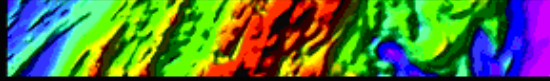


WESTERN AREAS NL



ABN 68 091 049 357

ANNUAL REPORT

30 JUNE 2009

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FORWARD LOOKING STATEMENTS:

This release contains certain forward-looking statements. Forward-looking statements are subject to a variety of risks and uncertainties beyond the Company's ability to control or predict which could cause actual events or results to differ materially from those anticipated in such forward-looking statements.

This announcement does not include reference to all available information on the Company or the Forrestania Nickel Project and should not be used in isolation as a basis to invest in Western Areas. Any potential investors should refer to Western Area's other public releases and statutory reports and consult their professional advisers before considering investing in the Company.

For Purposes of Clause 3.4 (e) in Canadian instrument 43-101, the Company warrants that Mineral Resources which are not Mineral Reserves do not have demonstrated economic viability.

CORPORATE DIRECTORY

Directors

Terry Streeter (Chairman)
David Cooper
Robin Dunbar
Julian Hanna
Craig Oliver
Dan Lougher

Joint Company Secretaries

Craig Oliver
Joseph Belladonna

Auditors

WHK Horwath
256 St Georges Terrace
Perth WA 6000

Bankers

ANZ Banking Group Limited
77 St Georges Terrace
Perth WA 6000

Share Registry

Australia

Computer Share Investor Services Pty Ltd
Level 2, 45 St Georges Terrace
Perth WA 6000

Canada

Computer Share Investor Services INC
100 University Ave, Suite 800
Toronto Ontario M5J 2Y1

Stock Exchange

Australian Stock Exchange Limited &
Toronto Stock Exchange Group
Code : WSA

Solicitors

Allion Legal
Level 2, 50 Kings Park Road
West Perth WA 6005

Steinepreis Paganin
Level 14, Chancery House
37 St Georges Terrace
Perth WA 6000

Registered Office

Suite 3, Level 1
11 Ventnor Avenue
West Perth WA 6005
Phone (08) 9334 7777
Fax (08) 9486 7866

Branch Office

65 Queen Street West
Suite 1105
Toronto Ontario M5H 2M5

Treasury Advisers

Oakvale Capital Ltd
Level 3, 50 Colin Street
West Perth WA 6005

CHAIRMAN'S LETTER

Dear Shareholders,

This year had been particularly challenging for most companies. The global financial meltdown and lower commodity prices have kept us all on our toes.

Western Areas Flying Fox mine at Forrestania has been in production for two years, producing high grade nickel at low costs. By the end of this year the mine will be at a depth of 1,000m in preparation to mine the large T5 ore body.

In March this year we commissioned the 300,000 tonne per annum plant at Cosmic Boy which is now being upgraded to 550,000 tonne per annum to take Nickel ore production from our second mine at Forrestania, Spotted Quoll. This is an exciting development for the Company which is expected to double our production to an annualised target rate of 20,000 tonnes nickel per annum in CY2010.

The exploration team has expanded mineral resources to 360,000 tonnes of nickel and we are looking forward to new discoveries at our Forrestania, regional and overseas projects.

In addition to Western Areas' mineral resources, there are approximately 53,000 tonnes of high grade mineral resources in Kagara Ltd's Lounge Lizard deposit, adjacent to the Flying Fox mine. Western Areas has entered into an agreement with Kagara to define, mine, process and sell any nickel that is mined from the Lounge Lizard deposit.

I would like to congratulate management and staff for their ongoing contribution and commitment to the development of our operations at Forrestania.

Western Areas is on a sound footing to take advantage of a more stable 2009/10 Financial Year. As shareholders of this company I would like to wish you all the very best for the future.

Yours faithfully,

Terry Streeter
Chairman

MANAGING DIRECTORS REPORT

I am happy to be able to report to shareholders that despite the challenges of the past 12 months, Western Areas has had a very successful year. Progress was made in all areas of the Company's operations and as a result, Western Areas is on track to become a substantial and globally recognised low cost nickel producer.

Major progress was made in exploration, mineral resources, mine development, ore production and infrastructure. A decision was made to mine Western Areas' second mine at Spotted Quoll, the nickel concentrator at Cosmic Boy was completed and successfully commissioned, and new offtake contracts were negotiated with BHP Billiton and Jinchuan Group of China. An agreement with Kagara Ltd has now consolidated Flying Fox, one of the highest grade nickel mines in Australia.

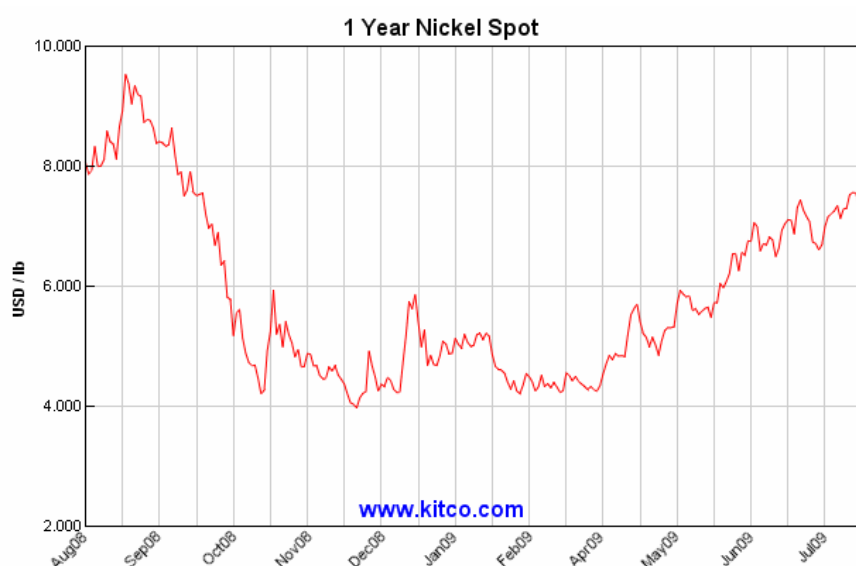
Flying Fox continues to meet expectations and is an outstanding long life asset which will underpin future growth in this Company. All areas of Flying Fox production including ore tonnes mined, ore grade, mine development and metallurgical recoveries showed substantial improvements on the previous year. The average cash cost of production for the year (before smelting and refinery costs) was US\$1.96/lb nickel.

	2007/08 (Year 1)	2008/09 (Year 2)	% change
Ore Processed	119,000 tonnes	231,000 tonnes	92%
Mined Grade	3.4% Ni	4.1% Ni	20%
Nickel Recovery	89%	90%	1%
Nickel Produced	3,680 tonnes	8,500 tonnes	130%
Nickel Price received	US\$12.70	US\$5.90	(115%)

At the end of 2008, we experienced a sharp fall in the nickel price which had a significant impact on Western Areas' revenue. The result was that average nickel price received by the Company halved from US\$12.70/lb for the year 2007/08 to US\$5.90/lb for 2008/09.

The nickel price was the single biggest factor in the A\$35M loss reported for the year. The second factor was the lack of nickel sales between February 2009 (when the Norilsk offtake agreement terminated) and May 2009 (when the BHP Billiton offtake agreement became effective). This break in nickel sales however is expected to have a positive impact on earnings in 2009/10. Approximately 3,500 tonnes nickel was stockpiled in ore and concentrate during this period and is now being sold into a much stronger nickel market.

After finding a floor at US\$4/lb, nickel has recovered back to levels of around US\$8.80/lb (14 August 2009) where it was before the price fall. With improved nickel prices, we anticipate strong cash flows from Flying Fox and Spotted Quoll in FY 2009/10.



MANAGING DIRECTORS REPORT

The past 6 months provided the opportunity to strengthen our balance sheet with a A\$35M placement to institutional investors, a A\$20M payment from Kagara Ltd and a A\$45M long dated loan from BHP Billiton. As a result, we now have sufficient funds for the next planned growth phase at Western Areas. In addition, our major mining and drilling contracts were renegotiated which has resulted in cost savings in excess of 10%.

At the same time we strengthened our management, technical, geological, mining and processing teams. We now have available a wonderful group of people who have a wide range of skills, experience and commitment to operate and manage this Company's assets into the future. The Western Areas mining and exploration team was recognised with two major awards during the year. These were the prestigious 'Digger Award' for the development of the Flying Fox mine and the 'Prospector Award' given to geological consultants Newexco for the discovery of Spotted Quoll.

Importantly, all the various activities of the Company have been achieved with an excellent safety record. This is the result of the high safety standards adopted throughout the organisation which is a credit to the people involved in the Occupational Health and Safety area. These high standards also carry over into our environmental activities. The Company is fortunate to have a professional and dedicated environmental department who manage a wide range of activities above the normal levels required.

Flying Fox Mine

There were significant developments at Flying Fox not only in the production and development areas (which are discussed later in this report) but also in increasing the amount of nickel available for Western Areas to mine, treat and sell into our offtake contracts.

Agreement was reached with Kagara Ltd to develop the high grade Lounge Lizard deposit adjacent to Flying Fox. This had immediate benefits for both companies. Kagara made an initial \$20 million payment in July and Western Areas committed to mine an initial 50,000 tonnes pa ore from Lounge Lizard. Western Areas will receive significant ongoing payments for managing Lounge Lizard and Kagara will contribute to amortising major capital items including Flying Fox mine infrastructure and the Cosmic Boy plant.

There are also other long term benefits to come from the Kagara agreement. Based on Kagara's estimates, Lounge Lizard adds approximately 53,000 tonnes of high grade nickel to Flying Fox mineral resources. This should provide the opportunity to conduct mining along levels up to 600 - 700m long, provide flexibility to increase mine production and reduce unit operating costs at Flying Fox.

Considering all the drilling completed to date, as a geologist, I think that Flying Fox still has a long way to go to reach its full size potential. Current Mineral Resources at Flying Fox (including Lounge Lizard) are approximately 2.5M tonnes at an average grade of 5.5% nickel, containing 140,000 tonnes nickel. This doesn't include large areas of T4 where recent drilling intersected 13.2m @ 10.0% nickel, 12.3m @ 8.7% nickel, 7.9m @ 7.7% nickel and 5.3m @ 10.2% nickel (Figure 1). In addition, the final geometry and size of T5 hasn't yet been defined and drilling is still at an early stage at the T6 and T7 deposits.

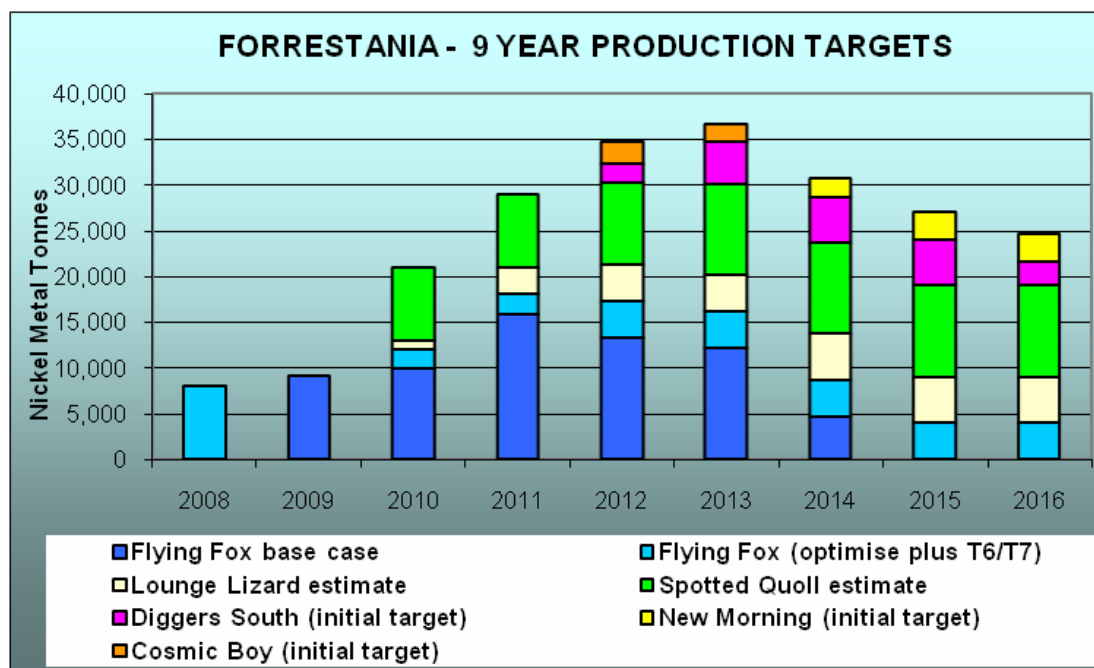
Spotted Quoll Mine

On 11 August 2009, the Board announced a major expansion at Forrestania with a decision to mine the Spotted Quoll open pit and double the capacity of the Cosmic Boy nickel concentrator. The aim is to increase production from 10,330 tonnes nickel mined in FY 2009 to reach the target 20,000 tonnes nickel in CY 2010. The plant expansion will also establish the basis for future increases in longer term production at Forrestania.

Site work at Spotted Quoll is expected to commence in September 2009 with first production due to commence in the March quarter 2010. The two year open pit will mine a high grade Ore Reserve containing approximately 19,900 tonnes nickel to 150m depth and provide access to the planned long life underground mine. Based on the feasibility study, estimated cash cost of production from the open pit should be less than US\$2.00/lb nickel. The open pit represents only 16% of the total contained nickel defined in current Mineral Resources at Spotted Quoll. There are an additional 100,000 tonnes of high grade nickel in mineral resources below the open pit and a feasibility study is already underway for the proposed underground mine. Initial target production from Spotted Quoll is an average 10,000 tonnes nickel mined per annum.

MANAGING DIRECTORS REPORT

Spotted Quoll Mineral Resources are approximately 2.0M tonnes at an average grade of 6.2% nickel, containing 125,000 tonnes nickel to 650m depth. This mineral resource has trebled during the past 12 months and still remains open beyond the limit of drilling. Five widely spaced drill holes were completed recently up to 400m below Spotted Quoll. Four intersected narrow, high grade nickel intervals within a fault zone. From experience gained at Flying Fox, our geologists are very encouraged by these results and are now testing below this fault to test the potential for significant extensions to Spotted Quoll in a similar setting to the large Flying Fox T5 deposit. We look forward to reporting further results.



Note: This production graph represents Western Areas targets based on an estimate of annual nickel production from Flying Fox, initial potential production estimates from Lounge Lizard and preliminary estimates from Spotted Quoll. Production targets are not all based on ore reserves or feasibility studies and may be varied at any time. Potential or existing investors should not rely on these targets as a basis to invest in Western Areas.

Other Planned Mines

Last year we were able to report that significant progress had been made to bring Western Areas' other main deposits, Diggers South and Cosmic Boy into production as soon as the nickel price stabilised. With nickel price currently above US\$8/lb, Western Areas is considering resuming development of these mines.

Diggers South has the potential to produce between 5,000 and 6,000 tonnes of nickel per annum. The feasibility study for a 400,000 tonnes per annum underground mine was finalised pending completion of geotechnical studies and negotiation of offtake terms. Permits have been received for the initial stages of developing Diggers South and a 40ha evaporation pond was constructed to dewater the existing Digger Rocks mine which is expected to provide access to the main Diggers South deposit.

During the 1990's, Cosmic Boy was Outokumpu's largest underground mine and produced a high quality concentrate product for smelters. Based on current known remnant mineral resources, Cosmic Boy has potential to produce between 2,000 and 3,000 tonnes of nickel per annum. In late 2008, Western Areas re excavated the boxcut entry to the Outokumpu mine in preparation for refurbishing the existing decline to access ore. Further drilling is required to test the potential for extensions to this large nickel system.

MANAGING DIRECTORS REPORT

Cosmic Boy Nickel Concentrator

One of the most important events during the past year was the construction and commissioning of the first stage of the Cosmic Boy nickel concentrator. The plant was built to a high standard and was constructed by GR Engineering on time and within budget. The successful commissioning of the plant is a credit to the team of metallurgists, plant operators and contractors involved in the project. The plant was officially opened by the Western Australian Minister for Mines, the Honourable Norman Moore, on 24 March 2009.

The plant has operated very well from the start and has already reached the first target of 92-93% nickel recovery, producing a premium quality 14% nickel concentrate from Flying Fox. This concentrate is currently transported 340km from Cosmic Boy to Kalgoorlie where it is delivered into the BHP Billiton offtake contract. Western Areas will supply BHP Billiton with the first 10,000 t nickel in concentrate produced each year at Forrestania up to a total 75,000 t nickel. This contract provides improved terms when compared with the existing agreements and covers the Company's 'base load production' without the need to export concentrate outside Australia.

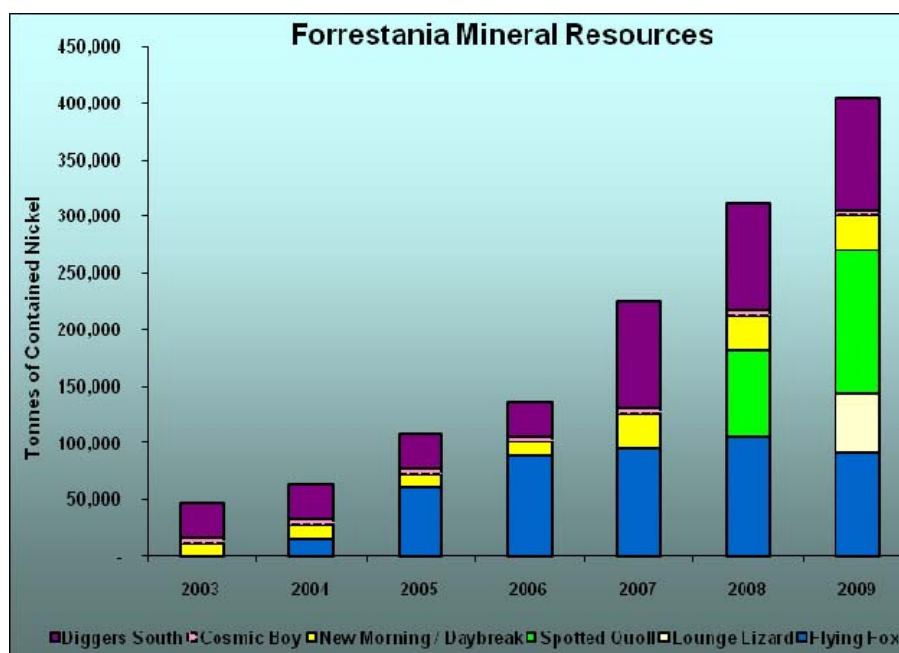
The plant upgrade from 300,000 tpa ore to 550,000 tpa ore announced on 12 August is expected to be completed in March or April 2010 to treat ore from Spotted Quoll. The blended concentrate from Flying Fox and Spotted Quoll will be sold into the BHP Billiton contract and also into a two year contract with Jinchuan Group of China. The Jinchuan contract applies up to a total 25,000 t nickel from Forrestania.

BioHeap Technology

On 11 August 2009, Western Areas announced a Heads of Agreement for an option to purchase the BioHeap sulphide leaching technology from Pacific Ore Ltd. BioHeap is a bacterial heap leaching technology developed to leach low grade sulphide ores to produce intermediate products to be sold directly to refineries.

During the next six months, testwork is planned to be carried out on a number of large, lower grade deposits at Forrestania which have total combined mineral resources containing approximately 128,000 tonnes nickel. BioHeap offers the potential to bring these deposits into production at relatively low cost.

Growth of Forrestania Mineral Resources over 6 years



Note: This graph takes into account Kagara's Lounge Lizard deposit and includes mining depletion of ore reserves from Flying Fox T1 and T4.

MANAGING DIRECTORS REPORT

Exploration

An active exploration program is in progress at Forrestania and at the other regional projects located within the 500km long 'Central Yilgarn Nickel Province'. This is managed by an experienced team comprising Western Areas' staff and Newexco geologists who have had many successes in the past five years.

With the fall in the nickel price at the end of 2008, the exploration budget was halved to \$12M, but we were able to retain all our exploration people during this period. The budget has since increased to \$16M and drilling has rapidly escalated with the aim of increasing resources and discovering new deposits.

In addition to drilling extensions at Flying Fox and trebling the mineral resource at Spotted Quoll, two new nickel occurrences were found at Forrestania recently. These are located on the 25km long Western Nickel Belt where our geologists consider new deposits of similar type to Flying Fox and Spotted Quoll could be discovered. The new occurrences are at the C2 channel 3km south of Spotted Quoll and at the Boojum South channel 9km south of Spotted Quoll. Of particular interest is an occurrence of narrow veins of high grade nickel (up to 9.5% nickel) below granite at Boojum South and an active program is now underway.

Discussion

Each year we take mining analysts, geologists and major shareholders to see the operations at Forrestania. Most, if not all are impressed by the scale of the Flying Fox mine, the Cosmic Boy plant, the village and other major infrastructure and the high calibre of the people on site. We then show these people drill core from Flying Fox and Spotted Quoll. Even the most experienced analysts and geologists admit that they haven't seen anything to compare with these high quality and unusual nickel deposits.

I would like to thank our many shareholders in Australia and offshore for your ongoing support of this Company. I would also like to take this opportunity to thank the Board, our senior executive team including Craig Oliver and Dan Lougher, the management team, site based and Perth office staff and our highly valued mining and exploration consultants for their energy, commitment and long hours of work.

Finally, I would like to thank our Chairman; Mr Terry Streeter for his ongoing support of Western Areas which was founded in December 1999. Having worked with Terry for almost ten years, I can say that without his energy, enthusiasm and financial support of this Company, Western Areas would not be in the strong position it is today. I am sure that many of our long standing shareholders would agree with this.

We are all looking forward to an exciting year ahead.



Julian Hanna
Managing Director

OPERATIONS REVIEW

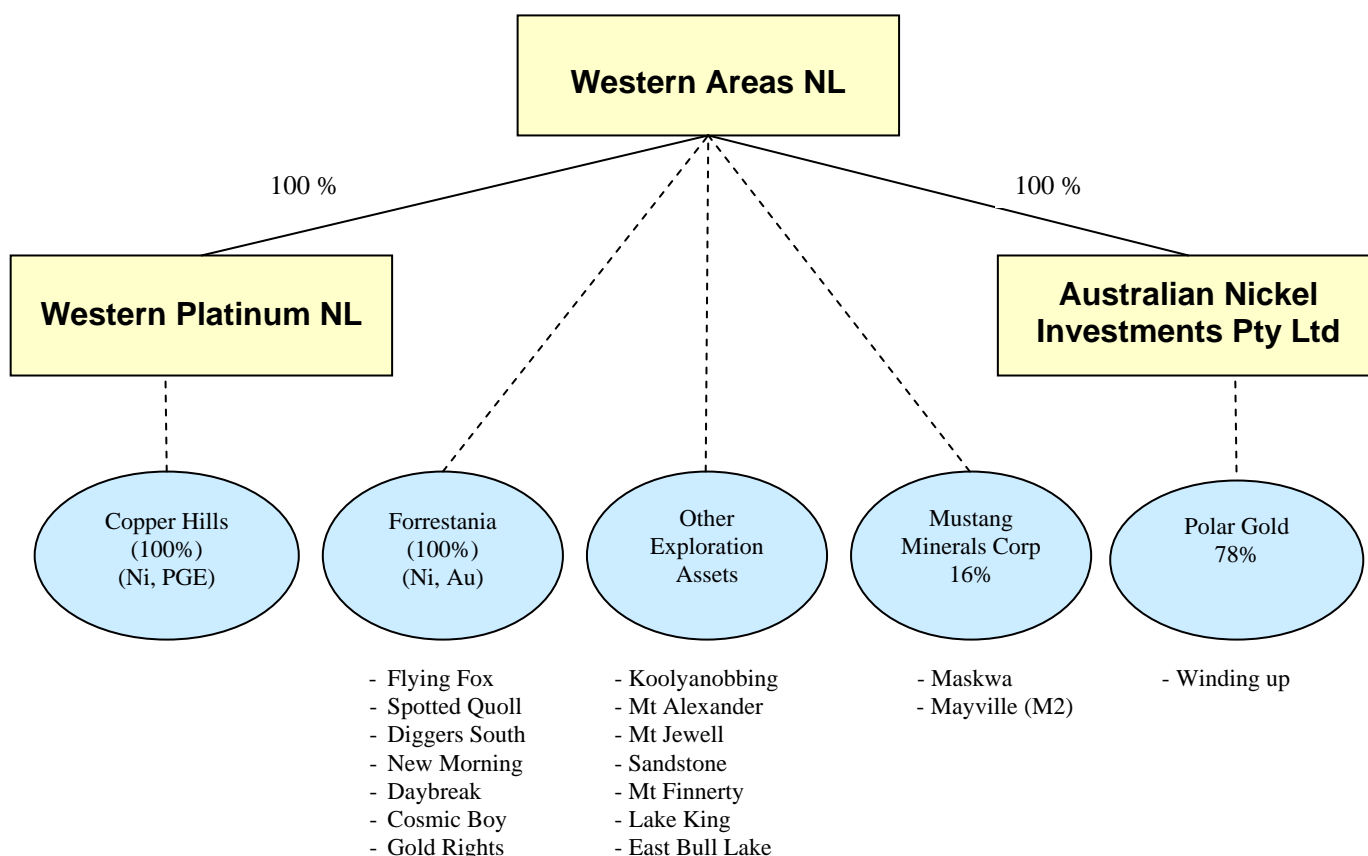
Group Overview

Western Areas (WSA) is an international mid-tier nickel sulphide producer with a proven track record in nickel production, mine development and exploration. 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 Australia. With Flying Fox ramping up to full production, the Company's second mine Spotted Quoll is due to start development in the September Quarter 2009. Active exploration programs at other major deposits Diggers South, Cosmic Boy and New Morning has identified the potential to deliver multiple mines and significantly extend nickel production at Forrestania 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:



Geological Map of the Forrestania Project - Flying Fox Area

Legend:

- Drilling in progress (Green circle)
- Planned drillhole 2009 (Green circle with cross)
- No Significant Intersection (Grey circle)
- Drillhole intersections (Black line)
- Target Zone for Resource Extension (Orange shaded area)
- Mineral Resource (Red shaded area)
- Ore Reserve (Dark red shaded area)
- Contained Nickel in Resources/Reserves (Yellow shaded area)
- Stopped areas (Hatched area)
- Downhole EM conductor (Yellow line)

Key Features and Resources:

- Lounge Lizard Indicated & Inferred Mineral Resource:** 1.15Mt @ 4.6% Ni [53,100t Ni]
- T1 North Inferred Mineral Resource:** 68,300t @ 3.1% Ni [2,100t Ni]
- T1 Probable Ore Reserve:** 75,600t @ 3.3% Ni [2,390t Ni]
- T4 Probable Ore Reserve:** 286,900t @ 2.4% Ni [6,930t Ni]
- T4 Indicated Mineral Resource:** 146,800t @ 6.0% Ni [8,880t Ni]
- T4 Inferred Mineral Resource:** 78,400t @ 5.5% Ni [4,290t Ni]
- T5 Probable Ore Reserve:** 843,000t @ 5.9% Ni [49,700t Ni]
- T5 Indicated Mineral Resource:** 862,100t @ 6.8% Ni [58,600t Ni]
- T5 Inferred Mineral Resource:** 164,400t @ 6.8% Ni [11,200t Ni]

Drill Hole Intersections (Down hole widths):

- LFPD18W2W1: 27.0m @ 6.5% Ni, 8.0m @ 8.5% Ni, 3.0m @ 7.0% Ni
- LFPD18W3W3W1: 62.0m @ 2.7% Ni, Incl. 10.0m @ 6.9% Ni, + 14.0m @ 4.4% Ni, 4.5m @ 6.0% Ni
- LFPD18W2W1W1: 140.3m @ 1.5% Ni, Incl. 9.0m @ 7.8% Ni, 5.0 @ 3.7% Ni
- LLDKN1W7W1: 8.0m @ 7.1% Ni
- 38.5m @ 0.7% Ni, Incl. 10.7m @ 1.1% Ni
- 3.7m @ 5.9% Ni
- LFPD18W3W1: 3.2m @ 3.4% Ni, 9.0m @ 6.8% Ni
- 8.0m @ 3.9% Ni, 3.0m @ 3.7% Ni
- 65.8m @ 0.9% Ni, Incl. 29.0m @ 1.3% Ni
- 4.7m @ 7.6% Ni
- 55.2m @ 1.4% Ni, Incl. 3.2m @ 7.6% Ni
- 41.1m @ 1.0% Ni, Incl. 2.3m @ 5.7% Ni
- 31.6m @ 0.8% Ni, Incl. 1.2m @ 7.2% Ni
- 42.2m @ 1.0% Ni, Incl. 1.3m @ 5.9% Ni
- 41.1m @ 2.1% Ni, Incl. 6.4m @ 8.1% Ni
- 57.7m @ 0.7% Ni, Incl. 17.0m @ 1.3% Ni
- 36.2m @ 0.9% Ni, Incl. 1.2m @ 6.7% Ni
- 30.8m @ 1.7% Ni, Incl. 2.6m @ 8.4% Ni
- 13.3m @ 8.4% Ni
- 3.1m @ 5.2% Ni
- 5.4m @ 7.5% Ni
- 4.7m @ 3.9% Ni
- 6.5m @ 6.5% Ni
- 7.9m @ 3.8% Ni, Incl. 2.8m @ 6.7% Ni
- 9.3m @ 5.1% Ni
- 4.9m @ 6.2% Ni
- 4.3m @ 8.4% Ni
- 13.7m @ 4.7% Ni
- FUG466: 12.0m @ 4.6% Ni
- FUG471: 12.3m @ 8.7% Ni
- FUG420: 5.3m @ 10.2% Ni
- FUG417: 13.2m @ 10.0% Ni
- 18.4m @ 3.9% Ni, 1.3m @ 7.2% Ni, 1.1m @ 9.5% Ni
- 11.6m @ 7.3% Ni
- 24.0m @ 7.8% Ni
- 34.0m @ 4.4% Ni
- 13.0m @ 9.2% Ni
- 7.5m @ 7.9% Ni
- 6.8m @ 7.4% Ni
- 10.3m @ 8.0% Ni
- 15m @ 0.75% Ni, + 1m @ 7.0% Ni
- 16.1m @ 9.7% Ni
- 21.6m @ 1.0% Ni
- 15.9m @ 1.6% Ni & 3.0m @ 5.4% Ni
- 9.3m @ 5.1% Ni
- 7.3m @ 3.3% Ni, Incl. 1.2m @ 9.8% Ni

Other Labels: BOXCUT, STREETER DECLINE, Dolerite Dyke, Kagara (nickel rights) Western Areas (100%), FAULT, T0, T1, T2, T3 FA, T4 ACCESS, T4, T5, T6, T7, T6 FAULT, Lewinsky Lode, PRESENT DECLINE POSITION, OPEN, 0 100m, 28200mN, 28300mN, 28400mN, 28500mN, 28600mN, 28700mN, 0 mRL, 100 mRL, 200 mRL, 300 mRL, 400 mRL, 500 mRL, 600 mRL, 700 mRL, 800 mRL, 900 mRL, 1000 mRL, 1100 mRL, 1200 mRL, 1300 mRL, 1400 mRL.

Forrestania Project - Flying Fox
INTERPRETED LONG PROJECTION - 29 JULY 2009
 (Drill hole intersections are down hole widths)

Figure 1 Flying Fox Interpreted Long Section

OPERATIONS REVIEW

The Flying Fox main decline has advanced to a depth of 820m below surface (figure 1) as per the plan with record development rates recorded in the decline during the year. No geotechnical or water issues were encountered during the year and the decline is now well positioned to intersect the large, high grade Lewinsky ore body by the end of 2009. Access to the T5 ore body is expected early in 2010. The total decline development now stands at 5320m.

Operating development was completed in the T1/T2 ore bodies and two new ore drives were developed on the T4 ore body (720 and 730m RL). Focus in the coming year will be to access the larger T5 deposit and the lower areas of the T4 ore body. At present approximately 10.6 km of capital mine development has been completed at Flying Fox, with the total development now standing at approximately 13.9 km.

The mining and surface infrastructure works for the twin Primary Return Airway (RAW) raises were carried out during the year and fan installation works are expected to be completed in the Sept quarter. The primary fans have been delivered and are currently being installed, which will complete the primary ventilation upgrade for the mine. Once established, further ventilation evaluations will be conducted to determine the start date for construction of the main fresh air intake shaft.

Flying Fox Production

Production Statistics - Flying Fox

	Sep Qtr	Dec Qtr	Mar Qtr	Jun Qtr	Total
Flying Fox - Ore Tonnes Mined					
Tn's	43,813	71,740	77,501	59,098	252,152
Ni %	4.1%	4.3%	3.7%	4.3%	4.1%
Ni Tonnes Mined	1,812	3,116	2,833	2,569	10,330
Flying Fox - Ni Tonnes Produced					
Tn's	48,405	61,355	58,802	62,447	231,009
Ni %	3.8%	4.6%	3.5%	4.4%	4.1%
Ave. Recovery	91%	92%	87%	90%	90%
Ni Tonnes in Concentrate	1,688	2,573	1,805	2,435	8,501

Note. Grade and recovery estimates are subject to change until the final assay data is received in accordance with the offtake agreements.

Financial Statistics - Flying Fox

		Sep Qtr	Dec Qtr	Mar Qtr	Jun Qtr	Total
Group Cost/lb						
Mining Cost (*)	A\$/lb	2.28	1.46	1.92	2.02	1.89
Haulage	A\$/lb	0.23	0.20	0.26	0.11	0.20
Milling	A\$/lb	0.33	0.29	0.52	0.54	0.42
Admin	A\$/lb	0.13	0.13	0.25	0.15	0.16
By Product Credi	A\$/lb	(0.06)	(0.05)	(0.02)	(0.01)	(0.03)
Cash Cost Ni in	A\$/lb	2.91	2.03	2.93	2.81	2.63
Cash Cost Ni in	US\$/lb (**)	2.59	1.36	1.98	2.14	1.96
Exchange Rate	US\$/A\$	0.89	0.67	0.68	0.76	0.76

(*) Mining Costs are net of deferred waste costs and inventory stockpile movements

(**) US\$ FX for Relevant Quarter is RBA ave daily rate (Jun Qtr = A\$1:US\$0.76)

(***) Payable terms are not disclosed due to confidentiality conditions of the offtake agreements. Cash costs exclude royalties.

expected going forward post commissioning and ramp up of the concentrator.

The annual cash cost of nickel in concentrate was US\$1.96/lb which puts Western Areas as one of the lowest cost nickel miners in Australia.

During the last year a total of 252,152 tonnes of ore was mined at Flying Fox averaging a grade of 4.1% nickel for a total of 10,330 tonnes of nickel metal. Of this total approximately 234,304 tonnes of ore was mined from T1 at a grade 4.2% nickel with the balance from T Zero and T4.

Up until the 16th February 2009 all of the ore mined during the year was carted and processed down at the Lake Johnston concentrator approximately 90kms east of the mine.

The Cosmic Boy concentrator was commissioned during February and all ore from Flying Fox is now being carted up to the mill. An average recovery of 90% was achieved for the year and improved recoveries are

OPERATIONS REVIEW

Flying Fox Ore Reserves / Mineral Resources

During the past 12 months underground drilling at Flying Fox has been primarily directed towards infilling and extending the T4 deposit to aid mine planning. Further underground drill testing of the pegmatite-hosted Lewinsky Lode, as well as additional pegmatite-hosted lodes within the upper part of the T5 deposit, was undertaken during the latter part of the year and continues into the new financial year.

An updated mineral resource was calculated for the T1 Deposit in December 2008. Allowing for mining depletion the T1 mineral resource, as at 30 June 2009, stands at an Indicated Mineral Resource of 111,800 tonnes at 4.5% Ni for 4,980 tonnes contained nickel (Table 2). The project to date nickel mined reconciliation from the T1 deposit stands at 96.4% of the resource metal being recovered in ore.

An updated mineral resource was calculated for the T4 Deposit in March 2009. Allowing for mining depletion, as at June 30 2009, T4 comprised an Indicated Mineral Resource of 146,800 tonnes at 6.0% Ni for 8,880 tonnes contained nickel and an Inferred Mineral Resource of 78,400 tonnes at 5.5% Ni for 2,660 tonnes contained nickel. Initial mine reconciliation based upon approximately 15,000 production tonnes, showed a positive 161.4% of the resource depleted metal had been mined. Underground diamond drilling is ongoing into the lower parts of the T4 deposit, and an updated resource is scheduled for the September quarter 2009.

Work on the T5 Deposit involved infill drilling of the Lewinsky deposit, where mining is scheduled to commence in early 2010. Drill testing for a southerly extension to this pegmatite-hosted lode was successful in 2009, with an initial resource expected in the September quarter.

An updated mining reserve was completed for the T4 deposit during April 2009. The depleted ore reserve at T4, as at 30 June 2009, now stands at 286,890 tonnes at 2.4% nickel for 6,930 tonnes of nickel metal.

Lounge Lizard Agreement

On 11 May, Western Areas NL ("Western Areas") and Kagara Ltd ("Kagara") announced that they had executed a Heads of Agreement ("Agreement") to enable Kagara's Lounge Lizard nickel deposit to be mined using access from Western Areas' Flying Fox decline.

The Agreement will result in the consolidation and development of one of Australia's largest, high grade nickel deposits with a combined Mineral Resource of over 2.5 million tonnes at an average grade of 5.5% nickel containing approximately 140,000 tonnes nickel.

In addition to the high grade massive sulphide mineralisation there is a large volume of low grade disseminated mineralisation at Lounge Lizard and Flying Fox containing approximately 53,650 tonnes nickel in previously announced Mineral Resources (Table 1 and Table 2).

Expected benefits include:

- 1 Western Areas will receive substantial refunds of capital costs from Kagara for developing the Flying Fox decline including an initial non refundable \$20M access fee payment from Kagara which was received in July.
- 2 The Agreement will enable Kagara to gain early nickel production from Lounge Lizard accessed from the Flying Fox decline at an initial production rate of 50,000tpa ore
- 3 Production from Lounge Lizard is not expected to have any significant impact on the rate of production from Flying Fox
- 4 Flying Fox decline development costs will be shared pro rata based on relative tonnes of ore mined, increasing profitability for both parties
- 5 Western Areas will manage and operate all aspects of the combined Flying Fox/Lounge Lizard mine including production schedules and mining rates

OPERATIONS REVIEW

- 6 Lounge Lizard ore will be treated at Western Areas' Cosmic Boy nickel concentrator and concentrate will be sold into Western Areas' nickel offtake agreements
- 7 Western Areas will charge a 20% management fee on all Kagara's costs relating to development, production and ore treatment from Lounge Lizard
- 8 In the event that Kagara wishes to sell its nickel interest at Lounge Lizard, Western Areas will have a right of first refusal to match any offer from third parties

Drilling conducted by Kagara has confirmed that Western Areas high grade T4 and T5 ore bodies extend southwards across the Western Areas/Kagara tenement boundary (Figure 1). Work has already commenced on the 630RL drilling drive which will extend southwards from T4 towards Lounge Lizard. This will be used as an underground platform to drill out mineral resources and ore reserves in the upper part of T5 and at Lounge Lizard.

Table 1 – Lounge Lizard Mineral Resources (reported by Kagara in announcement on 10 February 2009)

Lounge Lizard	Deposit	Mineral Resource Category	Tonnes	Grade Ni%	Contained Ni tonnes
	Massive	Indicated	625,000	4.8	30,200
		Inferred	524,000	4.4	22,900
TOTAL	High Grade		1,149,000	4.6	53,100
	Disseminated	Indicated	4,497,000	0.8	35,000
		Inferred	1,904,000	0.7	13,600
TOTAL	Disseminated		6,401,000	0.8	48,600

Spotted Quoll Ore Reserves / Mineral Resources

Continued surface drilling at the Spotted Quoll deposit resulted in an updated Mineral Resource being released in January 2009, comprising an Indicated Mineral Resource of 1,229,000 tonnes at 6.3% nickel for 77,990 tonnes nickel metal and also included an Inferred Mineral Resource of 792,600 tonnes at 6.0% nickel for 47,740 tonnes nickel metal (table 2).

Surface drilling operations were slowed considerably in the second half of the year, and were focussed on understanding the deeper structure below the defined resource limits.

A Probable Reserve of 386,215t at 5.2% for 19,900 tonnes contained nickel metal was calculated for an open pit operation to approximately 150m below surface (Figure 2).

Spotted Quoll Feasibility Study

An open pit Feasibility Study was completed during the year confirming a highly economic operation and defined an Ore Reserve of 386,215t @ 5.2 % Nickel (19,900 Ni t) based on a US\$5/lb nickel price. The study concluded the pit will be 150m deep, have a 2½ year mine life and produce approximately 7,000 tonnes of nickel per annum in concentrate at a cash cost less than US\$2.00/lb nickel.

Mining will be undertaken by a contractor using conventional drill and blast techniques with 120 t excavators and 100 t trucks. All of the ore will be treated at the Cosmic Boy concentrator which will be upgraded to process the additional tonnage. The mine will employ around 85 personnel once it is in steady state production. The mining contract tender process was well advanced at the end of June with a preferred contractor selected and further negotiations underway.

The open pit will ultimately be used as a breakaway position for mining to continue underground where 84% of the resource remains to be extracted. A Feasibility Study on the underground mine will commence once all environmental permitting for the pit has been received with only ministerial consent outstanding.

SPOTTED QUOLL - INTERPRETED LONG SECTION (Plane of Vein)
SHOWING PROBABLE ORE RESERVE IN PLANNED OPEN PIT - 17 August 2009

PROBABLE ORE RESERVE (Open Pit)
 386,215t @ 5.2% Ni
 19,900 tonnes
 CONTAINED NICKEL

Indicated Mineral Resource
 1,229,000t @ 6.3% Ni
plus
Inferred Mineral Resource
 792,600t @ 6.0% Ni
TOTAL CONTAINED NICKEL
 125,460 tonnes Nickel

Legend:

- Probable Ore Reserve
- Indicated mineral resource
- Inferred mineral resource
- Granite
- Recent drill hole intersection
- Planned drill hole
- Recent RC drill hole
- Drillhole in progress
- No Significant Intersection

Scale: 0 to 100m

North Arrow: NORTH

Section: 64C3300 mN to 64C3000 mN

Drill Holes: WBD145W1, WBD145W2, WBD157, WBD157W2, WBD145W1W1, WBD145W1W2, WBD145W1W3, WBD145W1W4, WBD145W1W5, WBD145W1W6, WBD145W1W7, WBD145W1W8, WBD145W1W9, WBD145W1W10, WBD145W1W11, WBD145W1W12, WBD145W1W13, WBD145W1W14, WBD145W1W15, WBD145W1W16, WBD145W1W17, WBD145W1W18, WBD145W1W19, WBD145W1W20, WBD145W1W21, WBD145W1W22, WBD145W1W23, WBD145W1W24, WBD145W1W25, WBD145W1W26, WBD145W1W27, WBD145W1W28, WBD145W1W29, WBD145W1W30, WBD145W1W31, WBD145W1W32, WBD145W1W33, WBD145W1W34, WBD145W1W35, WBD145W1W36, WBD145W1W37, WBD145W1W38, WBD145W1W39, WBD145W1W40, WBD145W1W41, WBD145W1W42, WBD145W1W43, WBD145W1W44, WBD145W1W45, WBD145W1W46, WBD145W1W47, WBD145W1W48, WBD145W1W49, WBD145W1W50, WBD145W1W51, WBD145W1W52, WBD145W1W53, WBD145W1W54, WBD145W1W55, WBD145W1W56, WBD145W1W57, WBD145W1W58, WBD145W1W59, WBD145W1W60, WBD145W1W61, WBD145W1W62, WBD145W1W63, WBD145W1W64, WBD145W1W65, WBD145W1W66, WBD145W1W67, WBD145W1W68, WBD145W1W69, WBD145W1W70, WBD145W1W71, WBD145W1W72, WBD145W1W73, WBD145W1W74, WBD145W1W75, WBD145W1W76, WBD145W1W77, WBD145W1W78, WBD145W1W79, WBD145W1W80, WBD145W1W81, WBD145W1W82, WBD145W1W83, WBD145W1W84, WBD145W1W85, WBD145W1W86, WBD145W1W87, WBD145W1W88, WBD145W1W89, WBD145W1W90, WBD145W1W91, WBD145W1W92, WBD145W1W93, WBD145W1W94, WBD145W1W95, WBD145W1W96, WBD145W1W97, WBD145W1W98, WBD145W1W99, WBD145W1W100, WBD145W1W101, WBD145W1W102, WBD145W1W103, WBD145W1W104, WBD145W1W105, WBD145W1W106, WBD145W1W107, WBD145W1W108, WBD145W1W109, WBD145W1W110, WBD145W1W111, WBD145W1W112, WBD145W1W113, WBD145W1W114, WBD145W1W115, WBD145W1W116, WBD145W1W117, WBD145W1W118, WBD145W1W119, WBD145W1W120, WBD145W1W121, WBD145W1W122, WBD145W1W123, WBD145W1W124, WBD145W1W125, WBD145W1W126, WBD145W1W127, WBD145W1W128, WBD145W1W129, WBD145W1W130, WBD145W1W131, WBD145W1W132, WBD145W1W133, WBD145W1W134, WBD145W1W135, WBD145W1W136, WBD145W1W137, WBD145W1W138, WBD145W1W139, WBD145W1W140, WBD145W1W141, WBD145W1W142, WBD145W1W143, WBD145W1W144, WBD145W1W145, WBD145W1W146, WBD145W1W147, WBD145W1W148, WBD145W1W149, WBD145W1W150, WBD145W1W151, WBD145W1W152, WBD145W1W153, WBD145W1W154, WBD145W1W155, WBD145W1W156, WBD145W1W157, WBD145W1W158, WBD145W1W159, WBD145W1W160, WBD145W1W161, WBD145W1W162, WBD145W1W163, WBD145W1W164, WBD145W1W165, WBD145W1W166, WBD145W1W167, WBD145W1W168, WBD145W1W169, WBD145W1W170, WBD145W1W171, WBD145W1W172, WBD145W1W173, WBD145W1W174, WBD145W1W175, WBD145W1W176, WBD145W1W177, WBD145W1W178, WBD145W1W179, WBD145W1W180, WBD145W1W181, WBD145W1W182, WBD145W1W183, WBD145W1W184, WBD145W1W185, WBD145W1W186, WBD145W1W187, WBD145W1W188, WBD145W1W189, WBD145W1W190, WBD145W1W191, WBD145W1W192, WBD145W1W193, WBD145W1W194, WBD145W1W195, WBD145W1W196, WBD145W1W197, WBD145W1W198, WBD145W1W199, WBD145W1W200, WBD145W1W201, WBD145W1W202, WBD145W1W203, WBD145W1W204, WBD145W1W205, WBD145W1W206, WBD145W1W207, WBD145W1W208, WBD145W1W209, WBD145W1W210, WBD145W1W211, WBD145W1W212, WBD145W1W213, WBD145W1W214, WBD145W1W215, WBD145W1W216, WBD145W1W217, WBD145W1W218, WBD145W1W219, WBD145W1W220, WBD145W1W221, WBD145W1W222, WBD145W1W223, WBD145W1W224, WBD145W1W225, WBD145W1W226, WBD145W1W227, WBD145W1W228, WBD145W1W229, WBD145W1W230, WBD145W1W231, WBD145W1W232, WBD145W1W233, WBD145W1W234, WBD145W1W235, WBD145W1W236, WBD145W1W237, WBD145W1W238, WBD145W1W239, WBD145W1W240, WBD145W1W241, WBD145W1W242, WBD145W1W243, WBD145W1W244, WBD145W1W245, WBD145W1W246, WBD145W1W247, WBD145W1W248, WBD145W1W249, WBD145W1W250, WBD145W1W251, WBD145W1W252, WBD145W1W253, WBD145W1W254, WBD145W1W255, WBD145W1W256, WBD145W1W257, WBD145W1W258, WBD145W1W259, WBD145W1W260, WBD145W1W261, WBD145W1W262, WBD145W1W263, WBD145W1W264, WBD145W1W265, WBD145W1W266, WBD145W1W267, WBD145W1W268, WBD145W1W269, WBD145W1W270, WBD145W1W271, WBD145W1W272, WBD145W1W273, WBD145W1W274, WBD145W1W275, WBD145W1W276, WBD145W1W277, WBD145W1W278, WBD145W1W279, WBD145W1W280, WBD145W1W281, WBD145W1W282, WBD145W1W283, WBD145W1W284, WBD145W1W285, WBD145W1W286, WBD145W1W287, WBD145W1W288, WBD145

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Spotted Quoll Development

Development of the Spotted Quoll open pit mine has been focused on the surface infrastructure in preparation for the commencement of the mine. Designs have been prepared to feasibility standard for the access road, power line and dewatering infrastructure to be extended from Flying Fox. Significant efforts have been expended in maintaining a “minimal capital” approach in setting up the Spotted Quoll mine site. Construction is expected to commence in the September quarter of 2009 following final regulatory approval.

Cosmic Boy Concentrator

The commissioning of the Cosmic Boy nickel concentrator during February 2009 has seen the Company commence production of a high quality concentrate with an average grade of over 14% nickel from Flying Fox ore.

A total of 71,308 tonnes of ore at 4.2% nickel was milled since commissioning till the end of June with the Cosmic Boy concentrator producing 18,400 tonnes of concentrate grading 14.5% nickel. Concentrator metallurgical recovery averaged 90% since commissioning. Ongoing plant optimisation work during the quarter further improved metallurgical recoveries to 92% in June and approximately 93.5% in July (Figure 3). There has been no material operating or mechanical issues with the plant since commissioning in February.

Transporting of concentrate from Cosmic Boy to BHP Billiton’s operations at Kambalda commenced on 9th of May 2009. Up until the end of June 6,382 tonnes of concentrate was delivered to BHP Billiton.

16,560 tonnes of concentrate grading 14.6% nickel and containing approximately 2,320 tonnes nickel remains stockpiled at Cosmic Boy at the end of the year awaiting transport. Ramping up of trucking capacity is in progress to increase the supply of concentrate to Kambalda.

Approximately 27,750 tonnes ore at an average grade of 3.7% nickel containing over 1,000 tonnes nickel was also stockpiled awaiting treatment at Cosmic Boy at the end of the year.

The engineering study for the proposed upgrade of the plant to 550,000tpa ore has been completed and was approved by the Board in late July. Site work is due to commence in September for the plant upgrade. This will see the addition of secondary and tertiary crushers to the Cosmic Boy crushing circuit. The SAG mill will be converted to a ball mill with increased power capacity. Additional flotation cell and thickening capacity will be added to the circuit along with upgrades to the reagent facilities and concentrate storage area.



Cosmic Boy nickel concentrator



Loading concentrate at Cosmic Boy

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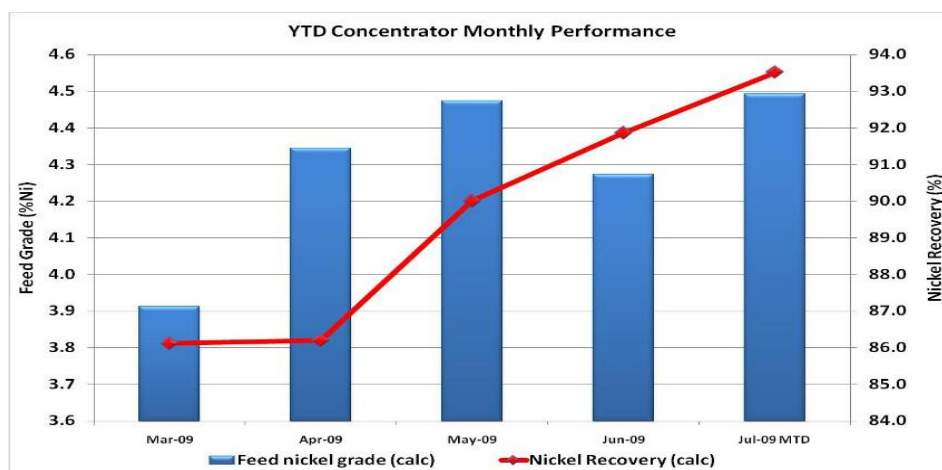


Figure 3: Monthly metallurgical recoveries from commencement of production at Cosmic Boy Concentrator

Infrastructure

The village at Cosmic Boy has now been expanded to 465 rooms which will accommodate the mill expansion and Spotted Quoll mining personnel. Final design work was also carried out on the Cosmic Boy to Diggers Rocks dewatering pipeline.

Additional electrical capacity has been agreed with Western Power for the Spotted Quoll mine and Mill expansion. In addition the third and final genset was installed at Flying Fox which will allow the mine to operate in the event of incoming power interruptions.

Diggers South Mineral Resources

The Digger South mineral resource remains as reported in March 2007, and 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. The 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.

Drilling during the last year has predominantly been focused on geotechnical analysis, as part of the ongoing Feasibility Study.

Diggers South Project

At Diggers South the approach was to commence site works in parallel to the feasibility study as the regulatory approvals became available. An early works program for Diggers South was commenced during the year concentrating on upgrading the site roads, creating an infrastructure pad in preparation for the future workshop and contract mining works area.

The original Digger Rocks evaporation pond was rebuilt to current environmental best practice. This is required to take the initial dewatering load until the Mossco farm evaporation ponds can be prepared following regulatory approvals. A three hole dewatering program was completed in preparation for dewatering the underground workings of the Digger Rocks mine. Trial dewatering to the new evaporation pond was successful and has significantly aided the understanding of the dewatering profile for the Diggers South mine.

The Feasibility study is in draft form with further work delayed pending more favourable nickel prices and business conditions.

OPERATIONS REVIEW

Forrestania Safety

The Safety Department at Forrestania is continuously moving forward with a strong positive culture driving high standards of safety on site. Safety meetings are held regularly in all areas on site, which has led to a positive impact on hazard identification and employee participation.

An emergency response team consists of 23 members who are trained in fire fighting techniques, Hazchem and BG4 rescue techniques.

The Forrestania Operations has 145 Lost Time Injury free days to 17 August 2009. The LTI frequency rate is 2.3, a significant reduction compared to the same time last year. The total incidence rate for the Nickel Industry sector stands at 4.5 compared to the Forrestania site incidence rate of 3.8.

Forrestania Environmental Activities

The Environmental activities for the year consisted of submitting permit applications, investigating approval status, as well as onsite monitoring and auditing of activities to ensure compliance of mining permit conditions. No significant environmental incidents occurred for the year ended 30 June.

The main activities included receiving operating licences from the DEC for the operation of the Cosmic Boy concentrator and tails storage facility, permits for the dewatering of the Digger Rocks pit and establishment of the Digger Rocks evaporation pond. An Aboriginal Heritage survey was undertaken on tenements as a part of the approvals process for Spotted Quoll. No sites of ethnographic or archaeological significance were found.

The Draft and Final Environmental Protection Statement (EPS) documents for the Spotted Quoll mining project were submitted to the WA Environmental Protection Agency ("EPA") as a part of the WA Environmental Impact Assessment process. The EPA has now released its report on the project (27th July) No appeals were received against the EPA's recommended conditions;

The Chuditch (Western Quoll) monitoring program was undertaken between February 2009 and June 2009. A new population of Chuditch was discovered in the Forrestania area and further monitoring will be undertaken in 2010.



OPERATIONS REVIEW

Forrestania Exploration

Flying Fox Exploration

More detailed underground drilling at Flying Fox has confirmed the potential for continuous high grade massive and disseminated sulphide outside the existing mineral resource (Figure 1).

Drilling at Flying Fox continues to be focussed on three areas, between the T4 mineral resource and the top of T5 (T4 lower south), southern portion of the T5 deposit and the uppermost parts of the T5 deposit (Lewinsky pegmatite-hosted lode) (Figure 1). This work resulted in significant downhole drill intercepts outside the current mineral resource including:

T4 Lower South

FUG420	5.3m	@	10.2% nickel	from 172.2m depth
FUG421	3.9m	@	7.7% nickel	from 177.7m depth
FUG440	7.9m	@	7.7% nickel	from 157.7m depth

T5 South

FFD196W1W2W1W1W3W1W2	7.4m	@	7.0% nickel	from 1020.9m depth plus;
	5.3m	@	6.8% nickel	from 1042.6m depth plus;
	6.3m	@	8.3% nickel	from 1059.1m depth plus;
	2.3m	@	11.5% nickel	from 1066.4m depth
FFD196W1W2W1W1W3W1W1	18.4m	@	3.9% nickel	from 1019.1m depth plus;
	1.3m	@	7.5% nickel	from 1043.1m depth plus;
	1.1m	@	9.5% nickel	from 1061.9m depth

T5 Lewinsky Lode

FFD196W1W2W1W1	11.6m	@	5.2% nickel	from 979.6m depth
FUG417	13.2m	@	10.0% nickel	from 217.1m depth
FUG471	12.3m	@	8.7% nickel	from 228.9m depth

Further drill testing of the Lewinsky Lode and the T4 Lower South area is currently in progress. Mining is scheduled to commence in this area of the Flying Fox mine during the March quarter 2010.

Spotted Quoll

Exploration at Spotted Quoll, 6km south of Flying Fox, focused on further extending the down dip extent of the mineralisation, as well testing the lateral continuity of the prospective geological host stratigraphy.

This work was highly successful with a revised mineral resource estimate for Spotted Quoll based on the laboratory analytical results of 106 surface diamond drill holes and 14 surface RC drill holes completed between October 2007 and December 2008. It comprises a total of 2,021,900 tonnes at an average grade of 6.2% nickel for 125,460 tonnes contained nickel. Significant intercepts included WBD 109 W2/W2 8.0m @ 4.7% Ni from 644.4m down hole depth at the base of the current resource (figure 2).

The continuity of the mineralisation below the resource is confirmed by WBD 157 (the deepest drill hole at Spotted Quoll to date) which intersected 0.9m @ 3.4% nickel at 900m vertical depth, the intersection is located 400 metres down dip from the resource at Spotted Quoll

Drilling is now underway to test the potential for significant extensions to Spotted Quoll below the current resource under a number of interpreted flat lying granite intrusion intersected in WBD 142 W1/W1 and WBD 145, Drilling is also targeting a downhole EM conductor identified in WBD157.

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Western Nickel Belt – Priority Drilling Targets

Western Nickel Belt Exploration

A systematic drilling program continued along the highly prospective 25km long Western Nickel Belt to test the potential for new nickel sulphide deposits associated with a number of lava channels extending north and south of Spotted Quoll. Recent work has not only identified sulphide mineralisation associated with existing channels but also identified a further channel to the south.

Work during the year continued to assess targets with potential to host high grade nickel mineralisation: Although exploration is at an early stage the intersection of high tenor nickel sulphides in two of the localities south of Spotted Quoll is very encouraging

1. The first locality is at the base of a cumulate ultramafic unit on the northern edge of the C2 channel. Drilling during the June quarter underneath and to the north of the intersection in BD023 (0.8m @ 1.3% Ni and 942ppm Cu from 247.1m) has again intersected narrow intervals of mineralisation at the base of a cumulate ultramafic unit. These include BD26 (90m below BD23 - 0.5m @ 0.8% Ni from 317.5m), BD27 (100m north of BD023- 0.3m @ 0.8% Ni and BRC036 (200m north of BD23 – 1m @ 0.5% Ni from 57m). Compilation of the drilling and surface geophysics is being conducted for the planning of additional holes to determine the extent of this mineralisation.
2. Work has also commenced testing the southern extension of the Western Nickel Belt, south of the Boojum area, which is some 9km south of Spotted Quoll. Six holes on three traverses spaced 190m and 240m apart have been drilled. Results from these holes have been very encouraging with bleby to stringer sulphides intersected in two holes. No assay results are yet available. Geophysical testing of the drill holes will also be undertaken to locate any associated massive sulphides.

Regional Exploration

Western Areas has consolidated substantial nickel interests in the ‘Central Yilgarn Nickel Province’ which extends approximately 500km from Sandstone to Ravensthorpe. Western Areas holds interests in seven nickel projects (including Forrestania) which are all considered to have excellent potential for new nickel discoveries (figure 4).

Koolyanobbing Joint Ventures

During the year further diamond drilling was undertaken at the 100% - owned Jock’s Dream nickel prospect, 200km north of Forrestania. Assay results were received for two additional drill holes below a 500m long nickel sulphide zone discovered in the 1970s and extended by Western Areas using a combination of IP surveys and RC drilling. Both diamond drill holes intersected massive and stringer sulphides.

The first diamond drill hole (KNDD 004) below the previous nickel intersections drilled several narrow zones of high grade stringer nickel sulphides, including 0.5m @ 2.0% Ni from 259.1m and 0.2m @ 4.3% Ni from 263.3m. The second hole KNDD005 returned no significant values.

Although the nickel sulphide intersections at Jocks Dream to date are narrow, the high grade results provide further encouragement on the prospectivity of this project and the potential for a discovery below the area of the drilling.

Drilling to test the down plunge extent of the nickel zones is planned in the coming year. The drilling target is primary massive nickel sulphide mineralisation in structurally controlled deposits similar to Spotted Quoll.

OPERATIONS REVIEW

Mt Alexander Joint Venture (BHP Billiton 75%, WSA 25%)

As previously announced on April 2, 2008, Assay results from BHP Billiton's first two drill holes at the Cathedrals Prospect have confirmed that it is a high grade nickel/copper/PGE discovery with significant exploration upside and the geological setting shows similarities to the Flying Fox mine, 350km to the south.

Intersections from the first two diamond drill holes include:

MAD 012	4.0m @ 4.9% nickel, 1.7% copper, 3.9g/t PGE from 91.4m
MAD 013	3.0m @ 3.8% nickel, 1.6% copper, 2.7g/t PGE from 56.3m (incl 1.4m @ 7.1% nickel, 3.0% copper, 4.2g/t PGE from 57.6m)

Lake King Nickel Joint Venture (WSA earning 70% interest in nickel rights)

The Lake King project is located 80km south west of Forrestania. The main interest is at the "Nickel Hill" prospect where soil sampling returned anomalous nickel, copper, PGE and base metal values over a 300 square metre area.

Western Areas completed additional diamond drilling in the area of six previously drilled RC drill holes (LKR006, which intersected 15m @ 0.4% nickel including 1m @ 0.8% nickel at 190m depth) to test a strong geophysical (IP) anomaly coincident with a surface nickel/copper geochemical anomaly.

Four diamond drill holes have been drilled 50m to 100m south of the previous RC drill holes. The drilling has intersected a number of ultramafic units with a thin (1cm) vein of massive sulphide at 175.95m which averaged 9% nickel from uncalibrated Niton analysis intersected in LKD 001 Assays results for LKD002 to LKD004 are still awaited.

The intersection of further nickel sulphide mineralisation provide further encouragement on the prospectivity of this project and the potential for a discovery in an area with no previous known nickel exploration.

Permitting applications have been submitted to conduct drilling to test other geophysical anomalies adjacent to "Nickel Hill" and to follow up the previous drill intercepts for possible economic mineralisation at depth and along strike.

Sandstone Joint Venture (WSA earning 70% interest in nickel rights)

Western Areas has a JV agreement to explore a large area of nickel prospective tenements in the Sandstone greenstone belt with Troy Resources NL. Western Areas can earn a 70% interest in nickel and related metals in a project with minimal previous nickel exploration.

The Company has completed a programme of sampling previous drilling, most of which had only targeted gold. A number of areas returning elevated nickel and copper have been identified from this work and evaluation of these areas, as well as the sampling of the previous drilling is ongoing.

Requisite approvals have been received for a RAB/RC drill program to commence in the September quarter testing a number of areas with elevated nickel and copper values which were identified from sampling previous drill holes targeting gold.

OPERATIONS REVIEW

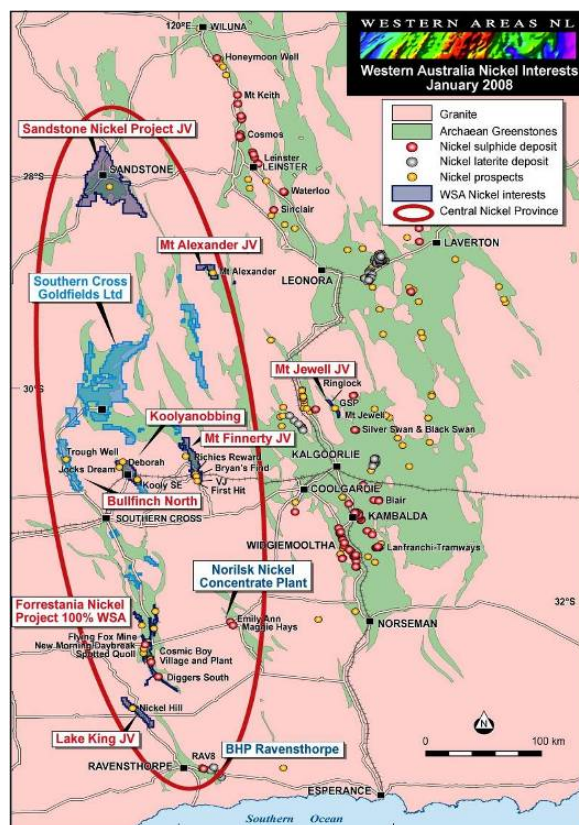


Figure 4 Regional Map of Western Areas projects

Mt Finnerty Joint Venture (WSA earning 65% interest in nickel rights)

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

Western Areas has completed a number of drilling programs to test soil geochemical and geophysical anomalies identified along the prospective basal ultramafic contact.

A five drill hole RC drilling program (total 330m) on the Western Ultramafic unit was completed. Drill hole MFRC-06 testing an IP target returned 1m @ 0.9g/t gold and 0.5% Cu from 48 to 49m associated with sulphides and quartz veining.

Compilation of the previous exploration work is continuing. Once completed further work will be initiated to assess potential targets that may be identified.

Canadian Projects

East Bull Lake Project - Ontario (WSA earning 65%)

Western Areas has a joint venture with Mustang Minerals (TSX:MUM) to explore the East Bull Lake Project located 80km west of Sudbury, Ontario. East Bull Lake is a 20km long mafic intrusive complex which consists of two separate zoned intrusions joined by a 5km long feeder dyke. The project is considered to have excellent potential to host significant nickel/copper/PGM deposits within a world class metal province.

Initial drilling of a VTEM anomaly at East Bull Lake, (Parisien Lake prospect) in early 2008 yielded intersections including 1.1m @ 9.3% copper and 12.5g/t PGM from 89m down hole depth and 10m at 0.4% nickel at shallow depth. Historical drilling at East Bull Lake prior to Mustang's involvement intersected 0.5m @ 3.9% nickel in the central part of the intrusion.

OPERATIONS REVIEW

Western Areas has targeted potential for sulphide hosted nickel-copper-PGM deposits associated with a number of VTEM conductors in three areas of the intrusive complex. These areas are as follows:

- At the eastern end of the main feeder dyke (Novick Lake).
- In the footwall sequence on the northern side of the feeder dyke (Sables).
- Southern margin of the west lobe of the intrusion (Parisien Lake and Bullfrog).

Western Areas has completed two diamond holes at East Bull Lake, one hole at each of the Novick Lake and Sables areas. Evaluation of the results of the recently completed drillholes and down hole geophysics are in progress.

Maskwa Project, Manitoba (Western Areas 16%)

Western Areas owns 16% 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 deposit hosts a mineral resource currently estimated at 10.1 million tonnes (Mt) at 0.60% nickel in the measured plus indicated category. The current open pit proven and probable mineral reserve is estimated at 7.1Mt containing 0.64% Ni, 0.13% Cu and 0.47g/t PGM. The current reserve is sufficient to predict a mine life of 7 years at a proposed annual production rate of 1Mt, and yielding target production of 9.2 million pounds of nickel in concentrate per annum.

Mustang's objective for the project is to increase the in pit reserve, to attain a mine life of 10 years at the 1 Mt per annum production level. Additional drilling will be undertaken as part of an ongoing exploration for new areas of mineralization outside the proposed pit shell.

The Company is also completing exhaustive metallurgical tests to determine the economics of processing the lower grade "hanging wall zone" material which is located within the economic pit shell. Results to date are extremely positive and will be incorporated in the next update of the resource model.

RESERVES AND RESOURCES

Western Areas NL Ore Reserve / Mineral Resource Table - 17 August 2009				
Deposit	Tonnes	Grade Ni%	Ni Tns	JORC Classification
Ore Reserves				
1. Flying Fox Area				
T1 South	75,564	3.3	2,385	Probable Ore Reserve
T4	286,893	2.4	6,926	Probable Ore Reserve
T5	843,000	5.9	49,700	Probable Ore Reserve
2. Spotted Quoll	386,215	5.2	19,900	Probable Ore Reserve
3. Diggers Area				
Digger South	2,016,000	1.4	28,950	Probable Ore Reserve
Digger Rocks	93,000	2.0	1,850	Probable Ore Reserve
TOTAL WESTERN AREAS ORE RESERVES	3,700,672	3.0	109,710	Probable Ore Reserve
Mineral Resources				
1. Flying Fox Area				
T1 South	111,800	4.5	4,980	Indicated Mineral Resource
	35,200	4.9	1,720	Inferred Mineral Resource
T1 North	45,400	4.2	1,900	Indicated Mineral Resource
	12,700	4.8	610	Inferred Mineral Resource
T4	146,800	6.0	8,880	Indicated Mineral Resource
	78,400	5.5	4,290	Inferred Mineral Resource
T5 Massive Zone	906,500	6.7	60,750	Indicated Mineral Resource
	55,000	4.8	2,660	Inferred Mineral Resource
T5 Disseminated Zone	197,200	0.9	1,590	Indicated Mineral Resource
	357,800	1.0	3,460	Inferred Mineral Resource
Total Flying Fox	1,946,800	4.7	90,840	
New Morning / Daybreak				
Massive Zone	321,800	3.7	12,010	Indicated Mineral Resource
	93,100	3.5	3,260	Inferred Mineral Resource
Disseminated Zone	1,069,800	0.9	9,650	Indicated Mineral Resource
	659,200	0.9	5,780	Inferred Mineral Resource
Total New Morning / Daybreak	2,143,900	1.4	30,700	
Spotted Quoll	1,229,000	6.3	77,990	Indicated Mineral Resource
	792,600	6.0	47,470	Inferred Mineral Resource
Total Spotted Quoll	2,021,600	6.2	125,460	
Beautiful Sunday	480,000	1.4	6,720	Indicated Mineral Resource
TOTAL WESTERN BELT	6,592,300	3.8	253,720	
2. Cosmic Boy Area				
Cosmic Boy	180,900	2.8	5,050	Indicated Mineral Resource
Seagull	195,000	2.0	3,900	Indicated Mineral Resource
TOTAL COSMIC BOY AREA	375,900	2.4	8,950	
3. Diggers Area				
Diggers South - Core	3,000,000	1.5	44,700	Indicated Mineral Resource
Diggers South - Halo	4,800,000	0.7	35,600	Indicated Mineral Resource
Digger Rocks - Core	54,900	3.7	2,030	Indicated Mineral Resource
Digger Rocks - Core	172,300	1.1	1,850	Inferred Mineral Resource
Digger Rocks - Halo	1,441,000	0.7	10,350	Inferred Mineral Resource
Purple Haze	560,000	0.9	5,040	Indicated Mineral Resource
TOTAL DIGGERS AREA	10,028,200	1.0	99,570	
TOTAL WESTERN AREAS RESOURCES	16,996,400	2.1	362,240	

Table 2: Resource and Reserve Statement

WESTERN AREAS NL



ABN 68 091 049 357

FINANCIAL REPORT

FOR THE YEAR ENDED
30 June 2009

DIRECTORS REPORT

The Directors submit the financial report of the Consolidated Entity for the year ended 30 June 2009. 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 mining nickel sulphide ore, the continued feasibility and development of the high grade nickel mines and the exploration for nickel sulphides, platinum group metals and gold.

Operating and Financial Review

Income Statement

The consolidated loss for the group amounted to \$35.17, after providing for income tax, an improvement of 56% from the results reported for the year ended 30 June 2008.

Impacting the net loss of \$35.17 million for the year were the following non-cash items:

- Depreciation charges of \$3.1 million
- Amortisation charges of \$35.9 million
- Impairment loss on exploration and evaluation of \$4.9 million
- Borrowing costs written off of \$4.6 million
- Share based payment expense of \$4.9 million
- Convertible bond accretion expense of \$3.8 million

These non-cash items amounted to \$57.2 million.

Balance Sheet

Total assets at reporting date were \$478.6 million. This represents an increase of \$69.7 million from 2008. This increase was mainly due to the construction of the Cosmic Boy Concentrator (\$47.1 million) and mine development of \$46.1 million. Cash balances have decreased by \$64.5 million. On the 14 July WSA received a \$20m payment as part of the agreement for access to Lounge Lizard.

The liabilities at reporting date were \$341.3 million. The increase of \$42 million from the 2008 reported total liabilities of \$283 million is mainly due to the newly established BHP facility of \$45.0 million.

Total equity attributable to shareholders increased by \$11.5 million to \$137.3 million mainly due to:

- \$35 million raised from the placement of 7 million ordinary shares.
- \$11.2 million received as a result of proceeds from the conversion of listed options.
- An increase in accumulated losses of \$35.1 million.

Cash Flow Statement

Consolidated cash flows from operating activities resulted in a net cash outflow of \$27.8 million, representing an increase of \$3.2 million from the prior year. Cash receipts in the course of operations were higher by \$7.3 million. The operating cashflow was affected by the lower nickel price and the drawdown of working capital as nickel concentrate was stockpiled at the Forrestania Operations for the period February to April due to the transition of the Norilsk Nickel offtake agreement over to BHP Billiton Ltd. Cash payments to suppliers and employees increased by \$30.5 million as a result of increased production.

Net cash outflows from investing activities increased by \$61.4 million to \$129.9 million as a result of the construction of the Cosmic Boy Concentrator, increased mine development and exploration.

Net cash from financing activities increased by \$92.4 million, due primarily to a capital raising of \$35 million, option conversion of \$11.2 million and a \$45 million cash facility from BHP.

DIRECTORS REPORT**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 Chairman)***

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

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 (*resigned 17 July 2009*)

Julian Hanna B.Sc (Managing Director & Chief Executive Officer)

Mr Hanna is a geologist with over 30 years experience in gold and base metal exploration and mine development. He has a BSc in geology, is a member of AusIMM and has 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*)

David Cooper, CPA (Independent, Non-Executive Director)

Mr Cooper is a Certified Practicing Accountant with over 20 years experience in the area of taxation and business administration. Mr Cooper also holds directorships in several active private companies. Mr Cooper is the Chairman of the Audit & Risk Management, Nomination, Remuneration and Treasury Committees.

Robin Dunbar MBA (Independent, Non-Executive Director)

Mr Dunbar is based in Toronto, Canada and has held a number of senior positions in both commercial and the corporate banking sectors and is currently the President of Mustang Minerals Corporation. Mr Dunbar is a member of the Audit & Risk, nomination 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 November 1997*)
- VG Gold Corp. (Successor to Veldron Gold Inc) (*since September 2005*)
- Aquila Resources Inc. (*Since May 2006*)

DIRECTORS REPORT

Craig Oliver MBA, ACA (Finance Director)

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:

- DeGrey Mining Ltd (*April 2006 to May 2008*)
- Sundance Ltd (*Since April 2008*)

Dan Lougher B.Sc. Msc. Eng (Director of 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

Joint Company Secretaries

Craig Oliver MBA, ACA

Joseph Belladonna B.Bus, CPA

Mr Belladonna is a Certified Practicing Accountant who has over 8 years experience in the resources industry in a range of positions. Mr Belladonna has been employed at Western Areas NL since 2005.

Senior Executives

Charles Wilkinson B.Sc (GM – Exploration)

Mr Wilkinson is a geologist with more than 20 years experience, in both mining and mineral exploration across a range of commodities in Australia and overseas. He has held a number of senior and executive management roles, including Exploration Manager – Australia with WMC. Mr Wilkinson is a member of the AusIMM.

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 \$17.00	Options \$7.50
J Hanna	1,606,679	400,000	400,000
D Cooper	1,106,433	400,000	400,000
T Streeter	27,624,410	400,000	400,000
R Dunbar	102,500	400,000	400,000
C Oliver	100,000	400,000	400,000
D Lougher (*)	50,884	400,000	240,000

(*)Mr Lougher was appointed to the board on 19 May 2008. His \$7.50 options were issued prior to his board appointment as part of the employee option scheme.

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.

DIRECTORS REPORT**Dividends**

There were no dividends paid or recommended during the year and the Directors have not recommended the payment of a dividend for the year ended 30 June 2009.

Employees

The Consolidated Entity employed 49 employees as at 30 June 2009 (2008: 41 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 of selected directors operates within policies set by the Board.

The aim of the Treasury Committee is to maintain the Treasury Risk Management policy and ensure that the 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 risks;
- Implementation of Board approved operating budgets and plans, then monitoring the actual progress against these;
- Establishment of an Audit & Risk Management Committee and a Treasury Risk Management Committee to report on specific business risks; and

Significant Changes in the State of Affairs

Significant developments for the Consolidated Entity during the year ended 30 June 2009 were as follows:

- During February 2009 the Company successfully restructured its OTCPA with Norilsk Nickel Australia Pty Ltd. The new terms enabled Western Areas to remove 40% of the contracted nickel metal from the agreement at that time and have the option to remove the final 60% after 1 January 2010.
- Offtake agreements have been executed with BHP Billiton for the sale of up to 10,000 tonnes of nickel in concentrate per annum for a total of 75,000 tonnes from the Forrestania Nickel Project.
- A two year offtake contract was signed to sell 25,000 tonnes nickel in concentrate to Jinchuan Group Ltd, China's largest nickel company, starting in early 2010.
- A Heads of Agreement was signed with Kagara Ltd relating to the Lounge Lizard deposit adjacent to Flying Fox mine with an initial payment of A\$20M received from Kagara. This consolidates one of the world's highest grade nickel mines with combined mineral resource >2.5Mt @ 5.5% nickel, containing approximately 140,000 tonnes nickel. Western Areas will manage all aspects of the mine and sell the concentrate.

DIRECTORS REPORT

- A revised mineral resource at Spotted Quoll comprising a total of 2,021,600 tonnes at an average grade of 6.2% nickel for 125,460 tonnes contained nickel to only 640m vertical depth.
- The Cosmic Boy nickel concentrator was commissioned and officially opened by the Western Australian Minister for Mines and Petroleum on 24th March 2009. The plant has a target throughput of approximately 300,000tpa ore and has been designed to allow for future expansion.
- A revised total mineral resource in the upper panel of T4 was announced on 26 March 2009. T4 now comprises 231,400 tonnes at an average grade of 5.8% Nickel, containing 13,490 tonnes nickel. Importantly, the higher confidence Indicated Mineral Resource component comprises 152,900 tonnes at a grade of 6.0% nickel for 9,200 tonnes contained nickel metal.
- Western Areas successfully completed an ordinary share placement on 14 May 2009, raising A\$35 million through the placement of 7 million ordinary shares at an issue price of A\$5.05 per share.

Matters Subsequent to the end of the Financial Year

There have been no events of note post the end of the financial year.

Likely Developments

The Directors see that the 2009/10 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 development reaching the T5 levels during the December quarter 2009 with high grade production continuing at the T1 and T4 deposits.
- Decision to mine the Spotted Quoll open pit. The Company intends to start work at Spotted Quoll open pit as soon as possible, subject to final ministerial consent.
- The capacity of the Cosmic Boy nickel concentrator will be effectively doubled to accommodate ore from Spotted Quoll in addition to the production from Flying Fox. Plant capacity will be increased from the current 300,000 tpa ore to a nominal 550,000 tpa capacity. Site works are due to start in the September quarter 2009.
- Continuation of an active exploration program at the Forrestania Nickel Project and at other advanced nickel and PGE projects in Western Australia.

Environmental Regulation and Performance

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

Share Options

Unissued Shares

As at 30 June 2009 there were 9,189,250 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 2009 financial year options have been exercised to acquire 4,096,000 fully paid ordinary shares in Western Areas NL at a weighted average exercise price of \$2.99.

DIRECTORS REPORT**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 35 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 the Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

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

Auditor's Independence Declaration

The Auditor's Independence Declaration to the Directors of Western Areas NL on page 43 forms part of the Director's Report for the year ended 30 June 2009.

Non – Audit Services

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

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

DIRECTORS REPORT**REMUNERATION 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;
- Executive remuneration is linked to the creation of shareholder value; and
- Remuneration arrangements are equitable and fair and facilitate the deployment of senior management across the Company.

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 12 September 2008 when shareholders approved an aggregate remuneration of \$800,000 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.

DIRECTORS REPORT

During the 2009 financial year 2,400,000 options were issued to the Directors of the Company under this program. The remuneration committee resolved to issue these options to Directors in May 2008, the issue was ratified at a General Meeting of shareholders held on 12 September 2008.

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 2009 is detailed in page 35 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 objectives 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.

The Company continues to try and keep the use of STI's to a minimum. However the competitive environment for experienced executives has seen a slight increase the use of STI programs. At the End of the financial year executive management has STI's in place that related to;

- Development targets for certain projects (including Flying Fox),
- Securing banking facilities at certain levels and limits,
- Discovery of new significant mineral resources, and
- Attainment of certain equity value targets for the Company's securities.

No STI payments were made during the year. All STI payments were frozen due to general market conditions. This was considered prudent and will be reassessed in light of improving market conditions.

Details of payment under the STI programs are included in the executive remuneration table in page 35 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 12 September 2008. At the discretion of the Board, participation in the scheme is offered to all employees of the group, except the Managing Director, Finance Director and Operations Director. The Managing Director, Finance Director and Operations 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 35 of the Director's Report.

DIRECTORS 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.
- In the event of an unconditional takeover bid being made for the company, a special bonus is payable equivalent to three times the premium (expressed as a percentage) which the final takeover price represents over the pre-bid 30 day volume weighted sale price of the Company's shares multiplied by his current annual base salary. This bonus is payable in recognition of the CEO's contribution to the successful outcome for shareholders.

The Operations Director and Finance Director are employed under contract. The contracts commenced in May 2006 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 Operations Director or the Finance Director 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, The Operations Director and the Finance Director are entitled to a termination payment equal to 12 months pay.
- In the event of an unconditional takeover bid being made for the company, a special bonus is payable equivalent to three times the premium (expressed as a percentage) which the final takeover price represents over the pre-bid 30 day volume weighted sale price of the Company's shares multiplied by their current annual base salary. This bonus is payable in recognition of their contribution to the successful outcome for shareholders.

The General Manager of Exploration is employed under contract. The contract commenced in March 2008 and expires on termination of employment. Under the terms of the contract:

- He may resign from his position 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 his 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 Exploration by giving 6 months notice if his position becomes redundant or there is a change to the core activity of the Company or if he is removed from his position without their consent. In this case, The General Manager of Exploration is entitled to 6 months pay. Any allocated options may remain in existence at the discretion of the Board.

DIRECTORS REPORT***Director & Key Management Remuneration for the Year Ended 30 June 2009***

Director & Key Management Remuneration for the Year Ended 30 June 2009									
	Short Term Benefits				Share Based		Post Employment		
	Base Salary	STI Payments / Bonuses	Allowances	Non Monetary	Options	Note	Superannuation	TOTAL	Performance Based %
T Streeter									
2009	150,000	-	24,921	5,697	413,080	(i)	15,000	608,698	-
2008	120,000	-	25,910	4,415	248,000	(ii)	11,400	409,725	-
J Hanna									
2009	550,000	-	20,228	12,261	413,080	(i)	50,000	1,045,569	-
2008	400,000	150,000	17,937	6,484	248,000	(ii)	38,000	860,421	17%
D Cooper									
2009	130,000	-	-	5,697	413,080	(i)	13,000	561,777	-
2008	120,000	-	-	3,310	248,000	(ii)	11,400	382,710	-
R Dunbar									
2009	143,000	-	-	-	413,080	(i)	-	556,080	-
2008	131,400	-	-	-	248,000	(ii)	-	379,400	-
C Oliver									
2009	450,000	-	25,226	12,261	413,080	(i)	45,000	945,567	-
2008	353,000	75,000	20,739	5,418	248,000	(ii)	33,535	735,692	10%
D Lougher									
2009	450,000	-	18,416	8,463	413,080	(i)	45,000	934,959	-
2008	321,500	125,000	17,719	3,172	-	(ii)	30,550	497,941	25%
C Wilkinson									
2009	275,000	-	17,896	4,665	-		27,500	325,061	-
2008	58,490	25,000	4,184	-	172,800	(iii)	5,849	266,323	9%
Total Remuneration									
2009	2,148,000	-	106,687	49,044	2,478,480		195,500	4,977,711	-
2008	1,504,390	375,000	86,489	22,799	1,412,800		130,734	3,532,212	-

Notes:

- 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.
- (i) \$17.00 Director Options, approved by the shareholders on 18 August 2008. The options were market valued at \$1.03/option. The closing ASX share price on the date of the Committee resolution to issue these options was \$11.37/share.
- (ii) \$7.50 Director Options, approved by the shareholders on 17 August 2007. The options were market valued at \$0.62/option. The closing ASX share price on the date of the Committee resolution to issue these options was \$4.80/share.
- (iii) \$15.00 Employee Options, issued at on 22 May 2008. The options were market valued at \$2.16/option. The closing ASX share price on the date of the Committee resolution to issue these options was \$11.37/share.

DIRECTORS REPORT***Options held by Key Management Personnel***

	Balance at 1 July 2008	Granted as Remuneration	On Exercise of Options	Purchases / (Sales)	Expired / Lapsed	Balance at 30 June 2009	Options Vested (*)
J Hanna	800,000	400,000	(400,000)	-	-	800,000	800,000
D Cooper	800,000	400,000	(400,000)	-	-	800,000	800,000
T Streeter	800,000	400,000	(400,000)	-	-	800,000	800,000
R Dunbar	800,000	400,000	(400,000)	-	-	800,000	800,000
C Oliver	800,000	400,000	(400,000)	-	-	800,000	800,000
D Lougher (^)	640,000	400,000	(400,000)	-	-	640,000	640,000
C Wilkinson (#)	240,000	-	-	-	-	240,000	160,000
TOTAL	4,880,000	2,400,000	(2,400,000)	-	-	4,880,000	4,800,000

(^) Mr Lougher was appointed as a director of the Company on 19 May 2008. The options were issued to Mr Lougher prior to his board appointment as part of the employee option scheme.

(#) Mr Wilkinson was appointed as Group Exploration Manager on 26 March 2008. The options were issued to Mr Wilkinson as part of the employee option scheme.

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

Options Granted as part of remuneration for the Year Ended 30 June 2009

During the 2009 Financial Year 2,400,000 options were issued under the Directors option scheme. The remuneration committee resolved to issue these options to Directors in May 2008, the issue was ratified at the general meeting held on 12 September 2008. 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 \$17.00 all the options vest immediately. The options expire in May 2011.

	Granted	Vested	Grant Date	Terms & Conditions for each Grant			
				Value per option at grant date	Exercise Price per option	First Exercise Date	Last Exercise Date
J Hanna	400,000	400,000	12 Sep 08	1.0327	17.00	12 Sep 08	22 May 11
D Cooper	400,000	400,000	12 Sep 08	1.0327	17.00	12 Sep 08	22 May 11
R Dunbar	400,000	400,000	12 Sep 08	1.0327	17.00	12 Sep 08	22 May 11
T Streeter	400,000	400,000	12 Sep 08	1.0327	17.00	12 Sep 08	22 May 11
C Oliver	400,000	400,000	12 Sep 08	1.0327	17.00	12 Sep 08	22 May 11
D Lougher	400,000	400,000	12 Sep 08	1.0327	17.00	12 Sep 08	22 May 11
TOTAL	2,400,000	2,400,000					

Options are valued using the Binomial option pricing model.

Shares Issued on Conversion of Options Granted as part of remuneration.

2,400,000 shares were issued to directors on the exercise of options at an average conversion price of \$2.99.

DIRECTORS REPORT**OPTIONS*****Unissued Capital of the Company Under Option as at 30 June 2009.***

Grant Date	Date of Expiry	Exercise Price	Number under option
8 Dec 2006	7 Dec 2009	CAD\$4.00	909,250
1 Jun 2007	1 Jun 2010	\$7.50	1,190,000
17 Aug 2007	27 Jun 2010	\$7.50	2,000,000
29 Jan 2008	29 Jan 2011	\$7.50	500,000
22 May 2008	22 May 2011	\$15.00	1,790,000
12 Sep 2008	22 May 2011	\$17.00	400,000
12 Sep 2008	22 May 2011	\$17.00	2,400,000
			9,189,250

During the year end 30 June 2009 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	Fund Contributed
1 Aug 2004	\$1.30	90,000	117,000
5 May 2006	\$2.75	2,156,000	5,929,000
20 Oct 2006	\$3.20	1,600,000	5,120,000
8 Dec 2006	CAD\$4.00	250,000	CAD \$1,000,000
		4,096,000	

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 2009 and the number of meetings attended by each Director.

	Directors Meetings	Meetings of Committees			
		Audit & Risk Management	Remuneration	Nomination	Treasury
Number of Meetings held :	9	2	2	1	1
Number of Meetings attended :					
J Hanna	9	-	-	-	1
D Cooper	9	2	2	1	1
T Streeter	9	2	2	1	1
R Dunbar	9	1	1	1	1
C Oliver	9	1	-	-	1
D Lougher (&)	9	-	-	-	1

DIRECTORS REPORT

Committee Membership

As at the date of this report, the Company had an Audit & Risk Management Committee, a Remuneration Committee, a Treasury 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	J Hanna
T Streeter	T Streeter	J Hanna	C Oliver
		T Streeter	T Streeter

© denotes the chairman of the committee

Rounding of Amounts

The amounts contained in this report and in the financial report for the year ended 30 June 2009 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, 18 August 2009

CORPORATE GOVERNANCE STATEMENTS

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

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

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

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

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

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 27. 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

CORPORATE GOVERNANCE STATEMENTS

At the date of this report and throughout the financial year, Western Areas NL has not complied with the Council's recommendation of having the majority of the Board comprise Independent Directors and that the Chair be an Independent Director. The Company remains committed to the process of bringing new independent Directors onto the Board and can report that an offer has been made to a candidate to join the Board as an Independent Non-Executive Director. The Chairman, while not independent, is a non-executive and the most suitable Chairman that currently exists on the board.

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

Ethical Standards

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

The key provisions of the code of conduct are to:

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

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 price.

Nomination Committee

The Board has established a nomination committee to assess the necessary and desirable competencies of a Board member and to evaluate the Board's performance. The 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.

For details of the Directors' that are members of the committee and their attendance at meetings of the nomination committee, refer to page 37 of the Directors' Report.

During the year the nomination committee conducted one performance evaluation, which involved an assessment of each Board members performance against specific qualitative and quantitative criteria and nominated a candidate as a Non-Executive Independent Director to the Board, an offer has been made to the individual nominated.

CORPORATE GOVERNANCE STATEMENTS

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. The Majority of the members of the audit committee are Independent Non-Executive Directors.

Refer to page 37 of the Directors' report for a list of committee members and the number of meetings of the Audit & Risk Management Committee attended throughout the year.

Remuneration

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

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

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

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

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

For details on the members, number of meetings held and member attendance of the Remuneration Committee meetings held during the year refer to page 37 of the Directors' Report.

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

Treasury

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

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

For details on the members, number of meetings and meeting attendance of the Treasury Committee held during the year at those meetings, refer to page 37 of the Directors' Report.

CORPORATE GOVERNANCE STATEMENTS**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.

Shareholder Rights

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

AUDIT INDEPENDENCE DECLARATION**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 2009, 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 this 16th day of August 2009

Total Financial Solutions



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

Member Horwath International

WHK Horwath Perth Audit Partnership ABN 96 844 819 235
Level 6, 256 St Georges Terrace Perth WA 6000 Australia
GPO Box P1213 Perth WA 6844 Australia
Telephone +61 8 9481 1448 Facsimile +61 8 9481 0152
Email perth@whkhorwath.com.au www.whkhorwath.com.au
A WHK Group firm

INCOME STATEMENT

Year Ended 30 June 2009

	Notes	Consolidated Entity		Parent Entity	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Sales		58,898	60,742	58,898	60,742
Cost of sales		(55,299)	(42,119)	(55,299)	(42,119)
Gross profit		3,599	18,623	3,599	18,623
Other revenue	2	3,784	13,705	3,784	13,705
Finance costs	3	(26,185)	(24,626)	(26,185)	(24,626)
Employee benefits expenses		(4,158)	(2,845)	(4,158)	(2,845)
Foreign Exchange Adjustment		(2,522)	-	(2,522)	-
Administration and other expenses		(8,671)	(5,426)	(8,670)	(5,376)
Share based payments		(4,922)	(3,901)	(4,922)	(3,901)
Impairment of non-current assets	3	(9,328)	(5,989)	(12,490)	(5,050)
Realised derivative losses	3	-	(34,201)	-	(34,201)
Unrealised movement in market value of derivatives	3	691	-	691	-
Mark-to-market revaluation of convertible bond	3	-	(22,907)	-	(22,907)
Loss before income tax		(47,712)	(67,567)	(50,873)	(66,578)
Income tax benefit	4	12,540	12,660	12,499	12,327
Loss for the period		(35,172)	(54,907)	(38,374)	(54,251)
Basic & Diluted loss per share (cents per share)	18	(20.9)	(31.7)		

The accompanying notes form part of these financial statements.

BALANCE SHEET**AS AT 30 June 2009**

	Notes	Consolidated Entity		Parent Entity	
		2009	2008	2009	2008
		\$'000	\$'000	\$'000	\$'000
Current Assets					
Cash and cash equivalents	19 (b)	80,210	144,710	80,210	144,710
Trade and other receivables	6	28,873	11,412	28,873	11,412
Inventories	7	29,577	1,719	29,577	1,719
Other financial assets	8	956	-	956	-
Total Current Assets		139,616	157,841	139,616	157,841
Non Current Assets					
Property, plant and equipment	9	81,713	38,915	81,713	38,915
Exploration & evaluation	10	80,059	54,587	80,059	54,587
Mine development	11	141,511	130,148	141,511	130,148
Deferred tax assets	12	32,874	20,334	31,971	19,472
Other financial assets	8	2,825	7,034	2,825	10,195
Total Non Current Assets		338,982	251,018	338,079	253,317
Total Assets		478,598	408,859	477,695	411,158
Current Liabilities					
Trade and other payables	13	43,328	47,812	43,328	47,812
Short term borrowings	14	2,553	12,206	2,553	12,206
Short term provisions	15	868	453	868	453
Other financial liabilities		-	-	-	-
Total Current Liabilities		46,749	60,471	46,749	60,471
Non Current Liabilities					
Long term borrowings	14	289,885	221,373	289,885	221,373
Long term provisions	15	4,682	1,211	4,682	1,211
Other financial liabilities		-	-	-	-
Total Non Current Liabilities		294,567	222,584	294,567	222,584
Total Liabilities		341,316	283,055	341,316	283,055
Net Assets		137,282	125,804	136,379	128,103
Equity					
Issued capital	17	198,892	153,087	198,892	153,087
Reserves	31	51,915	51,070	51,915	51,070
Accumulated losses		(113,525)	(78,353)	(114,428)	(76,054)
Total WSA Equity		137,282	125,804	136,379	128,103

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
Year Ended 30 June 2009
CONSOLIDATED ENTITY

	Note	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 2007 Restated		157,044	(8,305)	2,030	(48,933)	5,327		(23,446)	83,717
Shares issued during the year		4,348							4,348
Share issue expenses incurred									
Share based payments expense				3,901					3,901
Cash flow hedge adjustment					48,933				48,933
Movements in the market value of investments						(5,366)			(5,366)
Equity value of convertible note issue							45,178		45,178
Loss attributable to the members of the parent entity								(54,907)	(54,907)
Total Equity at 30 June 2008		161,392	(8,305)	5,931	-	(39)	45,178	(78,353)	125,804
Shares issued during the year	17	47,668							47,668
Share issue expenses incurred	17		(1,863)						(1,863)
Share based payments expense				4,923					4,923
Cash flow hedge adjustment					576				576
Movements in the market value of investments						(4,215)			(4,215)
Equity value of convertible note issue							(439)		(439)
Loss attributable to the members of the parent entity								(35,172)	(35,172)
Total Equity at 30 June 2009		209,060	(10,168)	10,854	576	(4,254)	44,739	(113,525)	137,282

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
Year Ended 30 June 2009

PARENT ENTITY	Note	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 30 June 2007 Restated		157,044	(8,305)	2,030	(48,933)	5,327	-	(21,803)	85,360
Shares issued during the year		4,348							4,348
Share issue expenses incurred									-
Share based payments expense				3,901					3,901
Cash flow hedge adjustments					48,933				48,933
Movements in the market value of investments						(5,366)			(5,366)
Equity value of convertible note issue							45,178		45,178
Loss attributable to the members of the parent entity								(54,251)	(54,251)
Total Equity at 30 June 2008		161,392	(8,305)	5,931	-	(39)	45,178	(76,054)	128,103
Shares issued during the year	17	47,668							47,668
Share issue expenses incurred	17		(1,863)						(1,863)
Share based payments expense				4,923					4,923
Cash flow hedge adjustments					576				576
Movements in the market value of investments						(4,215)			(4,215)
Equity value of convertible note issue							(439)		(439)
Loss attributable to the members of the parent entity								(38,374)	(38,374)
Total Equity at 30 June 2009		209,060	(10,168)	10,854	576	(4,254)	44,739	(114,428)	136,379

The accompanying notes form part of these financial statements.

CASH FLOW STATEMENT

For The Year Ended 30 June 2009

	Notes	Consolidated Entity		Parent Entity	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Cash Flows From Operating Activities					
Cash receipts in the course of operations		58,296	50,957	58,296	50,957
Cash payments to suppliers and employees		(60,398)	(29,761)	(60,533)	(29,713)
Interest received		4,622	12,444	4,622	12,444
Royalties paid		(4,694)	(2,694)	(4,694)	(2,694)
Other payments		(3,682)	-	(3,682)	-
Finance costs		(21,904)	(14,473)	(21,904)	(14,473)
Hedge settlement payments		-	(41,034)	-	(41,034)
Net Cash Used in Operating Activities	19(a)	(27,760)	(24,561)	(27,895)	(24,513)
Cash Flows From Investing Activities					
Purchase of non-current assets		(54,106)	(9,351)	(54,106)	(9,351)
Mine development expenditure		(42,998)	(34,776)	(42,998)	(34,776)
Exploration & evaluation activities		(32,849)	(21,094)	(32,714)	(20,651)
Rental deposit		-	(20)	-	(20)
Investment in listed companies		(5)	(3,361)	(5)	(3,361)
Investment in controlled entity		-	-	-	(491)
Net Cash Used In Investing Activities		(129,958)	(68,602)	(129,823)	(68,650)
Cash Flows From Financing Activities					
Proceeds from borrowings		51,307	1,048	51,307	1,048
Repayment of borrowings		-	(818)	-	(818)
Repayment / Proceeds from convertible note		(3,780)	(3,000)	(3,780)	(3,000)
Proceeds from issue of shares		47,668	4,348	47,668	4,348
Finance lease principal repayments		115	(122)	115	(122)
Borrowing costs		(229)	(586)	(229)	(586)
Capital raising costs		(1,863)	-	(1,863)	-
Net Cash From Financing Activities		93,218	870	93,218	870
Net increase / (decrease) in cash held		(64,500)	(92,293)	(64,500)	(92,293)
Cash as at 1 July		144,710	237,003	144,710	237,003
Cash as at 30 June	19(b)	80,210	144,710	80,210	144,710

The accompanying notes form part of these financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2009**Note 1: Statement of Significant Accounting Policies**

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

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 complies with Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements comply with all International Financial Reporting Standards (IFRS).

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 the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. All amounts are presented in Australian dollars, unless otherwise noted.

Accounting Policies**Adoption of new and revised Accounting Standards**

In the current year, the Group has adopted all of the new and revised Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. Details of the impact of the adoption of these new accounting policies are set out in the individual accounting policy notes set out below.

(a) Basis of Consolidation

A controlled entity is an entity controlled by Western Areas NL. Control is achieved where Western Areas NL has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended.

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2009**Note 1: Basis of Preparation****(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 the actual metal content and metal recovery has been determined. The final metal content and metal recovery is generally known 90 days after delivery to the customer.

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

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

(c) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to prepare for their intended use 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 the income statement in the period in which they are incurred.

(d) Inventories

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

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

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

(e) Property, Plant and Equipment

Each 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 (note 1(i)).

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

Depreciation

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2009
Note 1: Basis of Preparation**Property, Plant and Equipment (continued)**

Type of Fixed Asset	Depreciation Rate
Property	5-10%
Plant and equipment	6-33%
Motor vehicles	23%
Furniture and fittings	3-10%

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.

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

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

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.

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2009**Note 1: Basis of Preparation****(g) Income Tax**

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

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

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

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

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

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2009

Note 1: Basis of Preparation**(h) Goods and Services Tax (GST)**

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

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

(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.

Equity-settled compensation

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

(j) Leases

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

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

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

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2009**Note 1: Basis of Preparation****(k) 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.

Classification and Subsequent Measurement

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

Amortised cost is calculated as:

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

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

Financial assets at fair value through profit and loss

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.

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2009

Note 1: Basis of Preparation**(k) Financial Instruments (Continued...)*****Financial liabilities***

Non-derivative financial liabilities are recognised at amortised cost.

Impairment

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

Derivative financial instruments

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

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

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

Fair Value Hedges

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

Cash Flow Hedge

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

All Other Derivatives

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

(l) Impairment of Assets

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed for intangible assets with indefinite lives.

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2009

Note 1: Basis of Preparation**(l) Impairment of Assets (Continued...)**

In the 2009 financial report the Group and the parent entity made a significant judgement about the impairment of a number of its available-for-sale assets.

The Group follows the guidance of AASB 136 *Financial Instruments: Recognition and Measurement* on determining when an available-for-sale asset is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost and the financial health and near term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

If the decline in fair value below cost was considered significant or prolonged, the Group and parent entity would have suffered an additional loss of \$4,200,000 in its 2009 financial statement, being the transfer of the accumulated fair value adjustment recognised in equity on the impaired available-for-sale financial assets to the income statement.

(m)**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.

(n) Joint Ventures

The Group's share of the assets, liabilities, revenue and expenses of joint venture operations are included in the appropriate items of the consolidated financial statements. Details of the group's interests are shown at Note 27.

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

(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

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2009**Note 1: Basis of Preparation****(r) Foreign Currency Transactions and Balances****Functional and presentation currency**

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

Transaction and balances

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

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

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

(s) Critical Accounting Estimates and Balances

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

Key estimates*(i). Impairment*

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

Key judgements*(i). Exploration and evaluation expenditure*

The Group capitalised expenditure relating to exploration and valuation where it is considered likely to be recoverable or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. While there are certain areas of interest from which no reserves have been extracted, the directors are of the continued belief that such expenditure should not be written off since feasibility studies in such areas have not yet concluded. Such capitalised expenditure is carried at reporting date at \$72.7m

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2009**Note 1: Basis of Preparation****(t) Contributed equity**

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

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

(u) Earnings per share*Basic earnings per share*

Basic earnings per share is calculated by dividing:

- The profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares
- By the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares (note 18).

Diluted earnings per share

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

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

(v) Comparative figures

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2009

	Notes	Consolidated Entity		Parent Entity	
		2009	2008	2009	2008
		\$'000	\$'000	\$'000	\$'000
Note 2: Other Income					
- Interest received – Bank Deposits		3,766	13,103	3,766	13,103
- Asset sales income		18	353	18	353
- Sundry income		-	249	-	249
Total revenue		3,784	13,705	3,784	13,705

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		3,273	1,722	3,273	1,722
- Depreciation deferred pre production		(170)	(1,082)	(170)	(1,082)
- Depreciation net		3,103	640	3,103	640
- Amortisation of mine development assets		35,918	13,603	35,918	13,603
- Convertible bond borrowing costs amortised		1,865	1,696	1,865	1,696
- Rental expenditure – operating leases		326	211	326	211
- Impairment of capitalised exploration expenditure	10	4,870	5,989	4,735	5,050
- Borrowing costs write off	14	4,458	-	4,458	-
- Impairment of investment in subsidiary	8	-	-	3,297	-
- Realised derivative losses		-	(34,201)	-	(34,021)
- Unrealised derivative losses		(691)	-	(691)	-
- Mark-to-market revaluation of derivatives		-	(22,907)	-	(22,907)
- Borrowing costs expensed:					
Interest expense – borrowings		19,783	24,540	19,783	24,540
Interest expense – finance leases		11	9	11	9
Other borrowing costs		6,620	5,447	6,620	5,447
Total borrowing costs		26,414	29,996	26,414	29,996
Less: interest expense capitalised to mine development	11	-	(4,787)	-	(4,787)
Less: borrowing costs capitalised corporate facility.	14	(196)	(400)	(196)	(400)
Less: borrowing costs capitalised - Convertible bond		(33)	(183)	(33)	(183)
Total Borrowing Costs Expensed		26,185	24,626	26,185	24,626

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2009

	Notes	Consolidated Entity		Parent Entity	
		2009	2008	2009	2008
		\$'000	\$'000	\$'000	\$'000
Note 4: Income Tax					
The Components of the Tax expense comprise:					
- Current Tax		13,562	14,256	13,521	13,909
- Deferred income tax		(1,022)	(2,661)	(1,022)	(2,647)
- Under provision in prior year		-	1,065	-	1,065
Income tax benefit		12,540	12,660	12,499	12,327

The prima facia 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	(14,314)	(20,270)	-	-
- Parent Entity	-	-	(15,262)	(19,973)
<i>Adjusted for the tax effect of:</i>				
- Unrealised hedge loss	(207)	(2,218)	(207)	(2,218)
- Share based payments	1,477	1,170	1,477	1,170
- Premium on bond conversions	(66)	677	(66)	677
- Other non allowed items	114	63	1,103	63
- Share issue costs deducted	(566)	(500)	(566)	(500)
- Temporary other	1,022	2,611	1,022	2,647
- Convertible bond revaluation	-	6,872	-	6,872
- Prior year under provision	-	(1,065)	-	(1,065)
Tax Benefit	(12,540)	(12,660)	(12,499)	(12,327)

Note 5: Dividends

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2009

	Notes	Consolidated Entity		Parent Entity	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Note 6: Trade and Other Receivables					
Trade debtors		8,294	10,214	8,294	10,214
Other debtors	6 (a)	20,160	958	20,160	958
GST refund due		164	155	164	155
Prepaid insurance		255	85	255	85
		28,873	11,412	28,873	11,412

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

(a) Refer to note 13(a).

Note 7: Inventories					
Ore Stockpiles – at cost		7,696	1,719	7,696	1,719
Nickel Concentrate Stockpiles – at cost		20,907	-	20,907	-
Consumables and Spare Parts – at cost		974	-	974	-
Total Inventories		29,577	1,719	29,577	1,719

Note 8: Other Financial Assets

Available for sale	8 (a)	2,825	7,034	6,122	10,195
Impairment of investment in subsidiary		-	-	(3,297)	-
Derivatives	8 (b)	956	-	956	-
		3,781	7,034	3,781	10,195
Less non-current portion		2,825	7,034	2,825	10,195
Current portion		956	-	956	-

(a) Available for sale financial assets

Investments in unlisted subsidiaries at written down value	8(c)	-	-	-	3,161
Investments in listed companies at fair value		2,825	7,034	2,825	7,034
		2,825	7,034	2,825	10,195

(b) Derivatives

Foreign exchange contracts	28 (b)	956	-	956	-
		956	-	956	-

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 changes in equity. At transaction date the gains and losses are recognised in the income statement in the period in which they arise.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2009

Note 8: Other Financial Assets (Continued...)

(c) Investments in subsidiaries

Name	Country of Incorporation	Percentage of equity held by the Consolidated Entity		Investment	
		2009 %	2008 %	2009 \$'000	2008 \$'000
Western Platinum NL	Australia	100%	100 %	-	2,704
Australian Nickel Investments Pty Ltd	Australia	100%	100 %	-	457
				-	3,161

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 and domiciled in Australia.

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

	Consolidated Entity		Parent Entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Note 9: Property, Plant and Equipment				
Property – at cost	19,249	9,041	19,249	9,041
Accumulated depreciation	(1,584)	(671)	(1,584)	(671)
	17,665	8,370	17,665	8,370
Plant & equipment – at cost	68,463	32,778	68,463	32,778
Accumulated depreciation	(4,714)	(2,406)	(4,714)	(2,406)
	63,749	30,372	63,749	30,372
Plant & equipment under lease	555	377	555	377
Accumulated depreciation	(256)	(204)	(256)	(204)
	299	173	299	173
Total property, plant & equipment - at cost	88,267	42,196	88,267	42,196
Accumulated Depreciation	(6,554)	(3,281)	(6,554)	(3,281)
Total	81,713	38,915	81,713	38,915

Assets Pledged as Security

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2009

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

Movement in carrying amounts:

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

	Consolidated Entity		Parent Entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Property				
Written down value at the beginning of the year	8,370	5,451	8,370	5,451
- Additions	10,208	3,282	10,208	3,282
- Depreciation expense	(913)	(363)	(913)	(363)
Written down value at the end of the year	17,665	8,370	17,665	8,370
Plant & Equipment				
Written down value at the beginning of the year	30,372	17,233	30,372	17,233
- Additions	35,685	14,443	35,685	14,443
- Depreciation expense	(2,308)	(1,304)	(2,308)	(1,304)
Written down value at the end of the year	63,749	30,372	63,749	30,372
Plant & Equipment under Lease				
Written down value at the beginning of the year	173	228	173	228
- Additions	178	-	178	-
- Depreciation expense	(52)	(55)	(52)	(55)
Written down value at the end of the year	299	173	299	173

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2009

	Consolidated Entity		Parent Entity	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Note 10: Exploration & Evaluation Expenditure				
Exploration & Evaluation Expenditure.				
- At cost	107,660	84,654	104,917	82,046
- Transferred to mine development	(20,000)	(20,000)	(20,000)	(20,000)
- Transferred from mine development	7,336	-	7,336	-
- Impairment loss write off	(14,937)	(10,067)	(12,194)	(7,459)
Total Exploration and Evaluation	80,059	54,587	80,059	54,587

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		Parent Entity	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Exploration & Evaluation Expenditure				
Written down value at the beginning of the year	54,587	57,212	54,587	56,712
- Expenditure incurred during the year	23,006	23,364	22,871	22,925
- Transferred to mine development	-	(20,000)	-	(20,000)
- Transferred from mine development	7,336	-	7,336	-
- Impairment loss	(4,870)	(5,989)	(4,735)	(5,050)
Written down value at the end of the year	80,059	54,587	80,059	54,587

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

Carry Forward Exploration & Evaluation Expenditure

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2009

	Notes	Consolidated Entity		Parent Entity	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Note 11: Mine Development					
Development Expenditure					
- Mine development		73,540	61,535	73,540	61,535
- Exploration transferred to mine development		20,000	20,000	20,000	20,000
- Feasibility expenditure transferred to exploration		(7,336)	-	(7,336)	-
- Deferred mining expenditure		90,299	52,178	90,299	52,178
- Capitalised restoration costs		4,307	918	4,307	918
- Capitalised interest		10,732	10,732	10,732	10,732
- Accumulated amortisation		(50,031)	(15,215)	(50,031)	(15,215)
Total Mine Development		141,511	130,148	141,511	130,148

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		Parent Entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Development Expenditure				
Written down value at the beginning of the year	130,148	72,484	130,148	72,484
- Additions	50,126	46,480	50,126	46,480
- Exploration transferred to mine development	-	20,000	-	20,000
- Feasibility expenditure transferred to exploration	(7,336)	-	(7,336)	-
- Increase in restoration cost provision	3,389	-	3,389	-
- Capitalised interest	-	4,787	-	4,787
- Amortisation charge for the year	(34,816)	(13,603)	(34,816)	(13,603)
Written down value at the end of the year	141,511	130,148	141,511	130,148

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2009

Note 12 Tax Asset

	Consolidated Entity		Parent Entity	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
(a) Liabilities				
Deferred tax liabilities comprise:				
- Exploration & development expenditure	38,148	27,582	38,261	27,695
- Other	135	342	135	342
Total	38,283	27,924	38,396	28,037
(b) Assets:				
Deferred tax assets comprise:				
- Future income tax benefits due to tax losses	64,974	47,538	64,184	46,789
- Future capital gain benefit	(163)	(1)	(163)	(1)
- Provisions	1,664	363	1,664	363
- Mine development	4,467	-	4,467	-
- Other	215	358	215	358
Total	71,157	48,258	70,367	47,509
(c) Reconciliation				
(i) Gross movement				
The overall movement in the deferred tax account is as follows:				
Opening balance	20,334	7,674	19,472	7,145
Credit to income statement	12,540	12,660	12,499	12,327
Closing balance	32,874	20,334	31,971	19,472
(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	(27,582)	(21,315)	(27,695)	(21,278)
Credit to income statement	(10,566)	(6,267)	(10,566)	(6,417)
Closing balance	(38,148)	(27,582)	(38,261)	(27,695)
Other				
Opening balance	(342)	(710)	(342)	(710)
Debit / (Credit) to income statement	207	368	207	368
Closing balance	(135)	(342)	(135)	(342)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2009

Note 12 Tax Asset (Continued...)**Consolidated Entity****Parent Entity****2009**
\$'000**2008**
\$'000**2009**
\$'000**2008**
\$'000*(iii) Deferred tax assets*

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

Provisions

Opening balance	363	411	363	411
(Debit) / Credit to income statement	1,301	(48)	1,301	(48)
Closing balance	1,664	363	1,664	363

Other

Opening balance	358	826	358	825
Credit to income statement	(143)	(468)	(143)	(467)
Closing balance	215	358	215	358

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2009

	Notes	Consolidated Entity		Parent Entity	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Note 13: Trade & Other Payables					
Current trade & other payables		6,570	11,949	6,570	11,949
Unearned income	13 (a)	20,000	-	20,000	
Accrued expenses		8,408	25,402	8,408	25,402
Accrued interest		8,350	10,461	8,350	10,461
		43,328	47,812	43,328	47,812

(a) This income relates to the non refundable Kagara payment for access of the company's decline.

Note 14: Borrowings

Current

Lease liability	14 (b) & 20 (a)	53	6	53	6
Corporate loan facility	14 (a)	2,500	12,200	2,500	12,200
		2,553	12,206	2,553	12,206

Non Current

Corporate loan facility	14 (a)	57,500	41,493	57,500	41,493
Corporate loan facility borrowing cost	14 (b)	(1,007)	(6,371)	(1,007)	(6,371)
Convertible bond		194,040	193,800	194,040	193,800
Convertible bond borrowing costs		(5,759)	(7,593)	(5,759)	(7,593)
BHP loan facility	14 (a)	45,000	-	45,000	-
Lease liability	14 (c) & 20(b)	111	44	111	44
		289,885	221,373	289,885	221,373

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

Corporate facility

Mine development	131,985	117,389	131,985	117,389
Property, plant & Equipment	81,414	38,742	81,414	38,742
	213,399	156,131	213,399	156,131

The Corporate Loan facility is available for broad company purposes as agreed between the ANZ Bank and Western Areas, the facility is repayable by 30 June 2012. The BHP Loan Facility is restricted for use in development and exploration at the Company's Forresteria Projects, the facility is repayable between July 2012 and July 2015. Interest is payable on the principal amount outstanding at the end of the relevant funding period. The interest rates are variable and set at a margin above the relevant base rate.

(b) Included in the movement is borrowing cost written off to the value of \$4.4 million.

(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 TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2009

Note 15: Provisions		Consolidated Entity		Parent Entity	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Current					
Employee Entitlements	15 (a)	868	453	868	453
Non Current					
Rehabilitation					
Opening Balance		1,211	1,133	1,211	1,133
Discount unwind		82	78	82	78
Additional provisions raised		3,389	-	3,389	-
Rehabilitation	15 (b)	4,682	1,211	4,682	1,211

- (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 discount cashflows.

Note 16: Other Financial Liabilities

Apart from disclosed elsewhere, there were no other financial liabilities for the year ended 30 June 2009.

Note 17: Issued Capital

a) Issued capital

	2009 \$'000	2008 \$'000
178,862,649 Ordinary shares fully paid (2008: 167,710,649)	198,892	153,087

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2009

Note 17: Issued Capital (Continued...)

b) Movements in issued capital

	2009	
	Number of Shares	\$'000
Balance at beginning of the financial year	167,710,649	153,087
- Issued via share placements	7,020,000	36,447
- Issued via option conversions (ii)	4,096,000	11,221
- Transaction cost relating to share issue	-	(1,863)
Balance at end of the financial year	178,826,649	198,892

	2008	
	Number of Shares	\$'000
Balance at beginning of the financial year	166,451,345	148,739
- Issued via option conversions	1,274,583	4,348
- Correction of placement in Canada (i)	(15,279)	-
Balance at end of the financial year	167,710,649	153,087

Capital management

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

Notes on movement in issued capital

- (i). Represents an adjustment to the reported number of outstanding shares that was not reflected after the rights issue that took place in October 2006. This was not a cancellation of issued shares.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2009

Note 17: Issued capital (continued...)

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

Date	- Option Terms (Exercise Price & Maturity) -				Total
	\$1.30 July '08	\$2.75 May '09	\$3.20 May '09	CAD\$4.00 Dec '09	
<u>2008:</u>					
July 18		12,000			12,000
July 31	90,000				90,000
October 1		30,000	400,000		430,000
<u>2009:</u>					
February 18		90,000			90,000
March 1		45,000			45,000
March 30		230,000			230,000
April 16		161,000			161,000
April 21		383,000			383,000
April 24		820,000			820,000
April 30		75,000	200,000		275,000
May 5		310,000	1,000,000		1,310,000
June 30				250,000	250,000
TOTAL	90,000	2,156,000	1,600,000	250,000	4,096,000

(*) The CAD\$ warrants were converted at an FX ratio of CAD\$0.91: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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2009

Note 18: Loss Per Share

	Consolidated Entity	
	2009 \$'000	2008 \$'000
Earnings used in the calculation of basic loss per share	(35,172)	(54,907)
Weighted average number of ordinary shares used in the calculation of basic loss per share	168,320,650	166,232,784
Basic Loss per Share (cents per share)	(20.9)	(31.7)

There were 9,189,250 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, and 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	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
a) Reconciliation of the net loss after tax to the net cash flow from operations :				
Loss after income tax	(35,172)	(54,907)	(38,374)	(54,251)
Depreciation	3,273	1,722	3,273	1,722
Amortisation	37,783	15,300	37,783	15,300
Convertible bond accretion expense	3,800	4,675	3,800	4,675
GST relating to non operating activity	(13)	41	(134)	41
Impairment expenses	9,328	5,989	9,193	5,050
Impairment of investment in subsidiary	-	-	3,297	-
Capitalised interest actually paid	-	(4,787)	-	(4,787)
Interest receivable	857	(660)	857	(660)
Other	171	(52)	156	(55)
Loss from sale of non-current assets	(44)	-	(44)	-
Share based payment	4,922	3,901	4,922	3,901
Unrealised movement in market value of derivatives	(379)	16,074	(379)	16,074
Change in Assets and Liabilities				
Increase / (decrease) in payables	(11,697)	(1,707)	(11,697)	(1,707)
(Increase) / decrease in inventory	(27,859)	(1,209)	(27,859)	(1,209)
(Increase) / decrease in receivables	1,920	(6,469)	1,920	(6,469)
Increase in interest payable	(2,110)	10,188	(2,110)	10,188
(Increase) / decrease in deferred tax	(12,540)	(12,660)	(12,499)	(12,326)
Net Cash Flows Received from / (used in) Operating Activities	(27,760)	(24,561)	(27,895)	(24,513)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2009

Note 19: Cash Flow Information (continued...)

b) Reconciliation of Cash

Cash balance comprises :

Cash on hand	80,210	144,710	80,210	144,710
Closing Cash Balance	80,210	144,710	80,210	144,710

Included in the closing cash balance is \$45M that, which is restricted for use in development and exploration at the Company's Forrestania Projects.

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 (*)	60,000	60,000	-
BHP			
- Cash advance facility (**)	45,000	-	45,000
Performance Guarantees:-			
ANZ Banking Group			
- Security bond facility	10,000	5,027	4,973
Commonwealth Bank			
- Security bond facility	71	71	-
	115,071	65,098	49,973

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

(**) The cash drawn from this facility is restricted to the development and exploration of the Forrestania Project.

d) Non Cash Financing Activities

During the year, the consolidated entity acquired plant & equipment of \$178,575 (2008: \$0) by means of a finance lease.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2009

Note 20: Commitments

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

a) Operating Lease Commitments

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

	Consolidated Entity		Parent Entity	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
- no later than 1 year	261	287	261	287
- later than 1 year and not later than 5 years	307	301	307	301
Lease expenditure contracted for at year end	568	588	568	588

The operating leases are for miscellaneous office equipment and office premises both in West Perth and Toronto, Canada. During the year a new office lease for the Western Areas' Perth office was entered into to increase the office space. The Perth office lease expires November 2009 and the new lease May 2011, with the Toronto office lease expiring October 2010.

b) Finance Lease Commitments

	Consolidated Entity		Parent Entity	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
- no later than 1 year	64	7	64	7
- later than 1 year and not later than 5 years	120	46	120	46
Total Minimum Lease Payments	184	53	184	53
- future finance charges	(20)	(3)	(20)	(3)
Total Lease Liability	164	50	164	50
- current	53	6	53	6
- non current	111	44	111	44
	164	50	164	50

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2009

Note 20: Commitments (continued...)

c) Capital Expenditure Commitments

	Consolidated Entity		Parent Entity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
- no later than 1 year	26,000	36,844	26,000	36,844
- later than 1 year and not later than 5 years	-	-	-	-
Total minimum commitments	26,000	36,844	26,000	36,844

The company is planning an expansion of the nickel concentrator plant, which will make up most of the capital expenditure commitments.

d) Exploration Expenditure Commitments

- no later than 1 year	4,054	4,625	4,054	4,625
- later than 1 year and not later than 5 years	8,203	-	8,203	-
Total Minimum Payments	12,257	4,625	12,257	4,625

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 paying 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

	Consolidated Entity		Parent Entity	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
The following remuneration was earned by the company's Auditor during the period				
- Audit and review of financial statements	119	100	119	100
- Taxation services	15	-	15	-
	134	100	134	100

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2009**Note 22: Material Contracts**

The Company's Ore Tolling and Concentrate Purchase Agreement ("OTCPA") with Norilsk Nickel Australia Pty Ltd ("Norilsk") (formally LionOre Australia Pty Ltd) was amended in February 2009. The material provisions of the contract that were effected included:

- 1) Removal of the Company's right to toll treat ore through the Lake Johnston Concentrator.
- 2) Western Areas received at its sole discretion the ability to immediately remove up to 40% of the Company's nickel production that was deliverable under the OTCPA for sale to third parties.
- 3) The Company received at its sole discretion the ability to remove the remaining 60% of the of the Company's nickel production that was deliverable under the OTCPA for sale to third parties from 1 January 2010.
- 4) Western Areas received significant items of surplus equipment from Norilsk at a nominal fee.

Western Areas exercised its right to remove the 40% of the production during March 2009. In May 2009 BHP Billiton assumed Norilsk's rights under the OTCPA.

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

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

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

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

Note 25: Statement of Operations by Segments

The Consolidated Entity operates in the mineral exploration and production industry in Australia.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2009

Note 26: Key Management Personnel

Key Management Personnel

T Streeter	Chairman (Non-Executive)
D Cooper	Director (Non-Executive)
J Hanna	Director and Chief Executive Officer
R Dunbar	Director (Non-Executive)
C Oliver	Finance Director, Chief Financial Officer & <i>Joint Company Secretary</i>
D Lougher	Operations Director
C Wilkinson	General Manager Exploration

Disclosures relating to the Directors and Key Management personnel are included in the Directors report.

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	
				2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Koolyanobbing (3 JV's)	(i)	51% - 100%	Nickel & Gold exploration	500	1,118	500	1,118
Sandstone Project	(ii)	51% - 70%	Nickel exploration	-	-	-	-
Mt Finnerty	(iii)	51% - 65%	Nickel exploration	-	-	-	-
Mt Alexander	(iv)	25%	Nickel & Copper exploration	104	103	104	103

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

- (i) 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.

- (ii) Troy Resources NL ("Troy") and Western Areas NL ("Western Areas") have signed a letter of Intent with respect to an earn-in exploration joint venture pertaining to nickel exploration and development at Sandstone in Western Australia.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2009**Note 27: Interests in Joint Ventures (Continued...)**

Western Areas has the right to earn up to a 51% interest in the nickel rights on Troy's Sandstone Project by sole funding \$4M expenditure on exploration over a four year period with a minimum first year expenditure of A\$500,000.

Western Areas can then elect to earn an additional 19% interest by sole funding to completion of a Bankable Feasibility Study and decision to mine. If Western Areas earn a total of 70% and a decision to mine is made Troy can elect to contribute to JV expenditure pro rata to Troy's 30% interest or elect to dilute to a royalty.

Sandstone is located approximately 660km northeast of Perth, Western Australia within the Sandstone greenstone belt near the northern end of the Southern Cross province of the Archaean Yilgarn craton. The Southern Cross province has during the past few years been the focus of intense nickel sulphide exploration resulting in a number of discoveries.

- (iii) The Company has executed a Heads of Agreement with Reed Resources Ltd ("Reed") to explore three target areas at Mt Finnerty, 150km NE of Forrestania in Western Australia. Under the terms of the agreement, Western Areas can earn up to 65% interest in the nickel rights by funding two stages of exploration on the Mt Finnerty tenements which are granted and available for immediate work.

By spending \$1.5 million within a 3 year period at Mt Finnerty, Western Areas can earn a 51% interest in the nickel rights to the tenements and an additional 14% interest in the second stage by spending a further \$1.5 million on the tenements. Western Areas can withdraw from the agreement at any time after reaching a minimum expenditure of \$200,000 on the tenements.

- (iv) BHP Billiton is the operator of the Mt Alexander Joint Venture and Western Areas holds a 25% free carried interest in the project to a decision to mine.

The Company raised a provision for impairment against the carrying value of these projects during 2009 financial year.

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2009**Note 28: Financial instruments****a) Treasury Risk**

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

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

b) Credit Risk

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

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

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

c) Liquidity Risk

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

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2009

Note 28: Financial instruments (Continued...)

c) Liquidity Risk (Continued...)

Financial liability and financial asset maturity analysis

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:

2009 Consolidated and Parent Entity

	1 year or less	Over 1 to 5 years	More than 5 Years	Total
	\$'000	\$'000	\$'000	\$'000
Financial Assets				
Cash	80,210	-	-	80,210
Receivables	28,873	-	-	28,873
	109,083	-	-	109,083
Financial Liabilities				
Payables	43,328	-	-	43,328
Project loans	2,500	102,500	-	105,000
Convertible bonds	-	208,500	-	208,500
Lease liability	53	111	-	164
	45,881	311,111	-	356,992
Net Financial Assets/(Liabilities)	63,202	(311,111)	-	(247,909)

2008 Consolidated and Parent Entity

	1 year or less	Over 1 to 5 years	More than 5 Years	Total
	\$'000	\$'000	\$'000	\$'000
Financial Assets				
Cash	144,710	-	-	144,710
Receivables	11,412	-	-	11,412
	156,122	-	-	156,122
Financial Liabilities				
Payables	47,812	-	-	47,812
Project loan	12,200	41,493	-	53,693
Convertible bonds	-	212,500	-	212,500
Lease liability	6	44	-	50
Premium funding				
	60,018	254,037	-	314,055
Net Financial Assets/(Liabilities)	96,104	(254,037)	-	(157,933)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2009

Note 28: Financial instruments (Continued...)

d) Market Risk

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

i) Interest Rate Risk

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

2009 Consolidated and Parent Entity

	Floating Interest Rate \$'000	Fixed Interest maturing in:			Non-Interest Bearing \$'000	Total \$'000	Weighted Average Interest Rate
		1 year or less \$'000	Over 1 to 5 years \$'000	More than 5 Years \$'000			
Financial Assets							
Cash	80,210					80,210	2.72%
Receivables					28,873	28,873	
	80,210				28,873	109,083	
Financial Liabilities							
Payables					43,328	43,328	
Project loans		2,500	102,500			105,000	6.30%
Convertible bonds			208,500			208,500	8.00%
Lease liability		53	111			164	7.38%
		2,553	311,111		43,328	356,992	
Net Financial Assets/(Liabilities)	80,210	(2,553)	(311,111)		(14,455)	(247,909)	

2008 Consolidated and Parent Entity

	Floating Interest Rate \$'000	Fixed Interest maturing in:			Non-Interest Bearing \$'000	Total \$'000	Weighted Average Interest Rate
		1 year or less \$'000	Over 1 to 5 years \$'000	More than 5 Years \$'000			
Financial Assets							
Cash	144,710	-	-	-	-	144,710	7.18%
Receivables	-	-	-	-	11,412	11,412	
	144,710	-	-	-	11,412	156,122	
Financial Liabilities							
Payables					47,812	47,812	
Project loan		12,200	41,493			53,693	9.34%
Convertible bonds			212,500			212,500	8.00%
Lease liability		6	44			50	7.38%
Premium funding							
		12,206	254,037		47,812	314,055	
Net Financial Assets/(Liabilities)	144,710	(12,206)	(254,037)		(36,400)	(157,933)	

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2009

Note 28: Financial instruments (Continued...)

d) Market Risk (Continued...)

ii) Price Risk

a) Equity Price Risk

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

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

The table below summarises the impact of increases/decreases of these two indexes on the Group's and the parent entity's equity. The analysis is based on the assumption that the equity indexes had increased by 10%/decreased by 10% (2008 – increased by 10%/decreased by 10%) and foreign exchange rate increased by 5%/decrease by 5% (2008 increased by 10%/decrease by 10%) with all other variables held constant and all the Group's equity instruments moved according to the historical correlation with the index.

Available for sale financial assets – Index	Impact on equity	
	30 June 2009 \$'000	30 June 2008 \$'000
ASX	43	(67)
TSX	502	(1,200)

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

The price risk for the unlisted securities is immaterial in terms of the possible impact on total equity. It has therefore not been included in the sensitivity analysis.

ii) Commodity Price Risk

The Group and the parent entity are exposed to commodity price risk. This arises from the sale of nickel.

The following table details the Company's and Group's sensitivity to a USD 1,000 increase and decrease in the nickel price. USD 1,000 is the sensitivity rate used when reporting commodity price risk internally to key management personnel and represents management's assessment of the possible change in commodity price. The table below assumes all other variables remaining constant.

<i>Sensitivity analysis</i>	Profit \$'000	Equity \$'000
Year Ended 30 June 2009		
+/- \$1,000 / tonne nickel	+748	+748
	Profit \$'000	Equity \$'000
Year Ended 30 June 2008		
+/- \$1,000 / tonne nickel	+1,314	+1,314

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2009

Note 28: Financial instruments (Continued...)

d) Market Risk (Continued...)

Hedging of Specific Commitments

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

Nickel Hedging Contracts

As at balance date the Company had forward sold 300 tonnes of nickel at an average USD price of US\$15,500 per tonne. The hedging contracts are vanilla forward sales contracts with maturity dates as shown in the table below.

	FY 2009	TOTAL
Nickel Tonnes	300	300
US Price (\$/tonne)	15,500	15,500
USD Value (\$'000)	4,650	4,650

None of the hedging contracts are subject to margin calls.

iii) Currency Risk

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

	Liabilities	Assets
US\$	-	5,399

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

<i>Sensitivity analysis</i>	Profit \$'000	Equity \$'000
Year Ended 30 June 2009		
+/- 5% in \$A/\$US	+527	+527
	Profit \$'000	Equity \$'000
Year Ended 30 June 2008		
+/- 5% in \$A/\$US	+558	+558

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2009

Note 28: Financial instruments (Continued...)

d) Market Risk (Continued...)

Forward exchange contracts

The Group has open forward exchange contracts at balance date relating to highly probable forecast transactions and recognised financial assets and financial liabilities. These contracts commit the Group to buy and sell specified amounts of foreign currencies in the future at specified exchange rates.

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

	Notional Amounts		Average Exchange Rate	
	2009 \$000	2008 \$000	2009 \$	2008 \$
Consolidated Group				
<i>Buy AUD / Sell USD</i>				
Settlement				
— less than 6 months	7,500	-	0.7500	-
— 6 months to 1 year	2,500	-	0.8275	-

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

e) Net fair values

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

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2009

Note 28: Financial instruments (Continued...)

e) Net fair values (Continued...)

		2009		2008	
		Carrying Amount \$'000	Net Fair Value \$'000	Carrying Amount \$'000	Net Fair Value \$'000
Financial Assets					
Cash and cash equivalents	(i)	80,210	80,210	144,710	144,710
Available-for-sale assets at fair value	(iv)	2,825	2,825	7,034	7,034
Derivative financial assets	(v)	956	956	-	-
Loans and receivables	(ii & iii)	28,873	28,873	11,412	11,412
		112,864	112,864	163,156	163,156
Financial Liabilities					
Trade and sundry payables	(i)	43,328	43,328	47,812	47,812
Convertible notes	(vi)	194,040	208,500	193,800	212,500
Other loans and amounts due	(vi)	105,000	105,000	53,693	53,693
Other liabilities	(vi)	164	164	50	50
		342,532	356,992	295,355	314,055

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

- i) Cash and cash equivalents, trade and other receivables and trade and other payables are short-term instruments in nature whose carrying value is equivalent to fair value. Trade and other payables exclude amounts provided for relating to annual leave which is not considered a financial instrument.
- ii) Term receivables generally reprice to a market interest rate every 6 months, and fair value therefore approximates carrying value.
- iii) Discounted cash flow models are used to determine the fair values of loans and advances. Discount rates used on the calculations are based on interest rates existing at reporting date for similar types of loans and advances. Differences between fair values and carrying values largely represent movements of the effective interest rate determined on initial recognition and current market rates.
- iv) For listed available-for-sale financial assets, closing quoted bid prices at reporting date are used. The directors have determined that the fair values of unlisted available-for-sale financial assets cannot be reliably measured as variability in the range of reasonable fair value estimates is significant. Consequently, such assets are recognised at cost and their fair values have also been stated at cost in the table above. However, the directors estimate that such investments could have fair values in the range of \$4,000,000 to \$6,000,000 at reporting date. There is no active market for these investments, and there is no present intention to dispose of such investments.
- v) Quoted market prices at reporting date are used as well as valuation techniques incorporating observable market data relevant to the hedged position.
- vi) Fair values are determined using a discounted cash flow model incorporating current commercial borrowing rates. The fair values of fixed rate bank debt will differ to the carrying values

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2009

Note 29: Related Party Transactions

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

Note 30: Share Based Payments

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

- i) 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.
- ii) On the 6 June 2007 the remuneration committee resolved to issue 2,000,000 options to the Western Areas Directors. These are redeemable for one ordinary share in the Company and have an exercise price of \$7.50. This was ratified by shareholders at the annual general meeting on 17 August 2007.
- iii) On the 24 January 2008 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 \$7.50
- iv) On the 22 May 2008 1,850,000 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 \$15.00
- v) On 22 May 2008 the remuneration committee resolved to issue 2,400,000 options to the Western Areas Directors. These are redeemable for one ordinary share in the Company and have an exercise price of \$17.00. This was ratified by shareholders at the annual general meeting on 12 September 2008.
- vi) On the 12 September 2008 400,000 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 \$17.00

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

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

The following options were outstanding at 30 June 2009:

	Consolidated Entity				Parent Entity			
	2009		2008		2009		2008	
	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	10,545,250	6.80	7,793,167	\$3.79	10,545,250	6.80	7,793,167	\$3.79
Options issued (*)	2,800,000	17.00	4,350,000	\$7.53	2,800,000	17.00	4,350,000	\$7.53
Options cancelled	(60,000)	15.00	(323,334)	\$2.36	(60,000)	15.00	(323,334)	\$2.36
Options exercised	(4,096,000)	2.99	(1,274,583)	\$3.31	(4,096,000)	2.99	(1,274,583)	\$3.31
Closing balance	9,189,250	11.55	10,545,250	\$6.80	9,189,250	11.55	10,545,250	\$6.80
Vested balance	4,732,583	9.72	9,333,667	\$3.36	4,732,583	9.72	9,333,667	\$1.70

(*) The exercise price for the CAD\$4.00 warrants has been calculated at an FX rate of, AUD\$1: CAD\$.9110

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2009

Note 30: Share Based Payments (Continued...)

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

- i) All of the employee 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 issued as part of the private placement on the TSX were fully vested on issue.
- ii) The Directors' options vest immediately.

The weighted average contractual life remaining for the current outstanding options is 24 Months.

The fair value of the options outstanding as at 30 June 2009 was determined as detailed below:

- i) 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 risk free rate: 6.25.
- ii) The Directors incentive options issued on 17 August 2007 were valued via the Black Scholes option pricing model applying the following inputs. Average closing share price: \$4.67, option exercise price: \$7.50, life of the option: 3 years, price volatility: 59.78% and risk free rate: 6.25%.
- iii) The employee options issued on 24 January 2008 were independently valued via the Binomial option pricing model applying the following inputs. Average closing share price: \$4.32, option exercise price: \$7.50, life of the option: 3 years, price volatility: 47.2% and risk free rate: 6.55% for year 1, price volatility: 43.46% and risk free rate: 6.54% for year 2 and price volatility: 41.76% and risk free rate: 6.51% for year 3.
- iv) The employee options issued on 22 May 2008 were independently valued via the Binomial option pricing model applying the following inputs. Average closing share price: \$11.37, option exercise price: \$15.0, life of the option: 3 years, price volatility: 50.55% and risk free rate: 6.79% for year 1, price volatility: 48.33% and risk free rate: 6.77% for year 2 and price volatility: 46.29% and risk free rate: 6.7% for year 3.
- v) The directors options issued on 12 September 2008 were independently valued via the Binomial option pricing model applying the following inputs. Average closing share price: \$8.72, option exercise price: \$17.0, life of the option: 3 years, price volatility: 51.21% and risk free rate: 5.56%.
- vi) The contractor options issued on 12 September 2008 were independently valued via the Binomial option pricing model applying the following inputs. Average closing share price: \$8.72, option exercise price: \$17.0, life of the option: 3 years, price volatility: 55.12% and risk free rate: 5.73% for year 1, price volatility: 51.99% and risk free rate: 5.60% for year 2 and price volatility: 49.75% and risk free rate: 5.55% for year 3.

The movement in the various classes of options for the year ended 30 June 2009 were as follows:

	-- Option Terms (Exercise Price and Maturity) --										TOTAL
	Employee \$1.30 Jul 08	Director \$3.20 May 09	Employee \$2.75 May 09	Warrants CAD\$4.00 Dec 09	Employee \$7.50 June 10	Director \$7.50 June 10	Employee \$7.50 Jan 11	Employee \$15.00 May 11	Employee \$17.00 May 11	Director \$17.00 May 11	
Opening balance	90,000	1,600,000	2,156,000	1,159,250	1,190,000	2,000,000	500,000	1,850,000	-	-	10,545,250
Options issued	-	-	-	-	-	-	-	-	400,000	2,400,000	2,800,000
Options cancelled	-	-	-	-	-	-	-	(60,000)	-	-	(60,000)
Options exercised	(90,000)	(1,600,000)	(2,156,000)	(250,000)	-	-	-	-	-	-	(4,096,000)
Closing balance	-	-	-	909,250	1,190,000	2,000,000	500,000	1,790,000	400,000	2,400,000	9,189,250

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2009**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: Change in Accounting Policy

The AASB has issued new, revised and amended standards and interpretations that have mandatory application dates for future reporting periods. The Group has decided against early adoption of these standards. A discussion of those future requirements and their impact on the Group follows:

- AASB 3: Business Combinations, AASB 127: Consolidated and Separate Financial Statements, AASB 2008-3: Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 [AASBs 1,2,4,5,7,101,107, 112, 114, 116, 121, 128, 131, 132, 133, 134, 136, 137, 138 & 139 and Interpretations 9 & 107] (applicable for annual reporting periods commencing from 1 July 2009) and AASB 2008-7: Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate [AASB 1, AASB 118, AASB 121, AASB 127 & AASB 136] (applicable for annual reporting periods commencing from 1 January 2009). These standards are applicable prospectively and so will only affect relevant transactions and consolidations occurring from the date of application. In this regard, its impact on the Group will be unable to be determined. The following changes to accounting requirements are included:
 - acquisition costs incurred in a business combination will no longer be recognised in goodwill but will be expensed unless the cost relates to issuing debt or equity securities;
 - contingent consideration will be measured at fair value at the acquisition date and may only be provisionally accounted for during a period of 12 months after acquisition;
 - a gain or loss of control will require the previous ownership interests to be remeasured to their fair value;
 - there shall be no gain or loss from transactions affecting a parent's ownership interest of a subsidiary with all transactions required to be accounted for through equity (this will not represent a change to the Group's policy);
 - dividends declared out of pre-acquisition profits will not be deducted from the cost of an investment but will be recognised as income;
 - impairment of investments in subsidiaries, joint ventures and associates shall be considered when a dividend is paid by the respective investee; and
 - where there is, in substance, no change to Group interests, parent entities inserted above existing groups shall measure the cost of its investments at the carrying amount of its share of the equity items shown in the balance sheet of the original parent at the date of reorganisation.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2009**Note 32: Change in Accounting Policy (Continued...)**

- AASB 8: Operating Segments and AASB 2007-3: Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 & AASB 1038] (applicable for annual reporting periods commencing from 1 January 2009). AASB 8 replaces AASB 114 and requires identification of operating segments on the basis of internal reports that are regularly reviewed by the Group's Board for the purposes of decision making. While the impact of this standard cannot be assessed at this stage, there is the potential for more segments to be identified. Given the lower economic levels at which segments may be defined, and the fact that cash generating units cannot be bigger than operating segments, impairment calculations may be affected. Management does not presently believe impairment will result however.
- AASB 101: Presentation of Financial Statements, AASB 2007-8: Amendments to Australian Accounting Standards arising from AASB 101, and AASB 2007-10: Further Amendments to Australian Accounting Standards arising from AASB 101 (all applicable to annual reporting periods commencing from 1 January 2009). The revised AASB 101 and amendments supersede the previous AASB 101 and redefines the composition of financial statements including the inclusion of a statement of comprehensive income. There will be no measurement or recognition impact on the Group. If an entity has made a prior period adjustment or reclassification, a third balance sheet as at the beginning of the comparative period will be required.
- AASB 123: Borrowing Costs and AASB 2007-6: Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12] (applicable for annual reporting periods commencing from 1 January 2009). The revised AASB 123 has removed the option to expense all borrowing costs and will therefore require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. Management has determined that there will be no effect on the Group as a policy of capitalising qualifying borrowing costs has been maintained by the Group.
- AASB 2008-1: Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations [AASB 2] (applicable for annual reporting periods commencing from 1 January 2009). This amendment to AASB 2 clarifies that vesting conditions consist of service and performance conditions only. Other elements of a share-based payment transaction should therefore be considered for the purposes of determining fair value. Cancellations are also required to be treated in the same manner whether cancelled by the entity or by another party.
- AASB 2008-2: Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations Arising on Liquidation [AASB 7, AASB 101, AASB 132 & AASB 139 & Interpretation 2] (applicable for annual reporting periods commencing from 1 January 2009). These amendments introduce an exception to the definition of a financial liability to classify as equity instruments certain puttable financial instruments and certain other financial instruments that impose an obligation to deliver a pro-rata share of net assets only upon liquidation.
- AASB 2008-8: Amendments to Australian Accounting Standards – Eligible Hedged Items [AASB 139] (applicable for annual reporting periods commencing from 1 July 2009). This amendment clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation as a hedged item should be applied in particular situations and is not expected to materially affect the Group.
- AASB Interpretation 17: Distributions of Non-cash Assets to Owners (applicable for annual reporting periods commencing from 1 July 2009). This guidance applies prospectively only and clarifies that non-cash dividends payable should be measured at the fair value of the net assets to be distributed where the difference between the fair value and carrying value of the assets is recognised in profit or loss.

The Group does not anticipate early adoption of any of the above reporting requirements and does not expect these requirements to have any material effect on the Group's financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2009

Note 33: Additional Company Information

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

Registered office and Principal place of business:

Suite 3, Level 1

11 Ventnor Avenue

West Perth WA 6005

Tel: +61 8 9334 7777

Fax: +61 8 9486 7866

Web: www.westernareas.com.au

Email: info@westernareas.com.au

DIRECTORS' DECLARATION

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 44 to 90, 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 2009 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 18th day of August 2009

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

We have audited the accompanying financial report of Western Areas NL (the company) and Western Areas NL and its Controlled Entities (the consolidated entity), which comprises the balance sheet as at 30 June 2009, 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.

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.

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.

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.

Auditor's Opinion

In our opinion, the financial report of Western Areas NL and Western Areas NL and its Controlled Entities 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 2009 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 financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Total Financial Solutions



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

Member Horwath International

WHK Horwath Perth Audit Partnership ABN 96 844 819 235
Level 6, 256 St Georges Terrace Perth WA 6000 Australia
GPO Box P1213 Perth WA 6844 Australia
Telephone +61 8 9481 1448 Facsimile +61 8 9481 0152
Email perth@whkhorwath.com.au www.whkhorwath.com.au
A WHK Group firm

INDEPENDENT AUDIT OPINION

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 32 to 36 of the directors' report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report for Western Areas NL for the year ended 30 June 2009, complies with section 300A of the Corporations Act 2001.

WHK HORWATH PERTH AUDIT PARTNERSHIP



CYRUS PATELL
Principal

Perth, WA

Dated this 18th day of August 2009

SCHEDULE OF MINING TENEMENTS

Areas of Interest	Tenements	Company's Interest	Joint Venture Partners
Mt Jewell	P29/1905	20 %	Magma Metals
	P29/1906	20 %	Magma Metals
	P29/1907	20 %	Magma Metals
	P29/1908	20 %	Magma Metals
	P29/1909	20 %	Magma Metals
	P24/4041	20 %	Magma Metals
	P24/4042	20 %	Magma Metals
	P24/4043	20 %	Magma Metals
	P24/4044	20 %	Magma Metals
	P24/4045	20 %	Magma Metals
	P24/4046	20 %	Magma Metals
	P24/4047	20 %	Magma Metals
	P24/4048	20 %	Magma Metals
	P24/4049	20 %	Magma Metals
	P27/1695	20 %	Magma Metals
	P27/1696	20 %	Magma Metals
	P27/1697	20 %	Magma Metals
	P27/1698	20 %	Magma Metals
	P27/1699	20 %	Magma Metals
	P27/1700	20 %	Magma Metals
	P27/1701	20 %	Magma Metals
Mt Alexander	ELA 29/638	100 %	

SCHEDULE OF MINING TENEMENTS

Areas of Interest	Tenements	Company's Interest	Joint Venture Partners
Koolyanobbing	M 77/676 - I	100 %	Portman Ltd
	M 77/737 - I	100 %	Portman Ltd
	M 77/839	100 %	Portman Ltd
	E 77/1004 - I	70 %	Portman Iron Ore
	E 77/1089	70 %	Portman Iron Ore
	P77/3482	70 %	Portman Iron Ore
	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
	E 77/1307	70%	Portman Iron Ore
	P 77/3385	70%	Portman Iron Ore
	P 77/3807	70%	Portman Iron Ore
	E 77/1407	100%	
Lake King	E 70/2148	51%	Swan Oak Holdings
	E 70/3123	0%	Swan Oak Holdings
	E70/1534	0%	Swan Oak Holdings
	E70/1536	0%	Swan Oak Holdings
	P70/1535	0%	Swan Oak Holdings
Copper Hills	E 45/1435	100 %	
Forrestania	L 77/197	100 %	
	L 77/00104	100 %	
	L 77/00141	100 %	
	L 77/00182	100 %	
	M 74/057	100 %	
	M 74/058	100 %	
	M 74/064	100 %	
	M 74/065	100 %	
	M 74/081	100 %	
	M 74/090	100 %	
	M 74/091	100 %	
	M 74/092	100 %	
	M 77/098	100 %	
	M 77/215	100 %	
	M 77/216	100 %	
	M 77/219	100 %	

SCHEDULE OF MINING TENEMENTS

Areas of Interest	Tenements	Company's Interest	Joint Venture Partners
Forrestania (contd)	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 %	
	G70/0226	100 %	
	G70/0231	100 %	
	L70/0109	100 %	
	L70/0111	100 %	
	L74/0025	100 %	
	L74/0044	100 %	
	L77/0203	100 %	
	L77/0204	100 %	
Mt Holland	P77/3569	100%	
	P 77/3572	100%	
	E 77/1487	100%	

SCHEDULE OF MINING TENEMENTS

Areas of Interest	Tenements	Company's Interest	Joint Venture Partners
Mt Finnerty	E16/260	0 %	Reed Resources
	E16/261	0 %	Reed Resources
	E16/272	0 %	Reed Resources
	E16/308	0 %	Reed Resources
	E16/341	0 %	Reed Resources
	E15/713	0 %	Reed Resources
	E15/836	0 %	Reed Resources
	M15/978	0 %	Reed Resources
	P15/4819	0 %	Reed Resources
	P15/4818	0 %	Reed Resources
	M15/1752	0%	Reed Resources
	M15/1787	0%	Reed Resources
East Bull Lake (Canada)	BOON997236	0%	Mustang Minerals
	BOON997237	0%	Mustang Minerals
	BOON997238	0%	Mustang Minerals
	BOON997239	0%	Mustang Minerals
	BOON997240	0%	Mustang Minerals
	BOON997241	0%	Mustang Minerals
	BOON997244	0%	Mustang Minerals
	BOON997245	0%	Mustang Minerals
	BOON997246	0%	Mustang Minerals
	BOON997247	0%	Mustang Minerals
	BOON997248	0%	Mustang Minerals
	BOON997249	0%	Mustang Minerals
	BOON997253	0%	Mustang Minerals
	BOON997254	0%	Mustang Minerals
	BOON997255	0%	Mustang Minerals
	BOON997256	0%	Mustang Minerals
	BOON997257	0%	Mustang Minerals
	BOON997258	0%	Mustang Minerals
	BOON997261	0%	Mustang Minerals
	BOON997262	0%	Mustang Minerals
	BOON997263	0%	Mustang Minerals
	BOON997264	0%	Mustang Minerals
	BOON997265	0%	Mustang Minerals
	BOON997266	0%	Mustang Minerals
	BOON997268	0%	Mustang Minerals
	BOON997269	0%	Mustang Minerals
	BOON997270	0%	Mustang Minerals
	BOON997271	0%	Mustang Minerals
	BOON997272	0%	Mustang Minerals
	BOON997273	0%	Mustang Minerals
	BOON997274	0%	Mustang Minerals

SCHEDULE OF MINING TENEMENTS

Areas of Interest	Tenements	Company's Interest	Joint Venture Partners
East Bull Lake (Canada) (Continued)	BOON997275	0%	Mustang Minerals
	BOON997276	0%	Mustang Minerals
	BOON997277	0%	Mustang Minerals
	BOON997278	0%	Mustang Minerals
	BOON997279	0%	Mustang Minerals
	BOON997281	0%	Mustang Minerals
	BOON997282	0%	Mustang Minerals
	BOON997283	0%	Mustang Minerals
	SHIBANANING997301	0%	Mustang Minerals
	SHIBANANING997302	0%	Mustang Minerals
	SHIBANANING997303	0%	Mustang Minerals
	SHIBANANING997304	0%	Mustang Minerals
	SHIBANANING997305	0%	Mustang Minerals
	SHIBANANING997307	0%	Mustang Minerals
	SHIBANANING997308	0%	Mustang Minerals
	SHIBANANING997309	0%	Mustang Minerals
	SHIBANANING997311	0%	Mustang Minerals
	SHIBANANING997312	0%	Mustang Minerals
	SHIBANANING997313	0%	Mustang Minerals
	SHIBANANING997314	0%	Mustang Minerals
	SHIBANANING997315	0%	Mustang Minerals
	SHIBANANING997316	0%	Mustang Minerals
	SHIBANANING997317	0%	Mustang Minerals
	SHIBANANING997319	0%	Mustang Minerals
	SHIBANANING997320	0%	Mustang Minerals
	SHIBANANING997323	0%	Mustang Minerals
	BOON1016959	0%	Mustang Minerals
	BOON1134473	0%	Mustang Minerals
	BOON1134474	0%	Mustang Minerals
	BOON1134475	0%	Mustang Minerals
	BOON1134476	0%	Mustang Minerals
	BOON1134477	0%	Mustang Minerals
	BOON1134478	0%	Mustang Minerals
	BOON1134479	0%	Mustang Minerals
	BOON1134480	0%	Mustang Minerals
	BOON1134481	0%	Mustang Minerals
	BOON1134482	0%	Mustang Minerals
	BOON1134483	0%	Mustang Minerals
	BOON1134484	0%	Mustang Minerals
	BOON1134485	0%	Mustang Minerals
	BOON1134486	0%	Mustang Minerals
	BOON1134487	0%	Mustang Minerals
	BOON1134489	0%	Mustang Minerals
	BOON1134490	0%	Mustang Minerals
	BOON1136189	0%	Mustang Minerals
	BOON1136190	0%	Mustang Minerals
	SHIBANANING1136194	0%	Mustang Minerals
	SHIBANANING1136195	0%	Mustang Minerals
	SHIBANANING1136196	0%	Mustang Minerals

SCHEDULE OF MINING TENEMENTS

Areas of Interest	Tenements	Company's Interest	Joint Venture Partners
East Bull Lake (Canada) (Continued)	BOON1136197	0%	Mustang Minerals
	BOON1162192	0%	Mustang Minerals
	BOON1162193	0%	Mustang Minerals
	SHIBANANING1165378	0%	Mustang Minerals
	SHIBANANING1165379	0%	Mustang Minerals
	BOON1198295	0%	Mustang Minerals
	LOCKEYER1214935	0%	Mustang Minerals
	GEROW1226700	0%	Mustang Minerals
	BOON1227636	0%	Mustang Minerals
	GEROW1227909	0%	Mustang Minerals
	GEROW1227910	0%	Mustang Minerals
	BOON1227911	0%	Mustang Minerals
	BOON1228734	0%	Mustang Minerals
	GEROW1228735	0%	Mustang Minerals
	BOON1229201	0%	Mustang Minerals
	BOON1229202	0%	Mustang Minerals
	BOON1229203	0%	Mustang Minerals
	BOON1229204	0%	Mustang Minerals
	BOON1229205	0%	Mustang Minerals
	BOON1229206	0%	Mustang Minerals
	MANDAMIN1229207	0%	Mustang Minerals
	GEROW1229208	0%	Mustang Minerals
	GEROW1229209	0%	Mustang Minerals
	GEROW1229210	0%	Mustang Minerals
	GEROW1229211	0%	Mustang Minerals
	GEROW1229212	0%	Mustang Minerals
	GEROW1229213	0%	Mustang Minerals
	BOON1229454	0%	Mustang Minerals
	BOON1229455	0%	Mustang Minerals
	GEROW1231026	0%	Mustang Minerals
	GEROW1231027	0%	Mustang Minerals
	LOCKEYER1231030	0%	Mustang Minerals
	BOON1231270	0%	Mustang Minerals
	BOON1231272	0%	Mustang Minerals
	SHIBANANING1238567	0%	Mustang Minerals
	BOON1246210	0%	Mustang Minerals
	BOON1247268	0%	Mustang Minerals
	BOON1247269	0%	Mustang Minerals

SHAREHOLDER INFORMATION

The Shareholder Information set out below shows the position as at 30 June 2009

a) Distribution of Shareholdings**Ordinary Shares***

i)	Distribution schedule of holdings:	
	1 – 1,000	1,763
	1,001 – 5,000	2,332
	5001 – 10,000	682
	10,001 – 100,000	701
	100,001 – over	132
	Total number of holders	5,610
ii)	Number of holders of less than a marketable parcel	99
iii)	Number of overseas Holders	249
iv)	Percentage held by 20 largest holders	65.27%
	* 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	27,624,410	15.45%
Northmead Holdings Pty Ltd	10,500,000	5.87%
Acuity Investment Management Inc	9,176,035	5.13%
Commonwealth Bank (Institutional Group)	8,808,109	4.93%
UBS Wealth Management	7,772,098	4.35%
Santalucia Investments Pty Ltd	7,277,581	4.07%
Northward Capital Pty Ltd	5,288,051	2.96%
Massmutual Financial (Institutional Group)	4,573,237	2.56%
SG Hiscock & Company	3,345,000	1.87%
Trevor & Terrie Delroy	3,002,252	1.68%
Prudential Financial (Institutional Group)	2,911,400	1.63%
Vanguard Investment (Institutional Group)	2,494,954	1.40%
Carmignac Gestion	2,441,721	1.37%
Mount Kellett Capital Management, LP	2,400,000	1.34%
RBC Asset Management, Inc	2,375,109	1.33%
Marchesani Family Holdings	2,050,677	1.15%
John & Cheryl Susan Marinovich	1,916,300	1.07%
Aviva Investors Australia Limited	1,705,936	0.95%
Julian Hanna	1,606,679	0.90%
AMP Capital Investors	1,587,387	0.89%
Independent Asset Management Pty Ltd	1,528,714	0.85%
Total	<u>110,385,650</u>	<u>61.73%</u>

c) Substantial Shareholders

NAME	NO. SHARES HELD	%
Jungle Creek Gold Mines	27,624,410	15.45%
Northmead Holdings Pty Ltd	10,500,000	5.87%
Acuity Investment Management Inc	9,176,035	5.13%