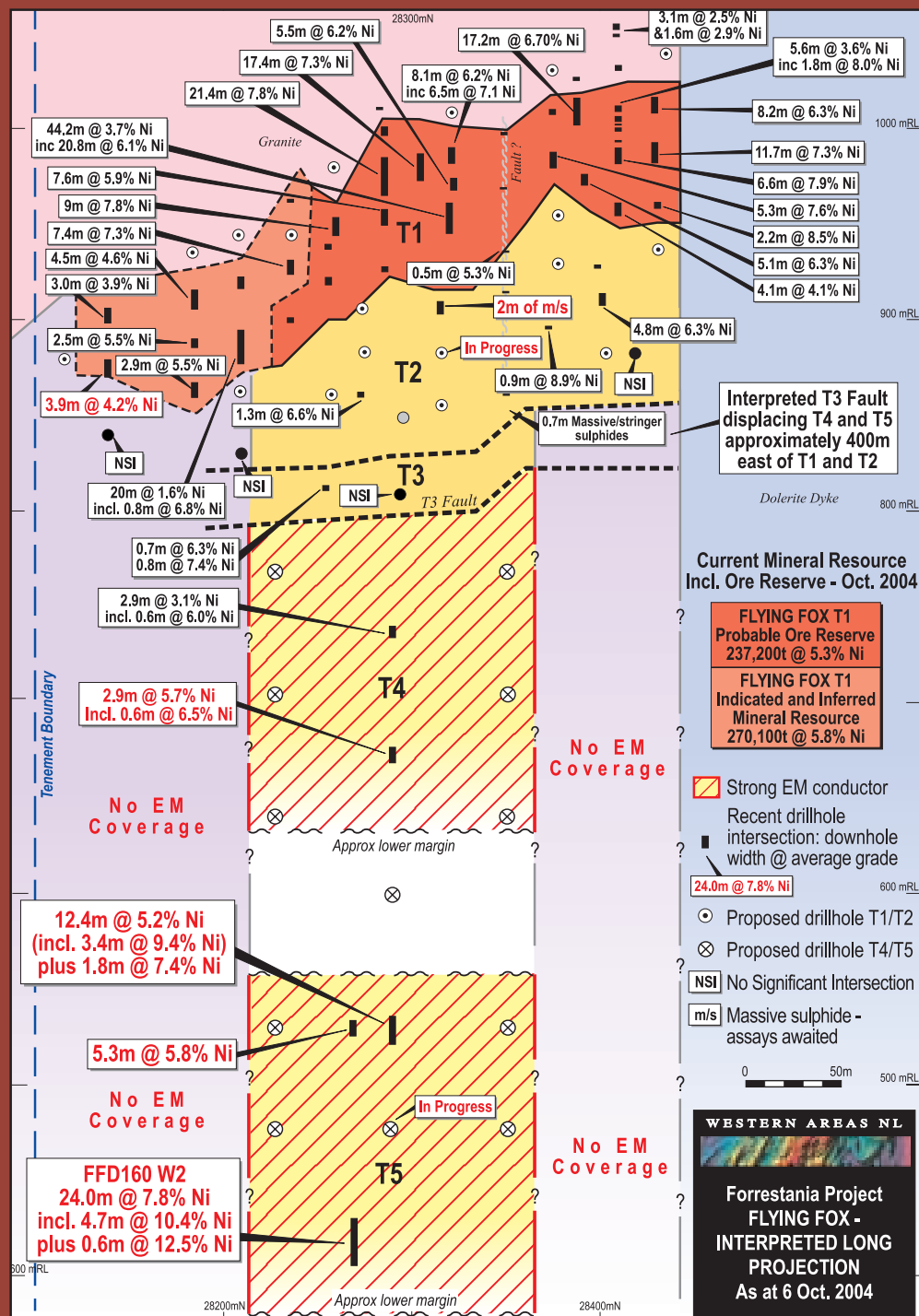
The Stage One feasibility study for mining the high grade Flying Fox T1 deposit is almost complete and negotiations are in progress to secure a mining contract on suitable terms. A Notice of Intent to commence mining at Flying Fox was lodged in July 2004 and approvals are awaited before surface mine development work can commence.

The Flying Fox mine will consist of a 35m deep boxcut (entry ramp), a 400m deep decline and a cut and fill mining method designed to extract the high grade massive sulphide T1 ore reserve and minimise dilution from surrounding barren host rocks. The mine design will enable future access to the southern extensions to T1 where recent drilling has produced very encouraging intersections, and the underlying T2 zone where resource drilling is being undertaken. If positive drilling results continue at the deeper T4 and T5 zones and an ore reserve is established, the Flying Fox mine decline is likely to be extended to access these areas.

In July, Western Areas executed an agreement to acquire surface rights to a mining tenement immediately south of Flying Fox. The main benefit from acquiring this tenement is the ability to discharge water from the Flying Fox mine into three abandoned gold open pits replacing the need to build evaporation ponds. This will result in a reduction in the environmental impact of mining Flying Fox and a saving in initial capital costs for the project.



Perth Office Staff and Contractors, from left to right: Richard Stuart, Peter Kitto, Noel Wood, Gordon Kelly, Don Boyer, Tim Manners, Rob Barwick, Jenny King, Milenko Dzinic, Corrinne Ford, Brian Dawes, Sue Thornett, Wyn Jones, Julian Hanna, Shane Nicholson, Terry Streeter, Eric Dailey, Timothy King



Assuming mine development commences in the December quarter of 2004, ore production from T1 is expected to start in mid 2006. Based on the current ore reserve of 237,200 tonnes @ 5.3% nickel (with no allowance for the southern extensions to T1, the underlying high grade T2 zone or the deeper T4 and T5 zones) it is estimated that T1 will produce a surplus (net cash flow) of approximately \$48 million over a 2½ year production life. This financial outcome is based on pre-feasibility assumptions, including an average nickel price of US\$5.00 per pound at an exchange rate of A\$/US\$0.70 with all ore treated at LionOre's Emily Ann treatment plant, 90km east of Forrestania. The estimate of the net cashflow may vary on completion of the feasibility study.

Diggers South feasibility study

The feasibility study for a second mine at Forrestania, Diggers South, is expected to be completed by December 2004. If positive, it should enable a decision to mine by March 2005.

Infill resource drilling is almost complete with results in line with expectations and an updated mineral resource estimate is expected to be announced in the December 2004 quarter. The current Indicated Mineral Resource at Diggers South is 1.6 million tonnes @ 1.6% nickel, containing 25,600 tonnes of nickel. The resource is open below 500m vertical depth.

Metallurgical test work and preliminary mine design work is in progress and geotechnical drilling has been undertaken to locate the proposed boxcut and mine decline adjacent to an existing road. The current proposed mine life for Diggers South is 4 years.

Feasibility work is currently focussed on Diggers South, however work is also advanced on the high grade New Morning/Daybreak nickel deposits 3km south of Flying Fox. On completion of the Diggers South study, the feasibility team is expected to move to New Morning/Daybreak.

Treatment Plant and Project Infrastructure

Preliminary design work and cost estimates have been prepared by consultants Roche Mining JR for a nickel concentrate treatment plant proposed to be built at Cosmic Boy, mid way between Flying Fox and Diggers South. Cosmic Boy was the site of Outokumpu's plant until 1999 and has significant existing infrastructure including tailings storage, grid power, bore fields and haul roads. The Company is still evaluating the benefits of a plant at Cosmic Boy as well as the production capacity and timing of the proposed plant construction.

During the past 12 months, considerable progress has also been made at Western Area's accommodation village at Cosmic Boy. The village is sited on the same location as Outokumpu's village using existing access tracks and cleared building sites where possible. This has resulted in minimal impact to the environment in a very appealing bush setting.

The village will soon consist of 73 ensuite rooms, sufficient to service the Flying Fox mine, with additional single rooms available for the plant construction phase. A 150 person capacity mess and kitchen as well as laundries, first aid room, wet mess and site offices have also been installed. The Cosmic Boy village has been funded without relying on project debt and significant savings have been achieved by acquiring near new units bought at auction.

Environment and Safety

Activities at Forrestania have been conducted with the aim of minimising any impact to the environment and ensuring a high standard of safety for people involved in this work. Examples of environmental initiatives include the siting of the Cosmic Boy village on the same site as the previous village, the purchase of abandoned gold openpits to store water from Flying Fox and the completion of flora surveys to identify and avoid disturbance to any rare or protected plant species.



Drilling at the Koolyanobbing exploration project

Safety initiatives include weekly meetings of site personnel to review safety procedures, employment of a full time occupational, health and safety officer and the purchase of an ambulance on site.

Nickel Concentrate and Ore Sales Agreement

In June 2004, following a competitive process to secure a sales contract for nickel produced from Forrestania, Western Areas signed an agreement with LionOre Australia (Nickel) Ltd which provides the Company with a number of options to produce and sell nickel products.

Initially, Western Areas will treat high grade nickel ore from the Flying Fox deposit at LionOre's Emily Ann treatment plant located only 90km by road from Flying Fox. If a treatment plant is constructed at Cosmic Boy, Western Areas will sell nickel concentrate to LionOre on normal commercial terms. As part of the agreement for Western Areas to sell nickel products from Forrestania, LionOre will provide a funding facility of up to \$20 million to assist with development of the early stages of the project.

The main advantages of the agreement with LionOre are as follows:

- The LionOre agreement provides Western Areas with a range of options to treat ore or sell nickel concentrate and to develop the project to maximise the economic return.
- Access to the Emily Ann treatment plant will result in a major reduction in initial capital expenditure. Future mine development is then likely to be funded from early project cashflow.
- The \$20 million funding facility reduces the level of bank project financing required. This significantly reduces the requirement for mandatory nickel price hedging and should enable the Company to benefit from the current strong nickel prices.

Forrestania Project Financing

In early September a mandate letter was signed with the Commonwealth Bank of Australia to arrange funds to assist with the proposed mine development. This involves a \$20 million loan facility which has already received credit approval, reflecting the bank's confidence in the robust economics of the T1 deposit and potential for expansion of the ore reserves at Flying Fox.

The Commonwealth Bank facility is in addition to the LionOre loan facility which is linked to the nickel concentrate and ore sales agreement. As with LionOre, Commonwealth Bank does not require hedging of the nickel price for production from Flying Fox T1.

Equity Funding

The support from existing shareholders and institutional investors has enabled the Company to raise funds to maintain the momentum of the exploration program at Forrestania and complete feasibility studies on the various nickel deposits. Between July 2003 and September 2004 Western Areas raised a total of \$17.1 million from three placements and a rights issue. These fund raisings were all strongly oversubscribed.

At the date of this report the Company has a total issued capital of 109.8 million fully paid ordinary shares and 4.5 million unlisted options, which is below other resource companies at a similar stage of development.

EXPLORATION

A survey of 248 ASX listed junior mineral exploration companies, conducted by 'WA Business News' every quarter, concluded that Western Areas was Australia's top explorer in terms of exploration expenditure for both the March and June 2004 quarters.

Although the large part of the Company's exploration expenditure is directed towards drilling and geophysical surveys at Forrestania, there has been a significant increase in exploration activity at the Company's other exploration projects during the past few months.

Forrestania Exploration

Western Areas has enjoyed a very successful 12 months dominated by excellent drilling results from Flying Fox. Main developments are as follows:

- definition of an initial ore reserve of 237,200 tonnes @ 5.3% nickel at Flying Fox T1
- discovery of significant extensions south of T1, expected to increase the T1 ore reserve
- encouraging results from T2, where drilling is in progress to define a resource
- discovery of the T4 and T5 zones with intersections of 12.4m @ 5.2% nickel and 24.0 m @ 7.8% nickel

The conclusion from these results is that Flying Fox is developing into a large, high grade nickel system which is open below 1000m depth. There is still a significant amount of drilling required to test for extensions to known mineralisation at the T2, T4 and T5 nickel zones as well as infill drilling of known deposits so that resources and ore reserves can be estimated.



Western Areas currently has three diamond drill rigs operating around the clock at Forrestania - one drill rig is currently assigned to testing the recently discovered T4 and T5 zones at Flying Fox, one is conducting the resource infill drilling at T2 and one is being used for feasibility related work at Diggers South.

In addition, extensive geophysical surveys including surface and downhole EM surveys have been carried out both at existing resources and over new areas to define targets for drilling. Since Western Areas acquired the Forrestania project, the exploration focus has been centred along the strongly mineralised Western Belt which hosts the high grade Flying Fox, New Morning and Daybreak massive sulphide deposits.

Significant potential remains to be tested along the Eastern Belt which hosts the large, lower grade Diggers South and Cosmic Boy deposits as well as numerous other disseminated and massive nickel sulphide occurrences. One of the most interesting targets is the potential for extensions to the large Cosmic Boy deposit, down plunge from the existing mine. Cosmic Boy produced approximately 35,000 tonnes of nickel up to September 1999. Western Areas previously announced plans to test this target with a program of 550m to 750m deep diamond drill holes, however ongoing success at Flying Fox has kept drilling focused in that area. Drilling at Cosmic Boy is planned as soon as a suitable drill rig becomes available.

Other Projects Exploration

Western Areas has substantial holdings and joint ventures over another seven prospective nickel and precious metals projects in Western Australia. In most cases these projects cover entire known mineral provinces or geological features considered to be under explored.

During the past six months, activity has increased on many of these projects with geophysical surveys, drilling, and soil sampling programs producing encouraging results. These projects now have an approved budget of \$3 million to 30 June 2005 with a number of programs in progress or planned during the next few months. The following list summarises current activity:

Mt Alexander JV:	Joint Venture for nickel with WMC earning up to 75%. Assay results are awaited from a recent drilling program.
Windarra North JV:	Joint Venture with Image Resources. Western Areas earning up to 60%. Drilling proposed to test for possible extensions to Windarra nickel sequence.
Lake Percy JV:	Joint Venture with Image Resources. Western Areas earning up to 60%. Drilling program and IP survey in progress to test anomalous nickel results.
Plumridge:	Western Areas 100%. Target is large intrusive hosted nickel and precious metals deposits. Drilling planned in November if access approvals are granted.
Copper Hills:	Western Areas 100%, and JV interest. Target is large intrusive hosted nickel and precious metal deposits. Regional soil survey has been completed.
Mt Jewell:	Western Areas 100%. Target is massive nickel sulphide deposits. Drilling to test IP targets and potential extensions to previous nickel intersections.
Koolyanobbing JVs:	Western Areas 100%, and JV interests – excluding iron ore. Drilling programs planned to test IP targets and coincident soil anomalies for nickel sulphides.

We look forward to a very exciting year in Western Areas as mine development gets underway at Forrestania and the exploration momentum continues. Finally I would like to thank Western Areas shareholders for your continuing support and ongoing interest in the activities of the Company.

Julian Hanna
Managing Director



DIRECTORS' REPORT

The directors of Western Areas NL ("the parent entity") and its controlled entity ("the economic entity"), present their report together with the financial statements for the year ended 30 June 2004.

DIRECTORS

The directors of Western Areas NL during the financial year and up to the date of this report are:

David Donald Boyer (*Independent, Non Executive Chairman*)



Mr Boyer is a geologist with over 30 years experience in the exploration and management of gold and base metal projects in Australia. Mr Boyer holds a BSc (Hons) and is a Director of Midas Resources Ltd. Mr Boyer is also the Chairman of the Nomination Committee and a member of the Audit and Risk Management Committee and the Remuneration Committee.

Julian Hanna (*Managing Director & Chief Executive Officer*)



Mr Hanna is a geologist with 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 previously held a number of senior exploration management positions with Forrest Gold Pty Ltd (CRA Gold division) and North Ltd. He has been involved in the discovery and development of several gold and base metal deposits.

David Cooper (*Independent, Non Executive Director*)



Mr Cooper is a Certified Practising Accountant with over 20 years experience in the area of taxation and business administration, including Practice Manager for TA Mairs and Co Pty Ltd. Mr Cooper also holds directorships in several active private companies. Mr Cooper is the Chairman of both the Audit and Risk Management Committee and Remuneration Committee and is a member of the Nomination Committee.

Timothy King (*Non Executive Director*)



Mr King is a Chartered Accountant with over 20 years experience in accounting, taxation and corporate finance. Mr King has a B.Comm, and a Diploma in Applied Finance and Investment with the Securities Institute of Australia. Mr King is also a director of several other publicly listed companies. Mr King is a member of the Audit and Risk Management Committee.

Mr King is also the Company Secretary.

Terence Streeter (*Non Executive Director*)



Mr Streeter is a 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 also a director of Midas Resources Ltd. Mr Streeter is a member of both the Remuneration Committee and the Nomination Committee.

INTERESTS IN SHARES AND OPTIONS OF THE COMPANY

As at the date of this report, the interest of the Directors in the shares and options of the Company and related bodies corporate are:

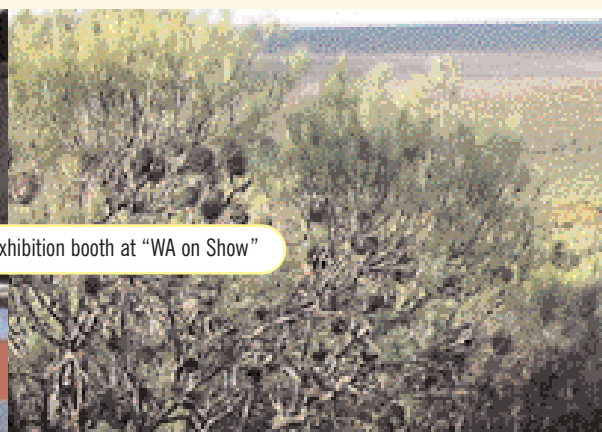
NAME	ORDINARY SHARES	OPTIONS	
		\$0.40 (*)	\$0.75 (**)
D Boyer	1,109,850	400,000	133,000
J Hanna	1,406,265	400,000	130,000
D Cooper	569,100	400,000	128,000
T King	2,451,074	400,000	130,000
T Streeter	26,652,796	—	—

*Options are exercisable at 40 cents on or before 31 March 2006.

**Options are exercisable at 75 cents on or before 31 March 2005.



Exhibition booth at "WA on Show"



RESULTS

The consolidated net loss after tax of the economic entity for the year ended 30 June 2004 was \$2.7 million (2003:\$ 0.7 million).

LOSS PER SHARE

	Cents
Basic loss per share	3.07
Diluted loss per share	3.01

PRINCIPAL ACTIVITIES

The principal activities of the economic entity during the year consisted of exploration for nickel sulphides, platinum group metals and gold.

EMPLOYEES

The economic entity employed 6 employees as at 30 June 2004 (2003 : 6 employees).

DIVIDENDS

There were no dividends paid or recommended during the year and the directors do not recommend the payment of a dividend.

REVIEW OF OPERATIONS

The review of the operations and results of operations of the economic entity for the year ended 30 June 2004 are included in the Review of Operations section of the Annual Report.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Significant developments for the economic entity during the year ended 30 June 2004, were as follows:

- The parent entity made 3 placements during the financial year issuing a total of 15,500,000 fully paid ordinary shares and raising a total of \$11,430,175 (net of expenses). A total of 10,060,750 unlisted options were also exercised during the financial year at various exercise prices, raising a total of \$2,917,750.
- During the year the Company continued with its exploration program at Forrestania and the associated Bankable Feasibility Study for Stage 1 of the Forrestania Nickel Project - the Flying Fox deposit. The Flying Fox T1 zone has been drilled to a reserve status of 237 kt @ 5.3 % nickel. Development of Flying Fox is scheduled to commence in late 2004.

c) In June 2004 the company entered into a milestone agreement with LionOre Australia (Nickel) Ltd ("LionOre") for the purchase and treatment of nickel in ore and concentrate from the Company's Forrestania tenements. As part of the commitment to buy ore and concentrate, LionOre will provide a funding facility of up to \$20 million to assist in the development of Forrestania.

d) In December 2003 Western Platinum NL, the controlled entity of the parent, exercised its option to acquire 100% interest in the Copper Hills Project from Wedgeside Pty Ltd for \$200,000. The purchase price was satisfied through the issue of 194,175 shares in the parent entity at an average price of \$1.03 per share.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Subsequent to the end of the Financial Year:

- In accordance with the prospectus lodged with the ASX and ASIC on 13 July 2004, the company successfully completed a 1 for 20 rights issue, raising \$4,867,160. These funds will be used to further the Company's exploration programs at Forrestania and at the Company's other promising projects, assist in completing the Bankable Feasibility study for the Forrestania mine and to provide additional working capital.
- At a General Meeting of shareholders held on 26 August 2004 the following resolutions were passed:
 - Approval for the repayment of a \$2,000,000 loan from Jungle Creek Gold Mines Pty Ltd (a related entity to Mr Terrence Streeter) that was outstanding at the end of the financial year. Repayment, including interest of \$49,500, was made via an issue of 2,049,500 shares at \$1.00 each. The shares were issued on 10 September, 2004.
 - Issue of shares under the Employee Share Option Incentive Scheme established by the Company. Subsequent to the approval, 1.5 million options over ordinary shares were issued to employees and key contractors of the parent entity. The options are exercisable at \$1.30 each and have an expiry date of 31 July, 2008.
 - Increase in the total level of remuneration of the Non Executive Directors of the company from \$132,000 to \$240,000 (excluding superannuation). The Board consider that the total remuneration is commensurate with the role of a director of a publicly listed company having regard to the duties and responsibilities of the position.



- c) On 10 September 2004 the Company announced that it has obtained credit approved project funding from the Commonwealth Bank of Australia for A\$20 million to assist in the development of Stages 1 and 2 of the Forrester Nickel Project.
- d) On 20 September 2004 the Company signed an agreement with Polaris Metals NL ("Polaris") to restructure its holding in the Bullfinch North Joint Venture. The company has sold its share of the area known as the Golden Valley Tenements for 550,000 shares in Polaris and also retains a 1.5 – 2 % royalty right on minerals produced from these tenements.

LIKELY DEVELOPMENTS

Likely developments are, where appropriate, included in the Chairman's Report and Review of Operations sections of the Annual Report.

ENVIRONMENTAL ISSUES

The economic entity has conducted exploration activities on mineral tenements. The right to conduct these activities is granted subject to environmental conditions and requirements. The economic entity aims to ensure a high standard of environmental care is achieved and, as a minimum, to comply with relevant environmental regulations. There have been no known breaches of any of the environmental conditions.

SHARE OPTIONS

Unissued Shares

As at the date of this report there were 4,458,000 options over unissued ordinary shares in the parent entity. Refer to note 14 (c) of the financial statements for further details of the options outstanding. Option holders do not have any right, by virtue of the option, to participate in any share issue of the company or any related body corporate or in the interest issue of any other registered scheme.

Shares issued as a result of the exercise of options

During the financial year options have been exercised to acquire 10,060,750 fully paid ordinary shares in Western Areas NL at a weighted average exercise price of \$0.29.

DIRECTORS' BENEFITS

No directors of the economic 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 in Note 23 to the accounts) 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 24 to the accounts.

INSURANCE OF OFFICERS

During the financial period, the parent entity paid a premium under a contract insuring all Directors and Officers of the economic entity 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.

DIRECTORS' AND EXECUTIVES' EMOLUMENTS

The determination of the levels of remuneration for directors and senior executives is the responsibility of the Remuneration Committee. Remuneration levels and other terms of employment are reviewed annually by the Committee, having regard to qualifications and experience, relevant market conditions, and performance against goals set each year.

Executive officers are given the opportunity to receive their emoluments in a variety of forms including cash and fringe benefits. It is intended that the manner of payment chosen will be optimal for the recipient without creating additional cost to the economic entity. Remuneration packages are set at levels that are intended to attract and retain executives capable of competently managing the economic entity's businesses. Formal agreements are entered into with key executives.

The parent entity has recently established an Employee Share Option Incentive Scheme (the scheme) which was approved by shareholders on 26 August, 2004. At the discretion of the Board, participation in the scheme is offered to all key executives of the group (excluding directors).

Further details on the remuneration of directors and key executives are provided in Note 23 to the financial statements.

Details of the nature and amount of each element of the emoluments of directors and executives of the parent entity are set out in the following tables.



EMOLUMENTS * OF DIRECTORS' OF THE PARENT ENTITY:

	Annual Emoluments		Long Term Emoluments		
	Base Salary \$	Other \$	Options Granted \$	Superannuation \$	Other \$
D Boyer	43,336	—	—	3,900	—
J Hanna^	164,000	3,835	—	14,760	—
D Cooper	24,664	—	—	2,220	—
T King	24,664	—	—	2,220	—
T Streeter	24,664	—	—	2,220	—

^ J Hanna's base salary was increased to \$220,000 effective 1 July 2004.

EMOLUMENTS * OF EXECUTIVE OFFICERS * OF THE ECONOMIC ENTITY:

	Annual Emoluments		Long Term Emoluments		
	Base Salary \$	Other \$	Options Granted \$	Superannuation \$	Other \$
T Manners	14,752	—	—	1,475	—

Mr T Manners was appointed as the Chief Financial Officer on 1 June 2004.

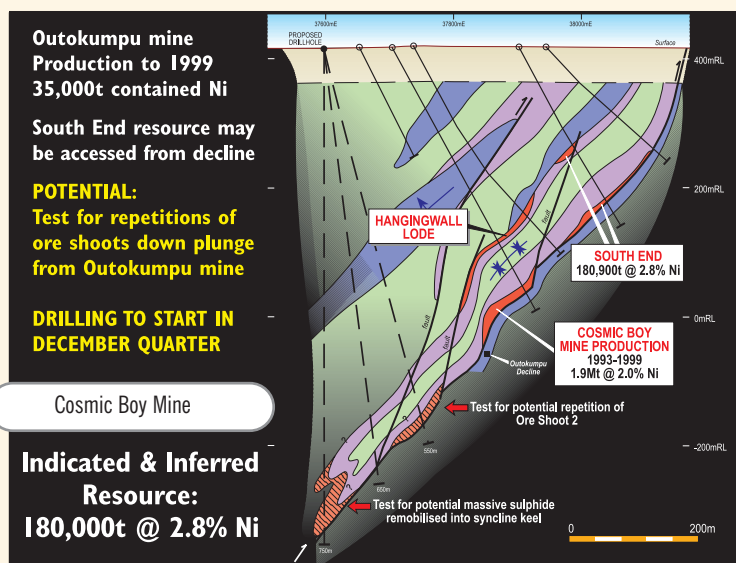
Mr B Dawes was appointed General Manager - Operations on 1 July 2004 and will be considered an Executive Officer of the company from that date. Mr Dawes services during the 2004 financial year were provided on a contractual basis only.

Notes:

There are no other executives of Western Areas NL or related bodies corporate. The terms 'director' and 'officer' have been treated as mutually exclusive for the purposes of this disclosure.

* The elements of emoluments have been determined on the basis of the cost to the company and the economic entity.

Executive Officers are those directly accountable and responsible for the operational management and strategic direction of the company and the economic entity.



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MEETINGS OF DIRECTORS

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 2004 and the number of meetings attended by each director

	<i>Directors Meetings</i>	<i>Meetings of Committees</i>		
		<i>Audit & Risk Management</i>	<i>Remuneration</i>	<i>Nomination</i>
Number of Meetings held:	15	1	3	1
Number of Meetings attended:				
D Boyer	14	1	3	1
J Hanna	15	—	—	—
D Cooper	12	1	3	1
T King	15	1	—	—
T Streeter	15	—	3	1

COMMITTEE MEMBERSHIP

As at the date of this report, the company had an Audit & Risk Management Committee, a Remuneration Committee, and a Nomination Committee of the board of directors. Members acting on the committees of the board during the year were:

<i>AUDIT & RISK MANAGEMENT</i>	<i>REMUNERATION</i>	<i>NOMINATION</i>
D Cooper ©	D Cooper ©	D Boyer ©
D Boyer	D Boyer	D Cooper
T King	T Streeter	T Streeter

© denotes the chairman of the committee



TAX CONSOLIDATIONS

For the purposes of income tax, Western Areas NL and its wholly owned subsidiary intend to form a tax consolidated group. At the date of signing the financial report Western Areas NL has not determined the date of entry into tax consolidation. The date of entry into the regime will be determined prior to, or at the time Western Areas NL (as head entity for the tax consolidated group) lodges its next income tax return.

Western Areas NL, as head entity for the tax consolidated group, intends to enter into a tax sharing agreement with its wholly owned subsidiary at the time of entering into tax consolidation. The purpose of this agreement will be to define the basis on which to allocate the income tax expense/credit to the wholly owned subsidiary.

ROUNDING

The amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the company under ASIC Class Order 98/0100. The company is an entity to which the Class Order applies.

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, adhered 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 annual report.

This report is made in accordance with a resolution of the directors.

J. Hanna

Executive Director

Dated this 28th day of September 2004



Power Infrastructure



C O R P O R A T E G O V E R N A N C E S T A T E M E N T

The Board of Directors of Western Areas NL is responsible for the corporate governance of the economic 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.

The format of the Corporate Governance Statement has changed in comparison to the previous year due to the introduction of the Australian Stock Exchange Corporate Governance Council's (the Council's) "Principles of Good Corporate Governance and Best Practice Recommendations" (the Recommendations). In accordance with the Council's recommendations, the Corporate Governance Statement must now 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 has developed and implemented changes to ensure that an appropriate and optimal level of corporate governance is in place by 30 June, 2004. 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.

The Board of Directors supports the Council's recommendations and will work toward full compliance based on what is considered appropriate for the company and its shareholders.

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

STRUCTURE OF THE BOARD

The skills, experience and expertise relevant to the position held by each director in office at the date of the annual report is included in the Directors' Report. 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 Boyer	Chairman, Non Executive Director
D Cooper	Non Executive Director

At the date of this report, Western Areas NL has not complied with the Council's recommendation of having the majority of the Board comprise independent directors. As Western Areas NL makes the transition toward becoming a nickel producer the concept and need for an increase in independence becomes more relevant. The Board will progressively increase the independence of its directors and the Board as a whole over time.

There are procedures in place, agreed by the board, to enable directors, in furtherance of their duties, to seek independent professional advice at the company's expense.

Each Director has been in office since the company was incorporated, in December 1999.

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 committee shall also review board succession plans and make recommendations for the appointment and removal of directors. The Committee operates under a charter approved by the Board.

The committee shall meet twice per year and at such additional times as the Chairman of the Committee shall decide in order to fulfill its duties. The nomination committee was formed during the current financial year and since being formed comprised the following members:



D Boyer (chairman)

D Cooper

T Streeter

For details of directors' attendance at meetings of the nomination committee, refer to page 14 of this report.

AUDIT & RISK MANAGEMENT COMMITTEE

During the year the Board established an 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 economic 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. All members of the audit committee are non-executive directors. Since formation the members of the audit & risk management committee are:

D Cooper (chairman)

D Boyer

T King

For details on the number of meetings of the audit & risk management committee held during the year and the attendees at those meetings, refer to page 14 of this report.

REMUNERATION COMMITTEE

During the year the Board 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. The company's policy is to structure remuneration so it combines an adequate mix of base salary, short-term cash incentives and long term share or option participation. The cost and value of remuneration components are considered as a whole

to ensure a balance between fixed and variable performance-related components in the short and long-term.

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.

For details on the amount of remuneration and all monetary and non-monetary components for each of the highest-paid (non-director) executives during the year and for all directors, refer to page 13 of this report.

In relation to the payment of bonuses, options and other incentive payments, discretion is exercised by the committee, having regard to the overall performance of Western Areas and the performance of the individual during the period.

There is no scheme to provide retirement benefits, other than statutory superannuation, to non-executive directors. The remuneration committee is responsible for determining and reviewing compensation arrangements for the directors themselves and the chief executive officer and the executive team. The charter provides for the committee to seek independent, external advice on remuneration related matters.

Since formation the members of the remuneration committee are:

D Cooper (chairman)

D Boyer

T Streeter

For details on the number of meetings of the remuneration committee held during the year and the attendees at those meetings, refer to page 14 of this report.

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

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 Western Areas NL.







FINANCIAL STATEMENTS

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STATEMENT OF FINANCIAL PERFORMANCE

For the Year Ended 30 June 2004

	Notes	Economic Entity		Parent Entity	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Revenues from ordinary activities	2	95	45	95	45
Employee expenses		(781)	(541)	(781)	(541)
Borrowing expenses	3	(27)	—	(27)	—
Other expenses from ordinary activities	3	(2,008)	(224)	(1,931)	(224)
Loss from ordinary activities before income tax expense		(2,721)	(720)	(2,644)	(720)
Income tax expense relating to ordinary activities	4	—	—	—	—
Net loss attributable to members of the parent entity	16	(2,721)	(720)	(2,644)	(720)
Share issue costs charged direct to equity	14 (b)	(770)	(243)	(770)	(243)
Total changes in equity other than those resulting from transactions with owners as owners		(3,491)	(963)	(3,414)	(963)
Basic loss per share (cents per share)	17	(3.07)	(1.17)		
Diluted loss per share (cents per share)	17	(3.01)	(1.10)		

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 30 June 2004

	Notes	Economic Entity		Parent Entity	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Current Assets					
Cash assets	18 (b)	5,010	460	5,010	460
Receivables	6	525	336	525	336
Total Current Assets		5,535	796	5,535	796
Non Current Assets					
Receivables	7	–	–	1,007	380
Other financial assets	8	–	–	2	2
Plant and Equipment	9	507	142	507	142
Other	10	23,910	11,631	22,982	11,253
Total Non Current Assets		24,417	11,773	24,498	11,777
Total Assets		29,952	12,569	30,033	12,573
Current Liabilities					
Payables	11	3,782	1,744	3,782	1,744
Interest bearing liabilities	12	2,537	–	2,537	–
Provisions	13	36	55	36	55
Total Current Liabilities		6,355	1,799	6,355	1,799
Total Liabilities		6,355	1,799	6,355	1,799
Net Assets		23,597	10,770	23,678	10,774
Equity					
Contributed Equity	14	28,168	12,620	28,168	12,620
Reserves	15	57	57	57	57
Accumulated Losses	16	(4,628)	(1,907)	(4,547)	(1,903)
Total Equity		23,597	10,770	23,678	10,774

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS

For the Year Ended 30 June 2004

	Notes	Economic Entity		Parent Entity	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Cash Flows From Operating Activities					
Interest received		85	45	85	45
Interest paid		–	(1)	–	(1)
Cash receipts in the course of operations		1,633	505	1,633	505
Cash payments in the course of operations		(1,422)	(748)	(1,421)	(748)
Other receipts		15	–	15	–
Net Cash From / (Used in) Operating Activities	18 (a)	311	(199)	312	(199)
Cash Flows From Investing Activities					
Purchase of Plant and Equipment		(441)	(38)	(441)	(38)
Deposit for Performance Bonds		(342)	–	(342)	–
Payment for Credit card security bond		–	(10)	–	(10)
American Travellers cheque held		–	(5)	–	(5)
Payments for exploration, evaluation and development expenditure		(13,153)	(5,547)	(12,527)	(5,547)
Net Cash Used In Investing Activities		(13,936)	(5,600)	(13,310)	(5,600)
Cash Flows From Financing Activities					
Proceeds from issue of shares		15,118	4,903	15,118	4,903
Loan to controlled entity		–	–	(627)	–
Loan from Director related entity		3,000	–	3,000	–
Payments for prospectus expenses		(480)	(375)	(480)	(375)
Net Cash From Financing Activities		17,638	4,528	17,011	4,528
Net Increase / (Decrease) In Cash Held		4,013	(1,271)	4,013	(1,271)
Cash as at 1 July, 2003		460	1,731	460	1,731
Cash as at 30 June 2004	18 (b)	4,473	460	4,473	460

The accompanying notes form part of these financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2004

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report covers the economic entity of Western Areas NL and its controlled entity (the "Economic Entity"), and Western Areas NL as an individual parent entity. Western Areas NL is a listed public company, incorporated and domiciled in Australia. Its controlled entity is a wholly owned subsidiary, incorporated and domiciled in Australia.

The financial report has been prepared on a historical cost basis and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial report. The accounting policies have been consistently applied unless otherwise stated.

(a) Principles of Consolidation

A controlled entity is an entity controlled by Western Areas NL. Control exists where Western Areas NL has the capacity to dominate the decision-making in relation to the financial and operating policies of another entity so that the other entity operates with Western Areas NL to achieve the objectives of Western Areas NL. Information on the controlled entity is contained in Note 28 to the financial statements.

All inter-company balances and transactions between entities in the economic entity have been eliminated on consolidation.

(b) Plant and Equipment

Each class of plant and equipment is carried at cost less, where applicable, any accumulated depreciation. The carrying amount of plant and equipment is reviewed annually by the directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets' employment and subsequent disposal. The expected net cash flows have not been discounted to their present values in determining recoverable amounts.

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight line basis over their useful lives to the economic entity commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Plant and equipment	20-27%
Furniture and fittings	13%

(c) Exploration and Development Expenditure

Exploration, evaluation and development 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 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 area are written off in full against profit in the year in which the decision to abandon 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.

(d) Income Tax

The economic entity adopts the liability method of tax affect accounting. Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless realisation of the asset is assured beyond reasonable doubt. No future income tax benefit in relation to tax losses has been brought to account as an asset as, in the opinion of the directors, it is not yet appropriate to regard recoupment of tax losses as assured beyond reasonable doubt.

(e) Leases

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.

(f) Cash

For the purpose of statements of cash flows, cash includes cash on hand and at call deposits with banks or financial institutions, net of bank overdrafts, and investments in money market instruments with less than 14 days to maturity.

(g) 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 which will be settled after one year, have been measured at their nominal amount.

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

(h) Interests in Joint Ventures

The economic entity's share of the assets, liabilities, revenue and expenses of joint venture operations are included in the appropriate items of the consolidated statements of financial performance and financial position where material. Details of the economic entity's interests in joint ventures, are shown at Note 25.

(i) Revenue

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS *continued*

For the Year Ended 30 June 2004

(j) Comparative Figures

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

(k) Receivables

The collectibility of debts is assessed at balance date and specific provision is made for any doubtful debts.

(l) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation 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 expense.

Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

	Economic Entity		Parent Entity	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
NOTE 2: REVENUE				
Operating Activities:				
Interest Received	85	45	85	45
Other Revenue	10	—	10	—
Total Revenue	95	45	95	45
NOTE 3: LOSS FROM ORDINARY ACTIVITIES				
Loss from ordinary activities before income tax has been determined after charging the following expenses:				
- Depreciation of non-current assets	42	18	42	18
- Rental expenditure - operating leases	90	48	90	48
- Exploration expenditure written off	1,330	—	1,254	—
- Purchase option / Tender costs written off	80	11	80	11
- Borrowing Costs (i)	27	—	27	1

(i) Includes \$25,355 (2003: nil) relating to interest on a loan from Jungle Creek Gold Mines Pty Ltd, a related entity of Mr T. Streeter. Interest was charged on normal commercial terms.

	Economic Entity		Parent Entity	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
NOTE 4: INCOME TAX:				
Prima facie tax payable on loss from ordinary activities at 30 % (2003:30%):	816	216	793	216
Less the tax effect of:				
- Tax losses not brought to account	(816)	(216)	(793)	(216)
Income tax expense attributed to loss from ordinary activities	—	—	—	—
Future income tax benefits not brought to account, the benefits of which will only be realised if the conditions for deductibility set out below occur:				
Tax losses carried forward (at 30%)	1,337	547	1,313	545
Timing Differences (at 30%)	(11)	(19)	(11)	(19)
Eligible exploration expenditure (at 30%)	5,930	1,947	5,716	1,947
	7,256	2,475	7,018	2,473

The benefits will only be obtained if:

- (a) the economic entity derives future assessable income of a nature and of an amount sufficient to enable the benefits from the deductions for these losses to be realised;
- (b) the economic entity continues to comply with the conditions for deductibility imposed by tax legislation; and
- (c) no changes to tax legislation adversely affect the economic entity realising the benefit from the deductions for the losses.

Legislation to allow groups, comprising a parent entity and its Australian resident wholly owned entities, to elect to consolidate and be treated as a single entity for income tax purposes was substantially enacted on 21 October, 2002. At the date of this report the directors have not assessed the effect, if any, that the implementation of the tax consolidation system may have on the company and the economic entity, and accordingly, the directors have not made a decision whether or not to elect to be taxed as a single entity.

The financial effects of the implementation of the tax consolidation system on the company and the consolidated entity has not been recognised in the financial statements.

NOTE 5: DIVIDENDS

No dividends have been declared or paid during this financial year.

NOTE 6: CURRENT RECEIVABLES

Other debtors (i)	52	98	52	98
Performance Bonds	354	12	354	12
GST refund due	119	226	119	226
	525	336	525	336

(i) Other debtors are non interest bearing.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS *continued*

For the Year Ended 30 June 2004

	Economic Entity		Parent Entity	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
NOTE 7: NON CURRENT RECEIVABLES				
- Amounts due from controlled entity (i)	–	–	1,007	380
(i) Amounts due from controlled entity are non interest bearing				
NOTE 8: OTHER FINANCIAL ASSETS				
Investments at cost				
- Controlled entity (unlisted)	–	–	2	2
NOTE 9: PLANT AND EQUIPMENT				
Plant and Equipment – at cost	574	172	574	172
Accumulated Depreciation	(78)	(40)	(78)	(40)
	496	132	496	132
Furniture and Fittings – at cost	18	13	18	13
Accumulated Depreciation	(7)	(3)	(7)	(3)
	11	10	11	10
Total Plant & Equipment - at cost	592	185	592	185
Accumulated Depreciation	(85)	(43)	(85)	(43)
Total	507	142	507	142

Movement Schedule :

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

	Economic Entity \$'000	Parent Entity \$'000
Plant & Equipment		
Written Down Value at the beginning of the year	132	132
- Additions	404	404
- Disposals	(2)	(2)
- Depreciation expense	(38)	(38)
Written Down Value at the end of the year	496	496
Fixtures & Fittings		
Written Down Value at the beginning of the year	10	10
- Additions	5	5
- Depreciation expense	(4)	(4)
Written Down Value at the end of the year	11	11

	Economic Entity		Parent Entity	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
NOTE 10: OTHER NON CURRENT ASSETS				
Exploration, Evaluation and Development Expenditure.				
- At cost	24,878	11,631	23,950	11,253
- Provision for write down	(968)	—	(968)	—
	23,910	11,631	22,982	11,253

Movement Schedule:

Movement in the carrying amounts for exploration, evaluation and development expenditure between the beginning and the end of the current financial year :

	Economic Entity \$'000	Parent Entity \$'000
Written Down Value at the beginning of the year	11,631	11,253
- Expenditure	13,609	12,983
- Expenditure written off / Tenement surrendered	(362)	(286)
- Provision for write down	(968)	(968)
Written Down Value at the end of the year	23,910	22,982

Mineral Exploration Expenditure

The recovery of the costs of expenditure carried forward is dependent upon the discovery of commercially viable mineral and other natural resource deposits and their development and exploration or alternatively their sale. The economic entity's title to certain mining tenements is subject to Ministerial approval and delivery of the Certificates of Registration relating thereto.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS *continued*

For the Year Ended 30 June 2004

	Economic Entity		Parent Entity	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
NOTE 11: PAYABLES				
Current				
Trade creditors & accruals (i)	3,782	1,744	3,782	1,744
(i) Creditors are generally paid on 30 day terms.				
NOTE 12: INTEREST BEARING LIABILITIES				
Current				
Bank overdraft (i)	537	—	537	—
Loan from related party (ii)	2,000	—	2,000	—
	2,537	—	2,537	—

(i) The bank overdraft is unsecured. Interest is payable at 9.45% p.a.

(ii) During the year, the company borrowed \$3,000,000 from Jungle Creek Gold Mines Pty Ltd, a related entity of Mr T. Streeter. As at the end of the financial year the balance outstanding is \$2,000,000. Repayment of the \$1,000,000 was made via the issuance of 1,000,000 shares in the company at \$1.00 each pursuant to the original loan agreement. Refer to Note 14 (b) (iii).

Subsequent to the end of the financial year the loan was repaid in full via the issuance of a further 2,000,000 shares at \$1.00 each pursuant to the loan agreement. The issuance of the shares was approved by the company's shareholders in a general meeting held on 26 August, 2004.

Interest charged on the loan for the year is \$25,355 and had been calculated under normal commercial terms. The interest liability (plus the interest accrued up to the date of the general meeting) was also settled via the issuance of shares at \$1.00 each pursuant to the loan agreement. The total interest was \$49,500.

NOTE 13: PROVISIONS				
Current				
Employee Entitlements	36	55	36	55

Employee entitlements refer to the balance of annual leave accrued by the company's employees.

	Economic Entity		Parent Entity	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
NOTE 14: CONTRIBUTED EQUITY				
a) Issued and paid up capital				
Ordinary shares fully paid	28,168	12,620	28,168	12,620

	2004		2003	
	Number of Shares	\$'000	Number of Shares	\$'000
b) Movements in share capital				
Balance at beginning of the financial year	75,711,593	12,620	52,721,316	7,961
- Issued via share placements (i)	15,500,000	12,200	17,277,777	3,760
- Purchase of Copper Hills Project (ii)	194,175	200	—	—
- Issued to repay loan from related party (iii)	1,000,000	1,000	—	—
- Issued via option conversions (iv)	10,060,750	2,918	5,712,500	1,142
- Transaction costs relating to share issues	—	(770)	—	(243)
Balance at end of the financial year	102,466,518	28,168	75,711,593	12,620

Notes on Movement in share capital during the current financial year

(i) During the year there were 3 share placements :

- On 4 August 2003 5,500,000 shares were issued at \$0.40 per share.
- On 27 November 2003 5,000,000 shares were issued at \$1.00 per share
- On 29 June 2004 5,000,000 shares were issued at \$1.00 per share

(ii) On 24 December 2003 194,175 shares were issued at \$1.03 each to acquire a 100% interest in the Copper Hills Project from Wedgeside Pty Ltd.

(iii) On 12 December, 2003 1,000,000 shares were issued to Jungle Creek Gold Mines Pty Ltd, a related entity of Mr T Streeter. The shares were issued at \$1.00 each as repayment of a loan made to the company in November, 2003. The loan repayment was made pursuant to a loan agreement between the company and Jungle Creek Gold Mines Pty Ltd.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS *continued*

For the Year Ended 30 June 2004

NOTE 14: CONTRIBUTED EQUITY *continued*

(iv) During the financial year the following options were exercised:

OPTION TERMS (EXERCISE PRICE AND MATURITY)						
Date	\$0.20 Mar '04	\$0.40 Mar '04	\$0.40 Mar '06	\$0.75 Mar '05	Total (#)	Total (\$)
2003:						
11 August	100,000	—	—	—	100,000	20,000
22 August	800,000	—	—	—	800,000	160,000
10 October	478,125	—	—	100,000	578,125	170,625
28 October	—	400,000	400,000	—	800,000	320,000
25 November	843,750	—	—	—	843,750	168,750
3 December	—	400,000	—	—	400,000	160,000
23 December	100,000	—	—	—	100,000	20,000
2004:						
14 January	937,500	200,000	—	—	1,137,500	267,500
9 February	250,000	—	—	—	250,000	50,000
11 March	1,771,875	200,000	—	13,000	1,984,875	444,125
22 March	129,167	250,000	—	—	379,167	125,833
31 March	1,158,333	1,050,000	—	—	2,208,333	651,667
24 June	—	—	—	479,000	479,000	359,250
TOTAL	6,568,750	2,500,000	400,000	592,000	10,060,750	2,917,750

c) Share Options on Issue

The following options were outstanding at 30 June 2004:

	OPTION TERMS (EXERCISE PRICE AND MATURITY)					Total (#)
	\$0.20 Mar '04	\$0.40 Mar '04	\$0.40 Mar '06	\$0.75 Mar '05	\$2.50 Mar '05	
Opening Balance	6,568,750	2,500,000	2,500,000	1,450,000	—	13,018,750
Options Issued	—	—	—	—	300,000	300,000
Options exercised	(6,568,750)	(2,500,000)	(400,000)	(592,000)	—	(10,060,750)
Closing Balance	nil	nil	2,100,000	858,000	300,000	3,258,000

Subsequent to the end of the financial year, 1,500,000 options over unissued ordinary shares were granted to employees and key contractors. Those granted to employees were done so under the Employee Share Option Incentive Scheme. At the date of this report there are a total of 4,758,000 unlisted options over the unissued ordinary shares in the parent entity.

	Economic Entity		Parent Entity	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
NOTE 14: CONTRIBUTED EQUITY <small>continued</small>				
d) Terms and Conditions of Contributed Equity				
<i>Ordinary shares</i>				
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.				
NOTE 15: RESERVES				
<i>Option Reserve</i>				
Opening Balance	57	57	57	57
Transfers to / (from) reserves	—	—	—	—
Closing balance	57	57	57	57
The option reserve relates to the value of options issued.				
NOTE 16: ACCUMULATED LOSSES				
Accumulated losses at the beginning of the financial year	(1,907)	(1,187)	(1,903)	(1,183)
Net loss attributable to the members of the parent entity	(2,721)	(720)	(2,644)	(720)
Accumulated losses at the end of the financial year	(4,628)	(1,907)	(4,547)	(1,903)
NOTE 17: LOSS PER SHARE				
Earnings used in the calculation of basic loss per share	(2,721)	(720)		
Weighted average number of ordinary shares used in the calculation of basic loss per share	88,728,118	61,707,306		
Effect of dilutive securities	1,545,143	4,023,802		
Adjusted weighted average number of ordinary shares used in calculating diluted loss per share.	90,273,261	65,731,108		

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS *continued*

For the Year Ended 30 June 2004

	Economic Entity		Parent Entity	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
NOTE 18: CASH FLOW INFORMATION				
a) Reconciliation of the net loss after tax to the net cash flow from operations:				
Loss from ordinary activities after income tax	(2,721)	(720)	(2,644)	(720)
Depreciation	42	18	42	18
GST Relating to non operating activity	1,497	437	1,497	437
Write down in tenement carrying value	1,330	—	1,254	—
Write off of Tender costs	80	11	80	11
Change in Assets and Liabilities				
Increase in payables	98	33	98	33
Increase / (decrease) in provisions	(19)	22	(19)	22
Increase in receivables	4	—	4	—
Net Cash Flows from / (used in) Operating Activities	311	(199)	312	(199)
b) Reconciliation of Cash				
Cash balance comprises :				
Cash on hand	5,010	460	5,010	460
Bank overdraft	(537)	—	(537)	—
Closing Cash Balance	4,473	460	4,473	460

c) Financing Facilities Available

As at the reporting date the Company had a bank overdraft facility of \$1,000,000 (2003: nil) of which \$537,000 (2003: nil) was used. \$463,000 (2003: nil) remains available for use as at year end.

d) Non Cash Financing Activities

During the year, the company was loaned \$3,000,000 by Jungle Creek Gold Mines Pty Ltd, a related entity of Mr T. Streeter. As at the end of the financial year the balance outstanding is \$2,000,000. Repayment of the \$1,000,000 was made via the issuance of 1,000,000 shares in the company at \$1.00 each pursuant to the original loan agreement. The issue of the shares was approved by the ordinary shareholders of the company.

Subsequent to the end of the financial year the loan was repaid in full via the issuance of 2,000,000 shares at \$1.00 each pursuant to the loan agreement. The issue of the shares was approved by the company's shareholders in a general meeting held on 26 August 2004.

	Economic Entity		Parent Entity	
	2004 \$	2003 \$	2004 \$	2003 \$
NOTE 19: CONTINGENT LIABILITIES				
The Directors are not aware of any contingent liabilities as at the date of these financial statements.				
NOTE 20: AUDITOR'S REMUNERATION				
Remuneration of the auditor :				
- auditing or reviewing the financial report	10,835	15,200	10,835	15,200
- other services	900	—	900	—
	11,735	15,200	11,735	15,200

	Economic Entity		Parent Entity	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
NOTE 21: COMMITMENTS				
The Directors are not aware of any commitments, other than those listed below, as at the date of these financial statements:				
a) Operating Lease Commitments				
Non-cancelable operating leases contracted for but not capitalised in the accounts.				
- no later than 1 year	77	15	77	15
- later than 1 year and not later than 5 years	95	—	95	—
	172	15	172	15
Lease expenditure contracted for at year end				

Prior to the expiry of the current lease term, the company has the right to extend the term of the lease for a further 3 years.

b) Capital Expenditure Commitments

At the end of the financial year the economic entity has no material capital commitments.

c) Exploration Expenditure Commitments

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 Industry and Resources. The Company is also obliged to meet certain expenditure commitments to earn or retain its interest in several Joint Venture arrangements. All of these commitments have been adequately provided for in the Company's exploration expenditure budget for the ensuing year, which is forecast to be \$3 - 4 million.

d) Other Commitments

- Employment contracts with three full time executive employees of Western Areas NL provide for the payment of benefits upon the termination of employment by the parent entity. The employees are entitled to up to 12 months termination pay plus other entitlements.
- As part of the acquisition agreement for the final 25% of the Forrestania tenements (completed in May 2003), the company is required to pay a 2% net smelter royalty to Outokumpu Mining Ltd on all nickel production from the Forrestania Nickel project.

NOTE 22: SUBSEQUENT EVENTS

Subsequent to the end of the Financial Year:

- a) In accordance with the prospectus lodged with the ASX and ASIC on 13 July, 2004, the company successfully completed a 1 for 20 rights issue, raising \$4,867,160. These funds will be used to further the Company's exploration programs at Forrestania and at the Company's other promising projects, assist in completing the Bankable Feasibility studies for the Forrestania mines and to provide additional working capital.
- b) At a General Meeting of shareholders held on 26 August, 2004 the following resolutions were passed:
- Approval for the repayment of a \$2,000,000 loan from Jungle Creek Gold Mines Pty Ltd (a related entity to Mr Terrence Streeter) that was outstanding at the end of the financial year. Repayment, including interest of \$49,500, was made via an issue of 2,049,500 shares at \$1.00 each. The shares were issued on 10 September, 2004.
 - Issue of shares under the Employee Share Option Incentive Scheme established by the Company. Subsequent to the approval 1,500,000 options over ordinary shares were issued to employees and key contractors of the parent entity. The options are exercisable at \$1.30 each and have an expiry date of 31 July, 2008.
 - Increase in the total level of remuneration of the Non Executive Directors of the Company from \$132,000 to \$240,000 (excluding superannuation). The Board consider that the total remuneration is commensurate with the role of a director of a publicly listed company having regard to the duties and responsibilities of the position.
- c) On 10 September 2004 the Company announced that it has obtained credit approved project funding from the Commonwealth Bank of Australia for A\$20 million to assist in the development of Stages 1 and 2 of the Forrestania Nickel Project.
- d) On 20 September 2004 the Company signed an agreement with Polaris Metals NL ("Polaris") to restructure its holding in the Bullfinch North Joint Venture. The company has sold its share of the area known as the Golden Valley Tenements for 550,000 shares in Polaris and also retains a 1.5 – 2 % royalty right on minerals produced from these tenements.

The financial effects of the above transactions have not been brought to account in the 2004 Financial Report.

NOTE 23: DIRECTOR AND EXECUTIVE DISCLOSURES**a) Details of Specified Directors and Specified Executives***(i) Specified Directors*

D Boyer	Chairman (non-executive)
J Hanna	Director and Chief Executive Officer
D Cooper	Director (non-executive)
T King	Director (non-executive)
T Streeter	Director (non-executive)

(ii) Specified Executives

T Manners	Chief Financial Officer – commenced 1 June 2004
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Mr B Dawes was appointed General Manager - Operations on 1 July 2004 and will be considered an Executive Officer from that date.

Mr Dawes services during the financial year were provided on a contractual basis only.

b) Remuneration of Specified Directors and Specified Executives*(i) Remuneration Policy*

The Remuneration Committee of the Board of Directors of Western Areas NL is responsible for determining and reviewing compensation arrangements for the directors, the chief executive officer and the executive team. The Remuneration Committee assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team.

To assist in achieving these objectives, the Remuneration Committee links the nature and amount of executive directors' and officers' emoluments to the company's financial and operational performance.

There are formal employment contracts in place for the Chief Executive Officer, the Chief Financial Officer and the General Manager – Operations. The term of these contracts are until employment terminates. All executives (except the Chief Executive Officer) also have the opportunity to qualify for participation in the Employee Share Option Incentive Scheme.

Non Executive directors are paid fees which are approved by shareholders.

(ii) Remuneration of Specified Directors and Specified Executives

	PRIMARY		EQUITY	POST EMPLOYMENT	
	Base Salary	Non Monetary	Options (^)	Superannuation	TOTAL
D Boyer					
2004	43,336	—	—	3,900	47,236
2003	39,085	—	52,800	3,517	95,402
J Hanna**					
2004	164,000	3,835	—	14,760	182,595
2003	144,000	—	52,800	12,960	209,760
D Cooper					
2004	24,664	—	—	2,220	26,884
2003	22,333	—	52,800	2,010	77,143
T King					
2004	24,664	—	—	2,220	26,884
2003	22,333	—	52,800	2,010	77,143
T Streeter					
2004	24,664	—	—	2,220	26,884
2003	22,333	—	52,800	2,010	77,143
Total Remuneration : Specified Directors					
2004	281,328	3,835	—	25,320	310,483
2003	250,084	—	264,000	22,507	536,591
T Manners					
2004	14,752	—	—	1,475	16,227
Total Remuneration : Specified Executives					
2004	14,752	—	—	1,475	16,227
2003 (*)	—	—	—	—	—

(*) Group totals in respect of the financial year ended 2003 do not necessarily equal the sums of amounts disclosed for 2003 for individuals specified in 2004, as different individuals were specified in 2003.

(**) J Hanna's base salary was increased to \$220,000 effective 1 July 2004.

(^) Options granted as part of director and executive emoluments have been valued using the Black and Scholes option pricing model, which takes account of factors including the option exercise price, the current level and volatility of the underlying share price, the risk-free interest rate, expected dividends on the underlying share, current market price of the underlying share and the expected life of the option.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS *continued*

For the Year Ended 30 June 2004

NOTE 23: DIRECTOR AND EXECUTIVE DISCLOSURES: *continued*

(iii) Retirement and Superannuation Payment

The directors and executives were paid the statutory 9% superannuation amount on their remuneration.

(iv) Options held by Specified Directors and Executives

	Balance at 1 July 2003	Granted as Remuneration	On Exercise of Options	Purchases / (Sales)	Balance at 30 June 2004	Options Vested (*)
<i>Specified Directors:</i>						
D Boyer	1,000,000	—	(467,000)	—	533,000	533,000
J Hanna	1,729,166	—	(1,199,166)	—	530,000	530,000
D Cooper	1,000,000	—	(472,000)	—	528,000	528,000
T King	1,937,500	—	(1,407,500)	—	530,000	530,000
T Streeter	1,000,000	—	(1,000,000)	—	—	—
<i>Specified Executives:</i>						
T Manners	—	—	—	—	—	—
TOTAL	6,666,666	—	(4,545,666)	—	2,121,000	2,121,000

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

(v) Shareholdings of Specified Directors and Executives

	Balance at 1 July 2003	Granted as Remuneration	On Exercise of Options	Purchases / (Sales)	Balance at 30 June 2004
Specified Directors:					
D Boyer	590,000	—	467,000	—	1,057,000
J Hanna	884,134	—	1,199,166	(754,000)	1,329,300
D Cooper	270,000	—	472,000	(200,000)	542,000
T King	1,826,856	—	1,407,500	(900,000)	2,334,356
T Streeter	19,057,234	—	1,000,000	3,184,000	23,241,234
Specified Executives:					
T Manners	—	—	—	—	—
TOTAL	22,628,224	—	4,545,666	1,330,000	28,503,890

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.

(vi) Remuneration Options: Granted and vested during the year

During the financial year there were no new options granted to specified directors or executives. No previously granted options vested to any specified directors or executives during this financial year.

NOTE 24: RELATED PARTY DISCLOSURES

a) Ultimate parent

Western Areas NL is the ultimate Australian parent company.

b) Other Transactions with Specified Directors and Specified Executives

All transactions with related parties are made on arm's length terms and conditions except where indicated. The following related party transactions occurred during the reporting period:

- Accounting Fees of \$57,698 (2003: \$28,225) were paid, or are due and payable, at normal commercial rates to King & King partnership and Rexfam Consulting Pty Ltd, both being related parties to Mr. T King.
- Company Secretarial fees of \$96,611 (2003: \$34,736) were paid, or are due and payable, at normal commercial rates to King & King partnership and Rexfam Consulting Pty Ltd, both being related parties to Mr. T King.
- Consultancy fees of \$3,575 (2003 : nil) were paid, at normal commercial rates, to Fidene Nominees Pty Ltd, a related entity to Mr D Cooper.
- During the year the company received 2 loans totaling \$3,000,000 from Jungle Creek Gold Mines Pty Ltd, an entity related to Mr T Streeter. \$1,000,000 was provided in November 2003 and \$2,000,000 in April 2004. The loans were provided under normal commercial terms and conditions.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS *continued*

For the Year Ended 30 June 2004

NOTE 24: RELATED PARTY DISCLOSURES *continued*

In accordance with the loan agreement the loans were repaid through the issuance of shares in the company. On 12 December, 2003 the \$1,000,000 loan was redeemed through the issue of 1,000,000 shares at \$1.00 each. Subsequent to the end of the financial year the \$2,000,000 loan was also redeemed through the issue of 2,000,000 shares at \$1.00 each. In both cases, approval for the issue of the shares was received in a general meeting of ordinary shareholders.

Interest of \$25,355 was incurred on the loans during the financial year.

c) Amounts recognised at the reporting date in relation to other transactions:

	2004 \$'000	2003 \$'000		2004 \$'000	2003 \$'000
Assets & Liabilities			Revenue & Expenses		
<i>Current Liabilities</i>					
- Payables	59	30	- Interest expense	25	—
- Interest bearing liabilities	2,000	—	- Other expense	158	63
	<hr/>	<hr/>		<hr/>	<hr/>
Total Liabilities	2,059	30	Total Expenses	183	63
	<hr/>	<hr/>		<hr/>	<hr/>

NOTE 25: INTERESTS IN JOINT VENTURES

At balance date the economic entity had entered into the following material unincorporated joint ventures:

Joint Venture	Percentage Interest	Principal Activities	Carrying Value \$'000
1. Bullfinch North	70%	Nickel & Gold	500
2. Koolyanobbing East	60%	Nickel & Gold	373
3. Koolyanobbing Central	51%	Nickel & Gold	250
4. Copper Hills – North	0% (*)	Nickel & Gold	909

(*) The Company owns 100% interest in the southern tenements at Copper Hills. In September 2003, Western Platinum NL, the controlled entity of the company, executed an agreement to earn up to 70% in the northern part of the Copper Hills complex. Western Platinum must spend \$1,000,000 to earn the 70% interest.

The joint ventures are not separate legal entities but are contractual arrangements between the participants for sharing costs and output and do not in themselves generate revenue or profit. The only asset held by the joint ventures is Exploration and Evaluation Expenditure, no liabilities exist in the joint ventures.

NOTE 26: FINANCIAL INSTRUMENTS

The economic entity's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities at the reporting date are:

2004 Economic Entity		FIXED INTEREST MATURING IN:					
	Notes	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
Financial Assets							
Cash	18 (b)	5,010	—	—	—	—	5,010
Receivables	6	—	—	—	—	525	525
		5,010	—	—	—	525	5,535
Weighted Average Interest Rate		5.00 %					
Financial Liabilities							
Payables	11	—	—	—	—	3,782	3,782
Bank overdrafts	12	537	—	—	—	—	537
Loan – Related Party	12	—	2,000	—	—	—	2,000
		537	2,000	—	—	3,782	6,319
Weighted Average Interest Rate		9.45 %	8.00 %				
Net Financial Assets/(Liabilities)		4,473	(2,000)	—	—	(3,257)	(784)
2003 Economic Entity							
Financial Assets							
Cash	18 (b)	460	—	—	—	—	460
Receivables	6	—	—	—	—	336	336
		460	—	—	—	336	796
Weighted Average Interest Rate		4.30%					
Financial Liabilities							
Payables	11	—	—	—	—	1,744	1,744
		—	—	—	—	1,744	1,744
Weighted Average Interest Rate							
Net Financial Assets/(Liabilities)		460	—	—	—	(1,408)	(948)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS *continued*

For the Year Ended 30 June 2004

	Economic Entity	
	2004 \$'000	2003 \$'000
NOTE 26: FINANCIAL INSTRUMENTS <i>continued</i>		
Reconciliation of Net Financial Assets to Net Assets		
Net Financial Liability	(784)	(948)
Property, Plant and Equipment (Note 9)	507	142
Mineral Interests (Note 10)	23,910	11,631
Provisions (Note 13)	(36)	(55)
Net Assets	23,597	10,770

The economic entity has not engaged in any foreign exchange contracts, interest rate swap agreements or other hedging programs during the reporting period.

Credit Risk

The maximum exposure to credit risk at balance date to recognised financial assets is the carrying amount, net of any provisions of doubtful debts of those assets, as disclosed in the balance sheet and notes to the financial statements.

Net Fair Values

For assets and liabilities, the net fair values approximate their carrying value. No financial assets or liabilities are readily traded on organised markets in standardised form other than listed investments.

NOTE 27: STATEMENT OF OPERATIONS BY SEGMENTS

The economic entity operated predominantly in the mineral exploration industry in Australia.

NOTE 28: CONTROLLED ENTITY

	Country of Incorporation	Percentage Owned %	
		2004	2003
Parent Entity			
- Western Areas NL	Australia		
Subsidiary of Western Areas NL			
- Western Platinum NL	Australia	100	100

NOTE 29: IMPACT OF ADOPTING AASB EQUIVALENTS TO IASB STANDARDS

Western Areas NL has commenced transitioning its accounting policies and financial reporting from current Australian Standards to Australian equivalents of International Financial Reporting Standards (IFRS). The company has allocated internal resources to perform diagnostics and conduct impact assessments to isolate key areas that will be impacted by the transition to IFRS. As Western Areas NL has a 30 June year end, priority has been given to considering the preparation of an opening balance sheet in accordance with AASB equivalents to IFRS as at 1 July 2004. This will form the basis of accounting for Australian equivalents of IFRS in the future, and is required when the company prepares its first fully IFRS compliant financial report for the year ended 30 June 2006.

Set out below are the key areas where accounting policies will change and may have an impact on the financial report of Western Areas. At this stage the company has not been able to reliably quantify the impacts on the financial report.

Impairment of Assets

Under the Australian equivalent to IAS 36 Impairment of Assets the recoverable amount of an asset is determined as the higher of net selling price and value in use. This will result in a change in the group's current accounting policy which determines the recoverable amount of an asset on the basis of undiscounted cash flows. Under the new policy it is likely that impairment of assets will be recognised sooner and that the amount of write-downs will be greater. Reliable estimation of the future financial effects of this change in accounting policy is impracticable because the conditions under which impairment will be assessed are not yet known.

Exploration and Evaluation of Mineral Resources

The IFRS standard on Exploration and Evaluation of Mineral Resources will not be issued until late 2004. The impacts of changes from Western Areas existing accounting policy (which is in accordance with AASB 1022 "Accounting for Extractive Industries") are not yet determinable.

DIRECTORS' DECLARATION

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Western Areas NL, I state that:

In the opinion of the directors:

- (a) the financial statements and notes of the company and of the consolidated entity are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2004 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

A handwritten signature in black ink, appearing to be 'J. Hanna', with a long horizontal flourish extending to the right.

J. Hanna

Director

Dated this 28th day of September 2004

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Western Areas NL (the company) and Western Areas NL and its controlled entity (the consolidated entity), for the year ended 30 June 2004. The consolidated entity comprises both the company and the entities it controlled during the year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgment, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Our audit did not involve an analysis of the prudence of business decisions made by the directors or management.

We have read the other information in the annual report to determine whether it contained any material inconsistencies with the financial report.

Independence

In conducting our audit, we followed the applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

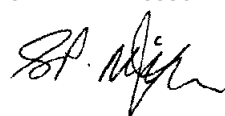
Audit opinion

In our opinion, the financial report of Western Areas NL is in accordance with:

- (a) the Corporations Act 2001, including:
 - i) giving a true and fair view of the Western Areas NL consolidated entity's financial position as at 30 June 2004, and of its performance for the year ended on that date; and
 - ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.



GRANT THORNTON
CHARTERED ACCOUNTANTS



SEAN MCGURK
Partner

Perth, Western Australia
Dated this 28th day of September 2004

SCHEDULE OF MINING TENEMENTS

As at 28 September 2004

<i>Areas of interest</i>	<i>Tenements</i>	<i>Company's interest</i>	<i>Joint venture partners</i>
Mt Jewell	EL 24/63	100 %	
	EL 27/83	100 %	
	MLA 24/597	100 %	
	MLA 24/598	100 %	
Mt Alexander	EL 29/189	100 %	WMC Resources Ltd
	EL 29/192	100 %	WMC Resources Ltd
	MLA 29/313	100 %	WMC Resources Ltd
	ML 29/36	100 %	Sipa Resources
	ML 29/37	100 %	Sipa Resources
Koolyanobbing	EL 77/438 - I	100 %	Portman Ltd
	EL 77/874 - I	100 %	Portman Ltd
	MLA 77/1087	100 %	Portman Ltd
	ML 77/676 - I	100 %	Portman Ltd
	ML 77/737 - I	100 %	Portman Ltd
	MLA 77/839	100 %	Portman Ltd
	MLA 77/1046	100 %	Portman Ltd
	EL 77/1004 - I	60 %	Portman Resources
	ELA 77/1088	60 %	Portman Resources
	EL 77/1089	60 %	Portman Resources
	M 77/606 - I	0 %	Portman Iron Ore
	M 77/607 - I	0 %	Portman Iron Ore
	M 77/611 - I	0 %	Portman Iron Ore
	ML 77/988 - I	0 %	Portman Iron Ore
	ML 77/989 - I	0 %	Portman Iron Ore
	ML 77/990 - I	0 %	Portman Iron Ore
Bullfinch North	EL 77/474	25 %	Polaris Metals
	EL 77/485	25 %	Polaris Metals
	EL 77/733	25 %	Polaris Metals
	EL 77/922 - I	25 %	Polaris Metals
	EL 77/932	25 %	Polaris Metals
	EL 77/933	25 %	Polaris Metals
	EL 77/944	25 %	Polaris Metals
	ELA 77/879	25 %	Polaris Metals
	EL 77/907	25 %	Polaris Metals
	ELA 77/920	25 %	Polaris Metals
	EL 77/924 - I	25 %	Polaris Metals
	EL 77/1010	0 %	Royalty Interest
	EL 77/1012	0 %	Royalty Interest
	EL 77/1022	25 %	Polaris Metals
	ML 77/123	0 %	Royalty Interest
	ML 77/228	0 %	Royalty Interest
	PL 77/3292	25 %	Polaris Metals
	PL 77/3295	0 %	Royalty Interest
	PL 77/3301	0 %	Royalty Interest

SCHEDULE OF MINING TENEMENTS continued

As at 28 September 2004

<i>Areas of interest</i>	<i>Tenements</i>	<i>Company's interest</i>	<i>Joint venture partners</i>
Bullfinch North (cont.)	PL 77/3302	0 %	Royalty Interest
	PL 77/3303	0 %	Royalty Interest
	PLA 77/3304	0 %	Royalty Interest
	PL 77/3307	0 %	Royalty Interest
	PL 77/3313	0 %	Royalty Interest
	EL 77/1048	70 %	Polaris Metals
	MLA 77/1050	25 %	Polaris Metals
	EL 77/1058	25 %	Polaris Metals
	MLA 77/1058	25 %	Polaris Metals
	MLA 77/1059	25 %	Polaris Metals
	MLA 77/1060	25 %	Polaris Metals
	MLA 77/1062	25 %	Polaris Metals
	MLA 77/1064	25 %	Polaris Metals
	MLA 77/1082	25 %	Polaris Metals
	PLA 77/3335	25 %	Polaris Metals
	PLA 77/3336	25 %	Polaris Metals
	MLA 77/1081	25 %	Strange
	E 77/1036	25 %	Della Bosca
Plumridge	EL 69/982	100 %	
	EL 69/983	100 %	
	EL 69/1252	100 %	
	EL 69/1550	100 %	
	EL 39/904	100 %	
	EL 39/905	100 %	
	EL 39/906	100 %	
	EL 39/909	100 %	
	EL 39/915	100 %	
	EL 69/1721	100 %	
	ELA 69/1881	0 %	Placer Dome
Cue Gold	ELA 20/427	100 %	
	ELA 20/428	100 %	
Grass Patch	EL 63/816	0 %	Scott Bishop
	EL 63/817	0 %	Scott Bishop
	ELA 63/818	0 %	Scott Bishop
	ELA 63/819	0 %	Scott Bishop
	ELA 63/820	0 %	Scott Bishop
	ELA 63/859	100 %	
	ELA 63/860	100 %	
Lake Percy	EL 63/628	0 %	Image Resources
	EL 77/893	0 %	Image Resources
	EL 63/842	0 %	Image Resources
	EL 63/843	0 %	Image Resources

SCHEDULE OF MINING TENEMENTS continued

As at 28 September 2004

<i>Areas of interest</i>	<i>Tenements</i>	<i>Company's interest</i>	<i>Joint venture partners</i>
Forrestania	E 77/555	100 %	
	LA 77/197	100 %	
	M 74/057	100 %	
	M 74/058	100 %	
	M 74/064	100 %	
	M 74/065	100 %	
	M 74/081	100 %	
	M 74/090	100 %	
	M 74/091	100 %	
	M 74/092	100 %	
	M 77/098	100 %	
	M 77/215	100 %	
	M 77/216	100 %	
	M 77/219	100 %	
	M 77/284	100 %	
	M 77/285	100 %	
	M 77/286	100 %	
	M 77/329	100 %	
	M 77/335	100 %	
	M 77/336	100 %	
	M 77/389	100 %	
	M 77/399	100 %	
	M 77/458	100 %	
	M 77/542	100 %	
	M 77/543	100 %	
	M 77/550	100 %	
	M 77/568	100 %	
	M 77/574	100 %	
	M 77/582	100 %	
	M 77/583	100 %	
	M 77/584	100 %	
	M 77/585	100 %	
	M 77/586	100 %	
	M 77/587	100 %	
	M 77/588	100 %	
	M 77/589	100 %	
	M 77/911	100 %	
	M 77/912	100 %	
Copper Hills	E 45/1435	100 %	
	EA 45/2643	100 %	
	E 45/2377	0 %	Talisman
	E 45/2378	0 %	Talisman
Windarra	ELA 38/1606	0 %	Image Resources
	ELA 39/1056	0 %	Image Resources
	ELA 39/1057	0 %	Image Resources
	ELA 39/1058	0 %	Image Resources
	ELA 39/1068	0 %	Image Resources

SHAREHOLDER INFORMATION

As at 28 September 2004

a) Distribution of Shareholdings

Ordinary Shares (*)

i) Distribution schedule of holdings :

1 - 1000	217
1,001 - 5,000	788
5,001 - 10,000	357
10,001 - 100,000	672
100,001 - over	119

2,153

ii) Number of holders of less than a marketable parcel

39

iii) Number of overseas holders

62

iv) Percentage held by 20 largest holders

59.52%

* All ordinary shares carry one vote per share without restriction

b) Largest Security Holders

The names of the 20 largest holders of ordinary shares are listed below:

NAME	Shares Held	%
Jungle Creek Gold Mines Pty Ltd	26,232,796	23.90
ANZ Nominees Limited	15,326,250	13.96
Northmead Holdings Pty Ltd	6,359,217	5.79
Eclipse Resources Pty Ltd	3,241,045	2.95
Perth Select Seafoods Pty Ltd	1,947,017	1.77
Marinovich, John	1,585,500	1.44
Marchesani, Michael	1,361,348	1.24
Cannavo, Francesco & Anthony	1,312,500	1.20
Tsallis, Georgina	916,650	0.84
Marinovich, Brett John	892,500	0.81
Marchesani, Michele	800,000	0.73
Citicorp Nominees Pty Ltd	795,157	0.72
Sydney Fund Managers	787,500	0.72
Arotinco Resources NL	728,750	0.66
Mercer, Denise Gail	545,000	0.50
Stuart, Richard Anthony	539,439	0.49
Boyer, David Donald	500,850	0.46
Cannavo, Frank	487,281	0.44
Grammer, Terrence Ronald	486,667	0.44
Streeter, James	478,000	0.44
	65,323,467	59.52

c) Substantial Shareholders

The names of substantial shareholders which have notified the Company in accordance with section 671B of the Corporations Act, 2001 are:

NAME	Shares Held	%
Jungle Creek Gold Mines Pty Ltd	26,652,796	24.28
Northmead Holdings Pty Ltd	6,464,217	5.89

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