ANNUAL REPORT 2010

WESTERN AREAS NL

ABN 68 091 049 357

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COMPETENT PERSONS STATEMENT:

The information within this report as it relates to mineral resources and mine development activities is based on information compiled by Mr John Haywood, Mr Dan Lougher and Mr Julian Hanna of Western Areas NL. Mr Haywood, Mr Lougher and Mr Hanna are members of AusIMM and are full time employees of the Company. Mr Haywood, Mr Lougher and Mr Hanna have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as Competent Persons as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.' Mr Haywood, Mr Lougher and Mr Hanna consent to the inclusion in the report of the matters based on the information in the form and context in which it appears.

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

Dan Lougher

Rick Yeates

Company Secretary

Joseph Belladonna

Auditors

WHK Horwath

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Perth WA 6000

Bankers

ANZ Banking Group Limited

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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

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West Perth WA 6005

Registered Office

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Treasury Advisers

Oakvale Capital Ltd

Level 3, 50 Colin Street

West Perth WA 6005

First shipment of nickel concentrate arriving in China

Dear Shareholders,

This year was the 10th anniversary of Western Areas which listed on the ASX on the 28th July 2000. Western Areas has certainly come a long way from being a small nickel exploration start-up company to becoming a very successful nickel producer today.

Forrestania is the jewel in the crown of Western Areas. The region was acquired in 2003 from the Finnish company Outokumpu and now has two producing mines in Flying Fox and Spotted Quoll. This year over 20,000 tonnes of nickel will be produced from these two mines alone which is a great achievement and a credit to the talented and hard working people we have within the company. Forrestania is recognised globally as a premier nickel belt and I am certain that exploration and mining will continue there for many years.

The past twelve months have been very important in many ways for the Company. We commenced production at our second mine Spotted Quoll less than three years since it was discovered. Spotted Quoll is a high grade open pit and planned underground mine which already has a nine year mine life based on current ore reserves. Recent deeper drilling is suggesting that Spotted Quoll has the potential to be in production well beyond that time.

The doubling of the mill capacity at Cosmic Boy to 550,000 TPA ore in May has provided the capacity to match our sustained production target of 25,000 tonnes nickel per annum mined from Flying Fox and Spotted Quoll. The upgraded plant was built on time and on budget and is a credit to the construction team and contractors involved in this project.

The first shipment of concentrate was sent to Jinchuan, China's largest nickel producer on 28th July. This concentrate is shipped in containers from Esperance Port in Western Australia to China. Our company is now in a strong position with two off take agreements for nickel concentrate which is now being sold to BHP Billiton in Australia and Jinchuan in China.

In March this year a maiden dividend of 3 cents per share was paid to Western Areas shareholders with a final dividend of 3 cents per share announced in August. With ongoing production, strong commodity prices and steady management, shareholders should benefit from increased profits and our strengthening balance sheet.

The sad news of the year was the loss of Craig Oliver in a tragic plane crash in Africa. This came as a shock to all of us. Craig's energy, enthusiasm, laughter and his contribution to the growth of Western Areas will be sadly missed.

Looking to the future, Western Areas now has a strong foundation and the opportunity to develop into one of the leading nickel companies in Australia.

To you, our shareholders, I wish all the best for the future and thank you for your continual support. It has been a pleasure for me to be involved with Western Areas over the past 10 years.

Yours faithfully,

Terry Streeter, Chairman

Firstly I would like to thank Western Areas' shareholders, staff and our many contractors and consultants for your contribution to what has been a very successful period of growth in the Company over the past 12 months. As a result of this progress, your Company is now in a strong position to generate significant profits from established mining operations for many years and to deliver exciting new growth prospects for shareholders.

Western Areas' exploration teams are continuing to make new nickel discoveries, our mining teams are operating efficient, low cost mining operations, our processing team is producing excellent results from the upgraded concentrate plant and our sales team is now delivering significant volumes of nickel concentrates to customers in Australia and China.

Importantly, the Company is achieving this growth while maintaining a good safety record. Safety is constantly reviewed for improvements and includes a high level of training for staff and contractors and a focus on occupational health for site based employees. Western Areas also applies the highest possible environmental standards in all our operations from greenfields exploration to the export of nickel concentrate.

Western Areas has reported a net profit after tax of A$14.2M for the year. Profits are expected to rise significantly over the next 12 months. The main reasons for this outlook are:

- mine production rate doubled in June quarter 2010 with commencement of mining at Spotted Quoll
- mine production commenced at the bonanza grade T5 ore body at Flying Fox in June quarter
- cash costs are in line with guidance targets of US$2.50/lb nickel
- concentrate plant upgrade successfully commissioned to process up to 25,000tpa nickel
- significant stockpiles of concentrate and ore now being sold into a strong nickel price
- two major offtake partners should mitigate any future risk to delays in concentrate sales

A final dividend of 3 cents per share will be paid for the six months to 30 June 2010 bringing the total dividend to six cents per share for the year. Western Areas' Board remains committed to building substantial profits from our core assets, increasing production and mine life and returning value to our shareholders.

	2009/10	**2008/09**
Total Ore Mined	318,828 tonnes	252,152 tonnes
Average Mined Grade	4.3% Ni	4.1% Ni
Contained Nickel Mined	13,811 tonnes	10,331 tonnes
Ore Processed	270,350 tonnes	231,000 tonnes
Average Nickel Recovery	90%	90%
Nickel Sold	10,866 tonnes	8,500 tonnes
Average Nickel Price received	US$8.80	US$5.90
Cash Cost before smelting/refining	US$2.65/lb Ni*	US$1.96**

*Average FX US$0.88:A$1.00 **Average FX US$0.76:A$1.00

Western Areas operates two outstanding high grade mines at Flying Fox and Spotted Quoll. The Company has now completed a large part of the required surface and mine infrastructure to sustain the production targets of 25,000 tonnes nickel pa mined from Flying Fox and Spotted Quoll. These mines, the established infrastructure, the excellent potential for extensions to minelife and the opportunity to make other similar nickel discoveries at the 100% owned Forrestania Nickel Project represent Western Areas' core business.

The Forrestania nickel concentrator was upgraded and commissioned during the June quarter 2010. The upgraded plant has capacity to process 550,000 tpa ore and produce up to 25,000 tonnes pa of nickel in concentrate. Western Areas has offtake agreements in place to sell nickel concentrate to BHP Billiton in Australia and Jinchuan Group in China. Exports to Jinchuan meet the highest environmental standards by using sealed containers to transport concentrate from the Forrestania plant site, through Esperance Port, to Xingang Port in China. Two shipments containing approximately 2,200 tonnes nickel in concentrate have already been made within the first month since exports commenced at the end of July 2010.

Total announced Mineral Resources for Flying Fox (excluding Lounge Lizard) and Spotted Quoll deposits are 3,936,400 tonnes at an average grade of 5.3% nickel containing 207,900 tonnes nickel. This includes total Ore Reserves for Flying Fox and Spotted Quoll of 3,298,900 tonnes at an average grade of 4.7% nickel containing 153,640 tonnes nickel. Substantial additional Mineral Resources and Ore Reserves have been defined for other deposits at Forrestania including Diggers South and New Morning (see Table 3).

Both the Flying Fox and Spotted Quoll mines remain open at depth with significant high grade nickel intersected at the current limit of drilling. Substantial drilling programs are in progress or planned for the December quarter to extend Mineral Resources and Ore Reserves to support the target of tens years of mining operations.

Drilling is also underway below the New Morning deposit (mid way between the Flying Fox and Spotted Quoll mines). This drilling is producing very encouraging early results suggesting potential for a third mine along the Western Nickel Belt which could benefit from existing infrastructure at Forrestania.

Flying Fox Mine

Flying Fox is meeting all expectations and is successfully ramping up to the target 15,000tpa nickel mine production. Ore tonnes, ore grade and contained nickel mined improved steadily quarter on quarter throughout the year. Total nickel mined was 10,479 tonnes nickel which is scheduled to increase to 15,000 tonnes nickel mined in 2010/2011.

Estimated mine life at Flying Fox (including Lounge Lizard) based on current ore reserves and mineral resources is six to seven years. A major drilling campaign is planned to commence in December quarter to extend mineral resources at the T6 and T7 deposits, to test the potential for the T8 deposit and to test for potential extensions north of the dolerite dyke. The target is to extend the Flying Fox mine life to more than ten years.

Spotted Quoll Mine

Ore production from the Tim King Pit at Spotted Quoll commenced in the June quarter 2010. Tim King Pit is already exceeding expectations and bonanza ore grades averaging 7.3% nickel are being mined at the time of this report. The feasibility study for the planned Spotted Quoll underground mine is due to be completed in the September quarter and decline development is scheduled to start in March 2011. Spotted Quoll is already successfully ramping up to the target 10,000tpa nickel mine production.

Estimated mine life at Spotted Quoll based on current ore reserves is approximately nine years. Drilling is in progress testing 400m below the deposit and is intersecting similar widths and grades of nickel seen in the ore reserve. The aim of this drilling is to increase mine life to more than ten years, in line with the target at Flying Fox.

Diggers South Deposit

Total announced Mineral Resources at the Diggers South disseminated nickel deposit (40km south of Flying Fox) contain 99,570 tonnes nickel. The feasibility study has indicated production levels from the Core Zone at Diggers South up to 6,000 tpa nickel in concentrate using conventional flotation processing through the Cosmic Boy plant.

The plant would require a further upgrade to increase capacity to around 1.0 million tonnes ore pa to accommodate Diggers South production. This upgrade has already been considered in the existing design and layout of the current plant. Preliminary metallurgical test work and a conceptual study for an alternative mining and processing route for Diggers South ore has produced very encouraging results. This would involve mining large volumes of low grade disseminated ore and leaching this ore using Western Areas' BioHeap technology.

Funding for the expansion and development of Diggers South is likely to be linked to a long term offtake agreement and Western Areas has already received considerable interest in this concept from potential partners. The aim is to fund Diggers South so it will have minimal impact on cash flows from Western Areas' core business of Flying Fox and Spotted Quoll mines. Further drilling is also planned to extend the deposit, south and below the current limit of drilling in this large nickel system

New Morning Deposit

Total announced Mineral Resources at New Morning contain 30,700 tonnes nickel. This includes a shallow, high grade zone of 414,900 tonnes at an average grade of 3.6% nickel containing 15,270 tonnes nickel.

Recent drilling north of the New Morning deposit has intersected a new zone with significant widths (up to 120m down hole width) of disseminated nickel mineralisation which may indicate the potential for a high grade channel deposit nearby. Drilling is now testing the potential for massive sulphides below a flat lying granite intrusion in a geological setting with strong similarities to Flying Fox.

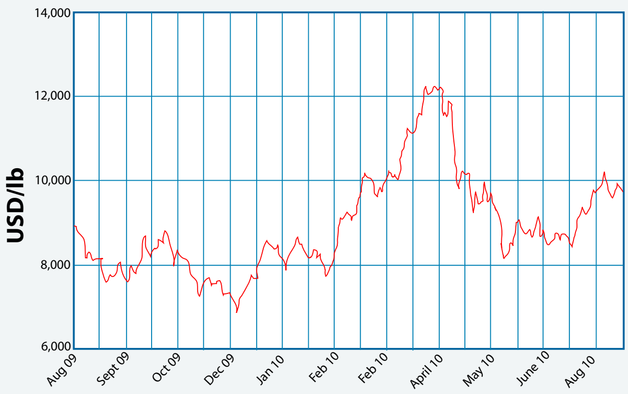
New Morning is regarded as a high priority because it could be accessed from the existing decline at Flying Fox, 2.8km to the north. This could significantly reduce capital costs using existing mine and surface infrastructure and result in faster access to additional mine production at Forrestania.

Nickel Price

With two high grade mines, multiple ore surfaces developed, major infrastructure complete, significant stockpiles of ore and concentrate and two major offtake partners, Western Areas now has the flexibility to increase (or decrease) production dependent on nickel prices and market conditions.

Nickel has increased in price from around US$7.50/lb (30 June 2009) to US$9.75/lb today (23rd August 2010).

1 Year Nickel Spot



Milestones

Western Areas has achieved a number of important milestones during the year and I would like to summarise just a few of these as follows:

1. Mine Production from the Flying Fox and new Spotted Quoll mines doubled from 3,210 tonnes (7.1M lbs) nickel in the March Q 2010 to 6,810 tonnes (15M lbs) nickel in the June Q 2010. This step up in production is expected to be sustained from these two mines for at least the next 4 to 5 years.
2. Western Areas 10th anniversary coincided with the first shipment of nickel concentrate from Forrestania to Jinchuan, China's largest nickel producer. In the first month, two shipments left Esperance Port containing 2,200 tonnes nickel with a gross value of around US$47M at current nickel prices.
3. Exciting new nickel discoveries were made at New Morning (between Flying Fox and Spotted Quoll) and at the Sandstone JV, 450km north of Forrestania. Drilling is in progress at New Morning with the aim of defining resources which could potentially be accessed from Flying Fox decline.
4. Following exciting early drilling results in 2010, a major increase in activity is underway at Sandstone JV. The aim here is to find not only a nickel deposit but potentially a new nickel camp in a large prospective area which has had only minimal previous drilling for nickel.
5. Widely spaced drilling on a few of the many targets within our Finland JV projects continues to intersect significant widths of nickel and zinc sulphide mineralisation. Although early stage, these encouraging results suggest this area has the potential to become a major base metal province.
6. Western Areas (75%) and our Finland JV partner Magnus Minerals (25%) have incorporated a new company FinnAust Mining Plc which holds the Finland assets. A number of options are being considered to fund a major increase in exploration and resource drilling activity in Finland in 2011.
7. Western Areas acquired BioHeap leaching technology in 2009. Metallurgical test work has been completed on a range of lower grade sulphide ores from Forrestania and Finland with encouraging results. The aim is to move from test work, to pilot scale leaching and potentially into commercial production.

The key to Western Areas' growth strategy is having a dedicated, experienced and close knit team. I think the outstanding track record of Western Areas' exploration, development, mining, processing, financial, marketing and corporate team demonstrates that Western Areas already has in place the right sort of people to grow Western Areas into a global nickel mining business.

Another key to our growth strategy is having strong support and well established relationships within corporate, government and community groups in Australia and offshore. These relationships exist with broking and corporate finance firms, with our banker ANZ, with our two main offtake partners BHP Billiton and Jinchuan and with other nickel producers. Importantly, we are also building relationships with communities in the Hyden and Esperance regions near Forrestania and in the Kajaani and Rautavaara regions of Finland.

At the time of this report, I have spent a week visiting a number of nickel operations and exploring new opportunities in China. The aim is to increase Western Areas exposure in China not only for nickel sales but also to introduce the Company to new investors. China is rapidly becoming the dominant global importer of nickel products to supply expanding stainless steel, plating and battery industries. Nickel demand in China is approximately 350,000tpa and this is expected to rise to 450,000tpa in the next few years. With the establishment of Western Areas operations at Esperance Port, it is now logical for the Company to focus activities in China.

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, our management team, site and Perth based staff and our highly valued mining and exploration consultants for their energy, commitment and long hours of work over the past twelve months.

Finally, as you know, our highly valued colleague and Western Areas' Finance Director Craig Oliver died in a plane crash in the Congo on 19th June. Craig will be missed not only by his family but also by his many friends at Western Areas. His passing is a big loss to the Australian mining community which he was so passionate about.

Julian Hanna

Managing Director

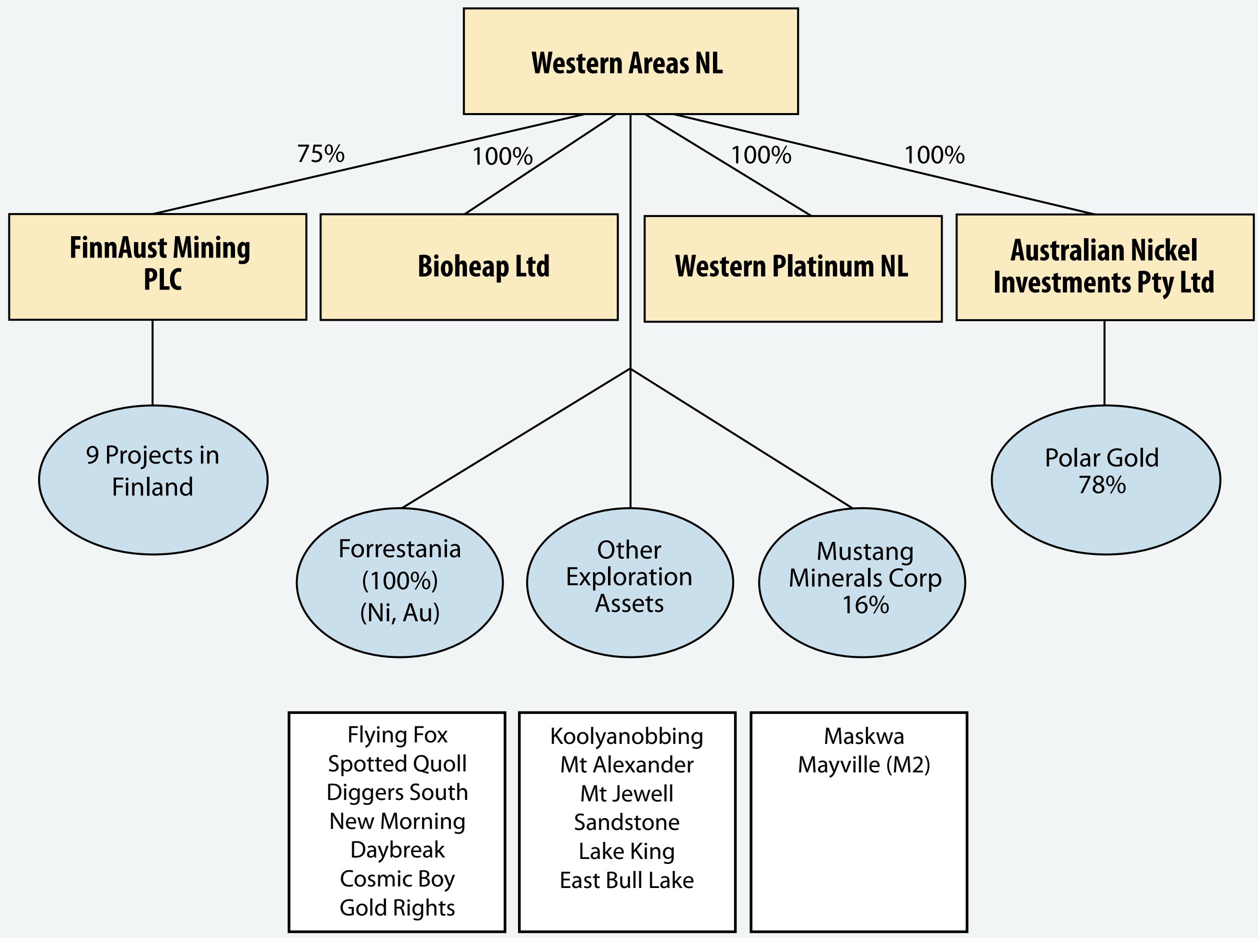
Group Overview

Western Areas NL is an Australian-based nickel miner listed on the ASX and TSX. The main asset is the 100% owned Forrestania Nickel Project, 400km east of Perth. Western Areas is targeting total annual mine production from the Flying Fox and Spotted Quoll mines of 20,000t nickel in the 2010 calendar year and 25,000t nickel from 2011 calendar year. Western Areas is a very active nickel explorer in Western Australia and Finland.

Western Areas primary nickel mines at Forrestania are Flying Fox and Spotted Quoll. Flying Fox is one of the highest grade nickel mines in Australia and has been in production since 2006. The Company's second mine, Spotted Quoll, commenced high grade nickel ore production via the Tim King open pit during the June quarter 2010. Active exploration programs at other major deposits New Morning, Diggers South and Cosmic Boy 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:



Safety

The Forrestania Operations has 58 Lost Time Injury free days to 30th June 2010. The Western Areas' Lost Time Injury (LTI) frequency rate is 3.23. The nickel industry LTIFR is at 2.4 with the all mining rate at 2.8 indicating our slightly higher frequency rate year due to 3 lost time injuries earlier in the year. This is now trending down again with positive results for increased minor injury / incident reporting.

The Forrestania safety department has been very proactive with new initiatives such as weekly safety focus promotion, safety hour and onsite short training courses. The strong drive within the department to provide resource support and information sharing has been a great move to continuous improvement within the safety area.

An emergency response team consists of 26 members who are trained in fire fighting techniques, Hazchem, Vehicle rescue, BG4 and First Aid techniques. The response team has undergone some significant training for a different area of skills base, including an Aerodrome Radio Operators course, a strapping and taping course and attending Senior First Aid training on site. Regular monthly Audits of all areas are conducted by the Safety and Health Representatives.

Rehabilitation activity at Spotted Quoll

Mines rescue fire fighting training

Environmental Activities

A high standard of environmental management has been maintained at the Forrestania Operations for the reporting year. Continued environmental monitoring has been undertaken in line with project operating conditions and commitments. During the year, Western Areas continued its association with the Perth Zoo by maintaining its sponsorship support of the Northern Quoll exhibit as well supporting the DEC's Western Shield program which aims to eliminate cats and foxes in target areas of the state to reduce predation of native species. Ongoing support is also given to the wild dog control program being undertaken by the Eastern Wheat Belt Declared Species Group.

The highlight of the year occurred in October 2009, when Western Areas received State and Federal approvals for the commencement of the Spotted Quoll open pit project. This was due to the hard work put in by the Spotted Quoll environmental team.

In late July, Western Areas started the shipment of nickel concentrate from Forrestania, through the Port of Esperance to China in sealed, half height containers. These containers eliminate the potential for any nickel concentrate dust or odours escaping into the environment during transport. This is a very positive outcome for both the environment and the local Esperance community and shows Western Areas' commitment to meeting the high level of environmental and social responsibility expected in today's world. Western Areas has leased 750 of these containers and has ordered an additional 200 containers to meet the expected increase in export of concentrate to China in 2011.

Further survey work has been undertaken for populations of the declared rare flora species Eucalyptus steedmanii. The surveys show that the numbers of this species present in the Forrestania area are far greater than first anticipated.

Flying Fox Mine

The Flying Fox main decline has advanced to a depth of 1,000m below surface (figure 1) as per the plan. No geotechnical or water issues were encountered during the year and the decline is now well positioned behind the large T5 ore body. The total decline development now stands at 6,363m. At year end approximately 13.1 km of capital mine development has been completed at Flying Fox, with the total development now standing at approximately 19.6 km. The decline capital development is expected to be completed in the coming year which will fully expose the T5 reserve ore blocks.

Significant operating development was completed in the T4 ore body during the December quarter and new ore drives were developed into the Lewinsky Lode. Focus in the coming year will be to access the larger T5 deposit and commence stoping activities. Mining of the remaining ore reserve in the T1/T2 ore body will be completed in the first half of the coming year.

The installation of the twin Primary Return Airway (RAW) raises and fans were completed during the year. In addition the construction of the main fresh air intake shaft was commenced from surface. This is expected to be completed by January 2011 and will allow fresh air to be delivered to the production activities centred around the T4 and T5 ore bodies.

Flying Fox Production

During the year a total of 266,277 tonnes of ore was mined at Flying Fox averaging a grade of 3.9% nickel for a total of 10,479 tonnes of nickel metal (Table 2). Of this total approximately 12,819 tonnes of ore was mined from T1 at a grade 4.4% nickel, 122,997 tonnes at 3.5% nickel from T4 with the balance of 78,955 tonnes nickel from T5. The annual nickel production is now scheduled to ramp up to 15,000 tonnes in the FY 10/11.

Average cash cost of production for 2009/2010 (before smelting and refinery costs) was US$2.65/lb nickel. This is marginally above guidance due to the large amount of operating development work undertaken in the T4 ore body during the December quarter 2009. Costs for the June quarter 2010 were US$2.22/lb nickel which included first production from Spotted Quoll mine.

Effective July 1st 2010, Western Areas will also be mining 50,000 tonnes of ore per annum from the adjacent Lounge Lizard tenement which is subject to an agreement with Kagara Ltd.

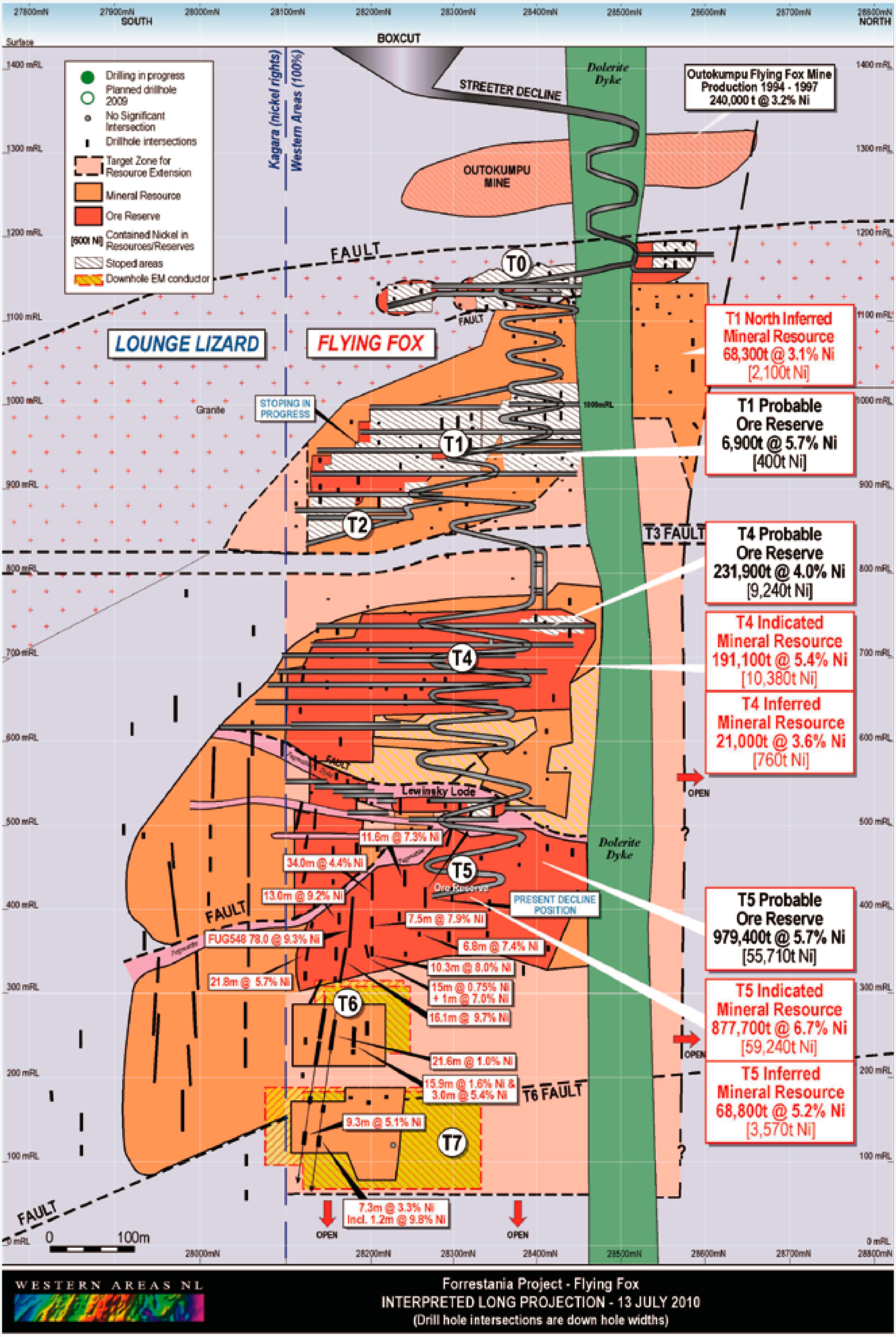


Figure 1 Flying Fox Interpreted Long Section

The Honourable Norman Moore and Mrs Jenny King at the official opening of the Tim King Pit at Spotted Quoll

Spotted Quoll Project

Tim King Open Pit Mine

Development of the Tim King open pit commenced in October 2009 and by the year end approximately 4.2 million bench cubic metres of waste had been mined to a depth of 50m below surface. A Probable Reserve of 386,215t at 5.2% for 19,900 tonnes contained nickel metal was calculated for the open pit operation to approximately 150m below surface (Figure 2).

The Tim King Pit was officially opened on the 10th June by the Honourable Norman Moore (Minister for Mines and Petroleum) and by Mrs Jenny King. Jenny is the wife of the late Tim King who was one of the founding directors of Western Areas. The mine opening was attended by Western Australian and Federal MP's, the Kondinin Shire President, long term shareholders, Board, Senior Management and press.

The current Probable Ore Reserves at Spotted Quoll including the Tim King Pit and the proposed underground mine that was announced on 19th March 2010, comprise 2,111,000 tonnes at an average grade of 4.3% nickel for 90,100 tonnes (199M lbs) nickel.

Spotted Quoll Production

Ore production at the Tim King Pit commenced in the June quarter with an end of year total of 52,551 ore tonnes mined at a grade of 6.3% nickel for 3,333 nickel metal tonnes (Table 2).

Excellent grades, well above mine plans have been observed in the first production period of the pit. The pit is scheduled to mine in excess of 10,000 tonnes of nickel in the FY 10/11.

Cosmic Boy Mill

A total of 275,709 tonnes of ore at 3.93% nickel was milled for the financial year 2009/10 with the Cosmic Boy concentrator producing 68,619 tonnes of concentrate grading 14.2% nickel. Concentrator metallurgical recovery averaged 90.0% for the year.

Transport of concentrate from Cosmic Boy to BHP Billiton's operations at Kambalda continued with a total of 77,060 tonnes of concentrate delivered to BHP Billiton containing 10,716 tonnes of nickel metal. The concentrate stockpile at Cosmic Boy at year end was 8,279 tonnes at 13.9% nickel.

During the year 8,526 tonnes of Spotted Quoll oxide material was delivered to Minara Resources for treatment.

The annual cash cost of nickel in concentrate was US$2.65/lb which puts Western Areas as one of the lowest cost nickel miners in Australia.

At the end of the financial year there were significant nickel concentrate stocks awaiting shipping. This build up nickel inventory is scheduled to be sold to the Company's customers over the first half of the coming financial year. This should add significant revenue and cashflow in the first half of this year as the stocks are sold down and increase profits for the period.

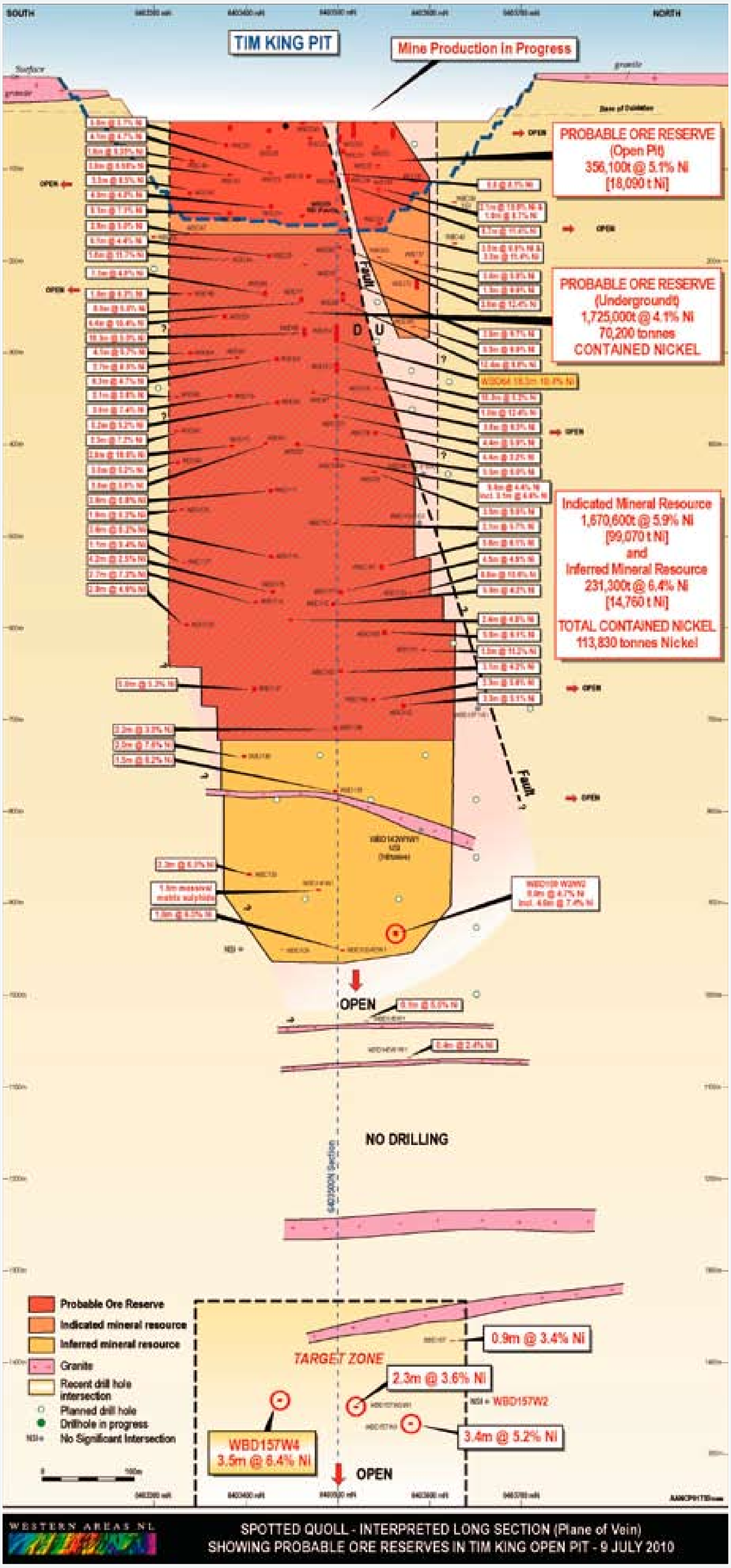


Figure 2: Spotted Quoll - Interpreted Long section (Plane of Vein) showing planned open pit

MINING and COSMIC BOY MILL PRODUCTION

Tonnes Mined		Sep Qtr	Dec Qtr	Mar Qtr	Jun Qtr	Total
Flying Fox						
Ore Tonnes Mined	Tn's	54,150	53,618	67,072	91,437	266,277
Grade	Ni %	3.7%	3.3%	4.5%	4.0%	3.9%
Ni Tonnes Mined	Tn's	2,015	1,776	2,990	3,697	10,479
Spotted Quoll						
Ore Tonnes Mined	Tn's	-	-	6,293	46,258	52,551
Grade	Ni %	0.0%	0.0%	3.5%	6.7%	6.3%
Ni Tonnes Mined	Tn's	-	-	220	3,113	3,333
Total - Ore Tonnes Mined	**Tn's**	**54,150**	**53,618**	**73,365**	**137,695**	**318,828**
Grade	Ni %	3.7%	3.3%	4.4%	4.9%	4.3%
Total Ni Tonnes Mined	**Tn's**	**2,015**	**1,776**	**3,210**	**6,810**	**13,811**

Tonnes Milled and Sold		Sep Qtr	Dec Qtr	Mar Qtr	Jun Qtr	Total
Ore Processed	Tns	60,064	64,985	61,662	83,639	270,350
Grade	%	3.8%	3.1%	4.2%	4.5%	3.9%
Ave. Recovery	%	91%	88%	92%	88%	90%
Ni Tonnes in Concentrate	**Tns**	**2,066**	**1,791**	**2,416**	**3,303**	**9,576**
Ni Tonnes in Concentrate Sold	Tns	2,783	3,091	2,444	2,307	10,625
Ni Tonnes in Ore Sold	Tns	-	-	-	241	241
Total Nickel Sold	**Tns**	**2,783**	**3,091**	**2,444**	**2,548**	**10,866**

Stockpiles		Sep Qtr	Dec Qtr	Mar Qtr	Jun Qtr
Ore	Tns	28,823	17,456	22,865	79,244
Grade	%	2.9%	3.4%	4.2%	5.1%
Concentrate	Tns	11,070	1,382	1,358	8,279
Grade	%	15.1%	13.2%	12.4%	13.9%
Contained Ni in Stockpiles	**Tns**	**2,517**	**773**	**1,129**	**5,188**

Financial Statistics		Sep Qtr	Dec Qtr	Mar Qtr	Jun Qtr	Total
Group Production Cost/lb						
Mining Cost (*)	A$/lb	1.76	3.30	2.03	1.72	2.10
Haulage	A$/lb	0.12	0.14	0.11	0.09	0.11
Milling	A$/lb	0.77	0.96	0.59	0.56	0.69
Admin	A$/lb	0.22	0.16	0.17	0.17	0.18
By Product Credits	A$/lb	(0.12)	(0.21)	(0.02)	(0.03)	(0.08)
Cash Cost Ni in Con (***)	**A$/lb**	**2.74**	**4.34**	**2.88**	**2.51**	**3.00**
Cash Cost Ni in Con/lb (***)	**US$/lb (**)**	**2.29**	**3.95**	**2.61**	**2.22**	**2.65**
Exchange Rate US$ / A$		**0.83**	**0.91**	**0.90**	**0.88**	**0.88**

Table 2. Production Statistics

(*) 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$0.88)
(***) Payable terms are not disclosed due to confidentiality conditions of the offtake agreements. Cash costs exclude royalties.
Note. Grade and recovery estimates are subject to change until the final assay data are received.

Flying Fox Ore Reserves / Mineral Resources

During the past 12 months underground drilling at Flying Fox has been directed towards continued infilling of the T4 deposit and T5 deposits. In addition, a major drill programme was undertaken to delineate the mineralisation within the Lounge Lizard tenement adjacent and to south of Flying Fox for mine design and planning purposes.

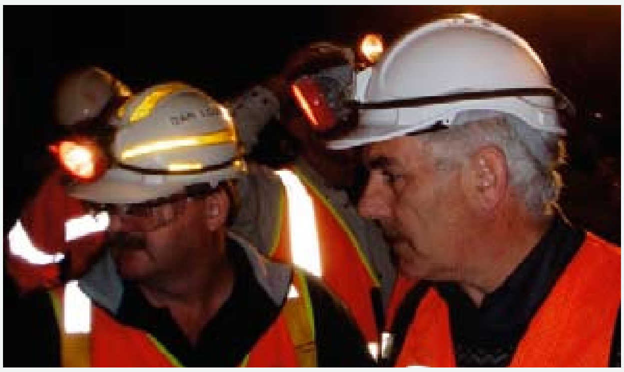
Drilling for grade control purposes was also conducted utilising a jumbo-mounted diamond drill rig for the first time at Flying Fox.

An updated **Mineral Resource** Estimate was calculated for the T4, T5, T6 and T7 Deposits in March 2010, along with modelling of the contiguous Lounge Lizard mineralisation. The updated mineral resource models were used as the basis for updating of the Life of Mine design and schedule for Flying Fox.

	Tonnes (t)	**Grade (% Ni)**	**Ni Metal (t)**	
T1 South	84,000	4.1%	3,480	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	191,100	5.4%	10,380	Indicated Mineral Resource
	21,000	3.6%	760	Inferred Mineral resource
T5	877,700	6.7%	59,240	Indicated Mineral Resource
	68,800	5.2%	3,570	Inferred Mineral resource
T6	44,300	5.7%	2,530	Inferred Mineral resource
T7	99,300	4.8%	4,810	Inferred Mineral resource
Total Indicated Resource	**1,198,200**	**6.3%**	**75,000**	
Total Inferred Resource	**281,300**	**5.0%**	**14,000**	
Total Flying Fox	**1,479,500**	**6.0%**	**89,000**	

The updated Mineral Resource Estimates for Flying Fox, depleted for mining as at 30 June 2010 are tabulated below:

	Tonnes (t)	**Grade (% Ni)**	**Ni Metal (t)**	
T1 South	6,900	5.7%	400	Probable Ore Reserve
T4	231,500	4.0%	9,240	Probable Ore Reserve
T5	979,400	5.7%	55,710	Probable Ore Reserve
Total Flying Fox	**1,217,800**	**5.4%**	**65,350**	



Spotted Quoll Ore Reserves / Mineral Resources

Infill surface drilling was conducted on part of the deeper Inferred Mineral Resource area, resulting in an updated Mineral Resource model in November 2009. The total Indicated Mineral Resource net of mining depletion in the open pit as at 30 June 2010, was increased to 1,670,600t @ 5.9% Ni for 99,070 tonnes nickel metal, with an Inferred Mineral Resource of 231,300t @ 6.4% Ni for 14,760 tonnes nickel metal.

Mining in the open pit had advanced into Supergene mineralisation by the end of the financial year, with in-pit grade control reverse circulation drilling being used to define ore for mining. Small extensions to the mineralisation were delineated at the ends of the ore body in the Upper Supergene zone.

The table below shows the depleted reserve as of 30th June 2010

Current Ore Reserve at Spotted Quoll (allowing for mine depletion)

Deposit	Category (JORC)	Tonnes	Grade (Ni%)	Contained Ni (tonnes)
Spotted Quoll Open Pit	Probable Ore Reserve	356,000	5.1%	18,090
Spotted Quoll Proposed Underground	Probable Ore Reserve	1,725,000	4.1%	70,200
TOTAL		**2,081,000**	**4.3%**	**88,290**

Spotted Quoll – Underground Mine Feasibility Study

During the year the Feasibility Study for the proposed underground mine was commenced. As of June the study was 70% complete and is on track to be completed in the September quarter.

Metallurgical test work has been completed confirming that no change is required to the existing Cosmic Boy Concentrator flow sheet and that blending of the Flying Fox and Spotted Quoll underground ores can be maintained. Cost estimates from a number of underground mining contractors were received and will be reviewed during July prior to initiating a formal mining contract tendering process. Intech Engineering have been selected as the contractor to complete the Infrastructure and Services component of the Study.

It is anticipated that the Spotted Quoll underground decline will be commenced during the March quarter 2010 when the open pit has advanced into fresh rock conditions.

Cosmic Boy Nickel Concentrator Upgrade

The Cosmic Boy plant upgrade commenced in September 2009 and was completed by mid May 2010. The upgrade involved adding secondary and tertiary crushing circuits to the existing crushing circuit. The SAG mill was converted to a ball mill and included the change out to a larger drive motor. The flotation circuit was expanded with the addition of a skim air cell, two rougher tank cells and a bank of OK3 cleaner cells. Additional reagent services were also installed. The dewatering circuit was increased with the addition of a new tailings thickener. Concentrate storage capacity was expanded with the addition of a new shed next to the existing shed.

Since the tie in the plant has treated both Flying Fox and Spotted Quoll ores with results exceeding expectations. Further optimisation of the plant will be undertaken during the September quarter.

Expanded Concentrator Plant

Infrastructure

The majority of the site infrastructure projects were completed during the year. The village at Cosmic Boy is now complete at 495 rooms which will accommodate the mill expansion and Spotted Quoll Open Pit mining personnel.

Arial view of the Cosmic Boy village

The Cosmic Boy to Diggers Rocks de-watering pipeline was also completed during the year. This forms a major part of the dewatering backbone that supports the Northern mines by allowing water to be pumped from the Spotted Quoll and Flying Fox projects down to the Diggers Rocks evaporation pond. Additional electrical capacity has been installed by Western Power for the Spotted Quoll mine and Mill expansion.

Forrestania Exploration

Western Nickel Belt Exploration

Western Areas is undertaking a very active exploration program at Forrestania with two main aims:

- Define significant extensions to Flying Fox and Spotted Quoll Deposits
- Discover another Flying Fox or Spotted Quoll type deposit

Exploration drilling within the Western Nickel Belt focused on evaluating the potential for deeper extensions to the New Morning and Daybreak deposits, midway between Spotted Quoll and Flying Fox. Drilling is based on a revised interpretation of the geology which has identified the potential below two zones of granite intrusions along the Outokumpu and T3 Faults. These faults zones are interpreted to extend from Flying Fox mine (3km north of New Morning) potentially as far south as Spotted Quoll (2.8km south of New Morning). See Figure 3 below.

Five diamond drill holes were completed below the mineral resource at New Morning and Daybreak during the year. Drilling has confirmed that the mineralised system continues with depth but is offset to the north of New Morning by a series of faults and granite dykes.

Two diamond drill holes completed 200m north and below the mineral resource at New Morning to test the potential for extensions to high grade massive sulphide mineralisation intersected intervals which included several wide zones of disseminated and localised stringer sulphides. Drill hole NMD 137 intersected an 88.3m zone separated by bands of granite and footwall sediments from 868.4m down hole depth (Figure 4). Estimated true width of the mineralisation is 20-30m. Assay results from these zones included 11.1m @ 1.2% Ni from 898.7m and 5.4m @ 1.4% Ni from 921.2m down hole depth. A follow up drill hole (NMD 137W1) intersected 123m of disseminated nickel sulphides from 670m down hole depth which returned 123.5m @ 0.7% Ni from 675.9m, including 6.2m @ 1.9% Ni from 765.8m. NMD 137W1 intersected the prospective sequence approximately 100m above the intersection in NMD 137 (Figure 4).

The results of these two drill holes at New Morning are considered very encouraging as they extend the nickel mineralisation well north of previous drilling. Drilling is now underway to find the centre of the lava channel which could host high grade massive sulphides similar to Flying Fox, below the granite intrusions.

Diamond drilling during the year continued testing below the mineral resource at Spotted Quoll. Drilling confirmed what appears to be a new zone of high grade nickel mineralisation below a series of faults and granite dykes between 400m to 600m down dip below the current mineral resource, at approximately 1000m vertical depth (Figure 2).

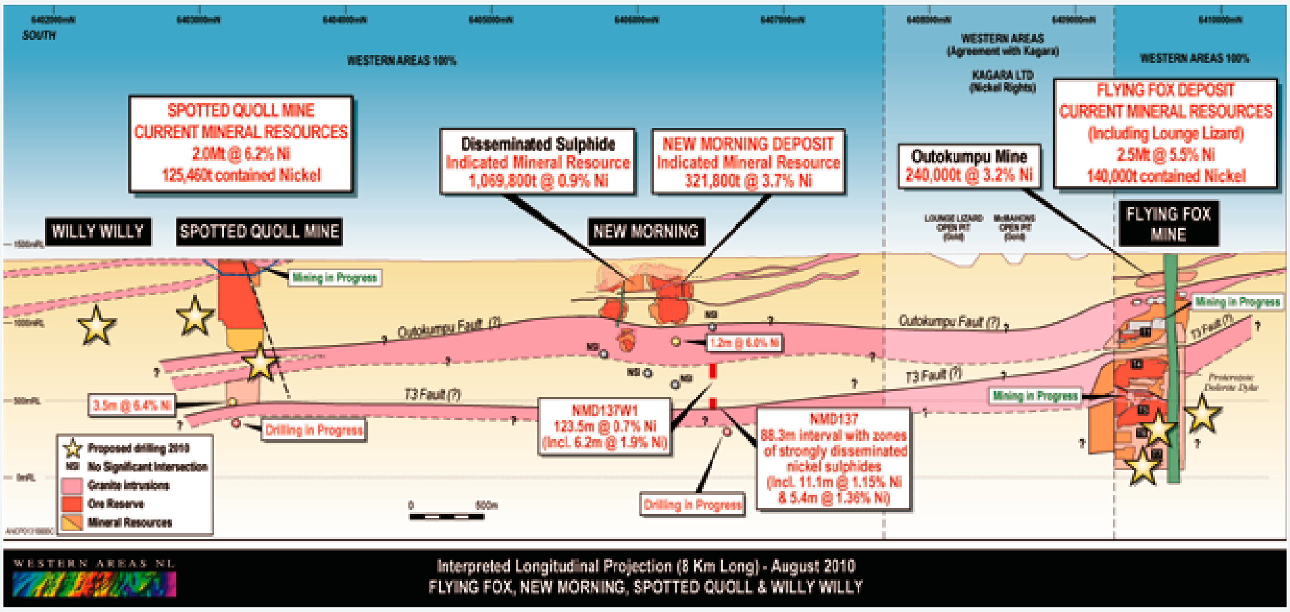


Figure 3: Interpreted Long Section extending 6km including Spotted Quoll, New Morning and Flying Fox

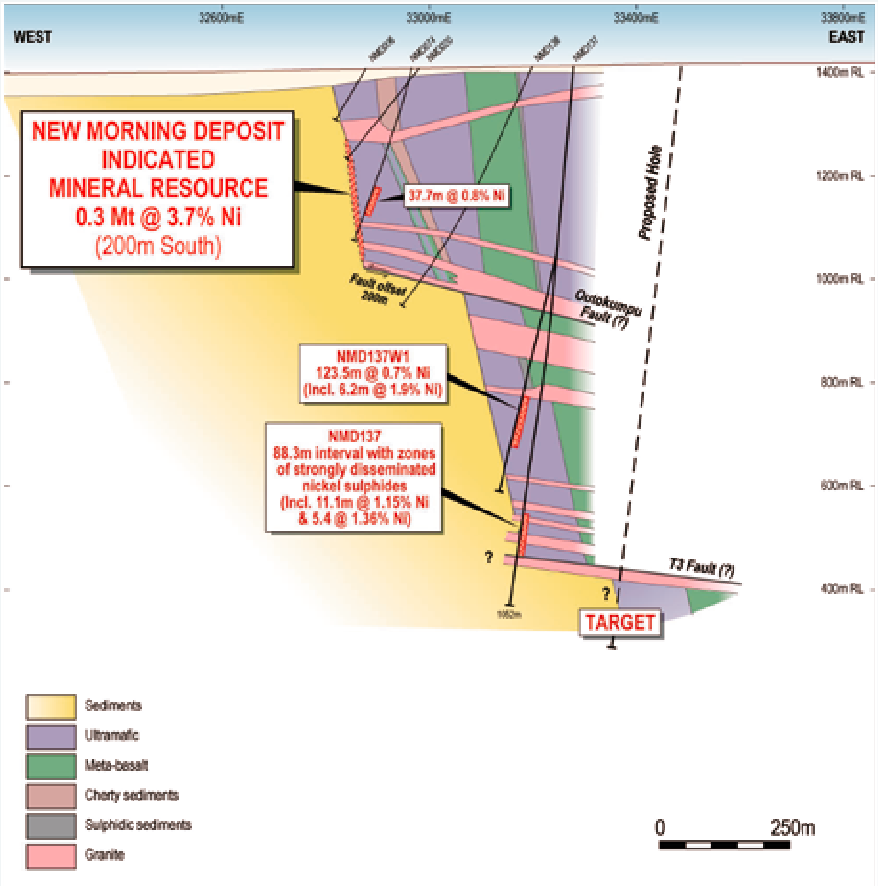


Figure 4: Interpreted Cross Section 200m north of New Morning deposit

Drill hole WBD157W3 intersected 3.4m @ 5.2% Ni and drill hole WBD 157 W3/W1 intersected 2.3m @ 3.6% nickel 50m south and above WBD157W3W1. Drill hole WBD 157W4 intersected 3.5m @ 6.4% nickel. The intersection includes pure pentlandite (nickel sulphide) not seen in previous drilling and highlights potential for significant extensions at depth and along strike. Drilling is currently underway testing below drill hole WBD 157W4.

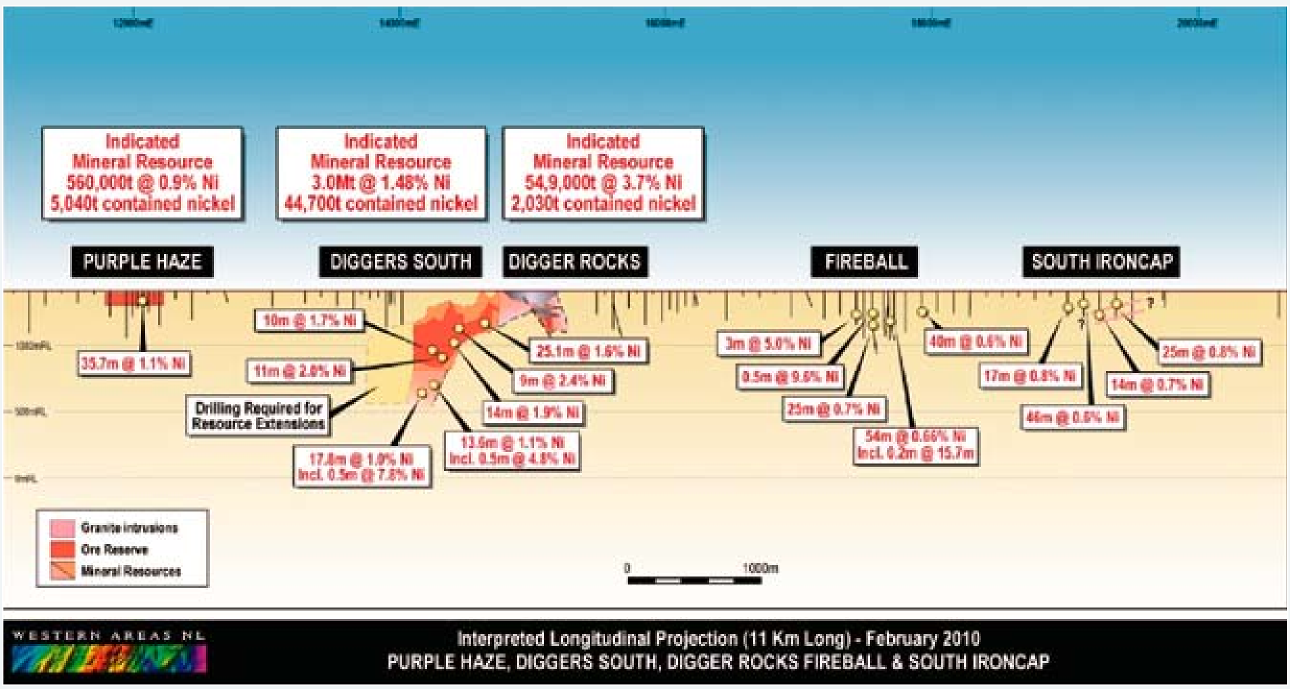


Figure 5: Longitudinal Projection of 8km long zone at Diggers South excluded from BHP Billiton offtake contract.

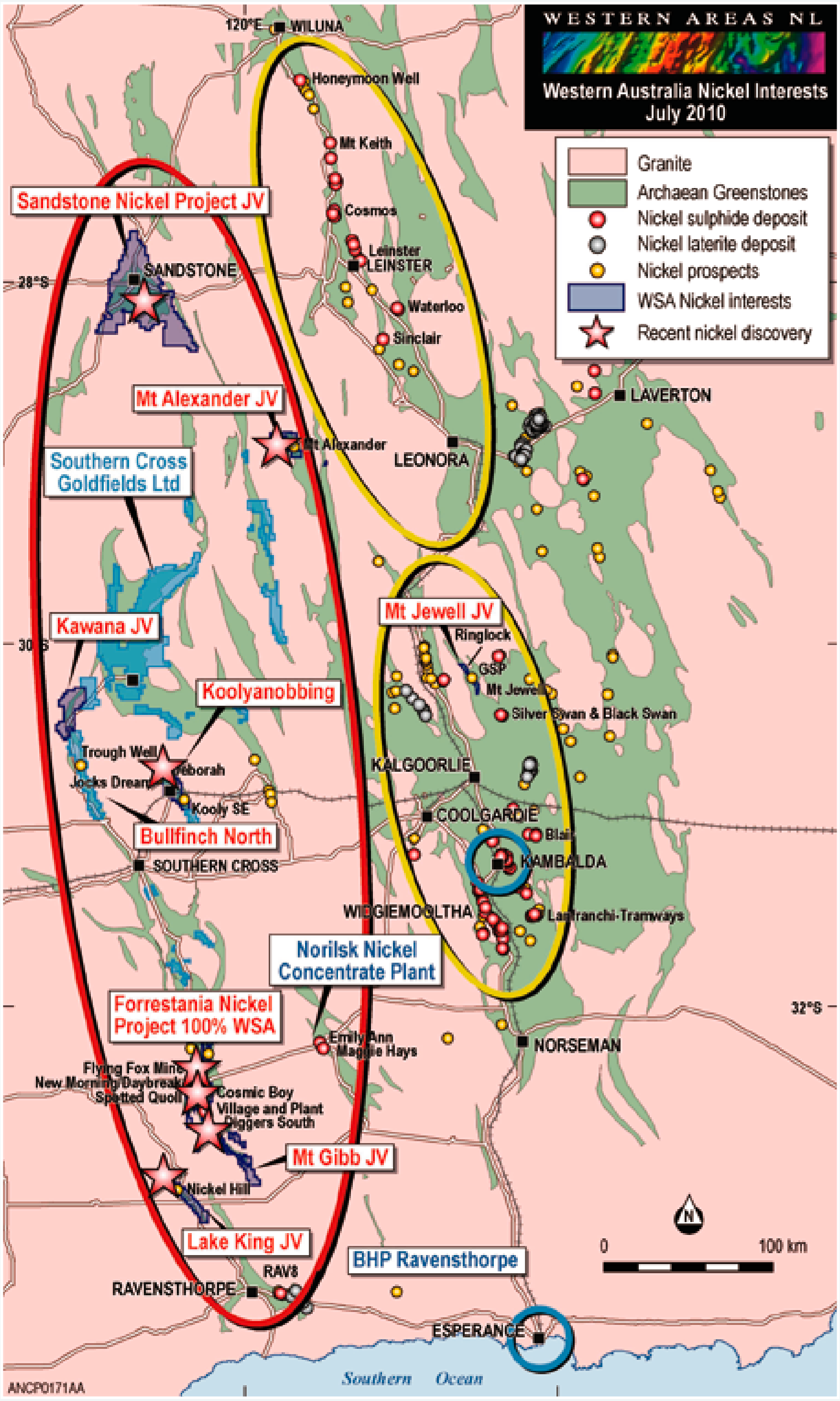


Figure 6: Regional geology showing WSA interests in the Central Yilgarn Nickel Province

Forrestania Project Region Exploration

Elsewhere in the Forrestania Project region, exploration was undertaken in the year at other prospects which have the potential to host new sulphide deposits. Drilling was completed at Sibelius (8.5km south east of Spotted Quoll), North Endeavour (8km south of Cosmic Boy) and Mt Gibb (30km south of Diggers South). Drilling in these areas will continue in the coming year.

At Sibelius, drilling intersected highly anomalous nickel values in sediments associated with the basal contacts of a number of ultramafic units. Drilling is in progress at North Endeavour testing a number of geochemical targets.

At the time of writing this report an intersection has been reported from North Endeavour with approximately 0.5m of massive sulphide containing estimated nickel grades up to 6% nickel associated with a down hole EM conductor. Assays and further drilling are required to determine the significance of this new discovery.

During the year, agreement was reached with BHP Billiton to exclude the Diggers South deposit and four mining leases covering a 12km long section of the prospective contact from the offtake agreement. Significant potential exists to extend the Diggers South deposit south and below the current limit of drilling. In addition, numerous intersections of disseminated nickel sulphides occur in shallow drilling along an 8km strike length extending from the Purple Haze deposit to the South

Ironcap prospect (Figure 5). The agreement with BHP Billiton enables Western Areas to seek offtake terms and potential funding from other parties to assist with development of Diggers South and exploration of the surrounding leases. Exploration in these areas will be undertaken in the coming year.

Mt Gibb (WSA earning 70% interest)

In October 2009 Western Areas entered into agreement with Great Western Exploration Limited to explore the area which comprises a total of 303km^2, immediately south of Western Areas' tenements at Forrestania. Work by Great Western indicates that the nickel prospective greenstone belt extends a further 12km south than previously thought, obscured by the remnants of a thin granite sill overlying the sequence. Within this sequence the company has intersected komatiite and sulphidic BIF units at least 6km further south along strike from the last known ultramafic in outcrop or drill hole.

Assessment of the previous exploration and downhole EM in selected drill holes was undertaken during the year. Recent drilling at Mt Gibb intersected favourable ultramafic host rocks. Additional drilling has been planned and will be undertaken once the requisite approvals have been received.

Regional Exploration

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

In November 2007, Western Areas announced an agreement to explore a large area of nickel prospective tenements in the Sandstone greenstone belt in a JV with Troy Resources NL. Western Areas can earn a 70% interest in nickel and related metals in an area with minimal previous nickel exploration. The Sandstone JV Project is located 400km north of Western Areas' 100% owned Forrestania Nickel Project.

Deeper drilling commenced following up the results from a widely spaced shallow RAB/RC drill program (63 holes for 3453m) completed in the September quarter. The initial focus of exploration was along a >7km long belt in the southern part of the Sandstone JV tenements (Figure 7). Three of the RAB target areas (Areas A, C, D), spaced some 2.5km apart, returned anomalous Ni results associated with cumulate ultramafic rocks including 3m @ 1.1% Ni from 113m to 116m (EOH) in SSRB058 and 3m @ 1.0% Ni from 53m in SSRB061, both from Area D.

On 8th March 2010 Western Areas announced that diamond drill hole WAD002 had intersected disseminated and vein style sulphides over a wide interval at Area C. The intersection starts from the base of oxidation to approximately 90m down hole depth. The host is a strongly carbonated ultramafic sequence.

Assay results for the disseminated zone in WAD002 returned 26.2m @ 0.4% nickel from 60.3m including a narrow interval of semi massive sulphides which analysed 0.2m @ 4.1% Ni from 86.3m down hole depth. Initial interpretation suggests that the mineralisation is associated with a folded sequence of orthocumulate ultramafic rocks.

This is the first known occurrence of nickel sulphides in drilling at Sandstone. Although exploration is still at an early stage, these results are considered to be very encouraging. There is minimal outcrop or previous nickel drilling within the central portion of the project where ultramafic rocks occur over a wide area (approximately 25km by 10km).

Ongoing work has included re-logging previously drilled RAB

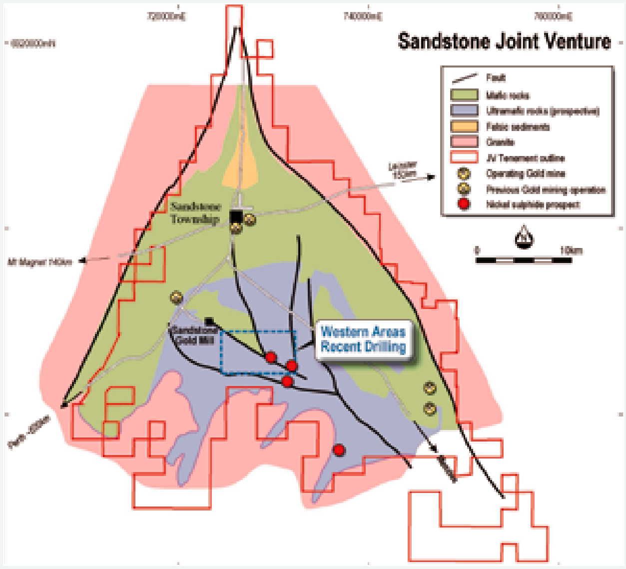


Figure 7: Regional geology of Sandstone Joint Venture showing area of recent drilling

holes (which targeted gold mineralisation) to determine the extent of the folded sequence of ultramafic rocks hosting the nickel sulphide mineralisation at Area C. Western Areas plans to double exploration activities at Sandstone starting in the December quarter 2010. This will include commencement of substantial drilling programs to test the extent of the known mineralisation in Area C and test for new targets in this large and exciting new project.

The association of prospective geology with nickel sulphide mineralisation intersected in Western Areas second diamond drill hole at the Sandstone JV project, 400km north of Forrestania, highlights the potential for further new discoveries in the Central Yilgarn Nickel Province.

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

Western Areas has been advised by BHP Billiton that preliminary results from an eight hole RC drilling program at the Cathedrals Prospect have been received. Drill hole MARC 49 intersected high grade nickel/copper values associated with massive sulphide in an ultramafic and granite host. Final assay results, including PGE analysis, have yet to be received.

- MARC 049 : **7.0m @ 3.2% nickel and 0.92% copper** from 58m down hole depth

The intersection indicates a 50m westward continuation of the high grade nickel/copper/PGE reported previously, in the following drill holes:

- MAD 012 : **4.0m @ 4.9% nickel, 1.7% copper and 3.9g/t total PGE** from 91.4m
- MAD 013 : **3.0m @ 3.8% nickel, 1.6% copper and 2.7g/t total PGE** from 56.3m

BHP Billiton has advised Western Areas that exploration is expected to resume at the Cathedrals Prospect in the September quarter with a ground EM survey of the Cathedrals area and DHEM surveys of the recently completed drill holes. The Company looks forward to reporting further results from this exciting project.

Lake King Nickel Joint Venture (WSA 70% interest)

The Lake King JV tenements cover a 40km long nickel prospective belt located approximately 70km south of Forrestania. Planned work for the project area includes the evaluation of six priority geophysical targets identified for drilling. Approvals from landholders to allow drilling to commence were received in the June quarter, however the onset of the winter rains has delayed this program until a more favourable time.

Kawana JV (WSA earning 80%)

Western Areas entered into an agreement to explore the Kawana Project, which comprises a total of some 270km2 in area. The Kawana tenements are located approximately 250km to the north west of Western Areas Forrestania operations and about 60 km north-northwest of the township of Bullfinch. The Project covers the far north of the Southern Cross-Bullfinch Greenstone Belt. The Southern Cross Greenstone Belt extends discontinuously from Kawana in the north through Forrestania to Ravensthorpe in the south.

The Project area has been subject to only limited modern systematic nickel exploration. Recent prospecting and sampling of visually interesting rock types resulted in discovery of the Quartz Ridge nickel prospect, where early rock chip sampling returned values >0.5% Ni in a thin ferruginous gossan zone. Other targets include sporadic rubbly ironstones / gossan zones, some with weakly to moderately elevated base metal values.

Assessment of the previous exploration and field inspection of the Project area has been undertaken and a ground geophysical survey is planned to test the areas of interest identified..

Koolyanobbing Joint Ventures

Further drilling is planned at the 100% owned Jock's Dream nickel prospect, 200km north of Forrestania. Previous drilling had intersected 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. in KNDD 004 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.

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 and or adjacent to 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.

Bioheap Test Work

On 22 December 2009, Western Areas announced that it had exercised its option to acquire 100% of the BioHeap™ bacterial leaching technology from Pacific Ore Ltd (ASX:PSF). Due diligence included a successful test work program on a range of low grade ores from Forrestania, an evaluation of global patents on the technology and confirmation of various commercial aspects of the transaction.

BioHeap™ is a bacterial heap leaching technology developed to leach low grade sulphide ores to produce intermediate products which can be sold directly to nickel refineries.

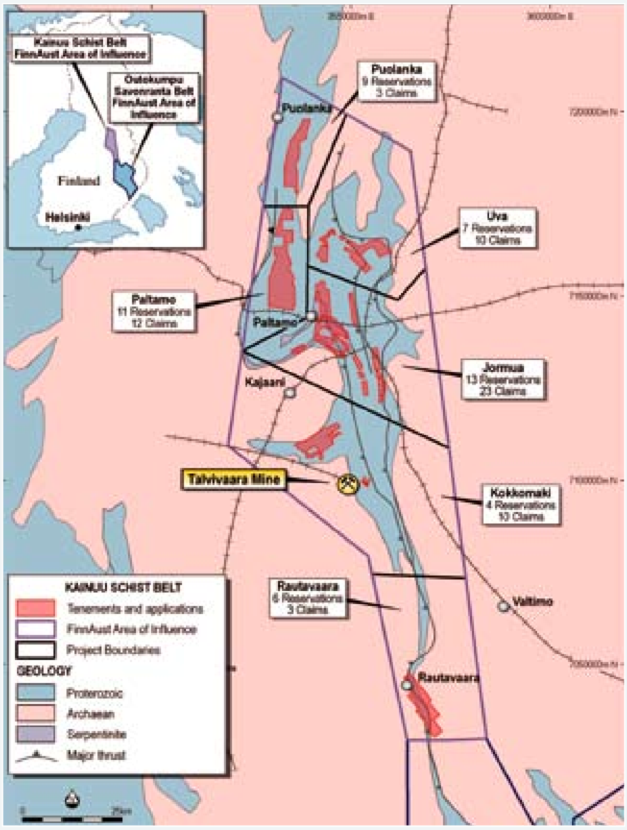
Preliminary test work conducted on some of the projects at Forrestania as part of the due diligence processed, was very encouraging and will be continued into the current year. The program will include lower grade deseminated ore as well as nickel tails and concentrates.

BioHeap™ Test Work on Samples from Finland Joint Venture

The initial phase of BioHeap™ amenability testing on samples from the R1 Target located within the Rautavaara Project in the southern part of the Finland Joint Venture (see below) is now complete.

The sulphide mineralisation was found to be highly amenable to the adapted bacterial culture with 85% of the nickel reporting to solution from a ground ore sample. Zinc recovery was 98% and copper recovery was 92%. Diagnostic leach tests indicate that the sulphides are readily liberated from the ore and even at a crush size of 12.5mm metal recoveries of between 80% and 90% are expected. Liberation was shown to improve at finer crush sizes however the economically optimum crush size is yet to be determined.

An examination of the acid consumption characteristics of the ore indicate that the Rautavaara ore is a very low acid consumer with minimal pH buffering making it an ideal ore for treatment by the BioHeap™ technology. Further development work for the Rautavaara deposit is planned for the coming year.



Finland Joint Venture Project

Background

Western Areas has an agreement with Magnus Minerals to earn 75% in six exploration projects in the Kainuu Schist Belt and three exploration projects in the adjacent Outokumpu - Savonranta Belt in Finland. Western Areas has already earned 75% interest in the Kainuu Schist Belt and can earn 75% interest in the Outokumpu - Savonranta Belt subject to meeting certain conditions. The JV partners consider that the Kainuu Schist Belt may represent a major Proterozoic rift related base metal province with potential to host multiple deposits.

Current production in the Kainuu Schist Belt is dominated by the large Talvivaara open pit mine (owned by Talvivaara Mining Plc) which is using a bacterial leaching technology to extract nickel, zinc, copper and cobalt from low grade sulphide mineralisation in a black schist ore host.

Talvivaara Mining Plc has announced total JORC-Compliant Mineral Resources of 1,004 Mt at 0.22% Ni, 0.50% Zn, 0.13% Cu and 0.02% Co (including Measured and Indicated Mineral Resources of 642 Mt).

Talvivaara has announced revised production targets of between 15,000 to 25,000tpa nickel for 2010 increasing to 50,000tpa nickel from 2011. This production assumes a mining rate of 25Mtpa ore.

Historic metal production in the Outokumpu - Savonranta Belt (south of Kainuu) was dominated by the underground mines at Outokumpu which produced a total of approximately 42 million tonnes of ore at an average grade of 3.1% copper, 1.0% zinc, 0.2% cobalt and 0.1% nickel between 1913 and 1988. The Finland JV has large holdings in the immediate area of the Outokumpu mine and 20km south in the Savonranta area.

Western Areas and Magnus Minerals have incorporated a new company, FinnAust Mining Plc owned by Western Areas 75% and Magnus 25%. The Finland assets will be transferred into FinnAust which is planned to be listed within the next 12 months depending on market conditions and ongoing results from the current exploration programs. Western Areas has previously announced that it will only proceed with a new company listing if it will directly benefit Western Areas shareholders.

Exploration Results

37 targets have been identified for drilling in the Kainuu Schist Belt and adjacent Outokumpu - Savonranta Belt. The Finland JV has conducted limited drilling at only seven of these targets since November 2009.

The exploration program has been very successful to date with most of the Finland JV drill holes intersecting significant widths of mineralised black schist at the Rautavaara R1, R4, Paltamo P1 and Jormua J1 & J2 targets. The sulphide mineralisation intersected appears to be of a similar type to that mined at Talvivaara and in most cases contains highly anomalous nickel, zinc, copper and cobalt grades. The targets tested to date are scattered along 110km in the southern and central part of the Kainuu Schist Belt and demonstrate that the mineralised black schist which hosts the Talvivaara mine is wide spread on the FinnAust tenements.

FinnAust's best intersection to date is in drill hole DDH 5 at the R1 target (Rautavaara Project). DDH 5 intersected 129m @ 0.22% nickel, 0.39% zinc and 0.11% copper. A follow up drill hole at R1, DDH 7 intersected 80.1m @ 0.19% nickel, 0.33% zinc and 0.10% copper. Assay results are still awaited for other intersections at R4 (4km south of R1), where two holes intersected wide zones of mineralised black schist.

Drilling is planned at R1 in the September quarter to extend the mineralisation and define a mineral resource. The aim of the current drilling program at R1 is to define an initial Mineral Resource up to 50 million tonnes of mineralisation at similar grades to that being mined at Talvivaara.

Many other targets remain to be tested within the Finland JV tenements. Assessment of the Rautavaara R5 target and Kokkomaki K1, K2 and K6 targets has also commenced. Detailed ground magnetics is being undertaken to further define these targets for drilling in the September quarter.

FinnAust is also considering ways to fund the Finland JV without impacting Western Areas' core business at Forrestania. UBS and Rothschild Australia have been appointed to find a major partner for these projects to help fund resource drilling, feasibility studies, metallurgical test work and potential project development. Depending on the success of the project, the incoming partner would have an opportunity to negotiate long term (up to 10 years) offtake contracts for nickel, zinc and copper concentrates.

The Directors submit the financial report of the Consolidated Entity for the year ended 30 June 2010. 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 revenue for the year has increased by 189% to $170.4 million, while gross profit has increased by $48.2 million to $51.8 million.

The consolidated profit for the group amounted to $14.2 million after providing for income tax, an improvement of 140% from the results reported for the year ended 30 June 2009.

Impacting the net profit of $14.2 million for the year were the following non-cash items:

- Depreciation charges of $7.3 million
- Amortisation charges of $37.0 million
- Share based payment expense of $4.7 million
- Convertible bond accretion expense of $5.5 million

These non-cash items amounted to $54.5 million.

Balance Sheet

Total assets at reporting date were $520.7 million. This represents an increase of $42.1 million from 2009.

This increase was mainly due to the upgrade of the Cosmic Boy Concentrator ($26.8 million) and mine development of $73.0 million. Cash balances have decreased by $14.8 million, stockpiles have decreased by $6.0 million and the $20 million access fee to Lounge Lizard, owed by Kagara at 30 June 2009 has been received.

The liabilities at reporting date were $348.7 million, an increase of $7.3 million from the 2009 reported total liabilities of $341.3 million.

Total equity attributable to shareholders increased by $34.8 million to $172 million mainly due to:

- $20 million recognised as the 16% equity component of the $125 million convertible bond issued in April 2010.
- $3.8 million received as a result of proceeds from the conversion of listed options.
- A decrease in accumulated losses of $8.8 million as a result of a $5.4 million dividend payment in March 2010 and an annual profit after tax of $14.2 million.

Cash Flow Statement

The net cash at the end of the year was $65.4 million. The decrease of $14.8 million has resulted from continuing capital development of the Forrestania project that has seen a further $114.5 million invested into new mines and processing capacity.

Consolidated cash flows from operating activities resulted in a net cash outflow of $14.8 million, representing a decrease of $49.7 million from the prior year. Net cash provided by operating activities were higher by $115 million. This significant increase was mainly driven by a $103 million increase in cash receipts in the course of operations as a result of higher production and a more favourable average nickel price and the receipt of the $20M access fee to Lounge Lizard.

Net cash used in investing activities decreased by $15.5 million to $114.5 million. This is as a result of a decrease in non-current asset purchases and exploration expenditure of $34.2 million, while mine development increased by $18.4 million.

Net cash from financing activities decreased by $80.8 million, due primarily to a capital raising of $35 million and a $45 million cash facility from BHP occurring in the prior year. During the current year, a $125 million convertible bond was issued in April, This was offset by repayment of the BHP and ANZ liabilities.

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 2010)

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 is a member of AusIMM and has been involved in the discovery and development of several gold and base metal deposits. Mr Hanna is a member of the Nomination and Treasury Committees.

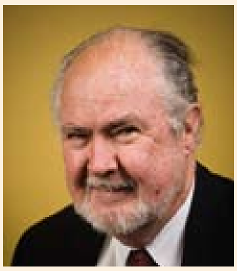
During the past three years Mr Hanna has also served as a director of the following other listed companies:

- Mustang Minerals Corp (Since December 2006)

Daniel Lougher B.Sc. Msc. Eng

Msc. Eng (Director of Operations)

Mr Lougher is a qualified Mining Engineer with over 30 years experience in all facets of resource and mining, project exploration, feasibility, development and operational activities in Australia and overseas. Mr Lougher is a member of AusIMM.



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 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)

Richard Yeates B.Sc

(Independent, Non-Executive Director)

Mr Yeates is a Geologist with more than 30 years mining industry experience in various roles and he has significant experience across a wide range of resource projects around the world. He is familiar with both the ASX and TSX regulatory environments and has had exposure to international resource funds and financial institutions. Mr Yeats serves on the Remuneration, Nomination, Treasury and Audit & Risk Management Committees.

Company Secretary/Chief Financial Officer

Joseph Belladonna B.Bus, CPA

Mr Belladonna has been employed at Western Areas NL since 2005, originally as the Financial Controller and then Company Secretary. Mr Belladonna was appointed as the Chief Financial Officer on the 1 July 2010. Mr Belladonna is a certified Practicing Accountant who has over 9 years experience in the resources industry including Gold and Base Metals in arange of management positions.

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.

Graham Marshal (GM – Commercial)

Mr Marshall has spent over 25 years as a senior executive in the mining and engineering industries. He has extensive commercial, corporate services and project development experience. Mr Marshall was the General Manager of Pacific Ore (Australia) Pty Ltd when Western Areas acquired the company in December 2009.

Interests in Shares and Options of the Company

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

	Ordinary Shares	Options $7.50	Options $17.00
J Hanna	1,360,179	200,000	400,000
D Lougher	50,884	200,000	400,000
D Cooper	1,000,000	-	400,000
T Streeter	25,809,410	-	400,000
R Dunbar	102,500	-	400,000
R Yeates	6,000	-	-

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

Dividends paid or Recommended

Dividends paid or declared for payment during the financial year are as follows:

Interim unfranked ordinary dividend of 3 cents per share was paid on 31 March 2010.	$5,392,077
Final unfranked ordinary dividend of 3 cents per share recommended by the Board to be paid on 1 October 2010 out of retained profits from 30 June 2010	$5,392,077

Employees

The Consolidated Entity employed 65 employees as at 30 June 2010 (2009: 49 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.

Significant Changes in the State of Affairs

Significant developments for the Consolidated Entity during the year ended 30 June 2010 were as follows:

- A revised ore reserve at Spotted Quoll comprising a total of 2,111,500 tonnes at an average grade of 4.3% nickel for 90,100 tonnes contained nickel to only 640m vertical depth.
- Stage 2 of the Cosmic Boy nickel concentrator upgrade was completed and commissioned in May 2010. The plant has a target throughput of approximately 550,000tpa ore.
- Western Areas entered in the Lounge Lizard Project agreement with Kagara Ltd.
- A revised total mineral resource in the upper panel of T4 was announced on 26 March 2010. 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.
- The Company signed an offtake agreement with Jinchuan Group and commenced exporting nickel concentrate to China.

Matters Subsequent to the end of the Financial Year

The Board of Directors declared a 3 cent /share unfranked final dividend for the year ended 30 June 2010.

Likely Developments

The Directors see that the 2010/11 financial year will be one of development and growth for the consolidated entity. The most significant areas of development and change are expected to be:

- The Flying Fox mine will reach full development down to the bottom of the T5 deposit. This will enable sustained high grade production from the Flying Fox mine.
- Ongoing high grade production and completion of development at the Spotted Quoll pit.
- Completion of the Spotted Quoll underground mine feasibility study and commencement of the decline during the first half of CY 2011.
- Continuation of an active exploration program at the Forrestania Nickel Project and at other advanced nickel and PGE projects in Western Australia and Finland.

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 2010 there were 7,300,000 options over unissued ordinary shares in the parent entity. Refer to note 31 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 2010 financial year options have been exercised to acquire 909,250 fully paid ordinary shares in Western Areas NL at a weighted average exercise price of $4.15.

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 28 of the Directors Report) by reason of a contract made by the parent entity or a related body corporate with the director or with any entity in which the director has a substantial financial interest, with the exception of benefits that may be deemed to have arisen in relation to the transactions entered into in the ordinary course of business as disclosed in Note 30 to the accounts.

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 33 forms part of the Director's Report for the year ended 30 June 2010.

Non – Audit Services

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

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

Rounding of Amounts Forrestania is the jewel in the crown of Western Areas. The region was acquired in 2003 from the Finnish company Outokumpu and

The amounts contained in this report and in the financial report for the year ended 30 June 2010 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.

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

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

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

The remuneration of Non-Executive Directors for the period ending 30 June 2010 is detailed in page 28 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),

➢ Discovery of new significant mineral resources, and

No STI payments were made during the year ended 30 June 2010. All STI payments were frozen after 30 June 2008 due to volatile and poor market conditions. Post the end of the 30 June 2010 financial year some STI payments have been made that related to previously earned but frozen STI's.

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.

Employees

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

Executive Directors and Key Management Personnel

No LTI's, other than those in place since the last Annual General Meeting, have been awarded or set for the Key Management Personnel of the Company. Western Areas is currently investigating the most suitable design and implementation of new LTI arrangements. The new scheme must provide for the following:

- Provide incentives to perform at the highest level.
- Bond Executives to favourable outcomes for all stakeholders, including the shareholders.
- Be in compliance with best practice Executive Remuneration and Corporate Governance Principles.

Details of all of the remuneration components for the Executive Directors and Senior Managers are provided on page 35 of the Director's Report.

Employment Contracts

The Managing Director and 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, Mr Lougher is employed under contract. The contract commenced in May 2006 expires on termination of employment. Under the terms of the contract:

- Mr Lougher 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 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 by giving 6 months notice if the Operations Directors' position becomes redundant or there is a change to the core activity of the Company or if the Operations Director is removed from his position without his consent. In this case, The Operations Director is 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 his current annual base salary. This bonus is payable in recognition of his contribution to the successful outcome for shareholders.

The General Manager of Exploration, Mr Charles Wilkinson is employed under contract. The contract commenced in March 2009 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.

The General Manager Commercial, Mr Graham Marshall is employed under contract. The contract commenced in January 2010 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 8 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 Commercial by giving 8 weeks 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 Commercial is entitled to 8 weeks pay. Any allocated options may remain in existence at the discretion of the Board.

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

Options held by Key Management Personnel

	Balance at 1 July 2009	Granted as Remuneration	On Exercise of Options	Purchases / (Sales)	Expired / Lapsed	Balance at 30 June 2010	Options Vested (*)
J Hanna	800,000	200,000	-	-	(400,000)	600,000	400,000
D Cooper	800,000	-	-	-	(400,000)	400,000	400,000
T Streeter	800,000	-	-	-	(400,000)	400,000	400,000
R Dunbar	800,000	-	-	-	(400,000)	400,000	400,000
D Lougher	640,000	200,000	-	-	(240,000)	600,000	400,000
C Wilkinson	240,000	100,000	-	-	-	340,000	240,000
G Marshall (#)	-	50,000	-	-	-	50,000	-
J Belladonna (#)	130,000	100,000	-	-	(50,000)	180,000	80,000
TOTAL	**4,210,000**	**650,000**	**-**	**-**	**(1,890,000)**	**2,970,000**	**2,320,000**

(#) Mr Marshall was appointed as Commercial Manager on 1 January 2010 and Mr Belladonna was appointed as Chief Financial Officer on 1 July 2010. The options were issued to Mr Marshall and Mr Belladonna 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 2010

During the 2010 Financial Year 600,000 options were issued under the Directors option scheme. The remuneration committee resolved to issue these options to Directors in September 2009, the issue was ratified at the general meeting held on 6 November 2009. The options were issued free of charge. Each option entitles the holder to subscribe for 1 fully paid ordinary share at an exercise price of $7.50. Half of the options vest 12 months after grant date and the balance 24 months after grant date. The options expire in Sep 2012.

Shareholding by Key Management Personnel

	Balance at 1 July 2009	Granted as Remuneration	On Exercise of Options	Other Changes During the Year	Balance at 30 June 2010
J Hanna	1,606,679	-	-	(246,500)	1,360,179
D Cooper	1,106,433	-	-	(106,433)	1,000,000
T Streeter	27,624,410	-	-	(1,815,000)	25,809,410
R Dunbar	102,500	-	-	-	102,500
R Yeates	-	-	-	-	-
D Lougher	50,884	-	-	-	50,884
C Wilkinson	5,000	-	-	2,000	7,000
G Marshall (#)	-	-	-	-	-
J Belladonna (#)	65,000	-	-	-	65,000
TOTAL	**30,560,906**	**-**	**-**	**(2,165,933)**	**28,394,973**

(#) Mr Marshall was appointed as Commercial Manager on 1 January 2010 and Mr Belladonna was appointed as Chief Financial Officer on 1 July 2010.

Terms & Conditions for each Grant

	Granted	Vested	Grant Date Date	Value per option at grant date	Exercise Price per option	First Exercise Date	Last Exercise Date
J Hanna	200,000	-	17 Nov 2009	1.80	7.50	6 Nov 2010	17 Sep 2012
C Oliver	200,000	-	17 Nov 2009	1.80	7.50	6 Nov 2010	17 Sep 2012
D Lougher	200,000	-	17 Nov 2009	1.80	7.50	6 Nov 2010	17 Sep 2012
TOTAL	**600,000**	**-**					

Options are independently valued using the Binomial option pricing model.

Shares Issued on Conversion of Options Granted as part of remuneration

No options were exercised by the directors during the financial year ended 30 June 2010.

Director & Key Management Remuneration for the Year Ended 30 June 2010

	Short Term Benefits				Share Based		Post Employment		
	Base Salary	STI Payments / Bonuses	Allowances	Non Monetary	Options	Note	Superannuation	TOTAL	Performance Based %
T Streeter									
2010	152,250	-	24,486	585	-		15,225	**192,546**	-
2009	150,000	-	24,921	5,697	413,080	(i)	15,000	**608,698**	-
J Hanna									
2010	558,250	-	12,581	5,304	175,530	(iii)	55,825	**807,490**	-
2009	550,000	-	20,228	12,261	413,080	(i)	50,000	**1,045,569**	-
D Cooper									
2010	131,950	-	-	586	-		13,195	**145,731**	-
2009	130,000	-	-	5,697	413,080	(i)	13,000	**561,777**	-
R Dunbar									
2010	145,145	-	-	-	-		-	**145,145**	-
2009	143,000	-	-	-	413,080	(i)	-	**556,080**	-
C Oliver									
2010	472,200	-	12,946	5,304	175,530	(iii)	22,500	**688,480**	-
2009	450,000	-	25,226	12,261	413,080	(i)	45,000	**945,567**	-
D Lougher									
2010	456,750	-	16,355	5,305	175,530	(iii)	49,008	**702,948**	-
2009	450,000	-	18,416	8,463	413,080	(i)	45,000	**934,959**	-
R Yeates									
2010	99,450	-	-	293	-		9,945	**109,688**	-
2009		-	-	-	-	-	-	-	-
C Wilkinson									
2010	279,125	-	11,695	4,425	96,000	(ii)	27,913	**419,158**	-
2009	275,000	-	17,896	4,665	-		27,500	**325,061**	-
Graham Marshall									
2010	107,917	-	-	2,066	48,000	(ii)	10,792	**168,775**	-
2009	-	-	-	-	-		-	-	-
Joseph Belladonna									
2010	203,000	-	-	4,133	96,000	(ii)	20,300	**323,433**	-
2009		-	-	-	-	-	-	-	-
Total Remuneration									
2010	**2,606,037**	**-**	**78,063**	**28,001**	**766,590**		**224,703**	**3,703,394**	-
2009	**2,148,000**	**-**	**106,687**	**49,044**	**2,478,480**		**195,500**	**4,977,711**	-

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 were 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) $7.25 Employee Options were issued at on 13 Nov 2009. The options were market valued at $2.02/option. The closing ASX share price on the date of the Committee resolution to issue these options was $4.87/share.

(iii) $7.50 Director Options were approved by the shareholders on 6 November 2009. The options were market valued at $1.86/option. The closing ASX share price on the date of the Committee resolution to issue these options was $4.87/share.

OPTIONS

Unissued Capital of the Company Under Option as at 30 June 2010.

Grant Date	Date of Expiry	Exercise Price	Number under option
29 Jan 2009	29 Jan 2011	$7.50	500,000
22 May 2009	22 May 2011	$15.00	1,730,000
12 Sep 2009	22 May 2011	$17.00	400,000
12 Sep 2009	22 May 2011	$17.00	2,400,000
13 Nov 2009	30 Sep 2010	$7.25	1,670,000
13 Nov 2009	17 Sep 2010	$7.50	600,000
			7,300,000

During the year end 30 June 2010 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
8 Dec 2006	CAD$4.00	909,250	CAD $3,637,000
		909,250	CAD $3,637,000

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 2010 and the number of meetings attended by each Director.

		Meetings of Committees			
	Directors Meetings	Audit & Risk Management	Remuneration	Nomination	Treasury
Number of Meetings held:	17	2	3	1	1
Number of Meetings attended :					
J Hanna	17	-	-	1	-
D Cooper	15	2	3	1	1
T Streeter	17	2	3	1	1
R Dunbar	17	2	3	1	1
C Oliver	16	-	-	-	1
D Lougher	17	-	-	-	-
R Yeates	14	-	1		1

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	R Dunbar
T Streeter	T Streeter	T Streeter	T Streeter
R Yeates	R Yeates	R Yeates	R Yeates
		J Hanna	

© denotes the chairman of the committee

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

Julian Hanna
Managing Director
Perth, 24 August 2010

Western Areas NL Ore Reserve / Mineral Resource Table - 30 June 2010

Deposit		Tonnes	Grade Ni%	Ni Tns	JORC Classification
Ore Reserves					
1. Flying Fox Area					
	T1 South	6,900	5.7	400	Probable Ore Reserve
	T4	231,500	4.0	9,240	Probable Ore Reserve
	T5	979,400	5.7	55,710	Probable Ore Reserve
2. Spotted Quoll		356,100	5.1	18,090	Probable Ore Reserve
		1,725,000	4.1	70,200	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		**5,407,900**	**3.4**	**184,440**	**Probable Ore Reserve**
Mineral Resources					
1. Flying Fox Area					
	T1 South	84,000	4.1	3,480	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	191,100	5.4	10,380	Indicated Mineral Resource
		21,000	3.6	760	Inferred Mineral Resource
	T5 Massive Zone	877,700	6.7	59,240	Indicated Mineral Resource
		68,800	5.2	3,570	Inferred Mineral Resource
	T5 Disseminated Zone	197,200	0.9	1,590	Indicated Mineral Resource
		357,800	1.0	3,460	Inferred Mineral Resource
	T6	44,300	5.7	2,530	Inferred Mineral Resource
	T7	99,300	4.8	4,810	Inferred Mineral Resource
	Total Flying Fox (excl. Lounge Lizard)	**2,034,500**	**4.6**	**94,050**	
	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	1,670,600	5.9	99,070	Indicated Mineral Resource
		231,300	6.4	14,760	Inferred Mineral Resource
	Total Spotted Quoll	**1,901,900**	**6.0**	**113,830**	
	Beautiful Sunday	480,000	1.4	6,720	Indicated Mineral Resource
	TOTAL WESTERN BELT	**6,560,300**	**3.7**	**245,300**	
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 AREAS	**10,028,200**	**1.0**	**99,570**	
TOTAL WESTERN AREAS RESOURCES		**16,964,400**	**2.1**	**353,820**	

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

Board Composition

The skills, experience and expertise relevant to the position held by each Director in office at the date of the annual report is included on page 22. One of the Council's recommendations is that the Board of Directors should comprise a majority of independent Directors. Directors of Western Areas NL are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the exercise of their unfettered and independent judgement.

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

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

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

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 this has been demonstrated by the addition of an Independent Non-Executive Director during the year. The difficult process of finding and attracting candidates is ongoing. The Chairman, while not independent, is a non-executive and the Board considers that the Chairman is the most suitable person that exists on the board to hold the office.

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

Ethical Standards

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

The key provisions of the code of conduct are to:

- Act honestly and with integrity.
- Act in the best interests of the Company and Shareholders.
- Avoid and disclose any conflicts of interest both real and perceived.
- Comply with the law.
- Keep all material information confidential, until released to the wider market.
- Not use their position for 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. The trading policy is published in the Western Areas Code of Conduct. This is able to be viewed at the Company's website.

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 29 of the Directors' Report.

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

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 29 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 remuneration 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 29 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 29 of the Directors' Report.

Board and Executive Performance

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

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.

WHK Horwath

AUDITOR'S INDEPENDENCE DECLARATION

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Western Areas NL and its controlled entities (the consolidated entity) for the year ended 30 June 2010, 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
Partner

Perth, WA

Dated this 25th day of August 2010

Total Financial Solutions

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A WHK Group Firm

Horwath

Consolidated Income Statement

	Notes	Consolidated Entity	
		2010 $'000	**2009 $'000**
Sales		170,365	58,898
Cost of sales		(118,600)	(55,299)
Gross profit		**51,765**	**3,599**
Other revenue	2	23,037	3,784
Finance costs	3	(30,852)	(26,185)
Employee benefits expenses		(4,319)	(4,158)
Foreign Exchange Adjustment		117	(2,522)
Administration and other expenses		(5,026)	(8,671)
Share based payments		(4,731)	(4,922)
Impairment of non-current assets	3	(212)	(9,328)
Realised derivative losses	3	(6,499)	-
Unrealised movement in market value of derivatives	3	(422)	691
Profit / (Loss) before income tax		**22,858**	**(47,712)**
Income tax (expense) / benefit	4	(8,646)	12,540
Profit / (Loss) for the period		**14,212**	**(35,172)**
Basic earnings / (loss) per share (cents per share)	19	8.0	(20.9)
Diluted earnings / (loss) per share (cents per share)		8.0	(20.9)

The accompanying notes form part of these financial statements.

Consolidated Statement of Comprehensive Income

	Notes	Consolidated Entity	
		2010 $'000	**2009 $'000**
Profit / (Loss) for the period		14,212	(35,172)
Other comprehensive income			
Net (loss) / profit on mark to market valuation of hedging instruments		(564)	576
Net loss on revaluation of investments		(1,051)	(4,215)
Convertible note reserve		19,146	(439)
Total comprehensive income / (loss) for the period		**31,743**	**(39,250)**

Statement of Financial Position

	Notes	Consolidated Entity 2010 $'000	2009 $'000
Current Assets			
Cash and cash equivalents	20(b)	65,368	80,210
Trade and other receiva bles	6	16,700	28,873
Inventories	7	25,228	29,577
Other financial assets	8	-	956
Total Current Assets		107,296	139,616
Non Current Assets			
Property, plant and equipment	9	111,108	81,713
Intangible asset	10	506	-
Exploration & evaluation	11	94,895	80,059
Mine development	12	180,403	141,511
Deferred tax assets	13	24,228	32,874
Other financial assets	8	2,303	2,825
Total Non Current Assets		413,443	338,982
Total Assets		520,739	478,598
Current Liabilities			
Trade and other payables	14	46,765	43,328
Short term borrowings	15	83	2,553
Short term provisions	16	1,057	868
Other financial liabilities	17	496	-
Total Current Liabilities		48,401	46,749
Non Current Liabilities			
Long term borrowings	15	295,370	289,885
Long term provisions	16	4,886	4,682
Total Non Current Liabilities		300,256	294,567
Total Liabilities		348,657	341,316
Net Assets		**172,082**	**137,282**
Equity			
Issued capital	18	202,611	198,892
Reserves	32	74,177	51,915
Accumulated losses		(104,706)	(113,525)
Total Equity		**172,082**	**137,282**

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2010

CONSOLIDATED ENTITY	Note	Issued capital	Prospectus Expenses	Option Reserve	Hedge Reserve	Investment Reserve	Convertible Note Reserve	Accumulated Losses	Total Equity
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Total Equity at 1 July 2008		**161,392**	**(8,305)**	**5,931**	**-**	**(39)**	**45,178**	**(78,353)**	**125,804**
Shares issued during the year	18	47,668							47,668
Share issue expenses incurred	18		(1,863)						(1,863)
Share based payments expense				4,923					4,923
Total comprehensive loss for the period					576	(4,215)	(439)	(35,172)	(39,250)
Total Equity at 30 June 2009		**209,060**	**(10,168)**	**10,854**	**576**	**(4,254)**	**44,739**	**(113,525)**	**137,282**
Shares issued during the year		3,773							3,773
Share issue expenses incurred			(54)						(54)
Share based payments expense				4,731					4,731
Total comprehensive income for the period					(564)	(1,051)	19,146	14,212	31,743
Dividends paid								(5,393)	(5,393)
Total Equity at 30 June 2010		**212,833**	**(10,222)**	**15,585**	**12**	**(5,305)**	**63,885**	**(104,706)**	**172,082**

The accompanying notes form part of these financial statements.

Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2010

	Notes	Consolidated Entity 2010 $'000	Consolidated Entity 2009 $'000
Cash Flows From Operating Activities			
Cash receipts in the course of operations		161,131	58,296
Cash payments to suppliers and employees		(61,663)	(60,398)
Interest received		2,683	4,622
Royalties paid		(8,069)	(4,694)
Other receipts / (payments)		19,315	(3,682)
Finance costs		(21,223)	(21,904)
Derivative settlement payments		(4,967)	-
Net Cash Provided by / (Used in) Operating Activities	20(a)	**87,207**	**(27,760)**
Cash Flows From Investing Activities			
Purchase of non-current assets		(33,204)	(54,106)
Profit from sale of assets		300	-
Mine development expenditure		(61,376)	(42,998)
Exploration & evaluation activities		(19,564)	(32,849)
Rental deposit		(66)	-
Investment in listed companies		(64)	(5)
Capitalised development costs		(506)	-
Net Cash Used In Investing Activities		**(114,480)**	**(129,958)**
Cash Flows From Financing Activities			
Proceeds from borrowings		-	51,307
Repayment of borrowings		(105,000)	-
Proceeds / (Repayment) from convertible note		125,000	(3,780)
Proceeds from issue of shares		3,773	47,668
Finance lease principal repayments		(69)	115
Borrowing costs		(5,826)	(229)
Capital raising costs		(54)	(1,863)
Dividends paid		(5,393)	-
Net Cash From Financing Activities		**12,431**	**93,218**
Net decrease in cash held		(14,842)	(64,500)
Cash as at 1 July		80,210	144,710
Cash as at 30 June	20(b)	**65,368**	**80,210**

The accompanying notes form part of these financial statements.

Note 1: Statement of Significant Accounting Policies

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

The separate financial statements of the parent entity, Western Areas NL, have not been presented within this financial report as permitted by amendments made to Corporation Act 2001 effective as at 30 June 2010.

Basis of Preparation

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

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

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

Adoption of new and revised Accounting Standards

The Group has adopted the following new and revised Australian Accounting Standards issued by the AASB which are mandatory to apply to the current period. Disclosures required by these Standards that are deemed material have been included in this financial report on the basis that they represent a significant change in information from that previously made available.

Presentation of Financial Statements

AASB 101 prescribes the contents and structure of the financial statements. Changes reflected in this financial report include:

- the replacement of Income Statement with Statement of Comprehensive Income. Items of income and expense not recognised in income statement are now disclosed as components of 'other comprehensive income'. In this regard, such items are no longer reflected as equity movements in the Statement of Changes in Equity;
- the adoption of the separate income approach to the presentation of the Statement of Comprehensive Income;
- other financial statements are renamed in accordance with the standard; and

Operating Segments

In February 2007 the Australian Accounting Standards Board issued AASB 8 which replaced AASB 114: Segment Reporting.

From 1 January 2009, operating segments are identified and segment information disclosed on the basis of internal reports that are regularly provided to, or reviewed by, the group's chief operating decision maker which, for the Group, is the board of directors.

This could also include the identification of operating segments which sell primarily or exclusively to other internal operating segments. Under AASB 114, segments were identified by business and geographical areas, and only segments deriving revenue from external sources were considered.

Business Combinations and Consolidation Procedures

In March 2008 the Australian Accounting Standards Board revised AASB 3 and as a result, some aspects of business combination accounting have changed. The changes apply only to business combinations which occur from 1 July 2009. The following is an overview of the key changes and the impact on the Group's financial statements in relation to the acquisition of an additional ownership interest in Bioheap Ltd (formerly Pacific Ore (Australia) Pty Ltd)

Recognition and measurement impact:

Recognition of acquisition costs: The revised version of AASB 3 requires that all costs associated with a business combination be expensed in the period in which they were incurred. Previously such costs were capitalised as part of the cost of the business combination. No acquisition costs were incurred with the purchase of Bioheap Ltd.

Measurement of contingent considerations: The revised AASB 3 requires that contingent considerations associated with a business combination be included as part of the cost of the business combination. They are recognised at the fair value of the payment calculated having regard to probability of settlement. Any subsequent changes in the fair value or probability of payment are recognised in the statement of comprehensive income except to the extent where they relate to conditions or events existing at acquisition date, in which case the consideration paid is adjusted. The previous version of AASB 3 allowed such changes to be recognised as a cost of the combination impacting goodwill. There are no contingent considerations present as the result of the acquisition of Bioheap Ltd.

Recognition of contingencies: The revised AASB 3 prohibits entities from recognising contingencies associated with a business combination, unless they meet the definition of a liability. There were no contingencies associated with the acquisition of an additional ownership interest in Bioheap Ltd.

Note 1: Statement of Significant Accounting Policies (cont)

The revised AASB 3 contains a number of additional disclosure requirements not required by the previous version of AASB 3. The revised disclosures are designed to ensure that users of the Group's financial statements are able to understand the nature and financial impact of any business combinations on the financial statements.

(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.

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

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

Business Combinations

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

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The acquisition method requires that for each business combination one of the combining entities must be identified as the acquirer (ie parent entity). The business combination will be accounted for as at the acquisition date, which is the date that control over the acquiree is obtained by the parent entity. At this date, the parent shall recognise, in the consolidated accounts, and subject to certain limited exceptions, the fair value of the identifiable assets acquired and liabilities assumed. In addition, contingent liabilities of the acquiree will be recognised where a present obligation has been incurred and its fair value can be reliably measured.

The acquisition may result in the recognition of goodwill (refer to Note 1(n)) or a gain from a bargain purchase. The method adopted for the measurement of goodwill will impact on the measurement of any non-controlling interest to be recognised in the acquiree where less than 100% ownership interest is held in the acquiree.

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

Fair value uplifts in the value of pre-existing equity holdings are taken to the statement of comprehensive income. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

Included in the measurement of consideration transferred is any asset or liability resulting from a contingent consideration arrangement. Any obligation incurred relating to contingent consideration is classified as either a financial liability or equity instrument, depending upon the nature of the arrangement. Rights to refunds of consideration previously paid are recognised as a receivable. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or a liability is remeasured each reporting period to fair value through the statement of comprehensive income unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the income statement.

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.

(b) Revenue

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

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

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

Note 1: Statement of Significant Accounting Policies (cont)

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

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:

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

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

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

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

(f) Exploration and Evaluation Expenditure

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

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

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

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

Note 1: Statement of Significant Accounting Policies (cont)

(g) Mine Development

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

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

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

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 for on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

(h) Income Tax

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

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

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

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

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

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

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

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

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

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

Tax Consolidation

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

Note 1: Statement of Significant Accounting Policies (cont)

(j) 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.

(k) 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.

(l) 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.

(m) Financial Instruments

Recognition and initial measurement

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

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

Classification and Subsequent Measurement

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

Amortised cost is calculated as:

a) the amount at which the financial asset or financial liability is measured at initial recognition;

b) less principal repayments;

c) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and

d) less any reduction for impairment.

Note 1: Statement of Significant Accounting Policies (cont)

(m) Financial Instruments (cont)

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

Financial assets at fair value through profit and loss

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

Loans and receivables

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

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

Available-for-sale financial assets

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

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

Financial liabilities

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

De recognition

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

Impairment

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

Derivative financial instruments

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

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

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

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

Note 1: Statement of Significant Accounting Policies (cont)

(m) Financial Instruments (cont)

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.

(n) Impairment of Assets

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

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

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

(o) 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.

(p) Joint Ventures

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

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

(q) 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.

(r) 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.

(s) 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.

(t) 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.

Note 1: Statement of Significant Accounting Policies (cont)

(t) Foreign Currency Transactions and Balances (cont)

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

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

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

(v) Critical Accounting Estimates and Balances

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

Key estimates

(i).Impairment

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

In the 2010 financial report the Group and the parent entity made a significant judgement about the impairment of a number of its available-for-sale assets.

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

Consequently, after considering the factors mentioned above, management has concluded that the cumulative change between cost and fair value of these available for sale financial assets to be a change in fair value and therefore accounted through the statement of comprehensive income.

Key judgements

(i).Exploration and evaluation expenditure

The Group capitalised expenditure relating to exploration and evaluation where it is considered likely to be recoverable or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. While there are certain areas of interest from which no reserves have been extracted, the directors are of the continued belief that such expenditure should not be written off since feasibility studies in such areas have not yet concluded. Such capitalised expenditure is carried at reporting date at $5.5m

(w) 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.

(x) Earnings per share

Basic earnings per share

Basic earnings per share are calculated by dividing:

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

Note 1: Statement of Significant Accounting Policies (cont)

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
- She weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(y) Comparative figures

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

(z) Intangibles

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

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

Note 2: Other Income

	Notes	Consolidated Entity	
		2010 $'000	**2009 $'000**
- Interest received – Bank Deposits		2,721	3,766
- Infrastructure access fee		20,000	-
- Asset sales income		314	18
- Sundry income		2	-
Total revenue		**23,037**	**3,784**

The infrastructure access fee is a non refundable payment by Kagara Ltd to gain access to the infrastructure at the Forrestania nickel project under the terms of the Lounge Lizard Project Agreement. The infrastructure access fee payable by Kagara Ltd in accordance with the Heads of Agreement had been reflected as unearned income in the 30 June 2009 financial statements as the terms of the Heads of Agreement had not been finalised by the time the 30 June 2009 financial statements were authorised for issue. The terms of the agreement were finalised on 31 December 2009 as reflected in the Lounge Lizard Project Agreement and in accordance with this agreement, the $20 million infrastructure access fee has now been reflected as income in the 30 June 2010 financial statements.

	Notes	Consolidated Entity	
		2010 $'000	2009 $'000
Note 3: Profit for the Year			
The following expense items are relevant in explaining the financial performance for the year:			
- Depreciation of non-current assets		7,318	3,273
- Depreciation deferred pre production		-	(170)
- Depreciation net		7,318	3,103
- Amortisation of mine development assets		34,516	35,918
- Rental expenditure – operating leases		411	326
- Impairment of capitalised exploration expenditure	11	212	4,870
- Borrowing costs write off		-	4,458
- Realised derivative losses		6,449	-
- Mark-to-market revaluation of derivatives		422	(691)
- Borrowing costs expensed:			
Interest expense – borrowings		23,715	19,783
Bond accretion expense		5,487	3,800
Interest expense – finance leases		12	11
Borrowing costs amortised		2,525	1,865
Other borrowing costs		5,013	955
Total borrowing costs		36,752	26,414
Less: interest expense capitalised to mine development	12	(443)	-
Less: interest expense capitalised to fixed assets		(443)	-
Less: borrowing costs capitalised corporate facility.	15	(140)	(196)
Less: borrowing costs capitalised - Convertible bond	15	(4,874)	(33)
Total Borrowing Costs Expensed		**30,852**	**26,185**

	Notes	Consolidated Entity	
		2010 $'000	**2009 $'000**
Note 4: Income Tax			
The Components of the Tax expense comprise:			
- Current Tax		(7,450)	13,562
- Deferred income tax		(1,196)	(1,022)
Income tax (expense) / benefit		**(8,646)**	**12,540**

The prima facia tax on the profit / (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:

Income / (Loss) from ordinary activities at 30%		
- Economic Entity	6,857	(14,314)
Adjusted for the tax effect of:		
- Unrealised hedge loss	127	(207)
- Share based payments	1,419	1,477
- Premium on bond conversions	-	(66)
- Other non allowed items	479	114
- Share issue costs deducted	(486)	(566)
- Temporary other	(1,196)	1,022
- Convertible bond accretion	1,446	-
Tax Benefit	**8,646**	**(12,540)**

Note 5: Dividends

Distributions paid		
Interim unfranked ordinary dividend declared on 16 February 2010 of 3 cents (2009: $0) per share	5,393	-
Distributions proposed		
Proposed final 2010 unfranked ordinary dividend of 3 cents (2009: $0) per share.	5,393	-

Note 6: Trade and Other Receivables

Trade debtors	14,662	8,294
Other debtors	223	20,160
GST refund due	1,285	164
Prepayments	530	255
	16,700	**28,873**

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.

Note 7: Inventories

Ore Stockpiles – at cost	12,475	7,696
Nickel Concentrate Stockpiles – at cost	10,068	20,907
Consumables and Spare Parts – at cost	2,685	974
Total Inventories	**25,228**	**29,577**

	Notes	Consolidated Entity 2010 $'000	2010 $'000
Note 8: Other Financial Assets			
Available for sale	8 (a)	1,837	2,825
Derivatives	8 (b)	466	956
		2,303	3,781
Less non-current portion		(2,303)	(2,825)
Current portion		-	956

(a) Available for sale financial assets

	Notes	2010 $'000	2010 $'000
Investments in unlisted subsidiaries at fair value	8 (c)	-	-
Investments in listed companies at fair value		1,837	2,825
		1,837	2,825

(b) Derivatives

	Notes	2010 $'000	2010 $'000
Nickel Collar Options	29 (c)	466	956
		466	**956**

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

(c) Investments in subsidiaries

Name	Country of Incorporation	Percentage of equity held by the Consolidated Entity		Investment held by the Consolidated Entity	
		2010 %	2009 %	2010 $'000	2009 $'000
Western Platinum NL	Australia	100%	100 %	-	-
Australian Nickel Investments Pty Ltd	Australia	100%	100 %	-	-
Bioheap Ltd	Australia	100%	-	-	-
FinnAust Mining PLC	United Kingdom	75%	-	-	-
				-	**-**

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.

FinnAust Mining PLC was incorporated in May 2010 as a joint venture with Magnus Minerals holding a 25% interest. FinnAust Mining SARL was incorporated in June 2010 as a 100% owned subsidiary of FinnAust Mining PLC.

Note 8: Other Financial Assets (cont)

On 1 January 2010 the parent entity acquired 100% interest of Bioheap Ltd (formerly Pacific Ore Australia Pty Ltd). The acquisition resulted in Western Areas NL obtaining control of Bioheap Ltd

Acquisition of Controlled Entities

	Note	Acquiree's carrying amount $000	Fair value $000
Purchase consideration:			
- Cash			475
Less:			
- Intangible asset	10	-	506
- Cash and receivables		373	373
- Property, plant and equipment		4	4
- Payables		(408)	(408)
Identifiable assets acquired and liabilities assumed		(31)	475

Bioheap Ltd generated no revenue for the consolidated group since acquired.

	Consolidated Entity 2010 $'000	Consolidated Entity 2009 $'000
Note 9: Property, Plant and Equipment		
Property – at cost	19,260	19,249
Accumulated depreciation	(3,034)	(1,584)
	16,226	17,665
Plant & equipment – at cost	105,141	68,463
Accumulated depreciation	(10,519)	(4,714)
	94,622	63,749
Plant & equipment under lease	579	555
Accumulated depreciation	(319)	(256)
	260	299
Total property, plant & equipment - at cost	124,980	88,267
Accumulated Depreciation	(13,872)	(6,554)
Total	**111,108**	**81,713**

Assets Pledged as Security

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

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

Note 9: Property, Plant and Equipment (cont)

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	
	2010 $'000	**2009 $'000**
Property		
Written down value at the beginning of the year	17,665	8,370
- Additions	11	10,208
- Depreciation expense	(1,450)	(913)
Written down value at the end of the year	**16,226**	**17,665**
Plant & Equipment		
Written down value at the beginning of the year	63,749	30,372
- Additions	36,678	35,685
- Depreciation expense	(5,805)	(2,308)
Written down value at the end of the year	**94,622**	**63,749**
Plant & Equipment under Lease		
Written down value at the beginning of the year	299	173
- Additions	24	178
- Depreciation expense	(63)	(52)
Written down value at the end of the year	**260**	**299**

Note 10: Intangible Assets

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

Note 11: Exploration & Evaluation Expenditure

Exploration & Evaluation Expenditure.		
- At cost	110,044	87,660
- Transferred from mine development	-	7,336
- Impairment loss write off	(15,149)	(14,937)
Total Exploration and Evaluation	**94,895**	**80,059**

Movement in carrying amount:

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

Exploration & Evaluation Expenditure		
Written down value at the beginning of the year	80,059	54,587
- Expenditure incurred during the year	15,048	23,006
- Transferred from mine development	-	7,336
- Impairment loss	(212)	(4,870)
Written down value at the end of the year	94,895	80,059

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.

	Consolidated Entity	
	2010 $'000	2009 $'000
Note 12: Mine Development		
Capitalised development expenditure consists of:		
- Mine development	124,296	93,540
- Feasibility expenditure transferred to exploration	-	(7,336)
- Deferred mining expenditure	125,172	90,299
- Capitalised restoration costs	4,307	4,307
- Capitalised interest	11,175	10,732
- Accumulated amortisation	(84,547)	(50,031)
Total Mine Development	**180,403**	**141,511**

Movement in carrying amount:

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

Development Expenditure		
Written down value at the beginning of the year	141,511	130,148
- Additions	72,965	50,126
- Feasibility expenditure transferred to exploration	-	(7,336)
- Increase in restoration cost provision	-	3,389
- Capitalised interest	443	-
- Amortisation charge for the year	(34,516)	(34,816)
Written down value at the end of the year	**180,403**	**141,511**

Note 13: Tax Asset

(a) Liabilities		
Deferred tax liabilities comprise:		
- Exploration & mine development expenditure	39,315	38,148
- Other	453	135
Total	39,768	38,283

(b) Assets:		
Deferred tax assets comprise:		
- Future income tax benefits due to tax losses	60,919	64,811
- Provisions	1,783	1,664
- Mine development	1,211	4,467
- Other	83	215
Total	63,996	71,157

Note 13: Tax Asset (cont)

	Consolidated Entity	
(c) Reconciliation	**2010 $'000**	**2009 $'000**
(i) Gross movement		
The overall movement in the deferred tax account is as follows:		
Opening balance	32,874	20,334
(Debit) / Credit to income statement	(8,646)	12,540
Closing balance	24,228	32,874
(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	(38,148)	(27,582)
Credit to income statement	(1,167)	(10,566)
Closing balance	(39,315)	(38,148)
Other		
Opening balance	(135)	(342)
Debit / (Credit) to income statement	(318)	207
Closing balance	(453)	(135)
(iii) Deferred tax assets		
The movement in the deferred tax assets for each temporary difference during the year is as follows:		
Future income tax benefits due to tax losses		
Opening balance	64,811	47,537
(Credit) / Debit to income statement	(3,892)	17,274
Closing balance	60,919	64,811
Provisions		
Opening balance	1,664	363
Debit to income statement	119	1,301
Closing balance	1,783	1,664
Mine development		
Opening balance	4,467	-
(Credit) / Debit to income statement	(3,256)	4,467
Closing balance	1,211	4,467
Other		
Opening balance	215	358
Credit to income statement	(132)	(143)
Closing balance	83	215

Note 14: Trade & Other Payables

	Notes	Consolidated Entity 2010 $'000	2009 $'000
Current trade & other payables		20,026	6,570
Unearned income		-	20,000
Accrued expenses		16,532	8,408
Accrued interest		10,207	8,350
		46,765	**43,328**

Note 15: Borrowings

	Notes	2010	2009
Current			
Lease liability	15 (d) & 21 (b)	83	53
Corporate loan facility	15 (a)	-	2,500
		83	2,553
Non Current			
Corporate loan facility	15 (a)	-	57,500
Corporate loan facility borrowing cost		(720)	(1,007)
Convertible bond	15 (b)	304,527	194,040
Convertible bond borrowing costs		(8,495)	(5,759)
BHP loan facility	15 (c)	-	45,000
Lease liability	15 (d) & 21(b)	58	111
		295,370	**289,885**

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

		2010	2009
Corporate facility			
Mine development		180,403	141,511
Property, plant & equipment		110,848	81,414
		291,251	**222,925**

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

(b) **Convertible Bond**

		2010	2009
Convertible bond (Issued June 2007)		198,860	194,040
Convertible bond (Issued April 2010)		105,667	-
		304,527	**194,040**

(i) The convertible notes issued in June 2007 mature in July 2012 and the convertible notes issued in April 2010, mature in April 2015.

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

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

(c) The BHP loan facility was fully repaid and cancelled in April 2010 from the proceeds raised by issue of the $125M convertible note.

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

Note 16: Provisions

	Notes	Consolidated Entity 2010 $'000	Consolidated Entity 2009 $'000
Current			
Employee Entitlements	16 (a)	**1,057**	**868**
Non Current			
Rehabilitation and restoration cost			
Opening Balance		4,682	1,211
Discount unwind		204	82
Additional provisions raised		-	3,389
Rehabilitation	16 (b)	**4,886**	**4,682**

(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 10 years, after which time the rehabilitation activities will be undertaken. The treasury bank rate has been applied to discount cashflows.

Note 17: Other Financial Liabilities

	Notes	2010	2009
Derivatives	17 (a)	496	-
		496	-
Less non-current portion		496	-
Current portion		496	-
(a) **Derivatives**			
Forward Exchange Contracts	29 (c)	139	-
Collar Options	29 (c)	357	-
		496	**-**

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

Note 18: Issued Capital

a) **Issued capital**

	Consolidated Entity	
	2010 $'000	**2009 $'000**
179,735,899 Ordinary shares fully paid (2009: 178,862,649)	**202,611**	**198,892**

b) **Movements in issued capital**

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

	2009	
	Number of Shares	**$'000**
Balance at beginning of the financial year	167,710,649	153,087
- Issued via option conversions	7,020,000	36,447
- Issued via option conversions	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**

Capital management

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

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

Notes on movement in issued capital

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

Date	**Option Terms (Exercise Price & Maturity) -**
	(CAD$4.00 Dec '09)
3 Jul 2009	20,500
22 Jul 2009	15,000
6 Aug 2009	15,000
10 Sep 2009	12,500
30 Sep 2009	57,500
20 Nov 2009	162,500
11 Dec 2009	626,250
	909,250

(*) The CAD$ warrants were converted at an FX rate of CAD$0.96:AUD$1.00

Note 18: Issued Capital (cont)

c) **Share Options**

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

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

Ordinary shares

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

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

Note 19: Earnings Per Share

	Consolidated Entity	
	2010	**2009**
	$'000	**$'000**
Earnings used to calculate basic / diluted earnings per share	14,212	(35,172)
Weighted average number of ordinary shares outstanding during the year used in calculating basic earnings per share	178,163,303	168,320,650
Weighted average number of dilutive options outstanding (*)	-	-
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive earnings per share	178,163,303	168,320,650

(*) As at 30 June 2010, none of the outstanding options were dilutive as the weighted average exercise price of the options were higher than the weighted average share price.

Note 20: Cash Flow Information

a) Reconciliation of the net loss after tax to the net cash flow from operations:

Profit / (Loss) after income tax	14,212	(35,172)
Depreciation	7,318	3,273
Amortisation	37,041	37,783
Convertible bond accretion expense	5,487	3,800
GST relating to non operating activity	(354)	(13)
Impairment expenses	212	9,328
Capitalised interest actually paid	(886)	-
Interest receivable	(38)	857
Other	(125)	171
Loss from sale of non-current assets	(301)	(44)
Share based payment	4,731	4,922
Unrealised movement in market value of derivatives	422	(379)
Change in Assets and Liabilities		
Increase / (decrease) in payables	10,248	(11,697)
(Increase)/ decrease in inventory	4,349	(27,859)
(Increase) / decrease in receivables	(5,611)	1,920
Decrease / (Increase) in interest payable	1,856	(2,110)
(Increase) / decrease in deferred tax	8,646	(12,540)
Net Cash Flows Received from / (used in) Operating Activities	**87,207**	**(27,760)**

Note 20: Cash Flow Information (cont)

b) Reconciliation of Cash

	Consolidated Entity	
	2010 $'000	**2009 $'000**
Cash balance comprises :		
Cash on hand	65,368	80,210
Closing Cash Balance	**65,368**	**80,210**

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 (*)	80,000	-	80,000
Performance Guarantees:-			
ANZ Banking Group			
- Security bond facility	10,000	6,579	3,421
Commonwealth Bank			
- Security bond facility	71	71	-
	90,071	**6,650**	**83,421**

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

d) Non Cash Financing Activities

During the year, the consolidated entity acquired plant & equipment of $24K (2009: $178K) by means of a finance lease.

Note 21: Commitments

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

a) Operating Lease Commitments

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

	Consolidated Entity	
	2010 $'000	**2009 $'000**
- no later than 1 year	295	261
- later than 1 year and not later than 5 years	388	307
Lease expenditure contracted for at year end	683	568

The operating leases are for miscellaneous office equipment and office premises in West Perth. The West Perth office lease expires December 2012. The Toronto office lease was terminated in May 2010.

Note 21: Commitments (cont)

b) Finance Lease Commitments

	Consolidated Entity	
	2010 $'000	**2009 $'000**
- no later than 1 year	89	64
- later than 1 year and not later than 5 years	60	120
Total Minimum Lease Payments	149	184
- future finance charges	(8)	(20)
Total Lease Liability	141	164
- current	83	53
- non current	58	111
	141	164

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

c) Capital Expenditure Commitments

- no later than 1 year	-	26,000
- later than 1 year and not later than 5 years	-	-
Total minimum commitments	-	26,000

d) Exploration Expenditure Commitments

- no later than 1 year	3,443	4,054
- later than 1 year and not later than 5 years	11,722	8,203
Total Minimum Payments	15,165	12,257

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

e) Other Commitments

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

Note 22: Auditor Remuneration

The following remuneration was earned by the company's Auditor during the period		
- Audit and review of financial statements	132	119
- Other services	26	-
- Taxation services	-	15
	158	134

Note 23: Material Contracts

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 1 January 2010, until all 25,000 tonne nickel in concentrate is delivered.

Note 24: Contingent Liabilities

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

Note 25: Subsequent Events

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

Note 26: Statement of Operations by Segments

Identification of reportable segment

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

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

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted

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

Comparative information

This is the first reporting period in which AASB 8: Operating Segments has been adopted. Comparative information has been stated to conform to the requirements of the Standard.

Note 27: 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)
R Yates	Director (Non-Executive)
D Lougher	Operations Director
J Belladonna	Chief Financial Officer (Appointed 1 July 2010) / Company Secretary
C Wilkinson	General Manager Exploration
G Marshall	General Manager Commercial – Appointed 1 January 2010

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

Note 28: Interests in Joint Ventures

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

				Consolidated Entity	
Joint Venture		**% Interest**	**Principal Activities**	**2010 $'000**	**2009 $'000**
Koolyanobbing (3 JV's)	(i)	51% - 100%	Nickel & Gold exploration	628	500
Sandstone Project	(ii)	51% - 70%	Nickel exploration	1,494	-
Mt Alexander	(iii)	25%	Nickel & Copper exploration	106	104
Great Western Project	(iv)	51% - 70%	Nickel & Copper exploration	173	-
Kawana Project	(v)	70% - 80%	Nickel & Copper exploration	153	-

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

Note 28: Interests in Joint Ventures (cont)

(i) The Koolyanobbing JV comprises 3 distinct sections: North, East and Central. Under the North JV the consolidated entity has a 100% interest in the Koolyanobbing North tenements. The consolidated entity has executed an access agreement with Portman Ltd whereby Portman has entered into a Royalty Agreement to explore for, and mine iron ore. The consolidated entity will be paid a royalty of 15 cents per tonne of ore mined from the tenements.

Under the East JV the consolidated entity 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 consolidated entity 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 consolidated entity 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 and three Mining leases covering the central part of the Koolyanobbing Project. The consolidated entity 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.

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) 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.

(iv) Great Western Exploration Ltd and Western Areas NL have entered into a joint venture agreement to explore the Forrestania Project.

Under the agreed terms, Western Areas can earn up to 70% in the project in two stages by spending $2.5M.

- Stage 1, Western Areas to earn 51% by spending $1M in two years,
- Stage 2, Western Areas to earn a further 19% by spending $1.5M within 5 years,
- Western Areas has a minimum commitment $200,000 before it can withdraw from the joint venture.

The project comprises a total of 303km2 of area in the Forrestania region. The bulk of the project area lies along the south-eastern margin of Western Areas Forrestania tenements

(v) Western Areas NL (Western Areas) has entered into a joint venture agreement with the respective Companies – Fleet Street Holdings Pty Ltd, Wheatbelt Holdings Pty Ltd and Bildex Holdings Pty Ltd (the Kawana Companies) to explore the Kawana Project (Project) north of Forrestania.

Under the proposed terms, Western Areas can earn up to 80% interest in the Project in three stages by spending $1.02M.

- Stage 1, Western Areas will spend an initial $120,000 on Exploration Expenditure within one year from the Commencement Date. Western Areas will be responsible for Project Tenement rents and rates during Stage 1, and these costs will be included in the initial $120,000 expenditure commitment,
- Stage 2, Western Areas has the right to earn an initial 70% interest in the Tenements by spending $400,000 on the Tenements within two years from the successful completion of Stage 1. The Stage 2 Earn In Period is exclusive of the $120,000 initial expenditure,
- Stage 3, Western Areas has the right to earn a further 10% interest in the tenements by committing an additional $500,000 on the Project over a maximum two years

The Kawana tenements are located approximately 250km to the north west of Western Areas Forrestania operations and about 60 km north-northwest of the township of Bullfinch. The Project covers the far north of the Southern Cross-Bullfinch Greenstone Belt. The Southern Cross Greenstone Belt extends discontinuously from Kawana in the north through Forrestania to Ravensthorpe in the south.

The joint ventures are not separate legal entities but are contractual arrangements between the participants for sharing costs and output and do not in themselves generate revenue or profit. The only asset held by the joint ventures is exploration and evaluation expenditure. No liabilities exist in the joint ventures.

Note 29: Financial Risk Management

Financial Risk Management Policies

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

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

Specific Financial Risk Exposures and Management

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

a) Credit Risk

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

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

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

b) Liquidity Risk

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

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

The tables on the following page 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.

b) Liquidity Risk (cont)

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:

2010 Consolidated Entity

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

2009 Consolidated Entity

	1 year or less $'000	Over 1 to 5 years $'000	More than 5 years $'000	**Total** **$'000**
Financial Assets – Non Derivative				
Cash	80,210	-	-	80,210
Receivables	28,873	-	-	28,873
Financial Assets –Derivative				
Nickel Collar Options (net settled)	57	-	-	57
Nil premium collar options (net settled)	639	-	-	639
Forward exchange contracts (net settled)	260	-	-	260
	110,039	-	-	110,039
Financial Liabilities – Non Derivative				
Payables	43,328	-	-	43,328
Project loan	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)	64,158	(311,111)	-	(246,953)

Note 29: Financial instruments (cont)

c) 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.

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

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

2010 Consolidated Entity	Floating Interest Rate $'000	Fixed Interest maturing in: 1 year or less $'000	Over 1 to 5 years $'000	More than 5 Years $'000	Non-Interest Bearing $'000	**Total $'000**	Weighted Average Interest Rate
Financial Assets							
Cash	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)**	

(*) Interest on project loans is at a variable rate.

Note 29: Financial instruments (cont)

c) Market Risk (cont)

ii) Price Risk

a) Equity Price Risk

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

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

The table below summarises the impact of increases/decreases of these two indexes on the Consolidated entity's equity. The analysis is based on the assumption that the equity indexes had increased by 10% / decreased by 10% (2009 – increased by 10% / decreased by 10%) and foreign exchange rate increased by 5% / decrease by 5% (2009 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. The percentages are the sensitivity rates used when reporting equity price risk internally to key management personnel and represents management's assessment of the possible change in equity prices.

	Impact on equity	
Available for sale financial assets – Index	30 June 2010 $'000	30 June 2009 $'000
ASX	33	43
TSX	123	502

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

b) Commodity Price Risk

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

The following table details the consolidated entity's sensitivity to a USD 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.

Sensitivity analysis	**Profit $'000**	**Equity $'000**
Year Ended 30 June 2010		
+- $500 / tonne nickel	+-1,173	+-1,173
	Profit $'000	**Equity $'000**
Year Ended 30 June 2009		
+- $1,000 / tonne nickel	+-748	+-748

Hedging of Specific Commitments

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

Nickel Hedging Contracts

As at balance date the consolidated entity had forward sold 400 tonnes of nickel at an average USD price/tonne call of US$22,550 and US price/tonne put of US$20,000. The hedging contracts are vanilla forward sales contracts with maturity dates as shown in the table below.

	FY 2010	TOTAL
Nickel Tonnes	400	**400**
US Price ($/tonne) Call	22,550	**22,550**
USD Value ($'000)	9,020	**9,020**
US Price ($/tonne) Put	20,000	**20,000**
USD Value ($'000)	8,000	**8,000**

Note 29: Financial instruments (cont)

c) Market Risk (cont)

iii) Currency Risk

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

	Liabilities	Assets
US$ '000	-	4,236

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

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

	Profit $'000	**Equity $'000**
Year Ended 30 June 2009		
+- 5% in $A/$US	+-527	+-527

Forward exchange contracts

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

	Notional Amounts		**Average Exchange Rate**	
Consolidated Group	**2010 $000**	**2009 $000**	**2010 $**	**2009 $**
Buy AUD / Sell USD				
Settlement				
— less than 6 months	23,000	7,500	0.8932	0.7500
— 6 months to 1 year	5,000	2,500	0.9000	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.

Note 29: Financial instruments (cont)

d) Net fair values

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

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

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

		2010		2009	
		Carrying Amount $'000	Net Fair Value $'000	Carrying Amount $'000	Net Fair Value $'000
Financial Assets					
Cash and cash equivalents	(i)	65,368	65,368	80,210	80,210
Available-for-sale assets at fair value	(iv)	1,837	1,837	2,825	2,825
Derivative financial assets	(v)	466	466	956	956
Loans and receivables	(ii & iii)	16,700	16,700	28,873	28,873
		84,371	84,371	112,864	112,864

		2010		2009	
		Carrying Amount $'000	Net Fair Value $'000	Carrying Amount $'000	Net Fair Value $'000
Financial Liabilities					
Trade and sundry payables	(i)	46,765	46,765	43,328	43,328
Convertible notes	(vi)	304,527	333,500	194,040	208,500
Other loans and amounts due	(vi)	-	-	105,000	105,000
Derivative financial liabilities	(v)	496	496	-	-
Other liabilities	(i)	141	141	164	164
		351,929	380,902	342,532	356,992

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

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

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

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

iv) For listed available-for-sale financial assets, closing quoted bid prices at reporting date are used.

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

Note 29: Financial instruments (cont)

d) Net fair values (cont)

Financial Instruments Measured at Fair Value

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

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

Consolidated Group

	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Financial assets:				
Available-for-sale financial assets:				
- listed investments	1,837	-	-	1,837
- unlisted investments	-	-	506	506
	1,837	-	506	2,343
2009				
Financial assets:				
Financial assets at fair value through profit or loss:				
- derivative instruments	956	-	-	956
Available-for-sale financial assets:				
- listed investments	2,825	-	-	2,825
	3,781	-	-	3,781

Note 30: Related Party Transactions

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

Note 31: Share Based Payments

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

i) On 24 January 2008 500,000 Newexco consultant options were issued as part of the Western Areas Employee Share Option Scheme and were ratified by shareholders at the annual general meeting on 12 September 2008. These are redeemable for one ordinary share in the Company and have an exercise price of $7.50.

ii) On 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

iii) 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. These were ratified by shareholders at the annual general meeting on 12 September 2008.

iv) On 12 September 2008 400,000 Newexco consultant 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

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

vi) On 24 Nov 2009 the remuneration committee resolved to issue 600,000 options to the Western Areas Executive Directors. These are redeemable for one ordinary share in the Company and have an exercise price of $7.50. This was ratified by shareholders at the annual general meeting on 6 November 2009.

Note 31: Share Based Payments (cont)

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 2010:

	Consolidated Entity			
	2010		2009	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Opening balance	9,189,250	11.55	10,545,250	6.80
Options issued	2,350,000	7.31	2,800,000	17.00
Options cancelled	(140,000)	15.00	(60,000)	15.00
Options Expired	(3,190,000)	7.50		
Options exercised (*)	(909,250)	4.15	(4,096,000)	2.99
Closing balance	**7,300,000**	**12.80**	**9,189,250**	**11.55**
Vested balance	**5,030,000**	**15.37**	**4,732,583**	**9.72**

(*) The exercise price for the CAD$4.00 warrants has been calculated at an FX rate of, AUD$1: CAD$0.9638

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

i) The $15.00 employee options 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 $7.25 employee options issued in September 2009 vest as follows: Half vest 12 months after the grant date and half vest 24 months after the grant date.

ii) The $17.00 Directors' options vest immediately. The $7.50 directors options issued in November 2009 vest as follows: half vest 12 months before the expiry date and half vest 24 months before expiry date.

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

The fair value of the options outstanding as at 30 June 2010 was determined as detailed below:

i) 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.

ii) 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: $15.00, 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.

iii) 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%.

iv) 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.

Note 31: Share Based Payments (cont)

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

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

The movement in the various classes of options for the year ended 30 June 2010 were as follows:

	-- Option Terms (Exercise Price and Maturity) --									
	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	Director $7.50 Nov 12	Employee $7.25 Sep 12	TOTAL
Opening balance	909,250	1,190,000	2,000,000	500,000	1,790,000	400,000	2,400,000	-	-	9,189,250
Options issued								600,000	1,750,000	2,350,000
Options Expired		(1,190,000)	(2,000,000)							(3,190,000)
Options Cancelled					(60,000)				(80,000)	(140,000)
Options exercised	(909,250)									(909,250)
Closing balance	-	-	-	500,000	1,730,000	400,000	2,400,000	600,000	1,670,000	7,300,000

Note 32: Reserves

(i) *Option equity reserve*

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

(ii) *Hedge reserve*

The hedge reserve records revaluations of items designated as hedges.

(iii) *Investment Revaluation reserve*

The investment revaluation reserve records revaluations of 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 and the convertible issued during the 2010 financial year.

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

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 9: Financial Instruments and AASB 2009–11: Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12] (applicable for annual reporting periods commencing on or after 1 January 2013).

  These standards are applicable retrospectively and amend the classification and measurement of financial assets. The Group has not yet determined the potential impact on the financial statements.

  The changes made to accounting requirements include:

  - simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;

  - simplifying the requirements for embedded derivatives;

  -removing the tainting rules associated with held-to-maturity assets;

  - removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;

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

- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument; and

  - reclassifying financial assets where there is a change in an entity's business model as they are initially classified based on:

    a. the objective of the entity's business model for managing the financial assets; and

    b. the characteristics of the contractual cash flows.

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

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

- AASB 2009–8: Amendments to Australian Accounting Standards — Group Cash-settled Share-based Payment Transactions [AASB 2] (applicable for annual reporting periods commencing on or after 1 January 2010).

  These amendments clarify the accounting for group cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when the entity has no obligation to settle the share-based payment transaction. The amendments incorporate the requirements previously included in Interpretation 8 and Interpretation 11 and as a consequence, these two Interpretations are superseded by the amendments. These amendments are not expected to impact the Group

- AASB 2009–10: Amendments to Australian Accounting Standards — Classification of Rights Issues [AASB 132] (applicable for annual reporting periods commencing on or after 1 February 2010).

  These amendments clarify that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro-rata to all existing owners of the same class of its own non-derivative equity instruments. These amendments are not expected to impact the Group.

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

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

- AASB 2009–14: Amendments to Australian Interpretation — Prepayments of a Minimum Funding Requirement [AASB Interpretation 14] (applicable for annual reporting periods commencing on or after 1 January 2011).

  This standard amends Interpretation 14 to address unintended consequences that can arise from the previous accounting requirements when an entity prepays future contributions into a defined benefit pension plan.

- AASB Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments (applicable for annual reporting periods commencing on or after 1 July 2010).

  This Interpretation deals with how a debtor would account for the extinguishment of a liability through the issue of equity instruments. The Interpretation states that the issue of equity should be treated as the consideration paid to extinguish the liability, and the equity instruments issued should be recognised at their fair value unless fair value cannot be measured reliably in which case they shall be measured at the fair value of the liability extinguished. The Interpretation deals with situations where either partial or full settlement of the liability has occurred. This Interpretation is not expected to impact the Group.

The Group does not anticipate the early adoption of any of the above Australian Accounting Standards

Note 34: Parent Information

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

Statement of Financial Position

	Parent Entity	
	2010 $'000	**2009 $'000**
Assets		
Current Assets	106,909	139,616
Non Current Assets	413,068	338,079
Total Assets	519,977	477,695
Liabilities		
Current Liabilities	48,041	46,749
Non Current Liabilities	300,256	294,567
Total Liabilities	348,297	341,316
Net Assets	**171,680**	**136,379**
Equity		
Issued capital	202,611	198,892
Reserves	74,177	51,915
Accumulated losses	(105,108)	(114,428)
Total WSA Equity	**171,680**	**136,379**

Statement of Comprehensive Income

Profit / (Loss) for the period	**14,713**	**(38,374)**
Total comprehensive income / (loss) for the period	**33,372**	**(42,452)**

Guarantees

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

Contingent Liabilities

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

Contractual Commitments

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

Note 35: Additional Company Information

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

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

Directors' Declaration

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

   (a) the Consolidated Entity's financial statements and notes set out on pages 34 to 73 are in accordance with the Corporations Act 2001, including:

      (i) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2010 and of its performance, for the financial period ended on that date; and

      (ii) complying with Australian Accounting Standards (including the Australia Accounting Interpretations) and the Corporations Regulations 2001;

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

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

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

2. the Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer, Managing Director and Chief Financial Officer for the financial year ended 30 June 2010.

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

J. Hanna

Director

Dated this 25th day of August 2010

WHK Horwath

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

We have audited the accompanying financial report of Western Areas NL and its Controlled Entities (the consolidated entity), which comprises the statement of financial position as at 30 June 2010, and the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows 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 consolidated entity 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 the consolidated entity is in accordance with the Corporations Act 2001 including:

(a) (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its 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

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A WHK Group Firm

REPORT ON THE REMUNERATION REPORT

We have audited the Remuneration Report included in pages 25 to 29 of the directors' report for the year ended 30 June 2010. The directors 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 the year ended 30 June 2010, complies with section 300A of the Corporations Act 2001.

WHK HORWATH PERTH AUDIT PARTNERSHIP

CYRUS PATELL
Partner

Perth, WA

Dated this 25th day of August 2010

Schedule of Mining Tenements

Areas of Interest	Tenements	Company's Interest	Joint Venture Partners
Mt Jewell	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
	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
Mt Alexander	ELA 29/638	75 %	BHP Billiton
Koolyanobbing	E 77/1004 - I	100%	Cliffs Asia Pacific Iron Ore
	E 77/1089	100%	Cliffs Asia Pacific Iron Ore
	E 77/1307	100%	Cliffs Asia Pacific Iron Ore
	E 77/1407	100%	
	M 77/606 - I	100%	Cliffs Asia Pacific Iron Ore
	M 77/607 - I	100%	Cliffs Asia Pacific Iron Ore
	M 77/611 - I	100%	Cliffs Asia Pacific Iron Ore
	M 77/676 - I	100%	
	M 77/737 - I	100%	
	M 77/839	100%	
	M 77/988 – I	100%	Cliffs Asia Pacific Iron Ore
	M 77/989 – I	100%	Cliffs Asia Pacific Iron Ore
	M 77/990 – I	100%	Cliffs Asia Pacific Iron Ore
	P 77/3807	100%	
	P77/3482	100%	Cliffs Asia Pacific Iron Ore
	L77/00214	100%	Cliffs Asia Pacific Iron Ore
	L77/01251	100%	Cliffs Asia Pacific Iron Ore
Lake King	E 70/2148	51%	Swan Oak Holdings
	E 70/3123	0%	Swan Oak Holdings
	P70/1534	0%	Swan Oak Holdings
	P70/1536	0%	Swan Oak Holdings
	P70/1535	0%	Swan Oak Holdings

Schedule of Mining Tenements

Areas of Interest	Tenements	Company's Interest	Joint Venture Partners
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 %	
	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 77/584	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 %	
	L70/0111	100 %	
	L74/0025	100 %	
	L74/0044	100 %	
	L77/00011	100%	St Barbara
	L77/0203	100 %	
	L77/0204	100 %	

Areas of Interest	Tenements	Company's Interest	Joint Venture Partners
Mt Holland	P77/3569	100%	
	P 77/3572	100%	
	E 77/1487	100%	
Sandstone	E57/00584	0%	Troy Resources
	E57/00642	0%	Elixir Holdings/Troy Resources
	E57/00704	0%	Wirraminna Gold/Troy Resources
	M57/00022	0%	Troy Resources
	M57/00068	0%	Troy Resources
	M57/00128	0%	Troy Resources
	M57/00129	0%	Troy Resources
	M57/00301	0%	Troy Resources
	M57/00415	0%	Troy Resources/Wirraminna Gold
	M57/00416	0%	Troy Resources/Wirraminna Gold
	M57/00417	0%	Troy Resources/Wirraminna Gold
	M57/00439	0%	Wirraminna Gold
	M57/00530	0%	Troy Resources
	P57/01095	0%	Wirraminna Gold
	L57/00023	0%	Troy Resources
Kawana	E77/01093	0 %	Bildex Holdings/Fleet Street Holdings
	E77/01355	0 %	Fleet Street Holdings/Bildex Holdings
	E77/01365	0 %	Fleet Street Holdings/Bildex Holdings
	E77/01394	0 %	Wheatbelt Holdings/Bildex Holdings
	E77/01438	0 %	Bildex Holdings/Wheatbelt Holdings
	E77/01674	0 %	Fleet Street Holdings/Bildex Holdings
	P77/03618	0 %	Fleet Street Holdings/Bildex Holdings
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

Areas of Interest	Tenements	Company's Interest	Joint Venture Partners
East Bull Lake (Canada)	BOON997264	0%	Mustang Minerals
(continued)	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
	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

Areas of Interest	Tenements	Company's Interest	Joint Venture Partners
East Bull Lake (Canada)	BOON1134485	0%	Mustang Minerals
(continued)	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
	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

The Shareholder Information set out below shows the position as at 30 June 2010

a) Distribution of Shareholdings

Ordinary Shares*

i) Distribution schedule of holdings:

1 – 1,000	2,007
1,001 – 5,000	2,563
5001 – 10,000	762
10,001 – 100,000	715
100,001 – over	125
Total number of holders	6,172
ii) Number of holders of less than a marketable parcel	344
iii) Number of overseas Holders	263
iv) Percentage held by 20 largest holders	74.49%

* 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 Pty Ltd	29,016,955	16.14%
National Nominees Limited	19,136,305	10.65%
J P Morgan Nominees Australia Limited	16,811,854	9.35%
HSBC Custody Nominees	14,320,837	7.97%
Northmead Holdings Pty Ltd	9,675,000	5.38%
Citicorp Nominees Pty Limited	8,240,391	4.58%
UBS Wealth Management Australia Nominees Pty Ltd	8,074,553	4.49%
G Santalucia Investment Pty Ltd	5,229,047	2.91%
Australian Reward Investment Alliance	3,228,008	1.80%
ANZ Nominees Limited	3,030,267	1.69%
Mr J Marinovich & Mrs C S Marinovich	2,658,300	1.48%
Cogent Nominees	2,513,420	1.40%
Canadian Register Control	2,415,300	1.34%
Marford	2,000,000	1.11%
Marchesani	1,769,748	0.98%
CS Fourth Nominees Pty Ltd	1,462,420	0.81%
AMP Life Limited	1,180,784	0.66%
Lujeta Pty Ltd	1,150,000	0.64%
R Stuart	1,029,339	0.57%
Forbar Custodians	949,374	0.53%
Total	**133,891,902**	**74.49**

c) Substantial Shareholders

NAME	NO. SHARES HELD	%
Jungle Creek Gold Mines Pty Ltd	25,397,500	14.90%
National Nominees Limited	19,136,305	10.65%
J P Morgan Nominees Australia Limited	16,811,854	9.35%
HSBC Custody Nominees	14,320,837	7.97%
UBS Wealth Management Australia Nominees Pty Ltd	11,694,008	6.50%
Northmead Holdings Pty Ltd	9,675,000	5.38%

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WESTERN AREAS NL

ABN 68 091 049 357