



W E S T E R N A R E A S N L

ABN 68 091 049 357

A N N U A L R E P O R T 2 0 0 7





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Cover photo: Flying Fox box cut.

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David Cooper
Robin Dunbar
Julian Hanna
Craig Oliver

Company Secretary

Craig Oliver

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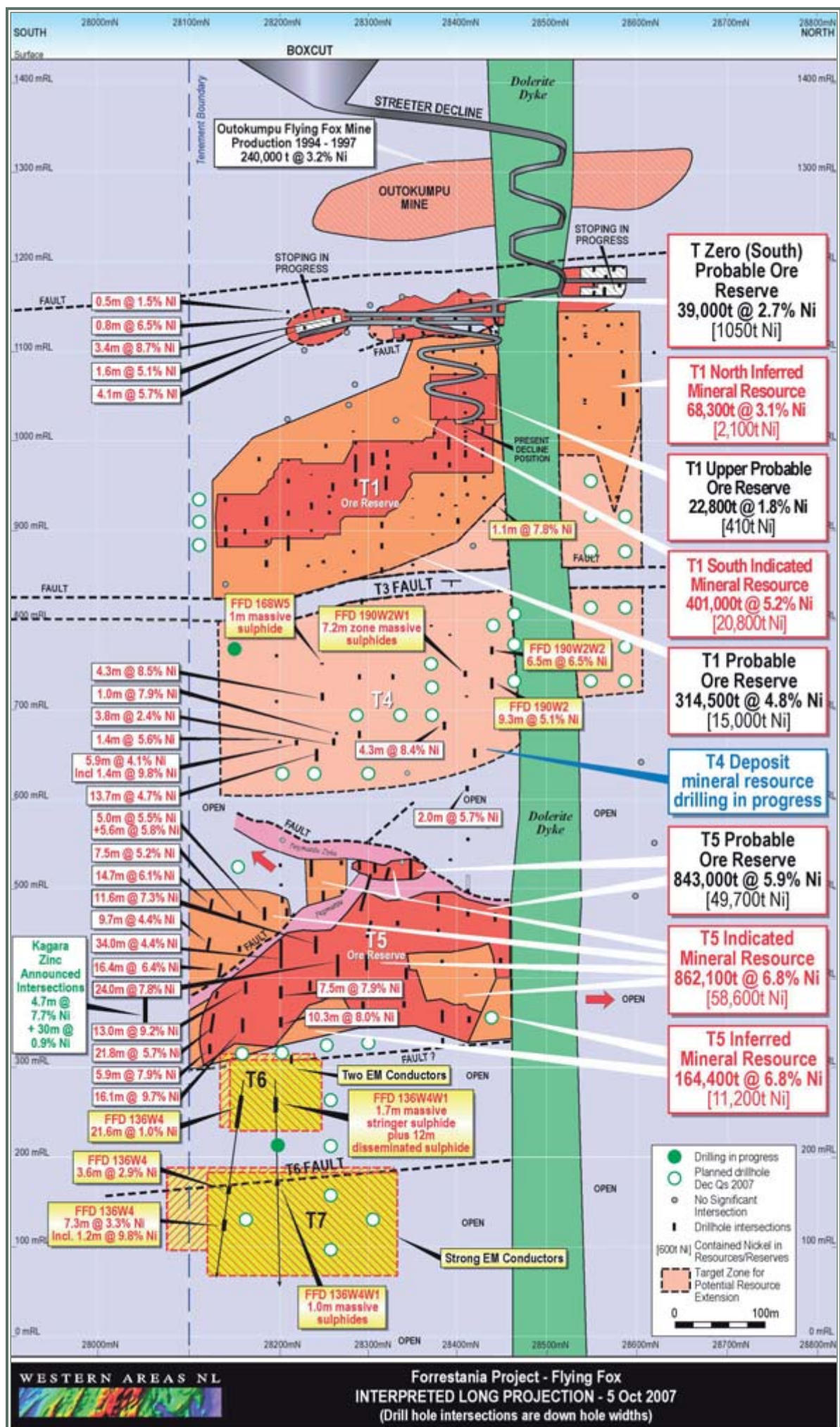
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Flying Fox first ore.







Dear Shareholders,

As the recently appointed Chairman of Western Areas, it gives me great pleasure to present this Annual Report to you for the year ending 30 June 2007. I have enjoyed seeing the Company grow from a junior nickel explorer in 2000 into a rapidly expanding nickel producer which now, directly or indirectly, employs over 200 people in a wide range of activities at the Forrestania Nickel Project and in our Perth office.

The Forrestania project is a wonderful asset for Western Areas. Key to the Company's growth is the Flying Fox nickel mine which is heading towards full production from the T1 ore body starting in the December quarter. Flying Fox is one of the highest grade nickel mines in the world with a ten year plus mine life and potential to increase ore reserves well above the current levels. We expect that increasing production at Flying Fox will drive strong cash flows in early 2008.

The Forrestania Nickel Project also hosts what is expected to be the Company's second mine at Digger South where a decision to mine is due by the end of December 2007. As with Flying Fox, we believe the Diggers South mineral resource will increase with further drilling which should have a positive impact on future production and mine life. Work is also in progress on the high grade New Morning/Daybreak deposit which has the potential to be our third mine at Forrestania.

There are excellent opportunities for further exploration success at Forrestania which has a rich endowment of nickel. Our geological consultants Newexco Services Pty Ltd have identified many high quality nickel targets at Forrestania along the central 50km strike length of the project. In addition, we are exploring a number of regional projects in Western Australia which are also delivering encouraging results. Targets include significant nickel occurrences which haven't been effectively tested since they were discovered more than 30 years ago.

The most recent exploration success is the discovery of the T6 and T7 sulphide zones at Flying Fox in August 2007. The early results are very encouraging and already indicate potential for a major expansion at Flying Fox.

To achieve these outcomes has only been possible through the hard work of our staff, the various technical, exploration and mining teams, our exploration consultants Newexco and our mining contractors Barmenco. We are fortunate to have a world class project and an experienced team of highly professional people to operate it.

Your company is active not only in Western Australia, but also in Canada, complementing our TSX listing. Our Canadian interests include 19.2% interest in listed nickel company Mustang Minerals Corp. In addition we have an option for 100% over a very promising nickel project at Lynn Lake and a substantial high grade zinc deposit at McBride Lake, both located in northern Manitoba. Diamond drilling programs and an EM survey are due to get underway at these Canadian projects early in the December quarter.

Following the completion of the \$225 million convertible bond in June, the Company is in a strong financial position to develop the Forrestania Nickel Project to its full potential. We now have sufficient funds to develop the Diggers South mine, build the concentrator at Cosmic Boy and increase our exploration expenditure to an appropriate level to test the many high quality targets. There is also funding available to acquire other advanced projects which is part of the strategy to build Western Areas into a profitable, mid tier nickel mining company.

On a sad note, one of Western Areas founding directors, Timothy King, passed away earlier this year. Timothy made a huge contribution to the early development of the Company and played a key role in building the foundations for Western Areas growth.

I would like to thank David Cooper for his contribution as Chairman during the past 12 months and his ongoing role as a non executive director of the Company. Finally, I hope you will be able to meet the Board of Directors and Senior Management of the Company at the Annual General Meeting planned in late November.

At this meeting, we look forward to presenting an update on your Company and discussing what will be an exciting year ahead for Western Areas.

Terry Streeter
Chairman

The past year has been the most successful period of growth for the Company to date. During this time Western Areas has commenced ore production at Flying Fox, reported record development rates in the mine and built up high grade mineral resources and ore reserves which will underpin future long term cash flows. Another significant milestone during the year was Western Areas' inclusion in the ASX 200 Index.

Since the 2006 annual report, high quality mineral resources in the four main deposits (Flying Fox, Diggers South, New Morning/Daybreak and Cosmic Boy) have increased approximately 85% to over 225,000 tonnes contained nickel, please refer to Graph below.

At Flying Fox alone, Western Areas has been able to announce the largest ore reserve (66,300 tonnes contained nickel) at the highest grade (5.5% nickel) compared with our Australian nickel peers. We expect this trend will continue with the high rate of conversion of mineral resources to ore reserves and the ongoing drilling success at Flying Fox and Diggers South.

Target production from Flying Fox is between 12,000 and 14,000 tpa nickel in 2010. With continued ore reserve upgrades and potential for significant production from Diggers South, Western Areas is in a strong position to reach our longer term target of 20,000 tpa nickel from Forresteria before 2011.

During the past three months the Flying Fox decline has advanced at record rates and is now only 10m above the top of the T1 orebody. Due to the substantial widths of high grade ore in T1, production from the mine is expected to double from the current 7,000 tonnes ore per month to approximately 15,000 tonnes ore per month.

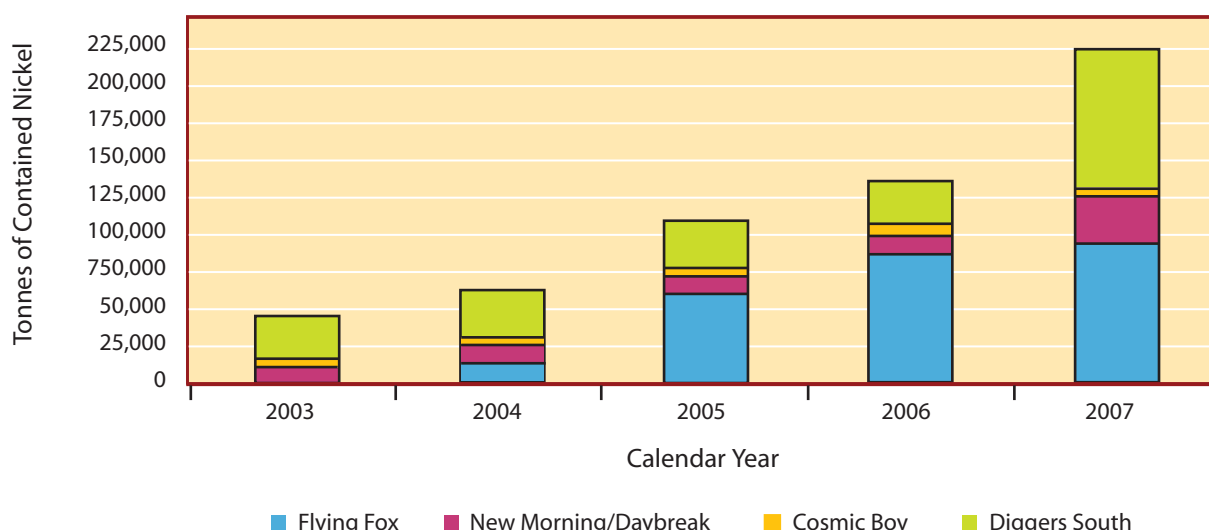
Probably the most important exploration discovery during the past 12 months was the intersection of multiple zones of nickel sulphides and EM conductors in the first drill hole below the Flying Fox T5 ore body. These new zones are named T6 and T7 and drilling is underway to follow up on the early success in this new area of Flying Fox. A positive outcome to the drilling at T6 and T7 should see Flying Fox grow to be a truly world class mine.

There has also been progress on the large Diggers South deposit located 40km south of Flying Fox. A pre feasibility study for a three stage open pit and underground mining operation is now well advanced with the aim of reaching a decision to mine by the end of the year. A positive decision on Diggers South is expected to lead to a decision to construct the nickel concentrator at Cosmic Boy. The size of the concentrator will be determined by the ore production rate at Diggers South, in addition to Flying Fox.

To accommodate the expected development of Diggers South and construction of the concentrate plant, the Cosmic Boy village is undergoing an expansion from 180 to 280 ensuite rooms. The village is built to a high standard and the catering by Action Industrial Catering is excellent.

Importantly, all the various activities at Forresteria during the past 12 months have been achieved with an outstanding safety record. This is the result of the high standards adopted throughout the organisation which is a credit to all the people involved, particularly in the Occupational Health and Safety and Mines Rescue areas. A fortnightly magazine "FNP Rescue News" has been in circulation for the past 15 months. This

Forresteria Mineral Resources



magazine encourages open discussion on any safety issues and promotes high safety standards on site.

In addition, our environmental officers on site are undertaking a number of environmental initiatives aimed at encouraging endangered flora and fauna species at Forrestania beyond the normal requirements for a mining operation. I look forward to reporting results from these programs to shareholders.

I am also able to report that in the difficult labour market in Western Australia, the Company has been able to attract high calibre, experienced and motivated professional staff and contractors. This team not only runs the day to day operations but also provides a core of talented people who will drive the future growth of the Company. With an exciting, new long term project, flexible rosters and safe working conditions we believe Western Areas will continue to attract suitable experienced people to expand our mining operations.

In June 2007, Western Areas raised A\$225 million by issuing convertible bonds at a premium of 45% to the share price which we believe is a record for any Australian resource company. Western Areas received over A\$2 billion in subscriptions, highlighting the quality of the Company's assets and the strategic position that Western Areas occupies in the nickel industry.

These funds will enable us to fast track development of new mines, build the concentrator and accelerate the various

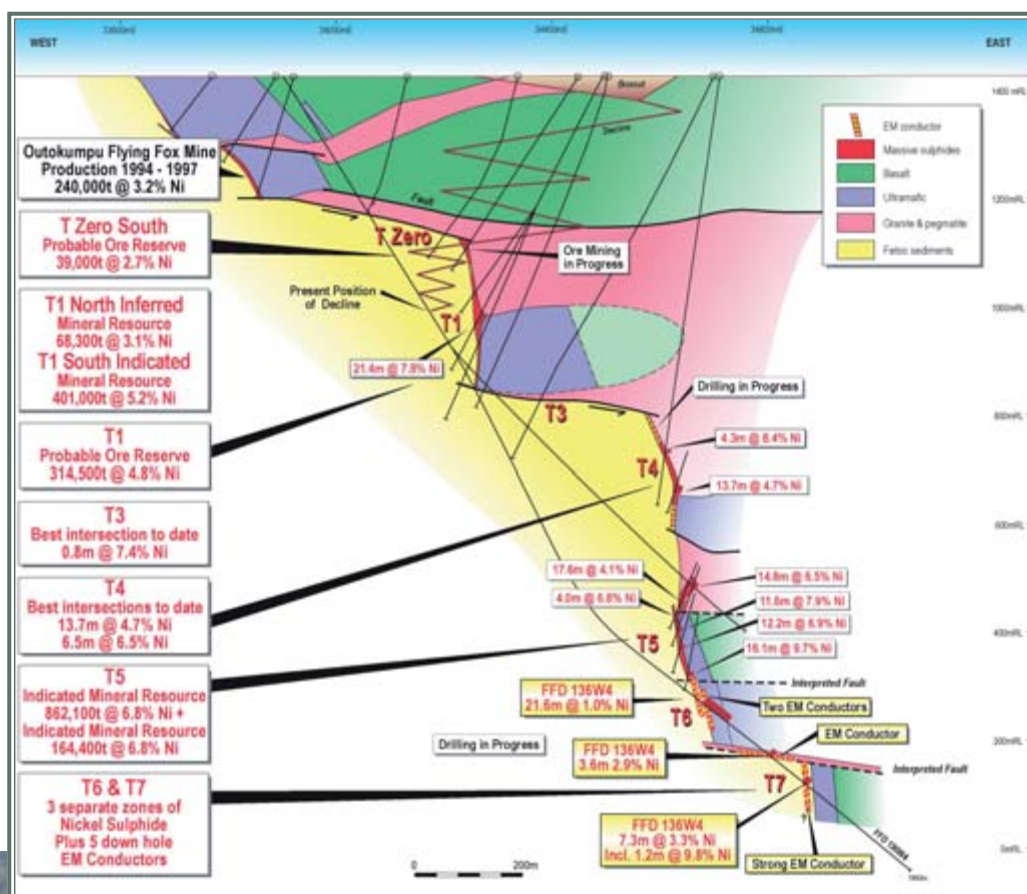
exploration programs. The Board recently approved an increase in exploration drilling expenditure to over \$3 million per month and we look forward to announcing further results from the expanded programs.

The growth in Western Areas activities is reflected not only in the 238% increase in the share price during the past 12 months but also in the increasing level of interest shown by major Australian and offshore investors. We are optimistic that this interest will grow further when we announce the next milestone at the Flying Fox mine which is first production from the T1 orebody during the December quarter.

Finally I would like to take this opportunity to thank the Board members of the Company, our senior management team, our site based and Perth office staff and our highly valued mining and exploration consultants for their enormous energy and long hours of work. I would also like to thank our many shareholders in Australia and offshore for their strong support and ongoing interest in the Company. Everyone involved in Western Areas is looking forward to an exciting year ahead.



Julian Hanna
Managing Director



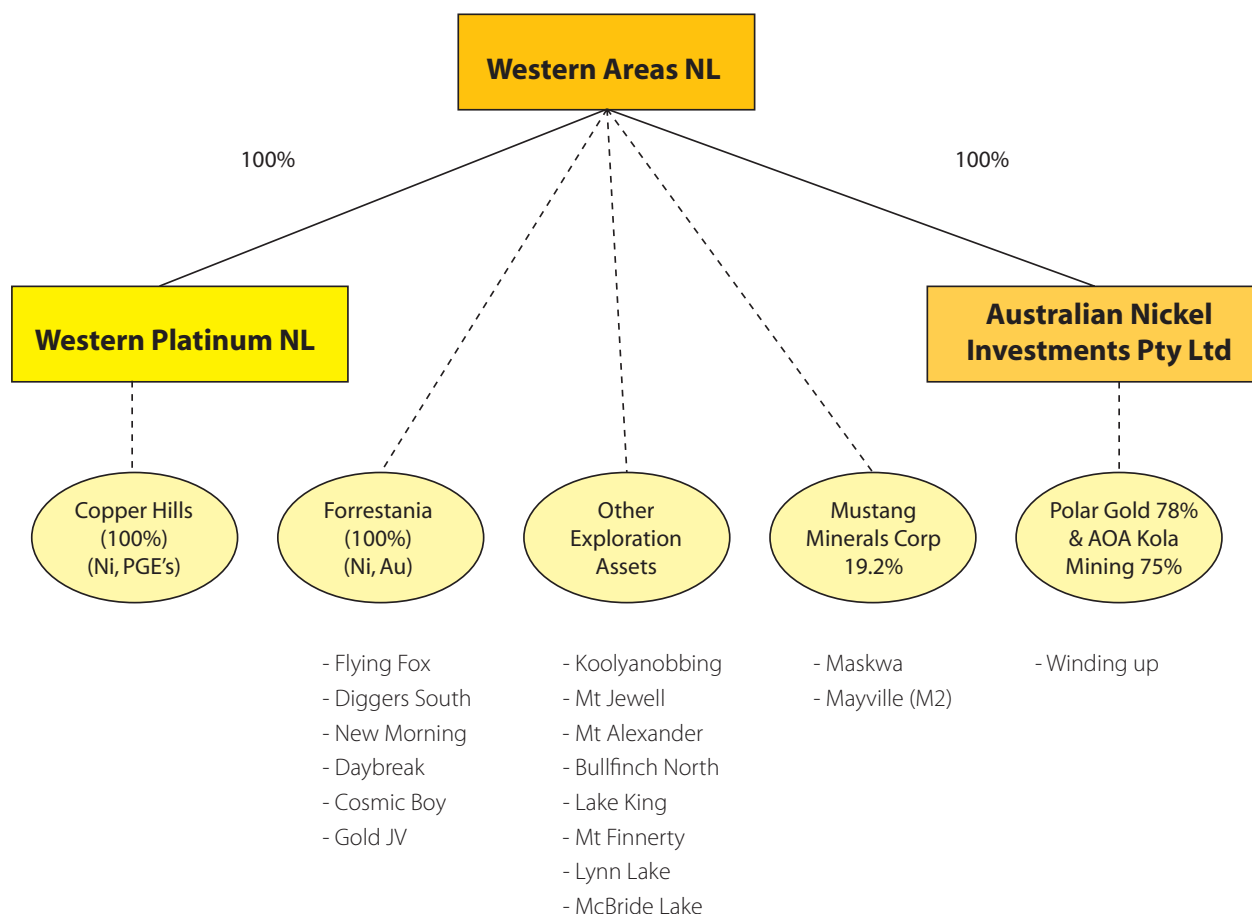
Group Overview

Western Areas (WSA) is an international mid-tier nickel sulphide producer with a proven track record in exploration and mine development. The Company's core asset is the 100% owned Forrestania Nickel Project, located 400km east of Perth, Western Australia. The Company is listed on both the Australian and Toronto stock exchanges. (ASX & TSX: WSA) and is included in the ASX 200 index.

Western Areas primary nickel mine at Forrestania, Flying Fox, is one of the highest grade nickel mines in the world. While Flying Fox continues production, aggressive exploration at other major deposits Diggers South, Digger Rocks and New Morning / Daybreak has identified the potential to deliver multiple mines and significantly extend life of production beyond the current target of 10 years.

Structure

Western Areas NL is a Company limited by shares that is incorporated and domiciled in Australia. Western Areas NL has prepared a consolidated financial report incorporating the material entities that it controlled during the financial year, which are shown below along with the principal assets of each:



Operations Review

Flying Fox Mine Development

The decision in early 2007 to relocate the Flying Fox decline into the footwall sediments has been very successful. Ground conditions have improved and early problems associated with water in the mine are no longer a issue. The decline is currently at over 400m vertical depth and ore is being accessed from the T Zero ore bodies. The decline is on track to reach the larger T1 ore body in the December quarter when both ore production and nickel grades are expected to double.

At the time of this report (mid September) approximately 4.3km of underground capital mine development has been completed at Flying Fox and record development rates have been recorded for the project during the last three months. The decline has been installed with substantial services including ventilation, power and permanent pump station required for a mine designed to extend to at least 1km vertical depth to mine the large T5 ore body.

Our mine development team is conducting a scoping study to consider developing a shaft in addition to the existing decline to access deeper deposits at Flying Fox. If the results of this study are positive, this could result in significantly increased ore production from the mine from 2010.

Flying Fox Production

Mining at the shallowest and lowest grade deposit at Flying Fox, T Zero North is now well advanced. The air-leg section from the 1170 ore drive has been completed with grades up to 4.5% Ni being mined. The remaining pillar between the 1170 and the 1150 levels is currently being extracted using long hole stoping techniques and is expected to be complete by the September quarter. All development in the T Zero South deposit is complete with stoping operations underway in several areas.

Since October 2006 approximately 35,000 tonnes of development ore has been mined from the T Zero North deposit and milled at LionOre's Lake Johnson mill for 700 tonnes of recovered Nickel metal. Metallurgical recoveries have been in line with forecast to between 85-90%. The ore tolling arrangements with LionOre (now Norilsk Nickel Australia Pty Ltd) will continue until the Company constructs a nickel concentrator at Cosmic Boy midway between Flying Fox and Diggers South.

A decision to build the concentrator is expected in the December quarter 2007. All permits for the mill site and the tailings discharge area have been approved. The likely scenario will be to construct a 250,000 tonne per annum modular mill which will be expanded to 650,000 tonne per annum capacity. This will allow the lower grade Diggers South ore to be milled at Cosmic Boy.

Western Areas has already acquired the major plant items including the ball mill, nickel flotation and filtration circuits and conveyor systems. Major infrastructure already exists at Cosmic Boy including grid power, tailing storage and bore fields. Constructing a concentrator at Cosmic Boy will enable Western Areas to optimise metallurgical recoveries and reduce ore transport costs.

Infrastructure

Mine infrastructure has been improved with the completion of the 25km surface pipeline from Flying Fox to Cosmic Boy to remove mine discharge water. This pipeline is connected to dewatering bores, surface storage dams, re-injection bore fields and the old Cosmic Boy mine. The dewatering system is fully automated, is very effective and has resulted in minimal water inflows into the



mine. An additional surface generator has also been installed at the mine to allow full underground activities to proceed during power outages.

The Cosmic Boy village is being expanded to 280 rooms for the potential start up of Diggers South mine and construction of the concentrator at Cosmic Boy. All rooms have en-suite facilities with cable TV and telephones. Additional recreational facilities in the form of a sports arena will be added during the next 12 months.

Flying Fox Ore Reserves / Mineral Resources

During the past 12 months drilling at Flying Fox has been directed towards infilling and extending the T Zero and T1 deposits ahead of mining. A revised ore reserve is being estimated for the T1 deposit assuming higher nickel prices compared with the US\$5.50/lb which was used in the original feasibility study. Results from the revised T1 ore reserve will be announced in the December 2007 quarter.

In July 2007, drilling re commenced at the T4 deposit to test for extensions north and south of the deposit and to infill previously defined mineralised areas to enable a mineral resource to be estimated. The three latest drill holes announced on 11 September 2007 all intersected substantial down hole zones of massive sulphides (up to 8m down hole width) in an area north and above any previous drilling at T4.

Flying Fox Ore Reserves / Mineral Resources (August 2007):

Flying Fox Ore Reserves	Category (JORC)	Tonnes	Nickel grade (Ni%)	Contained Ni (tonnes)
T Zero North	Probable Ore Reserve	12,200	4.1%	500
T Zero South	Probable Ore Reserve	39,000	2.7%	1,050
T1-South-Upper	Probable Ore Reserve	22,800	1.8%	410
T1 South	Probable Ore Reserve	314,500	4.8%	15,000
T5	Probable Ore Reserve	843,000	5.9%	49,700
TOTAL		1,231,500	5.4%	66,660

Flying Fox Mineral Resources	Category (JORC)	Tonnes	Nickel grade (Ni%)	Contained Ni (tonnes)
T Zero North	Indicated Mineral Resource	8,600	7.0%	600
T Zero South	Indicated Mineral Resource	49,900	3.9%	1,970
T1South-Core	Indicated Mineral Resource	314,000	6.1%	19,250
T1South - Halo	Indicated Mineral Resource	86,800	1.9%	1,690
T1 North	Inferred Mineral Resource	68,300	3.1%	2,100
T4				(resource pending)
T5	Indicated Mineral Resource	862,100	6.8%	58,800
T5	Inferred Mineral Resource	164,400	6.8%	11,220
TOTAL		1,554,100	6.2%	95,630

Diggers South Mineral Resources

On 28 March 2007, Western Areas announced a major upgrade in mineral resources at Diggers South. The revised mineral resource is represented as two parts:

Diggers South - Core: An Indicated Mineral Resource of 3.0 million tonnes at an average grade of 1.48% nickel containing 44,700 tonnes of nickel. This is 47% increase in contained nickel compared with the previous estimate announced on 9 May 2005. The revised mineral resource estimate assumes a 1.0% nickel cut-off grade.

plus:

Diggers South - Halo: An Indicated Mineral Resource of 4.8 million tonnes at an average grade of 0.74% nickel containing 35,600 tonnes of nickel. This mineral resource estimate assumes a 0.6% nickel cut-off grade.

The two Indicated Mineral Resources at Diggers South comprise a total 7.8 million tonnes at an average grade of 1.02% nickel, containing approximately 80,300 tonnes of nickel.

The Diggers South deposit remains open along strike and at depth. Drilling during the next 12 months is expected to focus on extending mine life and testing the potential for high grade massive sulphides which have been intersected in two widely spaced deeper drill holes at Diggers South.

Diggers South Mineral Resources (August 2007):

Diggers South Mineral Resources	Category (JORC)	Tonnes	Nickel grade (Ni%)	Contained (tonnes) Ni
Diggers South – Core (Underground)	Indicated Mineral Resource	3,000,000	1.5%	44,700
Diggers South – Halo (Underground)	Indicated Mineral Resource	4,800,000	0.7%	35,600
Digger Rocks – (Underground)	Indicated Mineral Resource	54,900	3.7%	2,030
Digger Rocks – Core (Openpit)	Inferred Mineral Resource	172,300	1.1%	1,850
Digger Rocks – Halo (Openpit)	Inferred Mineral Resource	1,441,000	0.7%	10,350
TOTAL		9,468,200	1.0%	94,530



Diggers South Feasibility Study:

The pre-feasibility for Diggers South is nearing completion. During the last 12 months a technical team of geologists, metallurgists, mining engineers and environmental consultants have been evaluating various options for developing the mine. It is anticipated that a three stage mining approach will be adopted:

- Stage 1 - involves the cut-back of the original Digger Rocks pit which includes approximately 700,000 tonnes of mineralisation at an average grade of 0.7% Ni;
- Stage 2 – involves rehabilitation of the Digger Rocks mine decline to access the remaining ore at the bottom of the mine;
- Stage 3 – involves extending the Digger Rocks mine decline 400m to the south to access the Diggers South deposit for a five to six year mine life.

A decision to proceed with mining at Diggers South is expected in December 2007 after the completion of a full feasibility study. Mining at Diggers South has the potential to add 5,000 tonnes of nickel in concentrate per annum to overlap Flying Fox mine production for a 5 year period. It is anticipated that this ore will be treated in the expanded concentrate plant at Cosmic Boy. The required permits for the three stage development of the Diggers South mine are well advanced with the regulators.

Previous mining by Outokumpu at the Digger Rocks mine, 400m North of Diggers South produced approximately 28,000 tonnes of nickel in concentrate.

Forrestania Environmental Activities

Environmental Management at Forrestania encompasses three main aspects:

- Obtaining environmental approvals and permits for the various project requirements and activities undertaken at the FNP;
- Compliance with relevant state and federal environmental legislation, license and tenement conditions and environmental commitments, and;
- Environmental initiatives aimed at exceeding the 'status quo'.

The 2006 - 2007 period has been very productive for all environmental management aspects mentioned above.

The principle approvals activities undertaken during the last financial year have included the Cosmic Boy to Flying Fox dewatering pipeline inclusive of the re-injection borefields and the associated clearing permits. Collection of information required for the compilation of the Diggers South pre-feasibility study. Preliminary work into the establishment of regional mine water disposal options for the project.

Environmental Inspectors from both the Department of Environment and Conservation (DEC) and Department of Industry and Resources (DoIR) have visited the Forrestania site during the last financial year. No major non-compliance issues were raised during these inspections. The environmental staff at FNP undertakes regular inspections and monitoring within the Forrestania project area to ensure compliance across all aspects of the operation.

In addition there have been two visits from Government officials over the period. In September 2006, 40 personnel from various DEC regional offices visited the site. In July 2007 a contingent of various government officers from DEC and DoIR and representatives from the Wildflower Society, Wilderness Society and Conservation Council visited the site to inspect the Diggers South project and areas being considered for regional mine water disposal. Both groups were impressed with the layout and management of the site.

A number of environmental initiatives that go beyond the regulatory compliance standards required of Western Areas are being considered for implementation in the near future. Principally these will involve the establishment of programs to monitor and improve the status of one or a number of endangered fauna and/or flora species that occur within the Forrestania area.

Forrestania Exploration

The exploration program is focussing on the central 50km strike length of the Forrestania nickel belt extending from the Beautiful Sunday deposit in the north to the Purple Haze deposit in the south. Three main nickel systems have been identified within this strongly mineralised 50km long zone, being Flying Fox, Cosmic Boy and Diggers South. Each of these nickel systems is between 5km to 7km long, contains a number of significant sulphide deposits and has its own distinctive geological setting.

In the deeply weathered terrain of Western Australia, massive nickel sulphide commonly leaches to 150-200m depth from surface. Considering that most previous drilling at Forrestania stopped before 200m depth or when granite was intersected, excellent potential remains for discovering new massive sulphide ore shoots at depth and below the granite, particularly in the Flying Fox nickel system. These ore shoots are likely to be associated with 'lava channels' in the host ultramafic sequence. Knowledge gained from Flying Fox will enable the Company to explore along strike from existing mineralisation to discover new deposits.

The recent discovery of the Flying Fox T6 and T7 nickel sulphide zones from 1200m-1400m depth below the large T5 ore body provide an indication of the potential at Forrestania. Targeting was based on a detailed understanding of the existing deposits (T Zero, T1, T4 and T5) and an estimate

of fault movements offsetting each of these deposits to the east. The discovery drill hole for T6 and T7 (FFD136W4) was completed at 1,843 metres down hole depth, the deepest hole ever drilled at Forrestania. The T6 and T7 discoveries are being followed up by drill holes targeting the conductors interpreted from down hole EM surveys carried out in hole FFD136W4.

Drilling priorities and targeting are constantly reviewed by Western Areas and geological consultants Newexco. This process has identified several key prospects where activities will be concentrated over the coming year. The strategy is two pronged; one seeks to augment the resources and reserves already identified at the Flying Fox deposits, Diggers South and New Morning/Daybreak. The second targets known nickel prospects where there is potential to outline resources that could be converted into reserves and new mines.

The Company has four surface and one underground diamond drill rigs on site at Forrestania drilling 24 hours per day. During the past 12 months 150 drill holes for 33,117m of diamond drilling were completed at Forrestania. A sixth drill rig will commence on site in the December quarter. In addition to the ongoing exploration program, Western Areas is sponsoring a PhD student from The University of Western Australia. Jane Collins is in the second year of a three year study deciphering the unique geological setting of the Flying Fox mineralisation.

Regional Exploration

Active exploration programs are being conducted on several of Western Areas other nickel and PGE exploration projects in Western Australia with encouraging results reported during the

past 12 months. Western Areas has consolidated the nickel potential of the Forrestania region and has interests covering not only the Forrestania greenstone belt but also the Bullfinch, Koolyanobbing, Mt Finnerty and Lake King greenstone belts. Promising early nickel results from the Koolyanobbing, Lake King and Mt Finnerty projects are summarised below.

Koolyanobbing Joint Ventures

In July 2006, four reverse circulation drill holes were drilled within a 1.5 km strike zone enclosing the Jock's Dream prospect in the Koolyanobbing North Nickel project (WSA 100%) to test IP geophysical targets along strike from known nickel sulphide mineralisation. Early explorers at Jock's Dream (BHP and Delta Gold) intersected nickel sulphide mineralisation with the best previous result being 6.7m at 2.6% nickel.

Western Areas intersected nickel sulphides including 1m @ 4.0% Ni in shallow drilling 250m northwest of Jocks Dream. The mineralisation occurs as massive and stringer sulphides and provides encouragement that significant massive nickel sulphides will be intersected at depth. Diamond drilling is expected to commence to test the potential of this exciting prospect in October 2007.

Lake King Nickel Joint Venture

Western Areas is earning 70% interest in the Lake King project located 80km south west of Forrestania. The main interest is at the "Nickel Hill" prospect where soil sampling has returned anomalous nickel, copper, PGE and base metal values over a 300m area. An IP geophysical survey in July 2006 defined a strong conductor in the area of the soil anomaly.



Six shallow reverse circulation drill holes were drilled with the following results:

Drill hole LKRC006: 15m at 0.36% Nickel from 180 - 195m.

Drill hole LKRC004: 1m at 0.49% Ni from 174m-175m.

These initial drilling results are considered very positive, being the first ever intersections of nickel sulphides in the Lake King Greenstone belt located between Forrestania and Ravernsthorpe. Follow up work is planned to test for the possible economic mineralisation at depth and along strike to the southeast.

Mt Finnerty Joint Venture

Western Areas has an agreement with Reed Resources Ltd to earn 65% in the nickel rights to the Mt Finnerty belt, 200km NE of Forrestania. The area was last explored for nickel by WMC in the 1970's.

Western Areas is conducting an extensive soil sampling program at Mt Finnerty. Samples are analysed on site using a portable XRF analyser (Niton). Four geochemical anomalies have been defined and infill sampling and RAB drilling is planned to better define these targets. Ground geophysical surveys are planned in the December quarter to define drilling targets expected to commence early in 2008.

Canadian Projects

Lynn Lake, Manitoba

On 15 March 2007, Western Areas announced an Option Agreement to acquire a 100% interest in a strategic holding of 24 Mining Claims covering 2,617 hectares of one of Canada's premier nickel, copper and cobalt mining camps at Lynn Lake. The agreement also includes 7 Mining Claims (1,651 hectares) which covers a significant Volcanogenic Massive Sulphide ("VMS") high grade zinc rich deposit (previously estimated to contain approximately 2Mt @ 8.8% Zn) at McBride Lake, 70km east of Lynn Lake.

Between 1954 and 1976, Sherritt Gordon Mines Limited, ("Sherritt") mined 22.2 million tons at an average grade of 1.02% Ni and 0.54% Cu from several mines at Lynn Lake. Past production includes material from the high grade 'EL' mine located 3km south of Lynn Lake. Sherritt's mining operations ceased in 1976. Substantial nickel and copper resources remain in several deposits held by Canadian nickel company, Independent Nickel Corp. whose tenements are adjacent to Western Areas' holdings.

The 'EL' mine now held by Western Areas produced approximately 1.0 million tons ore grading 3.3% nickel and 1.1% copper plus high grade cobalt to a depth of approximately 170m. The original discovery drill hole at the EL Mine, DDH 160, reportedly intersected 183m @ 4.8% nickel

and 1.7% copper, one of the best nickel intersections recorded in Canada. Western Areas' highest priority drilling targets include a previously untested VTEM anomaly adjacent to the EL mine and the potential for extensions to the high grade massive sulphide immediately below the EL mine.

Western Areas VTEM survey also identified a number of other conductors in favorable geological settings and in June 2007, five diamond drill holes completed to test four of these anomalies. Further drilling is scheduled to take place at Lynn Lake at the end of September. A VTEM survey is also planned to be flown over the McBride Lake zinc deposit in the December quarter with diamond drilling planned to start in January 2008.

Maskwa Project, Manitoba (Western Areas 19.2%)

Western Areas owns 19.2% of Canadian listed nickel company, Mustang Minerals Corp. TSX:MUM. Mustang has substantial exploration holdings for nickel/copper and PGE's in Manitoba and Ontario and is undertaking a pre-feasibility study for an open pit mine at the Maskwa nickel deposit in southern Manitoba.

The Maskwa pre-feasibility study is evaluating a six year, ~5,000 tpa nickel mine with a concentrator to be constructed on site. The pre feasibility study is well advanced with results due to be released in the December quarter.

Project Finance

In June 2007 the Company completed an 8% yield, \$225m convertible bond. The bonds were issued at a strike price of \$8.16 per share, this being a 45% premium to the closing share price on that day, and one of the highest premiums ever achieved by an Australian resource company. The bonds are listed on the Singapore stock exchange and mature in July 2012. The funds raised from the bond issue sets the company for growth by providing the flexibility to advance feasibility studies, accelerate exploration activities and fund project development, while also maintaining the Company's ability to act quickly on corporate opportunities both in Australia and Canada.

In December 2006, Western Areas refinanced the existing \$80M senior debt facility with Australian and New Zealand Banking Group Ltd ("ANZ"). The new corporate style facility incorporates a \$70m Cash Advance Facility and \$10m Cost Overrun Facility. The refinancing with ANZ provides the company with greater flexibility as the new banking agreements have no mandatory hedging requirements and the ability for the Company to pay dividends in earlier years than the previous project style banking arrangements. In June 2007 the Company also announced it had secured a further \$10m Resource Drilling and Feasibility Study Facility with the ANZ.

Selected Financial Information

Consolidated Income Statement

	Three Months Ended 30 June		Full Year Ended 30 June	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Sales	11,870	-	17,530	-
Cost of Sales	(4,950)	-	(8,357)	-
Gross Profit	6,920	-	9,173	-
Other income	464	230	2,876	790
Employee benefit expenses	(254)	(757)	(2,986)	(1,637)
Finance costs	(124)	(15)	(268)	(90)
Administration expenses	(2,128)	(493)	(4,049)	(2,825)
Impairment loss on non-current assets	(2,747)	(1,468)	(4,272)	(2,964)
Derivative Gain/(loss)	578	-	(9,026)	-
Unrealised movement in the market value of derivatives	4,333	-	(6,833)	-
Operating earnings/(loss) before income tax	(7,042)	(2,503)	(15,385)	(6,726)
Income tax benefit	(4,234)	587	3,272	1,890
Earnings/(loss) for the period	2,808	(1,916)	(12,113)	(4,836)
Earnings/(loss) per Share	1.95	(1.41)	(7.68)	(3.66)
Diluted earnings/(loss) per share	1.95	(1.41)	(7.68)	(3.66)

Results for the full year ended 30 June 2007

Gross profit of \$9.2m for the full year ended resulted from commencement of nickel ore production from the Flying Fox mine with the majority of production for the year processed and revenue recognised.

Other Income has increased \$2.1m for the period due to increased royalty payments from LionOre Mining International that relate to the Black Swan Nickel Project. The royalty payments have now been fully received under the royalty agreement and no further payments are expected.

The retirement of a portion of the Company's hedge book in December 2006 and further settlements on contract maturity resulted in a \$9.0m realised derivative loss for the period, a liability which had previously been recognised on the balance sheet.

Employee benefit expenses have increased from the same period in the prior year due to an increase in staff at Western Areas and the requirement to expense employee options \$0.9m in line with IFRS.

Administration expenses for the full year have increased to \$4.0m. The major activities for the year including a \$225 million convertible bond issue, a \$45 million rights issue and CAD\$24 million private placement. Corporate support costs were also greater due to the transition of the Company from an explorer to nickel producer.

The net loss position of \$12.1m for the year includes a total hedge loss of \$15.9m that resulted from a net \$9.0m expense for the retirement and settlement of hedge contracts compounded by the need to account for \$6.8m of unrealised movements in the

marked to market position for part of the hedge book through the income statement in line with IFRS. This was partially offset by the \$9.2m gross profit from the Flying Fox mining operations.

Results for the three months ended 30 June 2007

Gross profit of \$6.9m for the June 2007 quarter was achieved with the continued ramp up of nickel ore mining and ore sales from the Flying Fox mine.

The impairment loss for the period of \$2.7m mostly relates to the write down of selected regional projects that remain prospective, however as yet have not realised significant mineral discoveries.

The lower spot nickel price drove the \$4.3m favourable movement in the unrealised marked to market value of derivatives.

Administration expenses for the period were \$1.6m higher than the same period last year as a result of the timing of significant corporate activities, such as Western Areas \$225m convertible bond issue and other corporate support and marketing activities.

Consolidated Balance Sheet

	30 June 2007 \$'000	30 June 2006 \$'000
<u>Assets</u>		
Current Assets	244,532	3,585
Non Current Assets	175,091	104,127
Total Assets	419,623	107,712
<u>Liabilities</u>		
Current Liabilities	67,285	16,313
Non Current Liabilities	244,974	38,301
Total Liabilities	312,259	54,614
Net Assets	107,364	53,098
<u>Equity</u>		
Total Equity	107,364	53,098

Current assets have increased to \$244.5m primarily due to increased cash balances that resulted from the \$225 million convertible bond that was issued during June 2007. The funds from this will be utilised to fund development of other mines at Forrestania, accelerate exploration activities, fund feasibility studies on advanced projects, while leaving the Company in a position to act quickly on corporate opportunities as they present.

Non current assets for the year ended 30 June 2007 have increased by \$71.0m which predominantly resulted from capitalised expenditure for mine development and deferred mining costs for the Flying Fox mine and ongoing investment in exploration, feasibility studies and plant and equipment. A favourable increment in the market value of Western Areas investment in Mustang Minerals as well as the increased deferred tax asset also attributed to the increase in non-current assets.

Current liabilities have risen to \$67.3m. This is mainly attributable to the balance of unrealised liabilities relating to Base Metal hedging contracts moving from non-current into current liabilities. The current liability for the marked to market value of these contracts is \$58.5m.

Non current liabilities increased to \$245.0m. Long term borrowings increased due to the ongoing development of the Flying Fox Mine being funded by corporate bank debt and the recognition of the Net Debt component of the \$225 million convertible bond during June 2007. The Bond was allocated 89% debt and 11% equity.

Consolidated Statement of Changes in Equity

	Full Year Ended	
	30 June 2007 \$'000	30 June 2006 \$'000
Total equity 1 July	53,098	43,507
Movement in issued capital	70,228	29,186
Movement in reserves	(3,849)	(14,759)
Loss for the year ended 30 June	(12,113)	(4,836)
Total equity 30 June	107,364	53,098

Issued capital has increased due to the company completing a \$45m rights issue in September 2007 and a CAD\$24m private placement on the TSX during December 2006. In addition, 502,833 options were converted at various prices during the fiscal year.

The movement in reserves was primarily due to a net fair value adjustment that related to the unrealised loss on the marked to market value of the company's hedge book (see Off Balance Sheet/Financial Instruments for a description of hedge commitments). All hedges that comply with the accounting standard for hedge accounting are treated as cashflow hedges in line with IFRS. The movement in reserves also related to the recognition of the equity component of the convertible bond that was issued in June. The 11% equity component was valued at \$23.6m (net of expenses). There was also an increment in the value of Companies investment in Mustang Minerals of \$5.3m taking the value of the Company's investment from \$3.4m to \$8.6m.

The loss for the year ended 30 June 2007 increased to \$12.1m due to the realised loss on some hedge contracts that were retired during the December quarter and unrealised hedge losses recognised for the marked to market position of part of the Company's remaining hedge book \$6.8m. This was partly offset by the \$9.5m gross profit from the Flying Fox mining operations.

Consolidated Cashflow Statement

	Three Months Ended 30 June		Full Year Ended 30 June	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Net Cashflow from Operating Activities	6,847	(1,309)	(6,295)	(4,631)
Net Cashflow from Investing Activities	(15,845)	(9,701)	(61,879)	(45,076)
Net Cashflow from Financing Activities	232,265	4,768	302,681	49,200
Net Cashflow	223,267	(6,242)	234,507	(507)
Cash at Bank	237,003	2,496	237,003	2,496

Results for the year ended 30 June 2007

Operating cash expenditure of \$6.3m was higher than the same period in the previous year primarily due to increased payment to suppliers in the course of operations due to commencement of mining operations and the settlement of some hedge contracts during the period with a value of \$9.7m. In addition, finance costs increased due to a higher average balance of finance facilities resulting in larger interest payments. These were partly offset by operating revenues of \$15.6m from nickel ore sales and royalty payments received.



Investing cashflows have increased to \$61.9m due to increased capital expenditure related to the Flying Fox mine in conjunction with expenditure for investment in other entities, primarily Mustang Minerals.

Financing activities have increased by \$253.5m mainly as a result of the \$225 million convertible bond issue that occurred in June 2007 combined with a \$45 million rights issue and CAD\$24 million Canadian private placement that were completed in the first half of the fiscal year. Borrowing costs were higher than the same period in the prior year due to additional costs associated with the convertible bond and corporate debt restructuring.

Results for the three months ended 30 June 2007

Positive operating cashflow of \$6.8m for the quarter was achieved due to the increasing sales of nickel ore from the Flying Fox mine. This was partially offset by cash payments made to suppliers in the course of operations. Administration and employee costs have also increased in line with Western Areas growth as a company.

Investing cashflows have increased by \$6.1m from the same period last year. This is primarily due to increased capital expenditure at the Flying Fox mine with exceptional advance rates for the mine decline, and accelerated increased exploration expenditure on both the Forresteria and other regional programs.

Cashflows from financing increased to \$232.3m for the quarter as a result of the \$225 million convertible note issue that was completed at the end of the June quarter and proceeds of borrowing that fund the development and mining of the Flying Fox mine. These were offset by increased borrowing costs for the period mostly related to the bond issue.

Statement of Operations by Segments

The Consolidated Entity operated predominantly in the mineral mining and exploration industry in Australia.

Share Capital

As at 14 September 2007

Outstanding Shares	166,482,066
Options issued but unexercised	9,627,167
Total	176,109,233

All the unexercised options are unlisted.

Finance Activities, Liquidity and Capital Resources

During December 2006, Western Areas refinanced the existing \$80 million project finance facility with a new corporate style facility provided by the ANZ Banking Group Limited ("ANZ"). The new facility provides Western Areas with greater flexibility and the potential to pay dividends earlier than the original Facility structure allowed. During June 2007 the Company secured a further \$10 million feasibility and resource drilling facility.

The Company has the following financing facilities available to it:

	Amount available under the Facility (\$ millions)	Undrawn Portion of Facility (\$ millions)
Primary ANZ Bank Finance Facilities:-		
Cash Advance Facility	70.0	17.4
- Cost Over Run Facility	10.0	10.0
- Feasibility & Resource Drilling Facility	10.0	9.2
Total Primary Debt Facility	90.0	36.6
-Performance Bond Facility	2.0	0.9
Total Corporate Finance Facilities	92.0	37.5

As set forth in the table above, approximately \$53.4m has been drawn from the total primary corporate finance facility of \$90.0m provided by ANZ. Access to the remaining portion of the facility is conditional upon the Company operating the Flying Fox mine in accordance with development plans approved by the aforementioned banking institution and the Company being in compliance with the operational and financial covenants and warranties specified under the facility.

At 30 June 2007 the Company had \$241.3m in cash and receivables with \$7.6m in creditors and accruals.

As at 30 June 2007 Western Areas long term debt obligations are as follows:

Contractual Obligations (in \$'000)	Payments due by Period				
	Total	Less than 1 year	1 - 3 years	4 - 5 years	After 5 years
Long Term Debt ⁽¹⁾	90,000	10,000	24,835	55,165	-
Convertible Bond	225,000	-	-	225,000	-
Finance Leases ⁽²⁾	171	121	50	-	-
Operating Leases ⁽³⁾	446	183	263	-	-
TOTAL	315,617	10,304	25,148	280,165	-

Notes:

(1) The above table is based on the contracted amortisation dates for the ANZ facilities assuming they are full drawn before repayments are scheduled to commence. The table does not include the Performance Bond facility as this has no fixed repayment date.

(2) Represents finance leases for light vehicles at the Forrestania Project and other miscellaneous office equipment.

(3) Represents rental payments for miscellaneous office equipment and rent of the Perth Corporate office and Canadian Branch office.

Financial Instruments

In 2005 the Company entered into forward sales agreements for 2,275 tonnes of nickel from the Flying Fox mine. At present 1,603 tonnes remain hedged at an average price of US\$9,563 per tonne for delivery in fiscal year 2008. The Company has also entered into US\$/A\$ forward exchange contracts to convert the US\$ payments which are to be received in fiscal year 2008 under these nickel forward sales agreements. This effectively creates an A\$ nickel hedge of anticipated revenues from this 1,603 tonnes of nickel production in this year. Details of these hedges are as follows:



	Fiscal Year 2008	TOTAL
Nickel Tonnes Sold	1,603	1,603
US Price (US\$/tonne)	9,563	9,563
US\$ Value (US\$'000)	15,329	15,329
US\$ Currency Hedges (US\$'000)	15,329	15,329
Exchange Rates	\$0.7353	\$0.7353
Effective Nickel Price (A\$/tonne)	13,005	13,005

Based on the current Mineral Reserve for the Flying Fox mine, the above nickel hedging represents less than 5% of the contained nickel. The Company's policy is to monitor the state of the global nickel market and the forward prices that are obtainable. The Company aims to achieve an appropriate balance between price and currency risk management strategies whilst maintaining exposure to the spot nickel market.

As at 30 June 2007 the marked to market value of the forward contracts (including pending settlements for fiscal 2007 deliveries) was a negative \$55.8m (this valuation being based on a spot nickel price of US\$16.47 per pound, or US\$36,315 per tonne, and a US\$/A\$ exchange rate of 0.8497 which were the then current spot price and exchange rate).

None of the hedging contracts shown above are subject to margin calls. If the Company fails to deliver the required product - being nickel or US Currency - on the maturity date of each contract then it will need to renegotiate or close out and settle the relevant contract. This will result in either a cash gain or loss to the Company depending upon the market price of nickel or the US\$/A\$ exchange rate at that point in time.

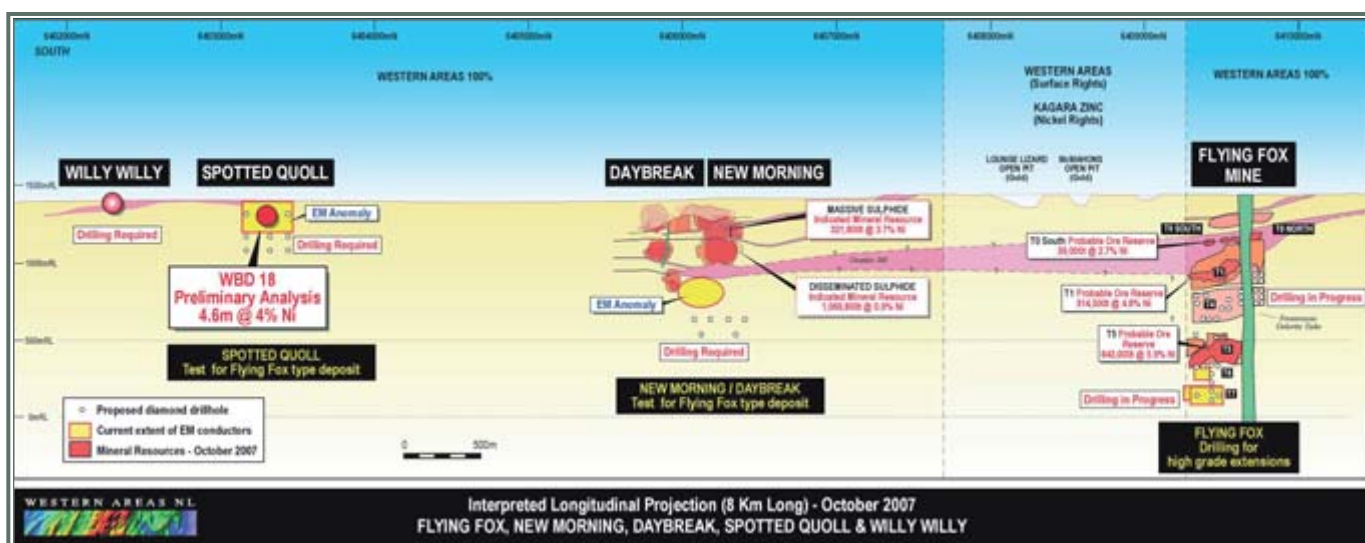
The Company has not entered into any other financial contracts or instruments such as derivatives transactions or forward sales, or other instruments and has no other long-term commitments outstanding.

Critical Accounting Estimates

Management is required to make various estimates and judgements in determining the reported amounts of assets and liabilities, revenues and expenses for each period presented and in the disclosure of commitments and contingencies. The significant areas where management uses estimates and judgments in preparing the consolidated financial statements are in the determination of the carrying values and impaired values of exploration assets, amortisation rates based on life of mine calculations and rehabilitation provision estimates.

Internal Controls

The Company has made no change to its internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.



The Directors submit the financial report of the Consolidated Entity for the year ended 30 June 2007. Unless noted, all amounts in this report refer to Australian dollars.

Principal Activities

The principal activities of the Consolidated Entity during the year consisted of the development and mining of the Flying Fox Nickel mine and the exploration for nickel sulphides, platinum group metals and gold.

Operations and Financial Review

A detailed Operations and Financial review can be found in the preceding Management Discussion and Analysis section of the Annual Report starting on page 6.

Directors

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

Names, qualifications, experience and special responsibilities.

Terence Streeter

(Non-Executive Director)

Mr Streeter is a Perth based businessman with extensive experience in exploration and mining companies and has held various interests in the nickel sulphide industry for over 30 years. Mr Streeter is the Chairman of the Remuneration and Nomination Committees and serves on the Treasury and Audit & Risk Management Committees.

Mr Streeter was appointed as the Chairman of the Board on the 17 August 2007.

During the past three years Mr Streeter has also served as a director of the following other listed companies:

- Midas Resources Limited (*) (since February 2003)
- Fox Resources Limited (*) (since June 2005)
- Minera IRL (*) (since April 2007)

Julian Hanna B.Sc

(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 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. Mr Hanna is a member of the Nomination and Treasury Committees.

During the past three years Mr Hanna has also served as a director of the following other listed companies:

- Mustang Minerals Corp (*) (Since December 2006)
- Fox Resources Limited (April to December 2006)

David Cooper CPA

(Independent, Non-Executive Chairman)

Mr Cooper is a Certified Practising Accountant with over 20 years experience in the area of taxation and business administration, including as 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 the Audit &

Board of Directors, left to right: Craig Oliver, Julian Hanna, David Cooper, Terence Streeter and Robin Dunbar



Risk Management Committee and is a member of the Nomination, Remuneration and Treasury Committees.

On the 28 August 2006 Mr Cooper was appointed as the Chairman of the Company's Board. On the 17 August 2007 Mr Cooper retired as Chairman, Mr Cooper remains an Independent Non-Executive Director of the Company.

Robin Dunbar MBA

(Non-Executive Director)

Mr Dunbar joined the Board on 12 December 2005. Mr Dunbar is based in Toronto, Canada and has held a number of senior positions in both commercial and corporate banking sectors and is currently the President of Mustang Minerals Corporation. Mr Dunbar is a member of the Audit and Risk and Remuneration Committees.

During the past three years Mr Dunbar has also served as a director of the following other listed companies:

- Mustang Minerals Corp (*) (since May 1996)
- Veldron Gold Inc (*) (since September 2005)
- Aquila Resources Ltd (*) (Since May 1996)

Craig Oliver MBA, ACA

(Finance Director & Company Secretary)

Mr Oliver has been the Company Secretary and the Chief Financial Officer since 21 March 2006 and was appointed as the Finance Director on the 8 December 2006. Mr Oliver has significant mining experience gained in operational senior financial and corporate roles. Mr Oliver is a member of the Treasury Committee.

During the past three years Mr Oliver has also served as a director of the following other listed companies:

- Mining Ltd (*) (since April 2006)
- DeGrey Nkwe Platinum Ltd (June 2004 – January 2006)

David Donald Boyer BSc(Hon), CPGeo

(Independent, Non-Executive Chairman)

Mr Boyer retired from the board on the 28 August 2006.

(*) denotes current directorship

SENIOR EXECUTIVES

Dan Lougher B.Sc. Msc. Eng

(GM – Operations)

Mr Lougher is a qualified Mining Engineer with over 20 years experience in all facets of resource and mining project exploration, feasibility, development and operational activities in Australia and overseas. Mr Lougher is a member of the Australasian Institute of Mining & Metallurgy.

Interests in Shares and Options of the Company

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

	Ordinary Shares	Options \$7.50	Options \$3.20	Options \$2.75
J Hanna	1,580,759	400,000	400,000	
D Cooper	1,100,000	400,000	350,000	
T Streeter	31,438,283	400,000	450,000	
R Dunbar	2,500	400,000	400,000	
C Oliver (*)	110,000	400,000		400,000

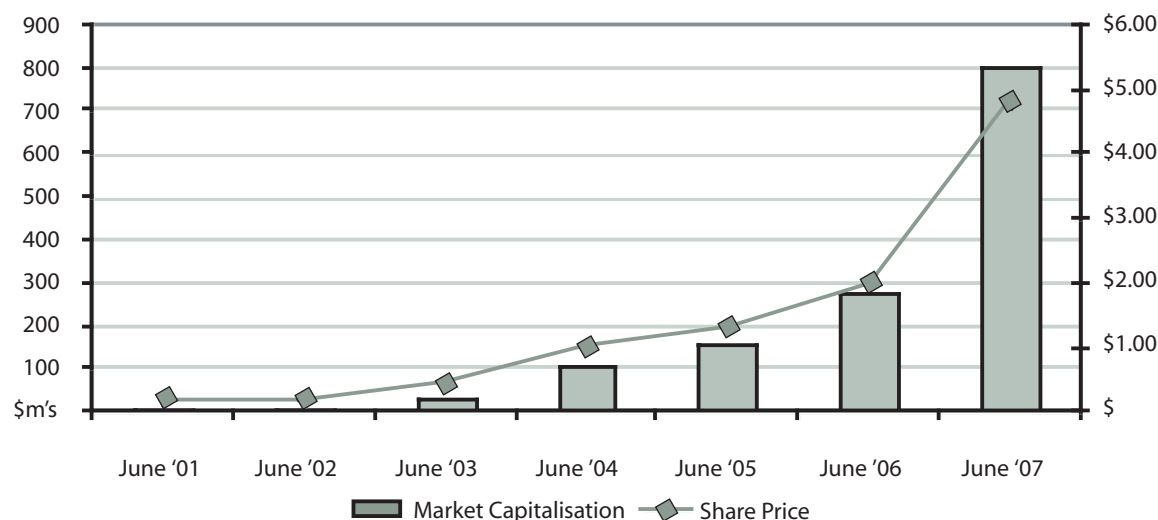
(*) Mr Oliver was appointed to the board on 8 December 2006. The \$2.75 options were issued to Mr Oliver prior to his board appointment as part of the employee option scheme.

Shareholder Returns

The Board are pleased to report that the ongoing exploration success at Forrestania and the ongoing development at Flying Fox led to a 238% increase in share price during 2007 and a 285% increase in market capitalisation.

As the Company is not yet generating earnings nor paying dividends, the share price and market capitalisation are the key indicators of shareholder value. The chart below illustrates these 2 key indicators over the past 7 years.

Shareholder Value



Dividends

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

Employees

The Consolidated Entity employed 24 employees as at 30 June 2007 (2006: 18 employees).

Treasury Policy

The Company has a Treasury Risk Management policy and a set of procedures for managing the Company's currency, commodity and credit risks as well as its debt facilities. A Treasury Committee was formed during 2005 and currently comprises all Directors.

The Treasury Committee operates within policies set by the Board.

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

Risk Management

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

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

- Board approval of a strategic plan, which encompasses the Board's objectives and strategies along with identifying risks and plans to manage such;
- Implementation of Board approved operating budgets and plans, then monitoring the actual progress against these;
- Establishment of an Audit & Risk Management Committee and a Treasury Risk Management Committee to report on specific business risks; and
- Dissemination of a Risk Management Policy guide to be used throughout the Company in identifying and communicating business risks.

Significant Changes in the State of Affairs

Significant developments for the Consolidated Entity during the year ended 30 June 2007 were as follows:

- a) The parent entity made 2 placements during the financial year.
 - 1 in 8 Rights Issue to existing shareholders issuing a total of 17,550,834 fully paid ordinary shares at \$2.60 per share, raising a total of \$44,343,323 (net of expenses)
 - Private placement on the TSX to encourage liquidity on the exchange of 8,000,000 shares at CAD\$3.00 per share raising CAD\$22,445,349 (net of expenses).
- b) During October 2006 the Company announced a Resource upgrade for the T5 deposit. This resulted in an 17% increase in ore tonnage and a 10% increase in nickel tonnes. The upgraded Indicated Resource 862,000 ore tonnes at 6.8%, contains approximately 58,800 tonnes of nickel metal.
- c) On the 26 October 2006 first nickel ore was mined out of the Flying Fox T Zero North deposit, signalling a transition from purely an explorer to a nickel producer.
- d) In November 2006 the Company announced the CAD\$5m investment in Mustang Minerals Corp. The investment delivered Western Areas a 13.9% interest in Mustang with an option to increase to 19.9%. Mustang is a Canadian based nickel explorer that is currently conducting a pre-feasibility study on the Maskwa Nickel Deposit.
- e) The Companies refinanced its project finance arrangements with ANZ during December 2006. The new corporate style facility delivered the Company greater flexibility and the ability to pay dividends earlier than the original facilities.
- f) During March 2007 the Diggers South Resource upgrade was announced. The upgrade lifted the Indicated Mineral Resource of the core deposit to 3 million tonnes at an average grade of 1.48% nickel with a mineralised halo of 4.8 millions tonnes at an average 0.74%, for a total indicated mineral resource of 7.8 million tonnes at an average grade of 1.03%.
- g) On the 26 June the Company completed an 8% yield, \$225 million convertible bond issue. The issue price was at a 45% premium to the closing share price at that date. This is one of the highest premiums ever achieved for an Australian resource company. The bond funds set the Company for growth with the ability to accelerate mine development and exploration activities and act on corporate opportunities as they are presented.
- h) In August 2007, the Company discovered the T6 and T7 sulphide zones at the Flying Fox mining area. The discovery included 54 metre zone of disseminated sulphides, 3.6 metres of stringer sulphides and a 7.1 meter intersection of massive and stringer sulphides. Five downhole EM conductors have also been interpreted in the T6 and T7 area. These very encouraging preliminary results have the potential for a significant re-rating of the Flying Fox deposit as a world class mine.

Matters Subsequent to the end of the Financial Year

Subsequent to the year ended 30 June 2007:

- On the 27 June 2007 the remuneration committee resolved to grant 2,000,000 options to Directors of the Company at an exercise price of \$7.50 per option. This was ratified by shareholders at a general meeting held on the 17 August 2007. Had these been ratified before the end of 30 June 2007 the balance of options over shares would have increased to 9,793,167 at an average exercise price of \$4.79.
- On 10 September 2007 Western Areas increased its investment in Mustang Minerals Corp. to 19.2%. The increased investment in Mustang was achieved by the exercise of 4,570,401 warrants for a total payment of CAD\$2,056,680.

Likely Developments

The Directors foresee that the 2007/08 financial year will be one of development and growth for the consolidated entity. The most significant areas of development and change are expected to be:

- The Flying Fox mine will continue to bring ore stopes on line with mining rates approaching 15,000 tonnes ore per month by the end of the financial year. Development will be extended to access the larger, high grade T4 and T5 deposits during 2007/08;
- Decision to proceed with the development of a second nickel mine at Diggers South, 40km South of Flying Fox.
- Decision to construct a nickel concentrator plant at Cosmic Boy, midway between Flying Fox and Diggers South.
- Continuation of an active exploration program at the Forresteria Nickel Project and at other advanced nickel and PGE projects in Western Australia;
- The entity will aim to expand and grow its asset base through the identification of nickel sulphide and PGE opportunities in Australia and Canada.

Environmental Regulation and Performance

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

Share Options

Unissued Shares

As at 30 June 2007 there were 7,793,167 options over unissued ordinary shares in the parent entity. Refer to note 30 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 2007 financial year options have been exercised to acquire 502,833 fully paid ordinary shares in Western Areas NL at a weighted average exercise price of \$2.63.

Directors' Benefits

No Directors of the Consolidated Entity have, since the end of the previous financial year, received or become entitled to receive a benefit (other than a benefit included in the total amount of emoluments received or due and receivable by Directors shown on page 32 of the Directors Report) by reason of a contract made by the parent entity or a related body corporate with the director or with any entity in which the director has a substantial financial interest, with the exception of benefits that may be deemed to have arisen in relation to the transactions entered into in the ordinary course of business as disclosed in Note 29 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 Consolidated 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.

Proceedings on behalf of the Company

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

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

Auditor's Independence Declaration

The Auditor's Independence Declaration to the Directors of Western Areas NL on page 40 forms part of the Director's Report for the year ended 30 June 2007.

Non – Audit Services

The following non-audit services were provided by the entity's auditor, WHK Horwath (formerly Grant Thornton). The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised for the following reasons:

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

The following amounts were received by WHK Horwath for non-audit services:

Due Diligence Services	\$41,747
	<hr/>
	\$41,747

REMUNERATION REPORT

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

Remuneration Committee

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

Remuneration levels and other terms of employment for the Directors and the senior management team are reviewed at least

annually by the committee, having regard to qualifications and experience, relevant market conditions, and performance against goals set each year.

The committee assesses the appropriateness of the remuneration levels to ensure the Company is able to attract and retain high quality Executives.

Remuneration Philosophy

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

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

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

Remuneration Structure

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

Non-Executive Director Remuneration

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

The aggregate remuneration of Non-Executive Directors is determined from time to time by shareholders in a General Meeting. An amount not exceeding the approved amount is then divided between the Directors as determined by the Remuneration Committee. The latest approval was at the general meeting held on 7 September 2005 when shareholders approved an aggregate remuneration of \$400,000 per year.

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

Non-Executive Director Remuneration

It is an objective of the Company to encourage Directors to own shares in Western Areas. To facilitate this, the Company has created a Director Option Incentive Program which is structured to align director rewards directly with the creation of shareholder value. Each option issue must be approved by the Company's shareholders in a general meeting.

During the 2007 financial year 1,600,000 options were issued to the Directors of the Company under this program. The remuneration committee resolved to issue these options to Directors in May 2006, the issue was ratified at the Annual General Meeting of shareholders held on 20 October 2006.

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

The remuneration of Non-Executive Directors for the period ending 30 June 2007 is detailed in page 32 of the Director's Report.

Executive Director and Senior Management Remuneration

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

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

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

Fixed

The fixed remuneration component is reviewed annually by the Remuneration Committee. The committee has access to external independent advice to ensure that the remuneration levels set meet the objects of the Company.

Short Term Incentive (STI)

The objective of STI's is to link the achievement of key Company operational targets with the remuneration received by those Executives charged with meeting those targets.

At this stage in the Company's growth it is considered inappropriate to establish too many STI programs. There are no remaining STI's in existence at the date of this report.

STI payments during the year have been triggered as follows:

- a) Attaining development targets set for the Flying Fox mine development. The General Manager – Operations is the only Senior Executive that participated in this reward program. As at 30 June 2007 one payment was still outstanding under this STI.
- b) Successfully securing funding for the Forrestania Stage 2 project development. The Chief Financial Officer is the only Senior Executive that participated in this reward program.
- c) Successfully completion of the Convertible Bond. The Chief Financial Officer is the only Senior Executive that participated in this reward program.
- d) Company's securities reaching a set price target. The Managing Director is the only executive that participated in this reward program.

Details of payment under the STI programs are detailed in the executive remuneration table in page 26 of the Director's Report.

Long Term Incentive (LTI)

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

The structure of the Company's LTI program is an Employee Share Option Incentive Scheme which was established and approved by shareholders on 26 August, 2004. At the discretion of the Board, participation in the scheme is offered to all employees of the group, except the Managing Director and Finance Director. The Managing Director and Finance Director participate in the Director Option Incentive Program.

Details of all of the remuneration components for the Executive Directors and Senior Managers are provided on page 26 of the Director's Report.

Employment Contracts

The CEO, Mr Hanna, is employed under contract. The contract commenced in March 2000 and expires on termination of employment. Under the terms of the contract:

- Mr Hanna may resign from his position and thus terminate the contract by giving 6 weeks written notice. On resignation any options will remain in existence under the terms they were issued.
- The Company may terminate the employment contract by giving 3 months written notice. This notice period is reduced to 6 weeks in the event the termination is due to serious misconduct or wilful neglect in the discharge of his duties. Any options will remain in existence under the terms they were issued.
- The Company may terminate the employment of the CEO by giving 3 months notice if the CEO's position becomes redundant or there is a change to the core activity of the Company or if the CEO is removed from his position without his consent. In this case, the CEO is entitled to a termination payment equal to 15 months pay. Any options will remain in existence under the terms they were issued.

The General Manager of Operations and the Chief Financial Officer are employed under contract. The contracts commenced in May and March 2006 respectively and expire on termination of employment. Under the terms of the contract:

- They may resign from their positions and thus terminate the contract by giving 4 weeks written notice. On resignation any allocated options may remain in existence at the discretion of the Board.
- The Company may terminate the employment contract by giving 6 weeks written notice. This notice period is reduced to 4 weeks in the event the termination is due to serious misconduct or wilful neglect in the discharge of their duties. Any allocated options may remain in existence at the discretion of the Board.
- The Company may terminate the employment of the General Manager of Operations or Chief Financial Officer by giving 6 months notice if their position becomes redundant or there is a change to the core activity of the Company or if they are removed from their position without their consent. In this case, they are entitled to a termination payment equal to 7.5 months pay. Any allocated options may remain in existence at the discretion of the Board.

Company performance, shareholder wealth and Director and Executive remuneration

As the Company is not yet generating earnings nor paying dividends, the share price is the key measure of the increase in shareholder value. The table below shows the increase in share price over the previous 5 years;

Year	2002 \$'s	2003 \$'s	2004 \$'s	2005 \$'s	2006 \$'s	2007 \$'s
Closing Share price	0.19	0.44	1.04	1.33	2.03	4.83
% Change	-	232%	236%	128%	153%	238%

The issuing of share options under the Directors share option plan helps align the Board's personal interests to that of the shareholders. The Company has shown a consistent increase in share price over the preceding years. The Board is of the opinion that these results can be in part attributed to the previously described remuneration policy and philosophies.

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.

Director & Key Management Remuneration for the Year Ended 30 June 2007

	Short Term Benefits			Share Based	Post Employment	TOTAL	Performance Based %
	Base Salary	STI Payments	Non Monetary	Options	Super-annuation		
J Hanna							
2007	328,823	50,000	3,950	214,000	29,594	626,367	8%
2006	271,000	-	1,342	-	24,390	296,732	-
D Cooper							
2007	104,557	-	3,950	214,000	9,410	331,917	-
2006	63,073	-	1,191	-	5,677	69,941	-
T Streeter							
2007	104,557	-	3,950	214,000	9,410	331,917	-
2006	63,073	-	1,191	-	5,677	69,941	-
R Dunbar							
2007	113,967	-	-	214,000	-	327,967	-
2006	41,150	-	-	-	-	41,150	-
C Oliver (#)							
2007	287,155	100,000	3,950	-	25,500	416,605	24%
2006	70,192	-	-	45,466	6,317	121,975	-
D Lougher (&)							
2007	273,000	50,000	355	129,600	24,570	477,525	10%
2006	34,667	-	-	45,466	3,120	83,253	-
D Boyer (#)							
2007	19,113	-	200	-	1,720	21,033	-
2006	97,844	-	1,191	-	8,806	107,841	-
T Manners (#)							
2007	-	-	-	-	-	-	-
2006	155,327	-	336	-	13,979	169,642	-
B Dawes (#)							
2007	-	-	-	-	-	-	-
2006	158,642	-	336	-	14,277	173,255	-
Total Remuneration							
2007	1,231,172	200,000	16,355	985,600	100,204	2,533,331	-
2006	954,968	-	5,587	90,932	82,243	1,133,730	-

Notes:

(&) Mr Lougher triggered a further performance based incentive as at 30 June 2007, this will be paid in the 2008 financial year.

(#) Mr Oliver was appointed as a director of the Company on 8 December, 2006, Mr Boyer retired on the 28 August 2006, Mr Manners resigned 3 March 2006 & Mr Dawes resigned 17 February 2006.

- There are no other Executives of Western Areas NL or related bodies corporate. Executive Officers are those directly accountable and responsible for the operational management and strategic direction of the Company and the Consolidated Entity.
- 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 Consolidated Entity.

Options Granted as part of remuneration for the Year Ended 30 June 2007.

	Grant Date	Grant Number	Vest	Exercise price	Value per option at grant date	Number exercised	Value per option at exercise date	Value at date option lapsed	% of Remuneration represented by options
Directors Options									
J Hanna	20 Oct 06	400,000	(*)	\$3.20	\$0.535	nil	n/a	n/a	34%
D Cooper	20 Oct 06	400,000	(*)	\$3.20	\$0.535	nil	n/a	n/a	64%
T Streeter	20 Oct 06	400,000	(*)	\$3.20	\$0.535	nil	n/a	n/a	64%
R Dunbar	20 Oct 06	400,000	(*)	\$3.20	\$0.535	nil	n/a	n/a	65%
Employee Options									
D Lougher	1 June 07	240,000	(*)	\$7.50	\$0.530	nil	n/a	n/a	27%

(*) In accordance with the Employee Share Option Incentive Scheme, 1/3 of the options granted vest on the grant date itself, a further 1/3 12 months after the grant date and the final 1/3 24 months after the grant date.

Options are valued using the Black & Scholes option pricing model.

On the 27 June 2007 the remuneration committee resolved to issue 2,000,000 incentive options to the Directors of the company. This was ratified at a general meeting of shareholders on the 17 August 2007.

Shares Issued on Conversion of Options Granted as part of remuneration for the Year Ended 30 June 2007.

No shares were issued to directors on conversion of incentive options.

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 2007 and the number of meetings attended by each Director.

	Meetings of Committees				
	Directors Meetings	Audit & Risk Management	Remuneration	Nomination	Treasury
Number of Meetings held :	15	2	3	-	2
Number of Meetings attended:					
D Boyer (&)	4	-	-	-	-
J Hanna	15	2	2	-	2
D Cooper	15	2	3	1	2
T Streeter	15	2	3	1	2
R Dunbar	15	2	2	1	2
C Oliver (&)	6	-	-	-	2

(&) Mr Oliver was appointed on the 8 December 2006. Mr Boyer retired on the 6 August 2006.

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:

Audit & Risk Management	Remuneration	Nomination	Treasury
D Cooper ©	D Cooper	D Cooper	D Cooper ©
R Dunbar	R Dunbar	R Dunbar	R Dunbar
T Streeter	T Streeter ©	J Hanna	J Hanna
		C Oliver	C Oliver
		T Streeter ©	T Streeter

© denotes the chairman of the committee

OPTIONS

Unissued Capital of the Company Under Option as at 30 June 2007.

Grant Date	Date of Expiry	Exercise Price	Number under option
1 Aug 2004	31 July 2008	\$1.30	264,000
20 Oct 2006	5 May 2009	\$3.20	1,600,000
5 May 2006	5 May 2009	\$2.75	2,606,667
8 Dec 2006	7 Dec 2009	CAD \$4.00	1,862,500
1 June 2007	1 June 2010	\$7.50	1,460,000
			<u>7,793,167</u>

During the year end 30 June 2007 the following ordinary shares were issued by the Company on the exercise of unlisted options that were granted as part of the Employee Incentive Option Scheme. No amount is unpaid on the issue of the shares below.

Grant Date	Exercise Price	Number of shares issued	Funds Contributed
1 Aug 2004	\$1.30	202,000	\$262,600
5 May 2006	\$2.75	163,333	\$449,166
8 Dec 2006	CAD \$4.00	137,500	CAD \$550,000
		<u>502,833</u>	

Rounding of Amounts

The amounts contained in this report and in the financial report for the year ended 30 June 2007 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, adhere to the Australian Stock Exchange Corporate Governance Council's "Principles of Good Corporate Governance and Best Practice Recommendations".

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

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



Julian Hanna
Managing Director

Perth, 26 September 2007

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

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

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

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

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

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 on page 1 of 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 Cooper	Non-Executive Director
R Dunbar	Non-Executive Director

At the date of this report and throughout the financial year, Western Areas NL has not complied with the Council's recommendation of having the majority of the Board comprise independent Directors. However, the Company is committed to a process of bringing on new, independent Directors to the Board as it grows and heads toward becoming a successful nickel producer.

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

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 nomination committee currently comprises the following members:

T Streeter (Chairman)
D Cooper
J Hanna

For details of Directors' attendance at meetings of the nomination committee, refer to page 27 of the Directors' Report.

During the year the nomination committee conducted one performance evaluation, which involved an assessment of each Board members performance against specific qualitative and quantitative criteria and nominated Craig Oliver to the Board.

Audit & Risk Management Committee

The Board has 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 Consolidated Entity to the Audit & Risk Management Committee.

The committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports. All members of the audit committee are Non-Executive Directors. At the date of this report the members of the Audit & Risk Management Committee are:

T Streeter (Chairman)
D Cooper
R Dunbar
J Hanna
C Oliver

Refer to page 1 of the Directors' report for the qualifications and experience of the members of the Audit & Risk Management Committee.

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 27 of the Directors' Report.

Remuneration

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

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality Board and Executive team by remunerating Directors and key Executives fairly and appropriately with reference to relevant employment market conditions.

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

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

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

The current members of the Remuneration Committee are:

T Streeter (Chairman)
D Cooper
R Dunbar

For details on the number of meetings of the Remuneration Committee held during the year and the attendees at those meetings, refer to page 27 of the Directors' Report.

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

Treasury

The board established a Treasury Committee during 2005 and operates within policies set by the Board.

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

The current members of the Treasury Committee are:

D Cooper (Chairman)
J Hanna
C Oliver

For details on the number of meetings of the Treasury Committee held during the year and the attendees at those meetings, refer to page 27 of the Directors' Report.

Board and Executive Performance

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

Trading Policy

The Company's policy regarding Directors and Employees trading in securities is set by the Audit and Risk Management Committee. The policy restricts Directors and Employees from acting on material information until it has been released to the market and adequate time has elapsed for this to be reflected in the securities prices.



AUDITOR'S INDEPENDENCE DECLARATION

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Western Areas NL for the year ended 30 June 2007, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

WHK HORWATH PERTH AUDIT PARTNERSHIP

CYRUS PATELL
Principal

Perth, WA

Dated 26th day of September 2007

Total Financial Solutions



Horwath refers to Horwath International Association, a Swiss verein.
Each member of the Association is a separate and independent legal entity.

Member Horwath International

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A WHK Group firm

	Notes	Consolidated Entity		Parent Entity	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Sales		17,530	-	17,530	-
Cost of sales		(8,357)	-	(8,357)	-
Gross profit		9,173	-	9,173	-
Other revenue	2	2,876	790	2,876	790
Employee benefits expenses		(2,986)	(1,637)	(2,986)	(1,637)
Finance costs	3	(268)	(90)	(268)	(90)
Administration expenses		(4,049)	(2,825)	(4,048)	(2,823)
Impairment of non-current assets	3	(4,272)	(2,964)	(2,203)	(2,946)
Realised derivative losses		(9,026)	-	(9,026)	-
Unrealised movement in market value of derivatives		(6,833)	-	(6,833)	-
Operating earnings/(loss) before income tax		(15,385)	(6,726)	(13,315)	(6,706)
Income tax benefit	4	3,272	1,890	2,797	1,840
Earnings / Loss for the period		(12,113)	(4,836)	(10,518)	(4,866)
Basic & Diluted loss per share (cents per share)	18	(7.68)	(3.66)		

The accompanying notes form part of these financial statements.

		Consolidated Entity		Parent Entity	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Current Assets					
Cash and cash equivalents	19 (b)	237,003	2,496	237,003	2,496
Trade and other receivables	6	4,249	1,008	4,249	979
Inventories	7	509	-	509	-
Other financial assets	8	2,771	81	2,771	81
Total Current Assets		244,532	3,585	244,532	3,556
Non Current Assets					
Property, plant and equipment	9	22,912	14,313	22,912	14,313
Exploration & evaluation	10	57,212	47,058	56,712	45,533
Mine development	11	78,455	38,222	78,455	38,222
Deferred tax assets	12	7,674	4,402	7,145	4,348
Other financial assets	8	8,838	132	11,510	1,788
Total Non Current Assets		175,091	104,127	176,734	104,204
Total Assets		419,623	107,712	421,266	107,760
Current Liabilities					
Trade and other payables	13	7,573	7,099	7,573	7,099
Short term borrowings	14	940	105	940	105
Short term provisions	15	236	206	236	206
Other financial liabilities	16	58,536	8,903	58,536	8,903
Total Current Liabilities		67,285	16,313	67,285	16,313
Non Current Liabilities					
Long term borrowings	14	243,841	30,833	243,841	30,833
Long term provisions	15	1,133	993	1,133	993
Other financial liabilities	16	-	6,475	-	6,475
Total Non Current Liabilities		244,974	38,301	244,974	38,301
Total Liabilities		312,259	54,614	312,259	54,614
Net Assets		107,364	53,098	109,007	53,146
Equity					
Issued capital	17	148,739	78,511	148,739	78,511
Reserves	31	(17,929)	(14,080)	(17,929)	(14,080)
Accumulated losses		(23,446)	(11,333)	(21,803)	(11,285)
Total WSA Equity		107,364	53,098	109,007	53,146

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY Year Ended 30 June 2007

CONSOLIDATED ENTITY	Issued Capital \$'000	Prospectus Expenses \$'000	Option Reserve \$'000	Hedge Reserve \$'000	Investment Reserve \$'000	Convertible Note Reserve \$'000	Accumulated Losses \$'000	Total Equity \$'000
Total Equity at 1 July 2005	52,315	(2,990)	648	31	-	-	(6,497)	43,507
Shares issued during the year	31,461							31,461
Share issue expenses incurred		(2,275)						(2,275)
Share based payments expense			437					437
Cash flow hedge adjustment				(15,196)				(15,196)
Loss attributable to the members of the parent entity							(4,836)	(4,836)
Total Equity at 30 June 2006	83,776	(5,265)	1,085	(15,165)	-	-	(11,333)	53,098
Shares issued during the year	73,268							73,268
Share issues expenses incurred		(3,040)						(3,040)
Share based payments expense			945					945
Cash flow hedge adjustments				(33,768)				(33,768)
Movements in the market value of investments					5,327			5,327
Equity value of convertible note issue						23,647		23,647
Loss attributable to the members of the parent entity							(12,113)	(12,113)
Total Equity at 30 June 2007	157,044	(8,305)	2,030	(48,933)	5,327	23,647	(23,446)	107,364

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY Year Ended 30 June 2007

PARENT ENTITY	Issued Capital \$'000	Prospectus Expenses \$'000	Option Reserve \$'000	Hedge Reserve \$'000	Investment Reserve \$'000	Convertible Note Reserve \$'000	Accumulated Losses \$'000	Total Equity \$'000
Total Equity at 1 July 2005	52,315	(2,990)	648	31	-	-	(6,419)	43,585
Shares issued during the year	31,461							31,461
Share issue expenses incurred		(2,275)						(2,275)
Share based payments expense			437					437
Cash flow hedge adjustment				(15,196)				(15,196)
Loss attributable to the members of the parent entity							(4,866)	(4,866)
Total Equity at 30 June 2006	83,776	(5,265)	1,085	(15,165)	-	-	(11,285)	53,146
Shares issued during the year	73,268							73,268
Share issues expenses incurred		(3,040)						(3,040)
Share based payments expense			945					945
Cash flow hedge adjustments				(33,768)				(33,768)
Movements in the market value of investments					5,327			5,327
Equity value of convertible note issue						23,647		23,647
Loss attributable to the members of the parent entity							(10,518)	(10,518)
Total Equity at 30 June 2007	157,044	(8,305)	2,030	(48,933)	5,327	23,647	(21,803)	109,007

The accompanying notes form part of these financial statements.

CASH FLOW STATEMENT For The Year Ended 30 June 2007

	Notes	Consolidated Entity		Parent Entity	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Cash Flows From Operating Activities					
Cash receipts in the course of operations		15,610	236	15,610	236
Cash payments to suppliers and employees		(9,450)	(3,347)	(9,450)	(3,346)
Interest received		937	486	937	486
Finance costs		(3,660)	(2,006)	(3,660)	(2,006)
Hedge settlement payments		(9,732)	-	(9,732)	-
Net Cash Used in Operating Activities	19(a)	(6,295)	(4,631)	(6,295)	(4,630)
Cash Flows From Investing Activities					
Purchase of non-current assets		(9,895)	(9,224)	(9,895)	(9,224)
Mine development expenditure		(33,606)	(21,956)	(33,606)	(21,956)
Exploration & evaluation activities		(14,765)	(13,868)	(13,674)	(13,482)
Loan to Polar Gold		-	(28)	-	(28)
Investment in listed companies		(3,613)	-	(3,613)	-
Investment in controlled entity		-	-	(1,091)	(387)
Net Cash Used In Investing Activities		(61,879)	(45,076)	(61,879)	(45,077)
Cash Flows From Financing Activities					
Proceeds from borrowings		96,464	30,682	96,464	30,682
Repayment of borrowings		(73,682)	(10,157)	(73,682)	(10,157)
Proceeds from convertible note		225,000	-	225,000	-
Proceeds from issue of shares		73,231	31,460	73,231	31,460
Finance lease principal repayments		(97)	(77)	(97)	(77)
Borrowing costs		(15,195)	(433)	(15,195)	(433)
Payments for prospectus expenses		(3,040)	(2,275)	(3,040)	(2,275)
Net Cash From Financing Activities		302,681	49,200	302,681	49,200
Net increase / (decrease) in cash held		234,507	(507)	234,507	(507)
Cash as at 1 July		2,496	3,003	2,496	3,003
Cash as at 30 June	19(b)	237,003	2,496	237,003	2,496

The accompanying notes form part of these financial statements.

Note 1: Statement of Significant Accounting Policies

The consolidated financial statements are a general purpose financial report prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, Corporations Act 2001 and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial report covers the Consolidated Entity of Western Areas NL and its controlled entities (the "Consolidated Entity") and Western Areas NL as an individual parent entity ("Parent Entity"). Western Areas NL is a Listed Public Company, incorporated and domiciled in Australia. Its controlled entities are wholly owned subsidiaries, incorporated and domiciled in Australia.

The financial report of Western Areas NL both as a consolidated entity and an individual parent entity comply with all International Financial Reporting Standards (IFRS) in their entirety.

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

Basis of Preparation

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

Accounting Policies**(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.

A list of the controlled entities is provided at note 8(c).

All inter-Company balances and transactions between entities in the consolidated entity have been eliminated on consolidation. The accounting policies of the subsidiaries have been changed where necessary to ensure consistency with the policies applied by the parent entity.

All consolidated entities have a 30 June financial year end.

(b) Revenue

Revenue from the sale of nickel ore is recognised when the risks and rewards of the ore pass to the buyer, currently being the point at which the ore is delivered on site to the buyer or as otherwise agreed between Western Areas and the buyer. Revenue is recognised at estimated sales value. The estimated sales value is determined by reference to the estimated metal content, metal recovery, the metal price and exchange rate. An adjustment is made to reflect the final sales value when determined.

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

Royalty revenue is recognised in the income statement in the period in which it is expected to accrue and become receivable to the consolidated entity.

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

(c) Borrowing Costs

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

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

(d) Inventory

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

Note 1: Basis of Preparation (cont)**(e) Property, Plant and Equipment**

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

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

Depreciation

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

Type of Fixed Asset	Depreciation Rate
Property	5-10%
Plant and equipment	20-33%
Motor vehicles	23%
Furniture and fittings	10-15%

Depreciation charged to assets that are used in the development of the Flying Fox mine is capitalised as part of the cost of mine development.

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

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

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

(f) Exploration and 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 and/or disposal of the area or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves.

When production commences, the accumulated costs for the relevant area of interest is amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

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

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

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

(g) Income Tax

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

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

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

Western Areas NL and its wholly owned Australian subsidiaries have formed an income tax consolidated group under the Tax Consolidation Regime from 1 July 2002. Western Areas NL is responsible for recognising the current and deferred tax assets and liabilities for the tax consolidated group.

(h) GST

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

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

(i) Employee Benefits

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

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

The group operates an employee option plan, namely the "Western Areas Employee Share Option Incentive Scheme" (The Scheme). An expense is recognised in the income statement for the fair value of the options issued under the scheme; this is applied evenly over the granted options vesting period. The fair value of the options granted under the scheme is determined via applying the Black-Scholes option pricing model.

(j) Financial Instruments

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139: Recognition and Measurement of Financial Instruments. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Note 1: Basis of Preparation (cont)

Held-to-maturity investments

These investments have fixed maturities, and it is the group's intention to hold these investments to maturity. Any held-to-maturity investments held by the group are stated at amortised cost using the effective interest rate method.

Available-for-sale financial assets

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Impairment

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

Derivative financial instruments

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

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

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

Fair Value Hedges

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

Cash Flow Hedge

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

All Other Derivatives

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

(k) Impairment of Assets

Assets that have an indefinite life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognised for any carrying amount in excess of the recoverable amount. The recoverable amount is the higher of the value in use (discounted cash flow) or fair value less cost to sell. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

(l) Leases

Leases of property, plant and equipment where the Company substantially assumes all the risks and rewards of ownership are classified as finance leases.

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

Leased assets are depreciated on a straight-line basis over their estimated useful lives where it is likely that the consolidated entity will obtain ownership of the asset or over the term of the lease.

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.

(m) Joint Ventures

The consolidated entity's share of the assets, liabilities, revenue and expenses of joint venture operations are included in the appropriate items of the consolidated income statement and balance sheet.

The consolidated entity's interests in joint venture entities are brought to account using the equity method of accounting in the consolidated financial statements. The parent entity's interests in joint venture entities are brought to account using the cost method.

(n) Rounding Amounts

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

(o) Cash and Cash Equivalents

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

(p) Provisions

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

(q) Convertible Bonds

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

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

During the year ended 30 June 2007, company raised funds by issuing convertible bonds as disclosed in note 14. The convertible bonds were allocated between the equity portion and the debt portion

	Notes	Consolidated Entity		Parent Entity	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Note 2: Revenue					
- Interest received – Bank Deposits		1,118	464	1,118	464
- Royalty received		1,921	326	1,921	326
- Asset sales income		(169)	-	(169)	-
- Sundry income		6	-	6	-
Total revenue		2,876	790	2,876	790

Note 3: Loss for the Year

The following expense items are relevant in explaining the financial performance for the year:

- Depreciation of non-current assets		415	168	415	168
- Amortisation of non-current assets		198	-	198	-
- Rental expenditure – operating leases		169	123	169	123
- Exploration & evaluation impairment loss	10	3,902	2,964	2,203	2,964
- Impairment loss non-current assets		370	-	-	-
- Borrowing costs expensed:					
Interest expense – borrowings		3,656	2,083	3,656	2,083
Interest expense – finance leases		15	17	15	17
Other borrowing costs		14,365	505	14,365	505
Total borrowing costs		18,036	2,605	18,036	2,605
Less: interest expense capitalised	11	(3,656)	(2,082)	(3,656)	(2,082)
Less: borrowing costs capitalised Mine Develop.	11	(5,008)	(433)	(5,008)	(433)
Less: borrowing costs capitalised Convertible bond		(9,104)	-	(9,104)	-
Total Borrowing Costs Expensed		268	90	268	90

Note 4: Income Tax

The Components of the Tax expense comprise:

	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
- Current Tax	2,698	1,862	2,077	1,856
- Deferred income tax	(224)	28	(78)	(16)
- Under provision prior year	798	-	798	-
Income tax benefit	3,272	1,890	2,797	1,840

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

Loss from ordinary activities at 30%

- Economic Entity	(4,615)	(2,018)	-	-
- Parent Entity	-	-	(3,994)	(2,012)
<i>Adjusted for the tax effect of:</i>				
- Unrealised Hedge Loss	2,050	-	2,050	-
- Share based payments	283	162	283	162
- Other non allowed items	84	40	84	40
- Share issue costs deducted	(500)	(46)	(500)	(46)
- Temporary other	224	(28)	78	16
- Prior Year Under provision	(798)	-	(798)	-
Tax Benefit	(3,272)	(1,890)	(2,797)	(1,840)

The Company's statutory tax rate is 30%. The change in the effective tax rate is due to the change in permanent and temporary differences.

Note 5: Dividends

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

	Notes	Consolidated Entity		Parent Entity	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Note 6: Trade and Other Receivables					
Other debtors	6 (a)	3,992	156	3,992	155
Unsecured loan receivable	6 (a)	-	28	-	-
GST refund due		257	814	257	814
Prepaid Insurance		-	10		10
		4,249	1,008	4,249	979

(a) Other debtors and unsecured loans are non interest bearing.

Note 7: Inventories

Work in Progress (Ore Stockpiles) – at cost	509	-	509	-
Total Inventories	509	-	509	-

Note 8: Other Financial Assets

Available for sale (*)	8 (a)	8,838	-	11,510	1,656
Derivatives	8 (b)	2,771	213	2,771	213
		11,609	213	14,281	1,869
Less non-current portion		8,838	132	11,510	1,788
Current portion		2,771	81	2,771	81
(a) Available for sale financial assets					
Investments in unlisted subsidiaries at cost	8 (c)	-	-	2,670	1,656
Investments in listed companies at fair value		8,838	-	8,838	-

(*) Available-for-sale financial assets comprise investments in the ordinary issued capital of various entities.
There are no fixed returns or fixed maturity date attached to these investments.

(b) Derivatives

Foreign exchange contracts	28 (b)	2,771	213	2,771	213
		2,771	213	2,771	213

Gains and losses arising from changes in the fair value of designated cashflow hedge contracts are initially recognised directly in equity, and are separately included in the hedge reserve in the statement of change in equity. At transaction date the gains and losses are recognised in the income statement in the period in which they arise.

Note 8: Other Financial Assets (cont)**(c) Investments in subsidiaries**

Name	Country of Incorporation	Percentage of equity held by the Consolidated Entity		Investment	
		2007 %	2006 %	2007 \$'000	2006 \$'000
Western Platinum NL	Australia	100 %	100 %	2,250	1,579
Australian Nickel Investments Pty Ltd	Australia	100 %	100 %	420	77
				2,670	1,656

All the entities above are members of the tax consolidated group of which Western Areas is the head entity. Western Areas is the parent entity and is incorporated in Australia.

Australian Nickel Investments Pty Ltd has a controlling interest in 2 unlisted companies. Due to the immaterial value of the financial result of these companies the financial results have not been consolidated into the Consolidated entity.

	Consolidated Entity		Parent Entity	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Note 9: Property, Plant and Equipment				
Property – at cost	5,759	5,688	5,759	5,688
Accumulated depreciation	(308)	(166)	(308)	(166)
	5,451	5,522	5,451	5,522
Plant & equipment – at cost	18,335	8,958	18,335	8,958
Accumulated depreciation	(1,102)	(465)	(1,102)	(465)
	17,233	8,493	17,233	8,493
Plant & equipment under lease	377	353	377	353
Accumulated depreciation	(149)	(55)	(149)	(55)
	228	298	228	298
Total Property, Plant & Equipment - at Cost	24,471	14,999	24,471	14,999
Accumulated Depreciation	(1,559)	(686)	(1,559)	(686)
Total	22,912	14,313	22,912	14,313

Assets Pledged as Security

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

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

Note 9: Property, Plant and Equipment**Movement in carrying amounts:**

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

	Consolidated Entity \$'000	Parent Entity \$'000
Property		
Written down value at the beginning of the year	5,522	5,522
- Additions	71	71
- Depreciation expense	(142)	(142)
Written down value at the end of the year	5,451	5,451
Plant & Equipment		
Written down value at the beginning of the year	8,493	8,493
- Additions	9,377	9,377
- Depreciation expense	(637)	(637)
Written down value at the end of the year	17,233	17,233
Plant & Equipment under Lease		
Written down value at the beginning of the year	298	298
- Additions	24	24
- Depreciation expense	(94)	(94)
Written down value at the end of the year	228	228

Note 10: Exploration & Evaluation

Exploration & Evaluation Expenditure.

- At cost

- Impairment loss

Total Exploration and Evaluation

	Consolidated Entity		Parent Entity	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
- At cost	61,290	51,212	59,121	49,669
- Impairment loss	(4,078)	(4,154)	(2,409)	(4,136)
Total Exploration and Evaluation	57,212	47,058	56,712	45,533

Movement in carrying amount:

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

		Consolidated Entity \$'000	Parent Entity \$'000
Exploration & Evaluation Expenditure	Notes		
Written down value at the beginning of the year		47,058	45,533
- Expenditure		14,603	14,028
- Tenement acquisition		7	7
- Amortisation		(198)	(198)
- Tenement sold		(268)	(367)
- Stamp duty refund		(88)	(88)
- Impairment loss/write off	10(a)	(3,902)	(2,203)
Written down value at the end of the year		57,212	56,712

The material impairment losses recognised for the year were for the companies regional areas of interests. While exploration is ongoing for these areas, the Company has raised impairment provisions due to the lack of success so far. The estimated sales value less cost to sell was used to determine the carrying value for these areas of interest.

Carry Forward Exploration & Evaluation Expenditure

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

	Notes	Consolidated Entity		Parent Entity	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Note 11: Mine Development					
Development Expenditure					
- Mine development		50,850	34,051	50,850	34,051
- Deferred mining expenditure		15,312	-	15,312	-
- Capitalised restoration costs		918	918	918	918
- Capitalised interest	11 (a)	5,945	2,289	5,945	2,289
- Capitalised borrowing costs		5,971	964	5,971	964
- Accumulated amortisation		(541)	-	(541)	-
Total Mine Development		78,455	38,222	78,455	38,222

(a) The carrying value of development expenditure includes the associated interest costs on the project loan that have been incurred to 30 June 2007. Capitalised interest will be amortised over the reserves of the Flying Fox project.

Movement in carrying amount:

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

	Consolidated Entity \$'000	Parent Entity \$'000
Development Expenditure		
Written down value at the beginning of the year	38,222	38,222
- Additions	32,110	32,110
- Capitalised interest	3,656	3,656
- Capitalised borrowing costs	5,008	5,008
- Amortisation	(541)	(541)
Written down value at the end of the year	78,455	78,455

	Consolidated Entity		Parent Entity	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Note 12 Tax Asset				
(a) Liabilities				
Deferred tax liabilities comprise:				
- Exploration & development expenditure	21,315	12,566	21,278	12,235
- Other	710	417	710	417
Total	22,025	12,983	21,988	12,652

(b) Assets:**Deferred tax assets comprise:**

	Consolidated Entity		Parent Entity	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
- Future income tax benefits due to tax losses	28,215	16,989	27,650	16,604
- Future capital gain benefit	247	24	247	24
- Provisions	411	360	411	360
- Other	826	12	825	12
Total	29,699	17,385	29,133	17,000

(c) Reconciliation*(i) Gross movement*

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

Opening balance	4,402	2,512	4,348	2,508
Credit to income statement	3,272	1,890	2,797	1,840
Closing balance	7,674	4,402	7,145	4,348

(ii) Deferred tax liability

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

Exploration & development expenditure				
Opening balance	(12,566)	(9,472)	(12,235)	(9,219)
Credit to income statement	(8,749)	(3,094)	(9,043)	(3,016)
Closing balance	(21,315)	(12,566)	(21,278)	(12,235)
Other				
Opening balance	(417)	(248)	(417)	(248)
Credit to income statement	(293)	(169)	(293)	(169)
Closing balance	(710)	(417)	(710)	(417)

(iii) Deferred tax assets

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

Provisions				
Opening balance	360	194	360	194
Credit to income statement	51	166	51	166
Closing balance	411	360	411	360
Other				
Opening balance	12	-	12	-
Credit to income statement	814	12	813	12
Closing balance	826	12	825	12

	Notes	Consolidated Entity		Parent Entity	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Note 13: Trade & Other Payables					
Current trade & other payables	13 (a)	7,573	7,099	7,573	7,099

(a) Creditors are generally paid on 30 day terms.

Note 14: Borrowings

Current

Lease liability	14 (c) & 20 (b)	121	95	121	95
Corporate loan facility	14 (a)	819	-	819	-
Insurance premium funding		-	10	-	10
		940	105	940	105

Non Current

Corporate loan facility	14 (a)	52,645	30,682	52,645	30,682
Convertible bond	14 (b)	200,250	-		-
Convertible bond borrowing costs	14 (b)	(9,104)	-	(9,104)	-
Lease liability	14 (c) & 20(b)	50	151	50	151
		243,841	30,833	243,841	30,833

(a) During the December quarter a new corporate style banking facility was established with the ANZ Banking Group Ltd. The existing project loan facility provided by Commonwealth Bank of Australia, Investec Australia Ltd and Westpac Institutional Banking was repaid in full.

(b) During June 2007 the Company completed an 8% yield, \$225M convertible bond issue.

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

Project loan

Mine development	50,309	34,051	50,309	34,051
Property, plant & Equipment	21,948	8,729	21,948	8,729
	72,257	42,780	72,257	42,780

The terms of the corporate facility are typical of normal commercial borrowing contracts.

(c) The lease liability is secured over the assets under the lease. The finance leases have an average term of 4 years and an average implicit discount rate of 7.38%. Refer to note 9 for the carrying value of the assets under lease.

	Notes	Consolidated Entity		Parent Entity	
Note 15: Provisions		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Current					
Employee Entitlements	15 (a)	236	206	236	206
Non Current					
Rehabilitation					
Opening Balance		993	555	993	555
Discount unwind		140	39	140	39
Additional provisions raised		-	399	-	399
Rehabilitation	15 (b)	1,133	993	1,133	993

- (a) Employee entitlements refer to the balance of annual leave and long service leave accrued by the Company's employees. Recognition and measurement criteria have been disclosed in Note 1.
- (b) Rehabilitation relates to an estimate of restoration costs that will result from the development of the Forrestania Nickel Project discounted to present value. The current mine life is 8 years, after which time the rehabilitation activities will be undertaken. The treasury bank rate has been applied to discounted cashflows.

Note 16: Other financial liabilities

Derivatives	16 (a)	58,536	15,378	58,536	15,378
		58,536	15,378	58,536	15,378
Less non-current portion		-	6,475	-	6,475
Current portion		58,536	8,903	58,536	8,903
(a) Derivatives					
Foreign exchange contracts	28 (b)	-	239	-	239
Base metal forward contracts	28 (b)	58,536	15,139	58,536	15,139
		58,536	15,378	58,536	15,378

Note 17: Issued Capital**a) Issued capital**

166,451,345 Ordinary shares fully paid (2006: 140,397,678)

2007 \$'000	2006 \$'000
148,739	78,511

Changes to the corporation laws abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the Company does not have a limited amount of authorised capital and issued shares do not have a par value.

b) Movements in issued capital

	2007	
	Number of Shares	\$'000
Balance at beginning of the financial year	140,397,678	78,511
- Issued via share placements (i)	8,000,000	26,366
- Rights issue (i)	17,550,834	45,592
- Issued via option conversions (ii)	502,833	1,310
- Transaction costs relating to share issues	-	(3,040)
Balance at end of the financial year	166,451,345	148,739

	2006	
	Number of Shares	\$'000
Balance at beginning of the financial year	119,994,344	49,325
- Issued via share placements	17,725,000	29,869
- Issued via option conversions	2,678,334	1,592
- Transaction costs relating to share issues	-	(2,275)
Balance at end of the financial year	140,397,678	78,511

Notes on movement in issued capital during the current financial year

(i) During the year ended the following share placement took place:

- In October 2006, 17,550,834 shares at \$2.60 were issued in accordance with a 1 for 8 rights issue.
- In December 2006, 8,000,000 shares were issued at CAD\$3.00 per share. Each share entitled the purchaser to one quarter of a warrant that is exercisable at CAD\$4.00 at anytime prior to Dec 2009.

(ii) During the year the following options were exercised:

Date	- Option Terms (Exercise Price & Maturity) -			Total (\$)
	\$1.30 July '08	\$2.75 May'09	CAD\$4.00 Dec '09	
2006:				
August 18	9,000			11,700
September 14	36,000			46,800
October 26	33,000			42,900
November 2		40,000		110,000
December 5	18,000			23,400
2007:				
January 8		10,000		27,500
February 5	42,000			54,600
February 23		10,000		27,500
March 19		20,000		55,000
April 24	10,000			13,000
April 24	33,000			42,900
May 22	21,000	43,333		146,466
June 25 *			137,500	597,649
June 26		40,000		110,000
TOTAL	202,000	163,333	137,500	1,309,415

(*) The CAD\$ warrants were converted at an FX ratio of CAD\$0.92:AUD\$1.00

c) Share Options

For information relating to the Western Areas Employee Share Option Incentive Scheme, including details of the options issued, exercised and lapsed during the year and the options outstanding at the end of the year refer to Note 30 Share Based Payments.

d) Terms and Conditions of Issued Capital

Ordinary shares

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

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

Note 18: Loss Per Share

	Consolidated Entity	
	2007 \$'000	2006 \$'000
Earnings used in the calculation of basic loss per share	(12,113)	(4,836)
Weighted average number of ordinary shares used in the calculation of basic loss per share	157,704,552	132,203,264
Basic Loss per Share	(7.68)	(3.66)

There were 7,793,000 share options outstanding at the end of the year, these potential ordinary shares would reduce the loss per share from continuing ordinary operations on conversion, hence these potential ordinary shares are not dilutive. As such only basic Earnings per Share is required to be disclosed under AASB 133 "Earnings per Share".

Note 19: Cash Flow Information**Consolidated Entity****Parent Entity**

	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
a) Reconciliation of the net loss after tax to the net cash flow from operations :				
Loss after income tax	(12,113)	(4,836)	(10,518)	(4,866)
Depreciation	872	474	872	474
Amortisation	1,272		1,272	
GST relating to non operating activity	184	(20)	184	(20)
Impairment expenses	4,272	2,964	2,203	2,946
Capitalised interest actually paid	(3,532)	(1,955)	(3,532)	(1,955)
Other	169	-	169	-
Share based Payment	945	437	945	437
Unrealised movement in market value of derivatives	6,833	-	6,833	-
Change in Assets and Liabilities				
Increase in payables	2,390	107	2,389	107
Increase / (decrease) in provisions	169	155	169	154
(Increase) / decrease in receivables	(4,484)	(67)	(4,484)	(67)
(Increase) / decrease in deferred tax	(3,272)	(1,890)	(2,797)	(1,840)
Net Cash Flows from / (used in) Operating Activities	(6,295)	(4,631)	(6,295)	(4,630)

b) Reconciliation of Cash

Cash balance comprises :

Cash on hand	237,003	2,496	227,003	2,496
Closing Cash Balance	237,003	2,496	237,003	2,496

c) Financing Facilities Available

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

	Total Facility \$'000	Utilised at Balance Date \$'000	Available Facilities (*) \$'000
Banking Facilities:-			
ANZ Banking Group			
- Cash advance facility	70,000	52,645	17,355
- Cost over run facility	10,000	-	10,000
- Feasibility & resource drilling	10,000	819	9,181
- Security bond facility	2,000	1,130	870
	92,000	54,594	37,406

(*) The facilities are made available to the Company upon satisfaction of conditions precedent typically associated with finance loans.

d) Non Cash Financing Activities

During the year, the consolidated entity acquired plant & equipment with an aggregate fair value of \$24,142 (2006: \$108,332) by means of a finance lease.

Note 20: Commitments

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

a) Operating Lease Commitments

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

	Consolidated Entity		Parent Entity	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
- no later than 1 year	183	61	183	61
- later than 1 year and not later than 5 years	263	10	263	10
Lease expenditure contracted for at year end	446	71	446	71

The operating leases are for miscellaneous office equipment and office premises both in West Perth and Toronto Canada. During the year the leases for both the Western Areas' Perth Office and Toronto Office were extended. The Perth office lease now expires November 2009 with the new Toronto office lease expires October 2010.

b) Finance Lease Commitments

- no later than 1 year	129	112	129	112
- later than 1 year and not later than 5 years	53	156	53	156
Total Minimum Lease Payments	182	268	182	268
- future finance charges	(11)	(22)	(11)	(22)
Total Lease Liability	171	246	171	246
- current	121	95	121	95
- non current	50	151	50	151
	171	246	171	246

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

c) Capital Expenditure Commitments

- no later than 1 year	1,229	1,206	1,229	1,206
- later than 1 year and not later than 5 years	-	-	-	-
Total Minimum Lease Payments	1,229	1,206	1,229	1,206

d) Exploration Expenditure Commitments

- no later than 1 year	4,060	3,875	4,060	3,626
- later than 1 year and not later than 5 years	-	-	-	-
Total Minimum Payments	4,060	3,875	4,060	3,626

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.

e) Other Commitments

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. At the present time a reliable estimate is not determinable for the future payments as it is subject to fluctuations in nickel prices and all future nickel production, both known and unknown, from the Forrestania Nickel Project.

Note 21: Auditor Remuneration

The following remuneration was earned by the companies Auditor during the period

	Consolidated Entity		Parent Entity	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
- Audit of financial statements	74	45	74	45
- Other services	41	54	41	54
	115	99	115	99

Note 22: Material Contracts

The Company has entered into an Ore Tolling and Concentrate Purchase Agreement ("OTCPA") with LionOre Australia (Nickel) Pty Ltd ("LionOre"). Under the terms of this agreement LionOre are entitled to purchase the first 75,000 tonnes of nickel in concentrate produced from the Forrestania tenements.

Note 23: Contingent Liabilities

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

Note 24: Subsequent Events

Subsequent to the year ended 30 June 2007:

- On the 27 June 2007 the remuneration committee resolved to grant 2,000,000 options to Directors of the Company at an exercise price of \$7.50 per option. This was ratified by shareholders at a general meeting held on the 17 August 2007. Had these been ratified before the end of 30 June 2007 the balance of options over shares would have increased to 9,793,167 at an average exercise price of \$4.79.
- On 10 September 2007 Western Areas increased its investment in Mustang Minerals Corp. to 19.2%. The increased investment in Mustang was achieved by the exercise of 4,570,401 warrants for a total payment of CAD\$2,056,680.

Note 25: Statement of Operations by Segments

The Consolidated Entity operated predominantly in the mineral exploration industry in Australia.

Note 26: Key Management Personnel**a) Key Management Personnel**

T Streeter	Chairman (Non-Executive) – <i>Appointed Chairman 17 August 2007</i>
D Cooper	Director (Non-Executive) – <i>Held Chairman's role 29 August 2006 through 17 August 2007</i>
J Hanna	Director and Chief Executive Officer
R Dunbar	Director (Non-Executive)
D Boyer	Chairman (Non-Executive) – <i>Retired Chairman 28 August 2006</i>
C Oliver	Finance Director, Chief Financial Officer & Company Secretary – <i>Appointed Finance Director 8 December 2006</i>
D Lougher	General Manager – Operations

Note 26: Key Management Personnel

b) Options held by Key Management Personnel

	Balance at 1 July 2006	Granted as Remuneration	On Exercise of Options	Purchases / (Sales)	Expired / Lapsed	Balance at 30 June 2007	Options Vested (*)
D Boyer (^)	-	-	-	-	-	-	-
J Hanna	-	400,000	-	-	-	400,000	266,666
D Cooper	-	400,000	-	-	-	400,000	266,666
T Streeter	-	400,000	-	-	-	400,000	266,666
R Dunbar	-	400,000	-	-	-	400,000	266,666
C Oliver (^)	400,000	-	-	-	-	400,000	266,666
D Lougher	400,000	240,000	-	-	-	640,000	346,666
TOTAL	800,000	1,840,000	-	-	-	2,640,000	1,679,996

(^) Mr Oliver was appointed as a director of the Company on 8 December 2006. Mr Boyer retired 28 August 2006.

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

c) Remuneration Options: Granted and vested during the year

During the 2007 Financial Year 1,600,000 options were issued to the Directors of the Company under this program. The remuneration committee resolved to issue these options to Directors in May 2006, the issue was ratified at the annual general meeting held on 20 October 2006. The options were issued free of charge. Each option entitles the holder to subscribe for 1 fully paid ordinary share at an exercise price of \$3.20. 1/3 of the options vest immediately, 1/3 12 months after granting and the final 1/3 24 months after granting. The options expire on 5 May 2009.

During the financial year there was one issue of unlisted options. The issue was made under the Employee Share Option Incentive Scheme in June 2007. The issue was made to employees and key contractors of the Company, except for the Managing Director and the Finance Director. The options were issued free of charge. Each option entitles the holder to subscribe for 1 fully paid ordinary share at an exercise price of \$7.50. 1/3 of the options vest immediately, 1/3 12 months after granting and the final 1/3 24 months after granting. The options expire during June 2010.

Options Granted as part of remuneration for the Year Ended 30 June 2007

	Terms & Conditions for each Grant						
	Granted	Vested	Grant Date	Value per option at grant date	Exercise Price per option	First Exercise Date	Last Exercise Date
J Hanna	400,000	266,666	20 Oct 06	\$0.25	\$3.20	20 Oct 06	5 May 09
D Cooper	400,000	266,666	20 Oct 06	\$0.25	\$3.20	20 Oct 06	5 May 09
R Dunbar	400,000	266,666	20 Oct 06	\$0.25	\$3.20	20 Oct 06	5 May 09
T Streeter	400,000	266,666	20 Oct 06	\$0.25	\$3.20	20 Oct 06	5 May 09
C Oliver	-	-	-	-	-	-	-
D Lougher	240,000	80,000	1 June 07	\$0.53	\$7.50	1 June 07	1 June 10
TOTAL	1,840,000	1,146,664					

Note 26 Key management Personnel (cont)**d) Shareholdings of Key Management Personnel**

	Balance at 1 July 2006	Granted as Remuneration	On Exercise of Options	Net Purchases / (Sales)	Balance at 30 June 2007
D Boyer (^)	1,330,554	-	-	-	-
J Hanna	1,450,765	-	-	119,994	1,570,759
D Cooper	1,051,000	-	-	49,000	1,100,000
T Streeter	29,169,806	-	-	3,263,477	32,433,283
R Dunbar	-	-	-	2,500	2,500
C Oliver (^)	25,000	-	-	60,855	85,855
D Lougher	-	-	-	5,884	5,884
TOTAL	33,027,125	-	-	3,501,710	35,198,281

(^)Mr Oliver was appointed as a director of the Company on 8 December 2006. Mr Boyer retired 28 August 2006.

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.

e) Shares issued on exercise of options

There were no shares issued to directors on exercise of options during the 2007 fiscal year

Note 27: Interests in Joint Ventures

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

Joint Venture	% Interest	Principal Activities	Consolidated Entity		Parent Entity	
			2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Bullfinch North	(i) 0 - 25%	Nickel & Gold	-	265	-	265
Koolyanobbing (3 JV's)	(ii) 51% - 100%	Nickel & Gold	1,500	1,714	1,500	1,714
Copper Hills	(iii) 100%	Nickel & Gold & PGE	-	1,480	-	-

The principal activities of the Company's joint ventures are to explore tenement interests for exploitable mineral resources.

- (i) The Company's JV partner, Polaris Metals NL, solely fund and manage the JV. Western Areas has diluted to a 25% JV interest (with a clawback provision to 60% for nickel) in the Northern Tenements and a 0% JV interest (with a retained royalty interest) in the Southern Tenements. The Company wrote-down the carrying value of Bullfinch to nil during the 2007 financial year due to the lack of success at the project.
- (ii) The Koolyanobbing JV comprises 3 distinct sections: North, East and Central. Under the North JV the Company has a 100% interest in the Koolyanobbing North tenements. The Company has executed an access agreement with Portman Ltd whereby Portman has entered into a Royalty Agreement to explore for, and mine iron ore. The Company will be paid a royalty of 15 cents per tonne of ore mined from the tenements.

Under the East JV the Company has an agreement in place with Portman Resources NL to earn an interest in minerals other than iron ore in three Exploration Licences in the Yilgarn Mineral Field. The Company has earned a 66% interest in the Joint Venture, subject to the right of the other party to contribute to expenditure.

Under the Central JV the Company has an agreement in place with Portman Iron Ore Limited to earn up to 70% interest in minerals excluding iron ore on one Exploration licence, three Mining leases and three Mining Lease Applications covering the central part of the Koolyanobbing Project. The Company has earned a 51% interest in the JV.

The Company raised a provision for impairment against the carrying value of these projects during 2007 financial year.

- (iii) The Company owns 100% interest in the southern tenements at Copper Hills. Western Areas subsidiary, Western Platinum NL had an agreement with Talisman Mining Ltd to earn a 70% interest in two tenements covering the northern part of the Copper Hills complex. During 2007 this agreement was terminated.

Note 27: Interests in Joint Ventures

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 28: Financial Risk Management

a) Treasury Risk

The Company has a Treasury Committee consisting of Senior Management and Board members that meets on a regular basis to analyse currency and interest rate exposure and to evaluate and refine the current risk management policies. This committee assess the risk in the context of the most recent economic conditions and forecasts.

b) Hedging of Specific Commitments

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

1. Nickel Hedging Contracts

As at balance date the Company had forward sold 1,603 tonnes of nickel at an average USD price of US\$13,005 per tonne. The hedging contracts are vanilla forward sales contracts with maturity dates as shown in the table below.

2. Foreign Exchange Hedging

The consolidated entity enters into USD/AUD forward exchange contracts to the extent USD revenues are forward sold under the above nickel hedges. This effectively creates an AUD nickel hedge. Details of both commodity and currency hedges are as follows:

	FY 2008	TOTAL
Nickel Tonnes	1,603	1,603
US Price (\$/tonne)	9,563	9,563
USD Value (\$'000)	15,329	15,329
USD Currency Hedges (US\$'000)	15,329	15,329
Exchange Rates	\$0.7353	\$0.7353
Effective AUD Nickel Price	13,005	13,005

None of the hedging contracts are subject to margin calls.

c) 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.

Note 28: Financial Risk Management (cont)**d) Interest Rate Risk**

The Consolidated Entity's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities at reporting date are as shown below:

2007 Consolidated Entity

	Floating Interest Rate \$'000	Fixed Interest maturing in:				Total \$'000	Weighted Average Interest Rate
		1 year or less \$'000	Over 1 to 5 years \$'000	More than 5 Years \$'000	Non- Interest Bearing \$'000		
Financial Assets							
Cash	237,003	-	-	-	-	237,003	6.20%
Receivables	-	-	-	-	4,249	4,249	
	237,003	-	-	-	4,249	241,252	
Financial Liabilities							
Payables	-	-	-	-	7,573	7,573	
Project loan	-	819	52,645	-	-	53,464	7.97%
Convertible bonds	-	-	225,000	-	-	225,000	8.00%
Lease liability	-	121	50	-	-	171	7.38%
Premium funding	-	-	-	-	-	-	
	-	940	277,695	-	7,573	286,208	
Net Financial Assets/ (Liabilities)	237,003	(940)	(277,695)	-	(3,324)	(44,956)	

2006 Consolidated Entity

	Floating Interest Rate \$'000	Fixed Interest maturing in:				Total \$'000	Weighted Average Interest Rate
		1 year or less \$'000	Over 1 to 5 years \$'000	More than 5 Years \$'000	Non- Interest Bearing \$'000		
Financial Assets							
Cash	2,496	-	-	-	-	2,496	5.40%
Receivables	-	-	-	-	1,008	1,008	-
	2,496	-	-	-	1,008	3,504	
Financial Liabilities							
Payables	-	-	-	-	7,099	7,099	
Project Loan	-	-	30,682	-	-	30,682	8.24%
Lease Liability	-	95	151	-	-	246	7.38%
Premium Funding	-	10	-	-	-	10	3.00%
	-	105	30,833	-	7,099	38,037	
Net Financial Assets/ (Liabilities)	2,496	(105)	(30,833)	-	(6,091)	(34,533)	

e) Price Risk

The Company is exposed to commodity price risk for the production over and above that hedged. The Board review and manage this risk via the established treasury policy.

f) Liquidity Risk

The Company manages liquidity risk by continually monitoring cash reserves and cashflow forecasts to ensure that financial commitments can be met when and as they fall due.

g) Market Risk

The Company manages market risk with the use of sales "Offtake Agreements". The current off take partner is LionOre Australia who have the right to purchase the first 75,000 tonnes of nickel metal at commercial terms.

h) Net Fair Values

Recognised Financial Instruments

The net fair values of the financial assets and liabilities recognised on the balance sheet (as shown in section (c) of this note), approximate their carrying value. No financial assets or liabilities recognised by the Company are readily traded on organised markets and in a standardised form.

Recognised Derivative Financial Instruments

The net fair value of derivative financial instruments (hedging contracts) is determined on a marked to market basis. This represents the difference in value between the instruments in place at balance date and identical instruments that could be put in place if market rates at balance date were used.

	Aggregate Net Fair Value	
	2007 \$'000	2006 \$'000
Nickel Forward Contracts	(58,536)	(15,139)
Foreign Exchange Contracts	2,771	(26)
	(55,765)	(15,165)

The basis for determining the net fair value of the nickel financial instruments held by the consolidated entity at balance date is based on a spot price of US\$36,315 per tonne.

The basis for determining the net fair value of the foreign exchange financial instruments held by the consolidated entity at balance date is based on a spot AUD/USD exchange rate of 0.8497. Contained within the fair value of the foreign exchange contracts is the marked to market amount calculated in accordance with Note 1 (i).

The marked to market amount for the derivative contracts entered into by the Company has been brought to account and is shown on the balance sheet.

Note 29: Related Party Transactions

There were no related party transactions during the financial year.

Note 30: Share Based Payments

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

On the 31 July 2004 1,500,000 options were issued as part of the Western Areas Employee Share Option Scheme. These are redeemable for one ordinary share in the Company and have an exercise price of \$1.30.

On the 5 May 2006 2,960,000 options were issued as part of the Western Areas Employee Share Option Scheme. These are redeemable for one ordinary share in the Company and have an exercise price of \$2.75.

On the 5 May 2006 the remuneration committee resolved to issue 1,600,000 options to the Western Areas Directors. These are redeemable for one ordinary share in the Company and have an exercise price of \$3.20. This was ratified by shareholders at the annual general meeting on 20 October 2006.

On the 6 June 2007 1,460,000 options were issued as part of the Western Areas Employee Share Option Scheme. These are redeemable for one ordinary share in the Company and have an exercise price of \$7.50.

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

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

Note 30: Share Based Payments (cont)

The following options were outstanding at 30 June 2007:

	Consolidated Entity				Parent Entity			
	2007		2006		2007		2006	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Opening balance	3,495,000	\$2.52	4,568,000	\$1.11	3,495,000	\$2.52	4,568,000	\$1.11
Options issued (*)	5,060,000	\$4.93	2,960,000	\$2.75	5,060,000	\$4.93	2,960,000	\$2.75
Options lapsed	(259,000)	\$2.36	(1,354,666)	\$2.04	(259,000)	\$2.36	(1,354,666)	\$2.04
Options exercised	(502,833)	\$2.63	(2,678,334)	\$0.59	(502,833)	\$2.63	(2,678,334)	\$0.59
Closing balance	7,793,167	\$4.09	3,495,000	\$2.52	7,793,167	\$4.09	3,495,000	\$2.52
Vested balance	5,369,834	\$3.79	1,521,667	\$2.24	5,369,834	\$3.79	1,521,667	\$2.24

(*) The exercise price for the CAD\$4.00 warrants has been calculated at an FX rate of, AUD\$1: CAD\$.8991

All of the employee and directors option vest in line with the Employee Share Option Scheme. 1/3 of the options vest on the grant date itself, a further 1/3 12 months after the grant date and the final 1/3 24 months after the grant date. The warrants issues as part of the private placement on the TSX were fully vested on issue.

The weighted average contractual life remaining for the current outstanding options is 32 Months

The Directors incentive options issued on 20 October 2006 were valued via the Black Scholes option pricing model applying the following inputs. Average closing share price: \$2.25, option exercise price: \$3.20, life of the option: 3 years, price volatility: 80% and discount rate: 5.75%.

The employee options issued on 6 June 2007 were valued via the Black Scholes option pricing model applying the following inputs. Average closing share price: \$4.40, option exercise price: \$7.50, life of the option: 3 years, price volatility: 60% and discount rate: 6.25%.

The movement in the various classes of options for the year ended 30 June 2007 were as follows:

-- Option Terms (Exercise Price and Maturity) --						
	Employee \$1.30 Jul 08	Directors \$3.20 May 09	Employee \$2.75 May 09	Warrants CAD\$4.00 Dec 09	Employee \$7.50 June 10	TOTAL
Opening balance	535,000	-	2,960,000	-	-	3,495,000
Options issued	-	1,600,000	-	2,000,000	1,460,000	5,060,000
Options cancelled	(69,000)	-	(190,000)	-	-	(259,000)
Options exercised	(202,000)	-	(163,333)	(137,500)	-	(502,833)
Closing balance	264,000	1,600,000	2,606,667	1,862,500	1,460,000	7,793,167

Note 31: Reserves

(i) Option equity reserve

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

(ii) Hedge reserve

The hedge reserve records revaluations of items designated as hedges.

(iii) Investment Revaluation reserve

The investment revaluation reserve records revaluations of investments in other entities.

(iv) Convertible Bond Reserve

The Convertible bond reserve records the equity proportion value of the convertible bond that was issued during the 2007 financial year.

Note 32: Acquisition of subsidiaries

As reported in the September 2006 quarterly report, in July 2006 the consolidated entity acquired 77.8% of Polar Gold Pty Ltd which in turn owned 96% of Kola Mining.

The purchase price was allocated as follows:

	Consolidated Entity		Parent Entity	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Purchase consideration	202	-	-	-
Assets and liabilities acquired at acquisition date:				
Cash	28	-	-	-
Receivables	1	-	-	-
Property, plant & equipment	2	-	-	-
Other current assets	1	-	-	-
Payables	(12)	-	-	-
Goodwill on consolidation	182	-	-	-
Total	202	-	-	-

The financial results of the Polar Gold Pty Ltd and AOA Kola Mining have not been consolidated into the group as they were not material.

Note 33: Change in Accounting Policy

- a) The following Australian Accounting Standards have been issued or amended and are applicable to the parent and economic entity but are not yet effective. They have not been adopted in preparation of the financial statements at reporting date.

AASB Amendment	Affected Standard	Nature of change to accounting policy	Application date of standard	Application date to group
2005-10 Amendments to Australian Accounting Standards	AASB 1 First time adoption of AIFRS	The disclosure requirements of AASB 132: Financial Instruments: Disclosure and Presentation have been replaced due to the issuing of AASB 7: Financial Instruments: Disclosure in August 2005. These amendments will involve changes to financial instrument disclosure within the financial report. However, there will be no direct impact on amounts included in the financial report as it is a disclosure standard.	1 January 2007	1 July 2007
	AASB 101 Presentation of financial statements		1 January 2007	1 July 2007
	AASB 114 Segment reporting		1 January 2007	1 July 2007
	AASB 117 Leases		1 January 2007	1 July 2007
	AASB 133 Earnings per share		1 January 2007	1 July 2007
	AASB 139 Financial instruments recognition and measurements		1 January 2007	1 July 2007
	AASB 132 Financial instruments disclosure and presentation		1 January 2007	1 July 2007
		As above.		
			1 January 2007	1 July 2007
2006-1	AASB 121 The effects of the change in foreign exchange rates	No change, no impact	1 January 2006	1 July 2006
New Standard	AASB 7 Financial instrument disclosure	No change, no impact	1 January 2007	1 July 2007
New Standard	AASB 119 Employee benefits: December 2004	No change, no impact	1 January 2006	1 July 2006

All other pending Standards issued between the previous financial report and the current financial reporting dates have no applications to either the parent or the economic entity.

Note 34: Additional Company Information

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

Registered office and Principal place of business:

Suite 3, Level 1

11 Ventnor Avenue

West Perth WA 6005

Tel: +61 8 9334 7777

Fax: +61 8 9486 7866

Web: www.westernareas.com.au

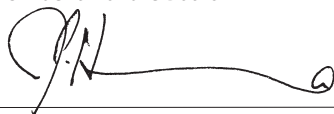
Web: info@westernareas.com.au

DIRECTORS' DECLARATION

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

1. The financial statements and notes, as set out on pages 41 to 77, are in accordance with the Corporations Act 2001 and:
 - a. comply with Accounting Standards and the Corporations Regulations 2001; and
 - b. give a true and fair view of the financial position as at 30 June 2007 and of the performance for the year ended on that date of the Company and economic entity;
2. The Chief Executive Officer and Chief Financial Officer have each declared that:
 - a. the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
 - b. the financial statements and notes for the financial year comply with the Accounting Standards; and
 - c. the financial statements and notes for the financial year give a true and fair view;
3. In the director's opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



J. Hanna

Director

Dated this 26th day of September 2007

Form 52-109F1 - Certification of Annual Filings

I, Craig Oliver, Chief Financial Officer of Western Areas NL, certify that:

1. I have reviewed the annual filings (as this term is defined in Multilateral Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings) of Western Areas (the issuer) for the period ending 30 June 2007;
2. Based on my knowledge, the annual filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the annual filings;
3. Based on my knowledge, the annual financial statements together with the other financial information included in the annual filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date and for the periods presented in the annual filings;
4. The issuer's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting for the issuer, and we have:
 - a. designed such disclosure controls and procedures, or caused them to be designed under our supervision, to provide reason able assurance that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which the annual filings are being prepared;
 - b. designed such internal control over financial reporting, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP; and
 - c. evaluated the effectiveness of the issuer's disclosure controls and procedures as of the end of the period covered by the annual filings and have caused the issuer to disclose in the annual MD&A our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by the annual filings based on such evaluation.
5. I have caused the issuer to disclose in the annual MD&A any change in the issuer's internal control over financial reporting that occurred during the issuer's most recent interim period that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting.

Date: 26 September 2007



Craig Oliver

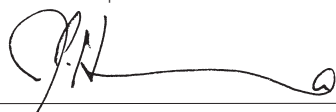
Chief Financial Officer

Form 52-109F1 - Certification of Annual Filings

I, Julian Hanna, Managing Director of Western Areas NL, certify that:

1. I have reviewed the annual filings (as this term is defined in Multilateral Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings) of Western Areas (the issuer) for the period ending 30 June 2007;
2. Based on my knowledge, the annual filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the annual filings;
3. Based on my knowledge, the annual financial statements together with the other financial information included in the annual filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date and for the periods presented in the annual filings;
4. The issuer's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting for the issuer, and we have:
 - a. designed such disclosure controls and procedures, or caused them to be designed under our supervision, to provide reasonable assurance that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which the annual filings are being prepared;
 - b. designed such internal control over financial reporting, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP; and
 - c. evaluated the effectiveness of the issuer's disclosure controls and procedures as of the end of the period covered by the annual filings and have caused the issuer to disclose in the annual MD&A our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by the annual filings based on such evaluation.
5. I have caused the issuer to disclose in the annual MD&A any change in the issuer's internal control over financial reporting that occurred during the issuer's most recent interim period that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting.

Date: 26 September 2007



Julian Hanna

Managing Director



INDEPENDENT AUDIT REPORT TO MEMBERS OF WESTERN AREAS NL

We have audited the accompanying financial report of Western Areas NL (the company) and Western Areas NL and Controlled Entities (the consolidated entity), which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

As permitted by the Corporations Regulations 2001, the company has disclosed information about the remuneration of directors and executives (remuneration disclosures), required by Accounting Standard AASB 124: Related Party Disclosures, under the heading 'Remuneration Report' in pages 28 to 33 of the directors' report and not in the financial report.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

The directors also are responsible for preparation and presentation of the remuneration disclosures contained in the directors' report in accordance with the Corporations Regulations 2001.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement and that the remuneration disclosures in the directors' report comply with Accounting Standard AASB 124.

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

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

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the directors of Western Areas NL on 26 September 2007, would be in the same terms if provided to the directors as at the date of this auditor's report.

Auditor's Opinion

In our opinion, the financial report of Western Areas NL is in accordance with the Corporations Act 2001 including:

- (a) (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2007 and of their performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Regulations 2001.
- (b) the remuneration disclosures that are contained in pages 28 to 33 of the directors' report comply with Accounting Standard AASB 124.
- (c) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

WHK HORWATH PERTH AUDIT PARTNERSHIP



CYRUS PATELL
Principal

Perth, WA

Dated this 26th day of September 2007

SCHEDULE OF MINING TENEMENTS

Areas of Interest	Tenements	Company's Interest	Joint Venture Partners
Mt Jewell			
	E 24/63	100 %	Magma Metals
	E 27/83	100 %	Magma Metals
	MLA 24/597	100 %	Magma Metals
	MLA 24/598	100 %	Magma Metals
	MLA 27/473	100 %	Magma Metals
	MLA 27/474	100 %	Magma Metals
	MLA 29/397	100 %	Magma Metals
	MLA 29/398	100 %	Magma Metals
	PLA 29/1905	100 %	Magma Metals
	PLA 29/1906	100 %	Magma Metals
	PLA 29/1907	100 %	Magma Metals
	PLA 29/1908	100 %	Magma Metals
	PLA 29/1909	100 %	Magma Metals
	PLA 24/4041	100 %	Magma Metals
	PLA 24/4042	100 %	Magma Metals
	PLA 24/4043	100 %	Magma Metals
	PLA 24/4044	100 %	Magma Metals
	PLA 24/4045	100 %	Magma Metals
	PLA 24/4046	100 %	Magma Metals
	PLA 24/4047	100 %	Magma Metals
	PLA 24/4048	100 %	Magma Metals
	PLA 24/4049	100 %	Magma Metals
	PLA 27/1695	100 %	Magma Metals
	PLA 27/1696	100 %	Magma Metals
	PLA 27/1697	100 %	Magma Metals
	PLA 27/1698	100 %	Magma Metals
	PLA 27/1699	100 %	Magma Metals
	PLA 27/1700	100 %	Magma Metals
	PLA 27/1701	100 %	Magma Metals
Mt Alexander			
	E 29/189	100 %	WMC Resources
	E 29/192	100 %	WMC Resources
	MLA 29/313	100 %	WMC Resources
	MLA 29/340	100 %	WMC Resources
	MLA 29/341	100 %	WMC Resources
	MLA 29/342	100 %	WMC Resources
	MLA 29/343	100 %	WMC Resources
	MLA 29/344	100 %	WMC Resources
	MLA 29/345	100 %	WMC Resources
	MLA 29/346	100 %	WMC Resources
	M 29/36	100 %	Sipa Resources
	M 29/37	100 %	Sipa Resources
	ELA 29/638	100%	

Areas of Interest	Tenements	Company's Interest	Joint Venture Partners
Koolyanobbing			
	E 77/874 - I	100 %	Portman Ltd
	MLA 77/1087	100 %	Portman Ltd
	M 77/676 - I	100 %	Portman Ltd
	M 77/737 - I	100 %	Portman Ltd
	M 77/839	100 %	Portman Ltd
	MLA 77/1046	100 %	Portman Ltd
	E 77/1004 - I	70 %	Portman Resources
	E 77/1089	70 %	Portman Resources
	ELA 77/1307	70 %	Portman Resources
	PLA 77/3482	70 %	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
	M 77/988 - I	0 %	Portman Iron Ore
	M 77/989 - I	0 %	Portman Iron Ore
	M 77/990 - I	0 %	Portman Iron Ore
	E77/1307	70%	Portman Iron Ore
	P77/3385	70%	Portman Iron Ore
	P77/3807	70%	Portman Iron Ore
Bullfinch North - Northern Tenements			
	E 77/474 - I	25 %	Polaris Metals
	E 77/485 - I	25 %	Polaris Metals
	E 77/733 - I	25 %	Polaris Metals
	E 77/922 - I	25 %	Polaris Metals
	E 77/933	25 %	Polaris Metals
	E 77/944	25 %	Polaris Metals
	E 77/879	25 %	Polaris Metals
	E 77/920	25 %	Strange
	E 77/907 - I	25 %	Polaris Metals
	E 77/924 - I	25 %	Polaris Metals
	E 77/1022	25 %	Polaris Metals
	P 77/3292 - I	25 %	Polaris Metals
	E 77/1048	25 %	Polaris Metals
	MLA 77/1050	25 %	Polaris Metals
	E 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
	MLA 77/1099	25 %	Polaris Metals
	P 77/3335	25 %	Polaris Metals
	PLA 77/3636	25 %	Polaris Metals

SCHEDULE OF MINING TENEMENTS

Areas of Interest	Tenements	Company's Interest	Joint Venture Partners
Bullfinch North - <i>Northern Tenements</i>			
(continued)	P 77/3336	25 %	Polaris Metals
	MLA 77/1081	25 %	Strange
	MLA 77/1203	0%	Strange/Teune
	MLA 77/1204	25 %	Polaris Metals
	MLA 77/1205	25 %	Polaris Metals
	MLA 77/1206	25 %	Polaris Metals
	MLA 77/1207	0%	Polaris Metals
	MLA 77/1208	0%	Strange/Teune
	MLA 77/1209	0%	Polaris Metals
	MLA 77/1210	0%	Polaris Metals
	MLA 77/1211	0%	Polaris Metals
	MLA 77/1212	25 %	Polaris Metals
	MLA 77/1216	25 %	Polaris Metals
	MLA 77/1217	0%	Polaris Metals
	MLA 77/1218	25 %	Polaris Metals
	MLA 77/1219	25 %	Polaris Metals
	MLA 77/1220	25 %	Polaris Metals
	MLA 77/1221	25 %	Polaris Metals
	MLA 77/1222	25 %	Polaris Metals
	MLA 77/1223	25 %	Polaris Metals
	MLA 77/1224	25 %	Polaris Metals
	MLA 77/1225	25 %	Polaris Metals
	MLA 77/1226	25 %	Polaris Metals
	MLA 77/1227	25 %	Polaris Metals
	MLA 77/1228	25 %	Polaris Metals
	MLA 77/1229	25 %	Polaris Metals
	MLA 77/1230	25 %	Polaris Metals
	E77/1283	0%	Polaris Metals
	ELA 77/1370	0%	Polaris Metals
	ELA 77/1371	25 %	Polaris Metals
	ELA 77/1372	25 %	Polaris Metals
	ELA 77/1374	25 %	Polaris Metals
	ELA 77/1390	25 %	Polaris Metals
	ELA 77/1391	25 %	Polaris Metals
	PLA 77/3556	0%	Polaris Metals
	PLA 77/3557	0%	Polaris Metals
	PLA 77/3624	25 %	Polaris Metals
	PLA 77/3625	25 %	Polaris Metals
	PLA 77/3630	25 %	Polaris Metals
	PLA 77/3631	25 %	Polaris Metals
	PLA 77/3632	25 %	Polaris Metals
	PLA 77/3633	25 %	Polaris Metals
	PLA 77/3634	25 %	Polaris Metals
	PLA 77/3635	25 %	Polaris Metals

Areas of Interest	Tenements	Company's Interest	Joint Venture Partners
Bullfinch North - <i>Southern Tenements</i>			
	E 77/1010	0 %	Royalty Interest
	E 77/1012	0 %	Royalty Interest
	M 77/123	0 %	Royalty Interest
	M 77/228	0 %	Royalty Interest
	MLA 77/1089	0 %	Royalty Interest
	MLA 77/1090	0 %	Royalty Interest
	MLA 77/1094	0 %	Royalty Interest
	MLA 77/1101	0 %	Royalty Interest
	MLA 77/1103	0 %	Royalty Interest
	P 77/3295	0 %	Royalty Interest
	P 77/3301	0 %	Royalty Interest
	P 77/3302	0 %	Royalty Interest
	P 77/3303	0 %	Royalty Interest
	PLA 77/3304	0 %	Royalty Interest
	P 77/3307	0 %	Royalty Interest
	P 77/3313	0 %	Royalty Interest
	MLA/ 77/1121	20 %	Polaris Metals
	MLA/ 77/1122	20 %	Polaris Metals
	MLA/ 77/1123	20 %	Polaris Metals
	MLA/ 77/1113	20 %	Polaris Metals
	MLA/ 77/1114	20 %	Polaris Metals
	MLA/ 77/1115	20 %	Polaris Metals
	ELA 77/1368	0%	Polaris Metals
	ELA 77/1369	0%	Polaris Metals
	ELA 77/1373	0%	Polaris Metals
	PLA 77/3626	25%	Polaris Metals
	PLA 77/3627	25%	Polaris Metals
	PLA 77/3628	0%	Polaris Metals
	PLA 77/3629	0%	Polaris Metals
Cue Gold			
	ELA 20/427	100 %	
	ELA 20/428	100 %	
Forrestania			
	L 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 %	

SCHEDULE OF MINING TENEMENTS

Areas of Interest	Tenements	Company's Interest	Joint Venture Partners
Forrestania			
(continued)	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 77/545	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 %	
	E 45/2643	100 %	
	E 45/2696	100 %	
	E 45/2706	100 %	
Mt Holland			
	PLA 77/3569	100%	
	PLA 77/3570	100%	
	PLA 77/3571	100%	
	PLA 77/3572	100%	
	ELA 77/1308	100%	
	ELA 77/1309	100%	
Lake King			
	E 70/2148	0%	
	E 70/3123	0%	Swan Oak Holdings
	E 70/1534	0%	Swan Oak Holdings
	E 70/1536	0%	Swan Oak Holdings

Areas of Interest	Tenements	Company's Interest	Joint Venture Partners
Mt Finnerty			
	E16/260	0 %	Reed Resources
	E16/272	0 %	Reed Resources
	E16/308	0 %	Reed Resources
	E15/621	0 %	Reed Resources
	E15/713	0 %	Reed Resources
	E15/836	0 %	Reed Resources
	E15/978	0 %	Reed Resources
	P15/4499	0 %	Reed Resources
	P15/4818	0 %	Reed Resources
Lynn Lake (Canada)			
	MB5175	0%	Peter Dunlop
	MB5701	0%	Peter Dunlop
	P4400E	0%	Peter Dunlop
	P3534F	0%	Peter Dunlop
	MB2482	0%	Peter Dunlop
	MB3566	0%	Peter Dunlop
	MB3567	0%	Peter Dunlop
	P1045F	0%	Peter Dunlop
	MB3580	0%	Peter Dunlop
	MB3581	0%	Peter Dunlop
	MB7348	0%	Peter Dunlop
	MB7349	0%	Peter Dunlop
	MB7350	0%	Peter Dunlop
	MB7361	0%	Peter Dunlop
	MB7362	0%	Peter Dunlop
	MB7025	0%	Peter Dunlop
	P7698E	0%	Peter Dunlop
	P8370E	0%	Peter Dunlop
	P7699E	0%	Peter Dunlop
	P7702E	0%	Peter Dunlop
	P3163F	0%	Peter Dunlop
	P3164F	0%	Peter Dunlop
	P3165F	0%	Peter Dunlop
	P2291F	0%	Peter Dunlop
McBride Lake (Canada)			
	MB7342	0%	Peter Dunlop
	MB7343	0%	Peter Dunlop
	MB736	0%	Peter Dunlop
	MB7344	0%	Peter Dunlop
	MB7345	0%	Peter Dunlop
	MB7346	0%	Peter Dunlop
	MB7347	0%	Peter Dunlop
	MB7341	0%	Peter Dunlop

SHAREHOLDER INFORMATION

The Shareholder Information set out below shows the position as at 14 September 2007.

a) Distribution of Shareholdings

Ordinary Shares*

i) Distribution schedule of holdings:	
1 – 1,000	695
1,001 – 5,000	1,425
5,001 – 10,000	501
10,001 – 100,000	674
100,001 – over	139
Total number of holders	3,434
ii) Number of holders of less than a marketable parcel	0
iii) Number of overseas Holders	187
iv) Percentage held by 20 largest holders	68.68%

*All ordinary shares carry one vote per share without restriction.

b) Largest Security Holders

i) Names of the 20 largest holders of Ordinary Shares are listed below:

NAME	NO. SHARES HELD	%
Jungle Creek Gold Mines	31,337,896	18.82%
HSBC Custody Nominees	19,948,932	11.98%
Commonwealth Bank Ltd (CITICORP Nominees Pty Ltd)	11,610,197	6.97%
G Santalucia Investments Pty	11,000,000	6.61%
Northmead Holdings Pty Ltd	9,562,500	5.74%
Canadian Register	6,209,960	3.73%
Marford Group Pty Ltd	3,751,846	2.25%
J P Morgan Nominees Australia	3,051,290	1.83%
ANZ Nominees Limited	2,537,850	1.52%
National Nominees Limited	2,383,151	1.43%
Mr John Marinovich	1,918,376	1.15%
RBC Dexia Investor Services	1,830,409	1.10%
UBS Wealth Management	1,797,150	1.08%
Mr Giovanni Santalucia	1,647,469	0.99%
Fidene Nominees Pty Ltd	1,100,000	0.66%
Cormark Securities Inc.	1,000,000	0.60%
Mr Michael Marchesani	974,748	0.59%
Mrs Georgia Tsallis	965,607	0.58%
Mr Richard Stuart	939,439	0.56%
Mr Brett John Marinovich	822,000	0.49%
Total	<u>114,388,820</u>	<u>68.68%</u>

c) Substantial Shareholders

NAME	NO. SHARES HELD	%
Jungle Creek Gold Mines	30,815,396	18.51%
HSBC Custody Nominees	18,986,259	11.41%
Commonwealth Bank Ltd (CITICORP Nominees Pty Ltd)	12,908,711	7.75%
G Santalucia Investments Pty	11,000,000	6.61%
Northmead Holdings Pty Ltd	9,562,500	5.74%

