



Annual Report  
**2011**



# Corporate Directory

## Directors

Terry Streeter (Chairman)  
David Cooper (retired 30/9/2011)  
Robin Dunbar  
Julian Hanna  
Dan Lougher  
David Southam  
Rick Yeates  
Ian MacIver (appointed 1/10/2011)

## Company Secretary

Joseph Belladonna

## Auditors

Crowe Horwath  
256 St Georges Terrace  
Perth WA 6000

## Bankers

ANZ Banking Group Limited  
77 St Georges Terrace  
Perth WA 6000

## Share Registry

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

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

## Stock Exchange

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

## Solicitors

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

## Registered Office

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West Perth WA 6005  
Phone (08) 9334 7777  
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## Branch Office

65 Queen Street West  
Suite 530  
Toronto Ontario M5H 2M5

## Treasury Advisers

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

## Competent Person 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.

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# Chairman's Letter



Terry Streeter - Chairman

## Dear Shareholders

I trust you are well having survived the many ups and downs of the global markets.

Despite these tumultuous times, this year has been an outstanding year for your Company. The Flying Fox and Spotted Quoll mines at Forrestania have proved to be world class, high grade nickel mines which have again exceeded our expectations. We are able to report record mine production (32,200tns nickel mined), record nickel sales (27,500tns nickel in concentrate sold) and record profits (A\$135M net profit after tax). As a result, Western Areas is now one of the largest, lowest cost and most profitable nickel miners in Australia.

In October 2002, when Julian Hanna and I drove down to the Forrestania tenements for the first time, we visited a number of different nickel prospects. Our thoughts at that time were that the New Morning deposit would become our lead mining project. The discovery of Flying Fox in September 2003 changed all that, followed in October 2007 by the discovery of Spotted Quoll, six kilometres south of Flying Fox. These discoveries transformed the fortunes of Western Areas, and now provide strong cash flows and dividends for shareholders.

In addition to the Flying Fox and Spotted Quoll mines, the Diggers South, New Morning and Cosmic Boy deposits are being evaluated for medium term production. Many other areas at Forrestania hold potential for new discoveries and this is reflected in recent positive drilling results in a number of areas.

The ongoing success at Forrestania and at our regional exploration projects in Western Australia, Finland and Canada provides the opportunity for Western Areas to become a sustainable leading nickel producer.

With stable governments and financial systems, the future for Western Areas as a low cost nickel producer appears to be sound. However the success of any company relies on the success of the country in which it operates. The way the political situation in Australia is being managed by our current government is very disappointing. This reflects not only on the resource industry, which is at the forefront of the Australian economy, but also on small business which is a major contributor to economic well being and employment.

Each business whether large or small, relies on the ongoing success of many other businesses whether they are customers, service providers, suppliers or people looking to invest in other companies. The interdependence of business and the stability and encouragement required to invest in new business does not appear to be recognised by the current Federal government in Australia.

To our staff, our many contractors and technical personnel, I thank you for your commitment and hard work which has made Western Areas into the company it is today. To the executive team lead by Julian Hanna and to our Company directors, I thank you for your long hours of work and support throughout the year. Finally to our many shareholders, I would also like to thank you for your ongoing support of this successful company in its current operations and exciting growth plans. I would like to wish you all the very best for the future.

Finally I would like to thank David Cooper who recently retired from the Board. David has been involved in the Company since its inception 12 years ago. He has served Western Areas shareholders diligently and professionally through his solid contributions which included acting as chairman of the Board for a time and membership of its many committees.

Terry Streeter  
Chairman

**“We are able to report record mine production (32,200 tonnes nickel mined), record nickel sales (27,500 tonnes nickel in concentrate sold) and record profits (A\$135M net profit after tax).”**

# Managing Director's Report

Julian Hanna - Managing Director

**“We have seen new records in mine production, ore processing and nickel sales which have flowed through to a record profit of A\$135 million for the year.”**

I am very fortunate to be able to report to shareholders that despite recent volatility in global markets, in metal prices and in exchange rates, Western Areas has had an excellent year in all areas of its operations. Significant progress has been made during the year towards securing Western Areas' long term future as a leading nickel exploration, development, mining and exporting company.

In our core business at the 100% owned Forrestania Nickel Project we have seen new records in mine production, ore processing and nickel sales which have flowed through to a record profit of A\$135 million for the year. Not only are the Flying Fox and Spotted Quoll mines producing more nickel than expected, the Cosmic Boy processing plant has continued to operate superbly with better than expected recoveries and minimal down time.

	2010/11	2009/10
Total Ore Mined	594,274tns	318,828tns
Average Mined Grade	5.4% Ni	4.3% Ni
Contained Nickel Mined	32,222tns	13,811tns
Ore Processed	519,465tns	270,350tns
Average Nickel Recovery	91%	90%
Nickel Sold	27,498tns	10,866tns
Average Nickel Price received	US\$24,000 per tonne	US\$19,416 per tonne
Cash Cost before smelting/refining	US\$2.11/lb Ni*	US\$2.65/lb Ni**

\*Average FX US\$0.99:A\$1.00 \*\*Average FX US\$0.88:A\$1.00

Due to these strong results, the Board of Western Areas announced a final dividend for the year of 15 cents per share, in addition to the interim dividend of 10 cents paid for the first six months to 31 December 2010. The total dividend for the year is 25 cents which represents a yield of over 5% based on the current share price. The Board remains committed to providing sustainable returns to shareholders which match our profitability whilst retaining sufficient cash to invest in the future growth of the Company.

In July 2010, Western Areas made its first shipment of nickel concentrate to China. I can say that this was my proudest moment in 12 years with the Company as it represented the start of a successful new export industry which benefits not only our shareholders but also the wider Australian economy. The first export contract of 25,000tns of nickel in concentrate to Jinchuan is due to end in February 2012, several months ahead of schedule. We are now conducting a tender process for the next contract which provides an opportunity for Western Areas to negotiate better terms and potentially to find a partner to assist with funding some of our other projects.

The Board considers that successful exploration is the key to driving new growth in the Company. This strategy has been very successful for Western Areas to date and given the outstanding potential of our substantial holdings in Australia, Canada and Finland, exploration is expected to continue to provide future growth. The focus on exploration is reflected in an increase in exploration funding from \$20 million in 2010/11 to \$30 million for 2011/12.

The first priority is to increase mine life to a target of ten years at our three largest nickel deposits at Forrestania (Flying Fox, Spotted Quoll and Diggers South) and a major drilling campaign is underway with the aim of achieving this goal. These deposits form the core business of the Company and are expected to continue to underpin low cost production and generate strong cash flows for many years.

The next drilling priority is to discover another high grade deposit at Forrestania. A new discovery could potentially be brought into production at an early date using the substantial existing infrastructure and skills of our experienced development and mining team already on site. Our drilling fleet has been increased to five surface diamond drill rigs to accelerate the rate of testing of the many targets along the 120km long Forrestania project.

Exploration highlights during the past 12 months include the addition of approximately 14,000tns nickel to mineral resources at the base of the T5 deposit at Flying Fox and confirming the potential for a major extension below the Spotted Quoll Stage One underground mine which has a current mine life of 7 to 8 years. Other recent success at Forrestania includes intersecting significant widths of disseminated nickel mineralisation at the South Iron Cap prospect, and the discovery of a new nickel occurrence at Hatters Hill, 20km south of Diggers South.



First shipment of nickel concentrate exported from Esperance Port to China in July 2010



Three years ago, based on new geological concepts learned from the discovery of Flying Fox and Spotted Quoll, the Board set a target to secure interests over a 500km area in Western Australia considered to have potential to become a major new nickel province. This has now been largely achieved with the recent acquisition of 70% of the nickel rights to a large tenement holding extending up to 300km north of Forrestania, securing a joint venture interest at Mt Gibb extending 20km south of Forrestania and by earning 51% of the nickel rights in a large joint venture project at Sandstone, 500km north of Forrestania. (Western Areas can earn up to 70% in most of these projects).

After Forrestania, Sandstone is our second largest exploration project in Australia and is being explored by an experienced and motivated team. Sandstone is already generating very exciting results using geophysics and widely spaced drilling. The Sandstone budget has been increased to \$5 million to accelerate the drilling program.

Looking overseas, Western Areas has increased its activities in Canada and Finland during the past year. The Board considers these two stable countries with long mining histories provide the best opportunities for discovering and developing major new nickel, base metal and platinum group metals mining camps outside Australia.

In Canada, Western Areas owns a 19.9% interest in Mustang Minerals Corp, a Canadian listed nickel, copper and platinum group metals explorer with substantial holdings in Manitoba and Ontario. Western Areas technical staff and consultants are assisting Mustang to bring the Makwa open pit nickel mine in Manitoba into production.

Western Areas is involved in a joint venture with Mustang to explore the 20km long East Bull Lake intrusion located 80km west of Sudbury, one of the world's largest nickel mining camps. Recent results have provided exciting new targets and Western Areas is planning to commence a deep drilling program in the December quarter to test the potential of this project.

The past year has also seen significant progress in Finland where Western Areas holds a 79% interest in FinnAust Mining Plc, a company incorporated in London. FinnAust owns 100% of ten separate exploration project areas which extend 300km along what is interpreted to be a major nickel and base metals province. The drilling rate to test these projects has recently been increased ahead of a planned listing of FinnAust in London in early 2012.

The impact on Western Areas of new taxes being introduced into Australia is expected to be relatively small. The Minerals Resource Rental Tax applies to Iron Ore and Coal miners and as a relatively low carbon emitting Company the proposed Carbon Tax should have only a minimal impact on Western Areas.

This situation may change however and Western Areas remains active in supporting initiatives to reduce any future impact of these potentially damaging new taxes. Western Areas has also diversified the nickel exploration portfolio to include a range of exciting new projects in stable mining jurisdictions, in Australia, Canada and Finland. This is expected to provide the company with protection against any future sovereign risk.

Importantly, the Company is maintaining a good safety record in all operations and this is constantly reviewed for improvement. We maintain a high level of safety training for staff and contractors with a focus on occupational health for site based employees. Western Areas also maintains the highest possible environmental standards in its operations from exploration and mining to exporting nickel concentrate to China.

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

Western Areas is also proud to be associated with the Craig Oliver Award which is presented annually to outstanding mining companies which excel in a wide range of exploration and mining related activities. The award is named after Craig Oliver, Western Areas Finance Director who passed away in June 2010.

The inaugural Craig Oliver Award was awarded to Independence Group NL in February 2011.

Western areas takes its social responsibilities seriously and to this end supports a number of community initiatives in Perth and close to our operations at Forrestania. Examples of these include donations to the Hyden Respite Centre, and support of the eradication of feral animals which prey on the local Fauna. Furthermore, the company is a principal sponsor of the Northern Quoll exhibit at the Perth Zoo. Part of this sponsorship results in admission passes to the zoo which the company donates to The Starlight Children's Foundation.

I would also like to thank our board and our many staff, contractors, directors and consultants for your contribution to what has been a very successful period of growth in the Company over the past 12 months. Much as I would like to single out a few individuals for mention, this is not possible because of the large number of people who would appear on that list! The professionalism, morale, team work, camaraderie, humour and pride shown by everyone involved in Western Areas makes my job a pleasure. I would also like to wish retiring Director David Cooper all the very best for the future.

To summarise, I am able to report to shareholders that your Company owns many outstanding assets which are managed by a wonderful team of committed professionals.

Thank you for your support.

Julian Hanna  
Managing Director



# Operations Review

## Group Overview

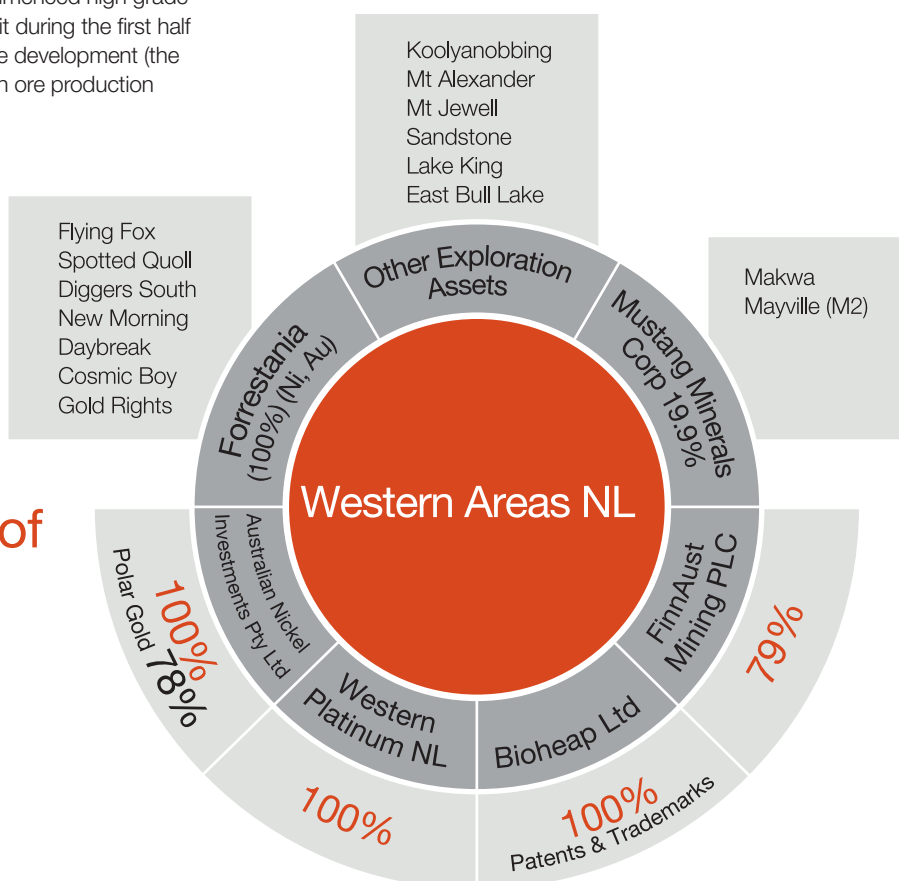
Western Areas is an Australian-based nickel miner listed on the ASX and TSX. The main asset is the 100% owned Forrestania Nickel Project, 400km east of Perth. Western Areas is targeting total annual production from the Flying Fox and Spotted Quoll mines of 27,000t nickel in ore from FY 2011/12. Western Areas is a very active nickel explorer in Western Australia, Canada 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 first half of 2010. The Spotted Quoll underground mine development (the Hanna Decline) commenced in April 2011 with ore production scheduled in late 2011.

Active exploration programs at other major deposits namely 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:



“Flying Fox is one of the highest grade nickel mines in Australia.”







WSA Environmental team and Golden Gecko Panel at Spotted Quoll

## Forrestania Safety

Forrestania senior management has continued to support and encourage a culture of incident reporting throughout the year. There have been great improvements in the numbers of hazards and incidents reported from all work areas.

The safety team is active in all areas conducting various planned safety audits with Safety & Health representatives, conducting inspections and audits in their specific work areas. The safety team liaises regularly with departmental managers to ensure action items arising from the inspections, audits and incidents are resolved in a timely manner.

Safety training continues to meet the site's needs. Various courses have been organised on site and have included; incident investigation, safe operation of skid steer loaders, forklifts and telehandlers, safe work at heights, safe work in confined spaces, safe chainsaw operation and fire extinguisher use. A recent addition to the safety training arsenal are a series of online training videos, produced by Vocam.

The Emergency Response Team continues training to develop a variety of skills. Representatives of the Forrestania ERT joined St Barbara ERT to enter the 2011 Surface Mines Rescue competition in Kalgoorlie.

The Forrestania Operations recorded 5 lost time injuries in the year 2010/2011. The year finished with 30 Lost Time Injury Free days to 30<sup>th</sup> June 2011.

Western Areas LTI frequency rate rose to 4.5 in December 2010 and trended downwards to 4.2 by 30<sup>th</sup> June 2011. The Nickel Industry LTIFR is at 2.4 (2008-2009 published figures) with the all mining rate at 2.8.

## Forrestania Environmental Activities

A high standard of environmental management has been maintained at the Forrestania Operations for the reporting year with all activities compliant with statutory regulations and licence conditions. Some of the notable environmental undertakings onsite for the year include the following:

- Continuation of the development of an innovative approach, working with Atmos Australia Pty Ltd, using the ATMOS -5D(TM) to solve a challenging and complex environmental problem of avoiding or minimising adverse dust impacts at an environmentally significant area located in the close proximity of the Spotted Quoll Pit at Forrestania. The innovative risk based approach has been recognised with selection to the final 11 applicants for the prestigious Golden Gecko Award for Environmental Excellence in the mining industry of W.A.;
- A commitment to continue with sponsorship of various conservation initiatives within the Forrestania area and regional Western Australia. These commitments include an extension to the sponsorship of the Eastern Wheatbelt Biosecurity Group to assist the local community in dealing with the serious environmental and economical threat posed by feral animals in the area, particularly wild dogs; renewal of the agreement with the Perth Zoo to continue sponsorship of the Northern Quoll exhibit; a continuation of our sponsorship of 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;
- Voluntary reporting of greenhouse gas emissions, and assessment of climate change risks and opportunities has been undertaken through the international Carbon Disclosure Project (CDP). Participation in the CDP provides a valuable tool for analysis of climate change related risks and opportunities affecting our environmental performance;
- Baseline flora surveys have been completed for State and Federal environmental approvals for a proposed internal haul road linking the Flying Fox and Spotted Quoll mines to the Cosmic Boy Concentrator. The approvals are currently being assessed;
- Significant progressive rehabilitation has been undertaken at both the Spotted Quoll and Flying Fox mine sites plus other locations at the Forrestania Operations, a total of 18,000 native seedlings have been planted and 30kg of provenance seed has been sown to date.







Spotted Quoll Hanna Decline portal

## Flying Fox Mine

The Flying Fox main decline has now advanced to a depth of 1,091m below surface, with total decline development now at 7.5km (Figure 1). At present approximately 19.1km of capital mine development has been completed at Flying Fox, with total development at approximately 30.7km. Decline capital development has successfully reached a depth that allows full access to all reserve ore levels, whilst continuation of this heading later in the year will provide further access to an additional two levels in T5.

Development of the T4 ore body is almost complete, whilst numerous levels of the T5 ore body are currently being developed with additional levels remaining. Production activities in the T4 and T5 areas are also in progress, whilst the remaining production reserves in the crown pillar of the T1 ore body will be extracted in the coming quarter.

A combination of mechanised and manual production techniques are now being utilised throughout the mine to best extract the highest grades from the various ore sources. The recent use of airleg mining methods is being successfully implemented in marginal areas of the T4 ore body. Total production hoist this year will see an emphasis on ore sourced from production rather than development activities. Western Areas will continue to deliver a contracted 50,000tns of ore per annum from the Lounge Lizard tenement on behalf of Kagara Ltd.

The excavation of the new fresh air intake shafts has been successfully completed and will be commissioned in the coming quarter. This key mine infrastructure will provide sufficient quantity and quality of primary ventilation to ensure production schedules can be achieved into the future.

No major geotechnical issues have occurred throughout the year and mine dewatering quantities have remained at low, constant levels.

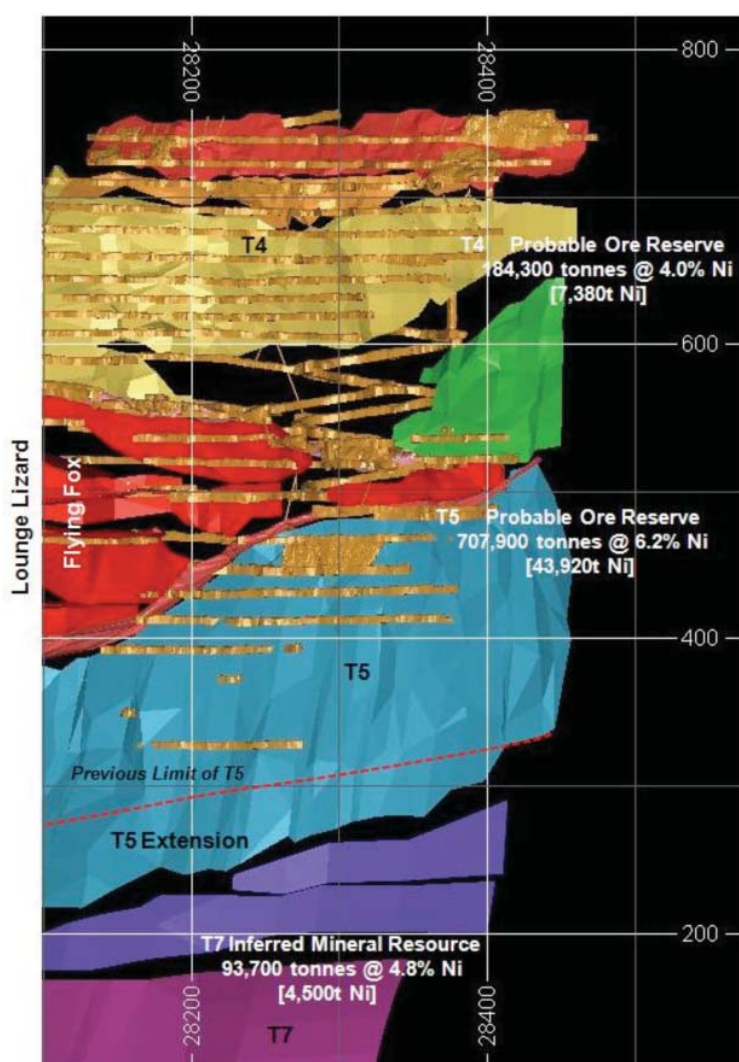


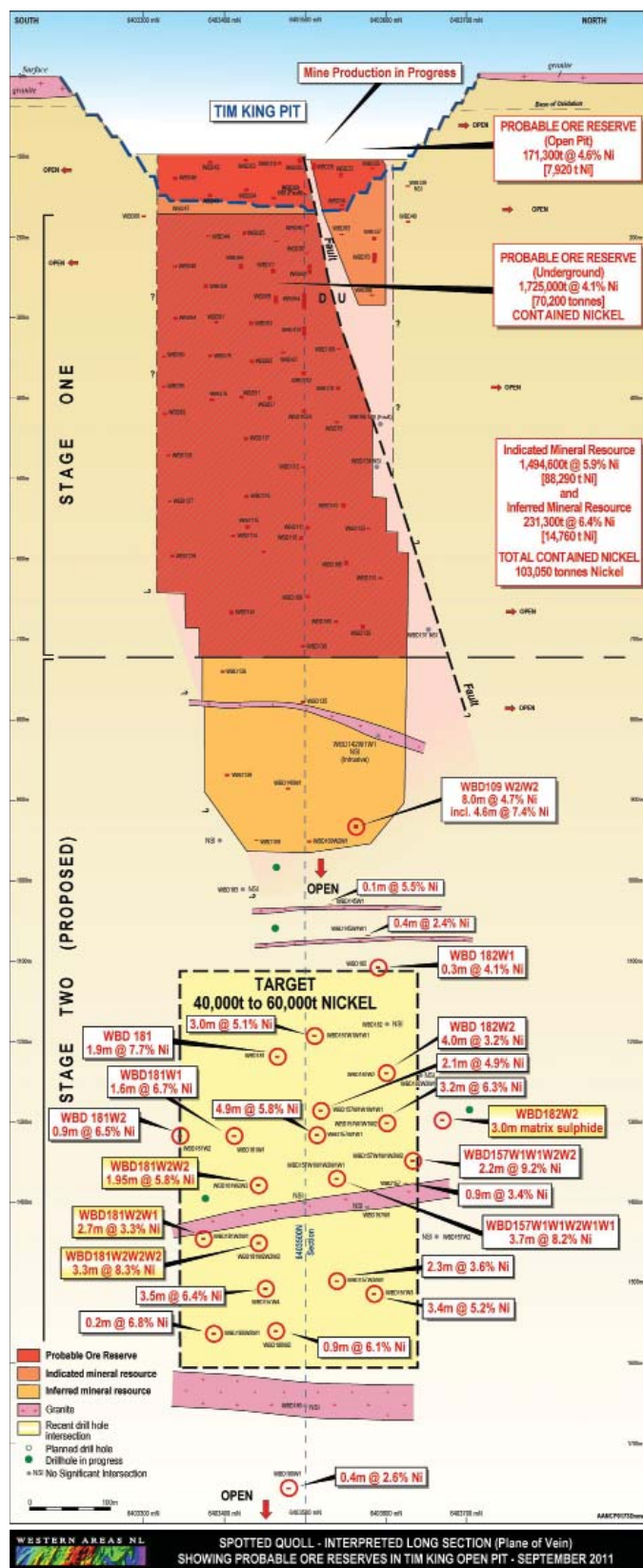
Figure 1: Flying Fox Interpreted Long Section

460N Ore Drive T5 – 5.0m Width / Face Grade 7.6%



345N Ore Access T5 – 10m Width / Face Grade 8.1%







## Mining And Cosmic Boy Mill Production

**Table 1:** Production Statistics

Tonnes Mined		2010/2011				FYTD
		Sep Qtr	Dec Qtr	Mar Qtr	Jun Qtr	Total
<b>Flying Fox</b>						
Ore Tonnes Mined	Tns	84,935	96,635	77,205	88,873	347,648
Grade	Ni %	4.0%	4.6%	5.4%	4.8%	4.7%
Ni Tonnes Mined	Tns	3,363	4,459	4,132	4,236	16,190
<b>Spotted Quoll</b>						
Ore Tonnes Mined	Tns	66,978	56,696	53,819	69,133	246,626
Grade	Ni %	7.4%	6.2%	6.1%	6.3%	6.5%
Ni Tonnes Mined	Tns	4,939	3,500	3,268	4,325	16,032
<b>Total - Ore Tonnes Mined</b>						
Total - Ore Tonnes Mined	Tns	151,913	153,331	131,024	158,006	594,274
Grade	Ni %	5.5%	5.2%	5.6%	5.4%	5.4%
<b>Total Ni Tonnes Mined</b>	<b>Tns</b>	<b>8,302</b>	<b>7,959</b>	<b>7,400</b>	<b>8,561</b>	<b>32,222</b>
Tonnes Milled and Sold		Sep Qtr	Dec Qtr	Mar Qtr	Jun Qtr	Total
Ore Processed	Tns	131,542	123,027	126,383	138,513	519,465
Grade	%	5.7%	5.4%	5.4%	5.3%	5.4%
Ave. Recovery	%	89%	90%	92%	93%	91%
<b>Ni Tonnes in Concentrate</b>	<b>Tns</b>	<b>6,678</b>	<b>5,976</b>	<b>6,226</b>	<b>6,783</b>	<b>25,663</b>
Ni Tonnes in Concentrate Sold	Tns	6,151	5,594	6,813	6,497	25,055
Ni Tonnes in Ore Sold	Tns	987	507	119	830	2,443
<b>Total Nickel Sold</b>	<b>Tns</b>	<b>7,138</b>	<b>6,101</b>	<b>6,932</b>	<b>7,327</b>	<b>27,498</b>
Stockpiles		Sep Qtr	Dec Qtr	Mar Qtr	Jun Qtr	Total
Ore	Tns	73,293	92,405	91,599	97,334	
Grade	%	4.6%	4.4%	4.8%	5.1%	
Concentrate	Tns	11,386	13,052	7,047	8,653	
Grade	%	14.1%	14.1%	14.0%	14.1%	
Contained Ni in Stockpiles	Tns	4,977	5,906	5,418	6,169	
Financial Statistics		Sep Qtr	Dec Qtr	Mar Qtr	Jun Qtr	Total
Group Production Cost/lb						
Mining Cost (*)	A\$/lb	1.36	1.36	1.66	1.72	1.53
Haulage	A\$/lb	0.07	0.08	0.09	0.08	0.08
Milling	A\$/lb	0.37	0.40	0.33	0.39	0.37
Admin	A\$/lb	0.15	0.19	0.17	0.14	0.16
By Product Credits	A\$/lb	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)
Cash Cost Ni in Con (**)	A\$/lb	1.93	2.01	2.23	2.31	2.12
<b>Cash Cost Ni in Con/lb (***)</b>	<b>US\$/lb (**)</b>	<b>1.74</b>	<b>1.99</b>	<b>2.24</b>	<b>2.45</b>	<b>2.11</b>
Exchange Rate US\$ / A\$		0.90	0.99	1.00	1.06	0.99

(\*) 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\$1.06)

(\*\*\*) 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.

Note. All reported numbers in this table exclude Lounge Lizard.





## Flying Fox Production

During the year a total of 347,648 ore tonnes was mined at an average grade of 4.7% nickel for 16,190 contained nickel tonnes. A significant production milestone was achieved in mid-June when the 'One Millionth Tonne' of ore was mined from the Flying Fox mine.

## Spotted Quoll Production

During the year a total of 246,626tns of ore was mined at a grade of 6.5% nickel for 16,032 nickel tonnes.

## Cosmic Boy Mill Production

The Cosmic Boy concentrator successfully commissioned its 550 ktpa upgrade during May 2010. For the Financial year 2011 the Concentrator treated 557,666tns of ore at 5.30% nickel. This produced 188,211tns of concentrate grading 14.3% nickel for 26,838 nickel tonnes recovered. The recovery for the concentrator over the year was 90.7%. The milled tonnage included 38,201tns of Lounge Lizard ore.

The annual cash cost of nickel in concentrate was US\$2.11/lb which puts Western Areas as one of the lowest cost nickel miners in Australia. During the year Western Areas commenced the export of nickel concentrate to Jinchuan. The first shipment occurred in July 2010.

For the FY 2011 a total of 78,645tns of concentrate was delivered to BHPB and 114,306tns delivered to Jinchuan with 10,951 and 14,763 contained nickel tonnes respectively. In addition 2,443tns of nickel in ore were sold to Minara for the year. A one off shipment to Xstrata consisting of 4002tns of concentrate containing 518tns of nickel was also concluded.

At the end of the financial year there were significant nickel concentrate stocks awaiting shipping. This nickel inventory is scheduled to be sold to the Company's customers over the first half of the coming financial year.

## Nickel Sales

Delivery of concentrate from the Cosmic Boy concentrator to BHPB's smelter at Kambalda and Jinchuan's smelter in China continued during the year. A total of 188,984tns of concentrate was delivered into the offtake contracts during FY 2010/11. This concentrate contained a total of 26,240tns of nickel (inclusive of Lounge Lizard concentrate).

The year end concentrate stockpile at Cosmic Boy stands at 8,653tns at a grade of 14.1% nickel containing 1,061tns of nickel metal. On 8 June 2011, the company announced that it had exported 100,000tns of concentrate through the Esperance port to Jinchuan over a period of 10 months. As a result of the additional concentrate movement, the Jinchuan offtake contract is now scheduled to be completed in the March quarter 2012.

## Flying Fox Ore Reserves / Mineral Resources

During the past 12 months underground drilling at Flying Fox has been primarily directed towards the infilling of and extension of the T5 deposit, with some additional infill drilling also completed within the T4 deposit. In addition, infill drill programmes were undertaken to further delineate the mineralisation within the Lounge Lizard tenement.

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 2011, along with modelling of the adjoining Lounge Lizard (Kagara Ltd) mineralisation. The updated resource models will be used as the basis for the ongoing updating of the Life of Mine design and schedule for Flying Fox.

### High Grade Mineral Resource Estimates for Flying Fox, depleted for mining as at 30 June 2011:

	Tonnes (tns)	Grade (% Ni)	Ni Metal (tns)	
T1 South	70,400	4.0%	2,820	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	234,300	4.9%	11,400	Indicated Mineral Resource
	23,200	3.9%	920	Inferred Mineral Resource
T5	966,800	6.0%	57,940	Indicated Mineral Resource
	24,500	4.5%	1,110	Inferred Mineral Resource
T7	93,700	4.8%	4,500	Inferred Mineral Resource
Total Indicated Resource	1,316,900	5.6%	74,060	
Total Inferred Resource	189,300	4.7%	8,860	
<b>Total Flying Fox</b>	<b>1,506,200</b>	<b>5.5%</b>	<b>82,920</b>	

### The updated Ore Reserve Estimates for Flying Fox, depleted for mining as at 30 June 2011:

	Tonnes (tns)	Grade (% Ni)	Ni Metal (tns)	
T1 South	4,100	2.8%	110	Probable Ore Reserve
T4	184,300	4.0%	7,380	Probable Ore Reserve
T5	707,900	6.2%	43,920	Probable Ore Reserve
<b>Total Flying Fox</b>	<b>896,300</b>	<b>5.7%</b>	<b>51,410</b>	

A new Ore Reserve estimate has not yet been calculated using the updated Mineral Resource model.



## Spotted Quoll Ore Reserves / Mineral Resources

Mining in the open pit continued throughout the year, excavating both Supergene and Transition mineralisation. In-pit grade control reverse circulation drilling was undertaken periodically to better define the ore for mining. The grade control drilling continued to define significant extensions to the mineralisation outside of the Mineral Resource model.

Project to date, the open pit has very significantly yielded 44% more nickel metal tonnes in ore mined than the depleted portion of the Ore Reserve. An allocated ore hoist of 288,900tns at a grade of 6.1% nickel for 17,670tns contained nickel has been achieved project to date, compared to an Ore Reserve depletion of 221,200tns at a grade of 5.5% nickel for 12,230tns contained nickel. The majority of the extra tonnes have been delineated from the higher grade North Lode, where very thick mineralisation wraps along two bounding cross-cutting fault structures.

Surface diamond drilling is ongoing to delineate the mineralisation within the potential Stage Two underground mining area. Results to date appear to be in line with the original exploration target of 40,000 to 60,000tns of contained nickel metal for the zone being tested.

### The updated combined Mineral Resource Estimates for Spotted Quoll, depleted for mining as at 30 June 2011 are tabulated below:

	Tonnes (tns)	Grade (% Ni)	Ni Metal (tns)	
	1,494,600	5.9%	88,290	Indicated Mineral Resource
	231,300	6.4%	14,760	Inferred Mineral Resource
<b>Total Spotted Quoll</b>	<b>1,725,900</b>	<b>6.0%</b>	<b>103,050</b>	

### The updated combined Ore Reserve Estimates for Spotted Quoll, depleted for mining as at 30 June 2011 are tabulated below:

	Tonnes (tns)	Grade (% Ni)	Ni Metal (tns)	
Open Pit	171,300	4.6%	7,920	Probable Ore Reserve
Underground	1,725,000	4.1%	70,200	Probable Ore Reserve
<b>Total Spotted Quoll</b>	<b>1,896,300</b>	<b>4.1%</b>	<b>78,120</b>	

## BioHeap™

Initial testing on samples from Diggers Rocks, New Morning and tailings from the Cosmic Boy nickel concentrator has been successfully completed. The outcomes of the study were considered to be very encouraging:

Stage 1: A desktop study considering a hydrometallurgical processing facility for the Cosmic Boy concentrator plant, Digger South and New Morning deposits has been concluded. The study recommended more detailed investigation into several areas of interest. A project execution plan for Stage 2 is currently being prepared.

Stage 2: Will evaluate optimisation of the current operations, long term ore scheduling and examine a range of alternative processing options with the aim of maximizing profitability and operational life. Options to be studied will include partial and total concentrate leaching and offtake of low quality concentrate to third parties with a view to increase overall nickel recovery. Additional work to review the possible treatment options for low grade deposits within Forrestania Nickel Project (FNP) will also be captured under this project.

Western Areas is in the process of upgrading laboratory facilities to accommodate future BioHeap™ research and test work requirements. Research and development into key areas of the technology continues, with the aim of broadening the scope of application of BioHeap™. Interest has been received from several offshore resource companies to conduct testwork using BioHeap™.

The Company is considering a number of options to expand Western Areas' 100% owned BioHeap™ business both in Australia and offshore.

Further metallurgical testwork is being conducted on samples of nickel/zinc/copper sulphide ore from the Rautavaara 'R1' deposit in Finland. This work consists of producing a low grade concentrate using conventional flotation followed by tank leaching of this concentrate using BioHeap™.

## Infrastructure

The Cosmic Boy to Diggers Rocks de-watering pipeline was a completed during the year. This pipeline forms a major part of the dewatering backbone that allows water to be pumped from the Spotted Quoll and Flying Fox projects down to the Diggers Rocks and Mossco Farm evaporation ponds.

Additional electrical capacity has been installed by Western Power for the Spotted Quoll mine and Mill expansion.

A total of 82 hectares of evaporation ponds were completed using civil engineering and earthworks contractors Piacentini. Three large ponds capable of evaporating 50 litres of water per second are the end point of a dewatering network that Western Areas has been building over the past four years. The template for further extensions of the ponds is now in place and approvals have been granted to build a further three ponds should they be required.



## Forrestania 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

### Spotted Quoll

At Spotted Quoll a major resource extension drilling program is underway testing below the Stage One ore reserve, with two diamond drill rigs testing the Stage Two resource area and a third drill rig testing below the Stage One ore reserve (Figure 2). Western Areas has set a new exploration target in the Stage Two extension at Spotted Quoll of between 40,000tns to 60,000tns contained nickel. If this is achieved, potential exists for a significant increase to both mine life and annual production rate from the planned underground mine. Drilling indicates high grade nickel mineralisation extends up to 1,700m down dip (1,200m vertical depth) below the current open pit, confirming the exceptional continuity of the deposit at depth.

Drill holes testing the northern, southern and upper margins of the Stage Two target area have returned recent intersections including **3.7m @ 8.2% nickel, 2.2m @ 9.2% nickel, 3.2m @ 6.3% nickel, 3.3m @ 8.3% nickel and 1.9m @ 7.7% nickel**. Drilling has defined an apparent thickening of the mineralisation to the north. Further drilling will continue to test the extent and continuity of mineralisation intersected in recent drill holes.

### Flying Fox

Surface and underground diamond drilling continued to test for deeper resource extensions to the T6, T7 and potentially T8 sulphide zones at Flying Fox.

A second wedge was drilled from a surface drill hole FFD198W1W1 which targeted an EM anomaly interpreted to extend below the T6 deposit. Although no significant mineralisation was intersected in the drill hole, multiple downhole EM anomalies in FFD198W1W1 suggest the T6 mineralisation may be more extensive than indicated in previous drilling. Flying Fox drilling will continue during the September quarter to test the EM anomalies and the T7 and T8 positions south of the current drilling.

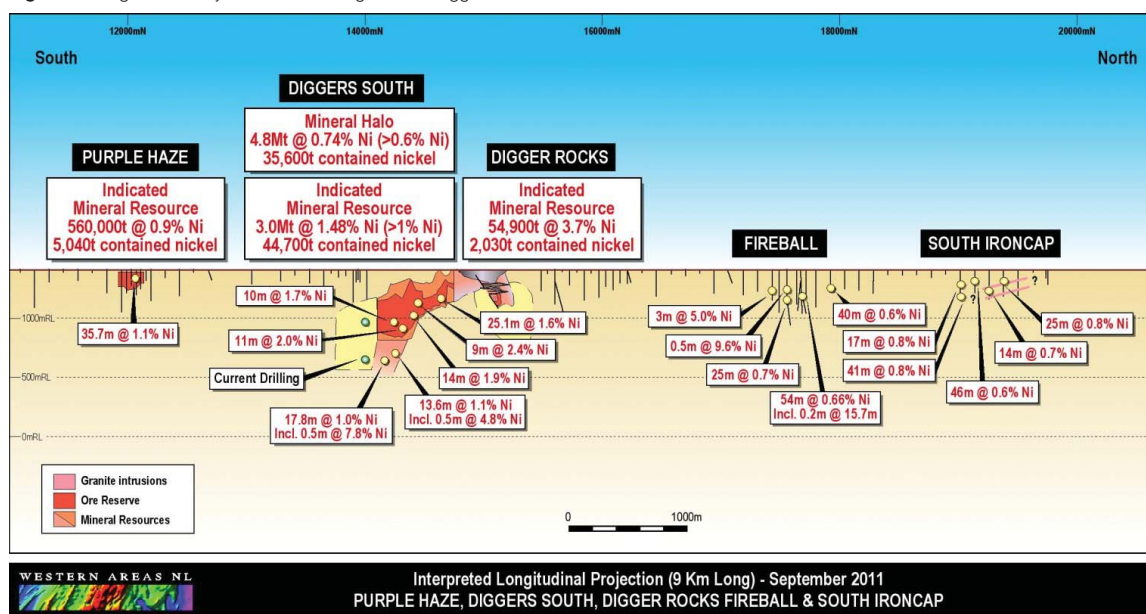
### Forrestania Project Region Exploration

Exploration activities at other prospects in the Forrestania Project region which have the potential to host new sulphide deposits were undertaken. These prospects include Sibelius (8.5km south east of Spotted Quoll), North Endeavour (8km south of Cosmic Boy), Diggers South (8km south of Cosmic Boy), Purple Haze (22km south of Cosmic Boy), Hatters Hill (34km south of Cosmic Boy), and Mt Gibb (30km south of Diggers South).

A number of potentially significant drill hole intersections were made at several of the prospects. The most significant result was in **drill hole SID19 at South Iron Cap which intersected 40.5m @ 0.8% Ni from 255.5m down hole depth**. Previous drilling at South Iron Cap is generally widely spaced and further drilling will be undertaken to define the significance of this wide zone of sulphide mineralisation. South Iron Cap is located approximately 3km north of the large Diggers South deposit.

Drilling commenced to test extensions south of the large Diggers South deposit. The initial drilling traverse, approximately 200m south of previous drilling, is testing extensions to the existing mineral resource (3Mt @ 1.5% Ni) as well as the potential for high grade mineralisation at depth. The most southerly drill hole at Diggers South drilled previously (SED235W2W1) intersected **0.5m @ 7.8% nickel** from 822.2m down hole depth.

Figure 3: Longitudinal Projection of 8km long zone at Diggers South.





### Mt Gibb (WSA earning 70% interest)

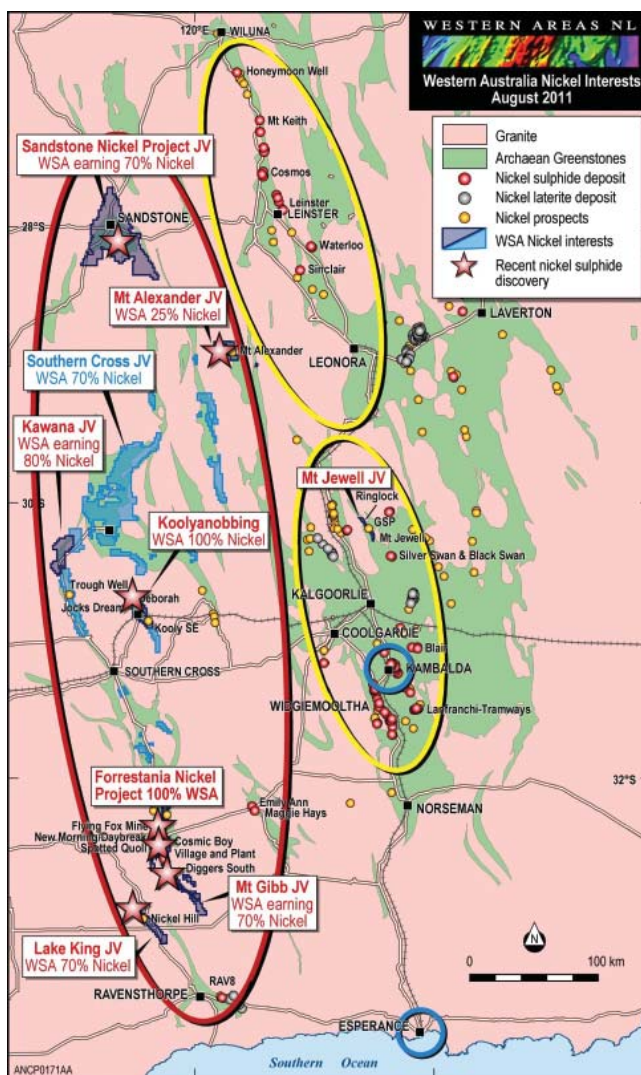
Western Areas has entered into agreement with Great Western Exploration Limited to explore the company's Mt Gibb Project, which comprises a total of 303km<sup>2</sup> of area in the Forrestania region. The bulk of the Project area lies along the south-eastern margin of Western Areas Forrestania tenements. Work by Great Western indicates that the greenstone belt extends 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 is now scheduled to commence now that the requisite approvals have been received.

### Regional Exploration

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

Figure 4: Regional geology showing WSA interests



**“Western Areas holds interests in seven nickel projects (excluding Forrestania) which are all considered to have excellent potential for new nickel discoveries”**





### 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 a large area (approximately 25km by 15km) which covers what is considered to be a highly prospective ultramafic sequence with minimal previous nickel exploration. There is limited outcrop or previous nickel drilling outside the central portion of the JV Project area. The Sandstone JV Project is located 400km north of Western Areas' 100% owned Forrestania Nickel Project.

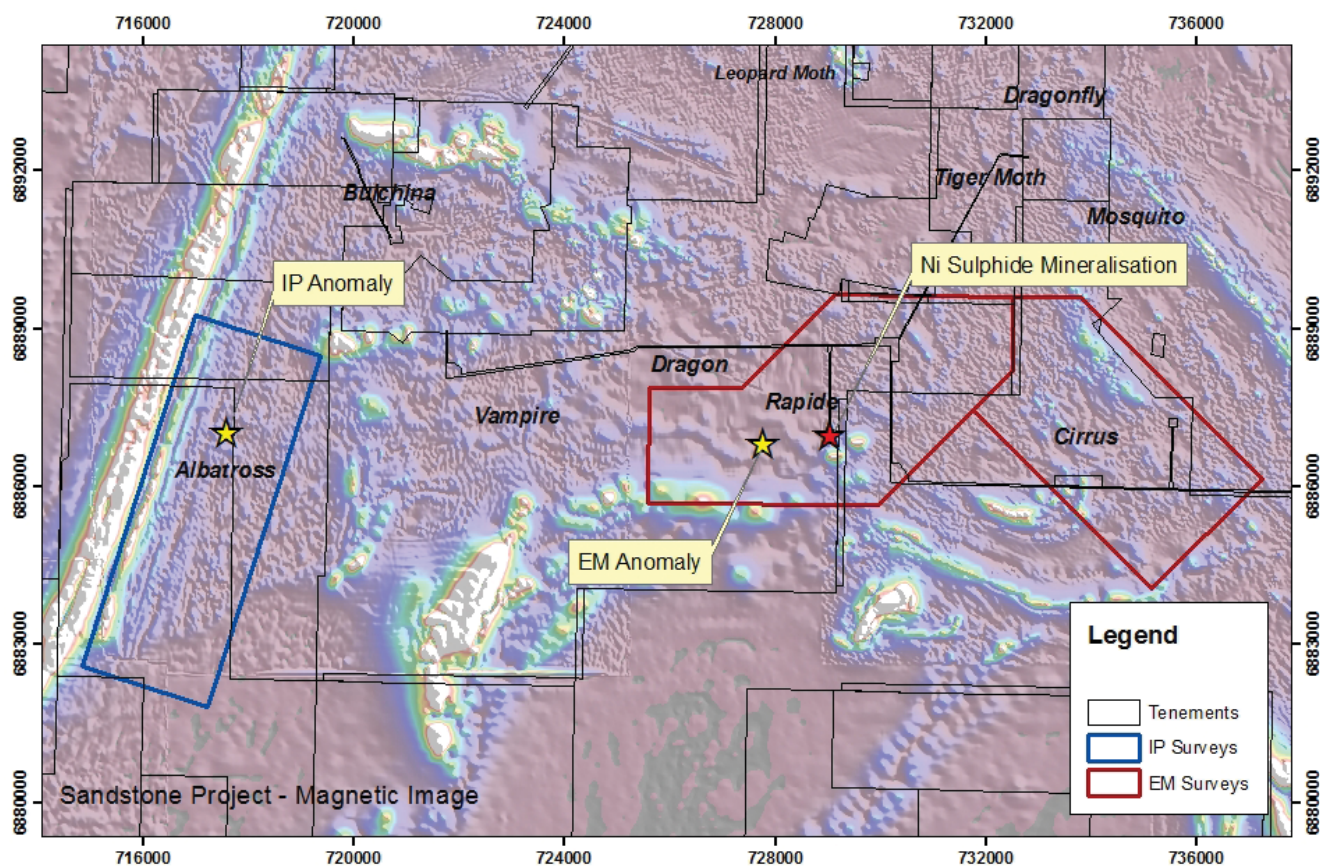
The shallow aircore drilling program has continued to test areas of cumulate ultramafic stratigraphy which hosts nickel sulphide mineralisation similar to that intersected at the Rapide Prospect (previously "Area C"). On 8th March 2010 Western Areas announced that diamond drill hole WAD002 had intersected disseminated and vein style sulphides over a wide interval at Rapide. 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. An EM Survey of this area in September 2011 defined a discrete EM Anomaly 1.7km west of WAD002.

Results from the RAB drilling are encouraging and confirm that the prospective ultramafic sequence is more extensive than previously thought. The drill results and regional mapping is helping define the geology of the project area to define targets that are prospective for nickel sulphide mineralisation. Assay results continue to be received and are compiled together with the results of the geological and geophysical activities to define areas for further drilling.

Results from Induced Polarisation (IP) surveys completed over the south-eastern part of the project area have been processed and interpreted. The survey has revealed a number of weakly chargeable anomalies along strike from the known prospective ultramafic stratigraphy. A discrete IP Anomaly has also been defined 9.5km west of Rapide.

These IP anomalies are planned to be drilled as a priority during the December quarter. The IP survey team will then move to Area M on the western part of the project area to help focus further drilling.

**Figure 5:** Magnetic Image of central part of Sandstone Project showing location of recently defined geophysical anomalies.







### SXG Nickel JV (WSA 70% interest)

WSA have reached agreement with Southern Cross Goldfields Limited (ASX: SXG – “SXG”) to acquire 70% of SXG’s nickel rights across much of its 3,300km<sup>2</sup> tenement holding portfolio in the Marda and Southern Cross regions of Western Australia. The SXG tenement package covers the north western portion of the Southern Cross-Bullfinch Greenstone Belt within the ‘Central Yilgarn Nickel Province’.

Initial work is proposed to commence within the Bullfinch North area, where previous exploration resulted in the identification of multiple nickel sulphide targets including Trough Well, Lady Agnes and Sirius. At Trough Well, previous drilling intersected several zones of nickel sulphides over a strike length of 800m within a classic Kambalda-style setting. Intercepts include historic shallow intercepts of 14m @ 2.74% Ni, and 5m @ 2.4% Ni and more recently drilled deeper 20m @ 0.62% Ni including 4m @ 1.41% Ni.

### Lake King JV (WSA 70%)

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.

Initial aircore drill testing (71 drill holes) of a number of prospective geophysical targets returned anomalous shallow nickel intersections, mainly north west of the previously drilled Nickel Hill prospect. Drilling of the targets with deeper reverse circulation drilling (7 holes for 1258m) and diamond drilling (3 holes for 355.3m) confirmed that the nickel sulphide host sequence (olivine cumulates) at Nickel Hill, extends 10km north of Nickel Hill, and along a separate belt 6km to the south of Nickel Hill.

### Kawana JV (WSA earning 80%)

Western Areas entered into an agreement to explore the Kawana Project, which comprises 270km<sup>2</sup> in area. The Kawana tenements are located approximately 250km north west of Western Areas Forrestania operations and about 60km 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.

Drill testing of a number of bedrock electromagnetic (EM) conductors associated with ultramafic units at the Wild West and Twilight prospects showed the source to these anomalies was barren massive iron sulphides. However the intersection of ultramafic rocks at the Quartz Ridge and Wild West prospects in the drilling indicates further work is required to evaluate the potential of these prospects.

### Koolyanobbing JV (WSA 100% of nickel rights)

The Koolyanobbing project is located 50km north-east of Southern Cross and incorporates a number of prospects at various stages of exploration maturity. The Project covers portions of the northern area of the Southern Cross Greenstone Belt and has been subject to intermittent nickel exploration in the past.

Previous diamond drilling at the **Jocks Dream** prospect 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. These intersections occur with a 500m long nickel sulphide zone discovered in the 1970s and extended by Western Areas. The previous data has been assessed and modelled by the Forrestania mine geologists. Further reassessment of old surface electromagnetic (TEM) and magnetic data is in progress with the aim of defining the extent of known mineralisation and generating new deeper drill targets.

Although the nickel sulphide intersections at Jocks Dream to date are narrow, the high grade results provide further encouragement on the prospectivity of this project and the potential for a discovery below the area of previous drilling. The drilling target is primary massive nickel sulphide mineralisation in structurally controlled deposits similar to Spotted Quoll.

## FinnAust Mining Plc

### Background

Western Areas currently owns 79% of FinnAust Mining Plc with the other 21% owned by Finland based exploration company, Magnus Minerals. FinnAust has extensive holdings covering six exploration projects in the Kainuu Schist Belt, three exploration projects in the adjacent Outokumpu Belt and one exploration project covering a large intrusive complex 100km west of Outokumpu in central Finland. FinnAust considers this region may represent a major metal province with potential to host multiple base metal deposits.

In 2010, Western Areas conducted shallow drilling of a number of targets in the Kainuu Schist Belt and confirmed several widespread occurrences of ‘Talvivaara Type’ sulphide mineralisation on FinnAust projects. The aim of the current drilling program is to identify potential areas with wide zones of sulphide mineralisation, then conduct resource drilling with the target to define significant mineral resources at shallow depth.

FinnAust has identified over 50 exploration targets in nine different project areas within the Kainuu and Outokumpu - Savonranta Belts. These targets have potential for the following mineral deposit types:

- |                                       |                          |
|---------------------------------------|--------------------------|
| 1. Talvivaara Type                    | (nickel / zinc / copper) |
| 2. Outokumpu Type                     | (copper)                 |
| 3. Volcanogenic Massive Sulphide Type | (copper / zinc / silver) |
| 4. Gabbro hosted Type                 | (nickel / copper / PGM)  |





The current FinnAust drilling program is focused on a range of targets for Talvivaara Type, Outokumpu Type and Gabbro mineralisation. In addition, the 2011 program will include geophysical surveys over other targets, metallurgical test work of a range of different ore types and resource drilling programs.

FinnAust's other main exploration focus is to identify targets with potential for 'Outokumpu Type' massive sulphide mineralisation. The historic Outokumpu mine 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. FinnAust has tenements in the immediate area of the Outokumpu mine and 20km south in the Savonranta area.

### Current Drilling Program

Resource extension drilling has been completed at the Rautavaara R1 deposit where an initial Mineral Resource estimate of 65,300tns contained nickel was announced in Western Areas' March 2011 quarterly activities report. Recent drilling has indicated the zone of mineralisation defined in the initial Mineral Resource is folded, and could extend under the areas drilled previously. The Company's target is to define >100,000tns contained nickel at R1 and a revised Mineral Resource is expected in the December quarter 2011.

Initial, widely spaced drilling has also been conducted at the Hakonen H1 target located approximately 3km east of Talvivaara. This drilling confirmed the widespread occurrence of sulphide mineralized black schist with highly elevated zinc assays. Further drilling is required in this area to identify potential thickening of the mineralisation.

Drilling is planned to commence in the Paltamo project area (60km north of Talvivaara) to test the 2km long Paltamo P5 target. Widely spaced, historic drilling intersected strong nickel/zinc sulphide mineralisation at P5.

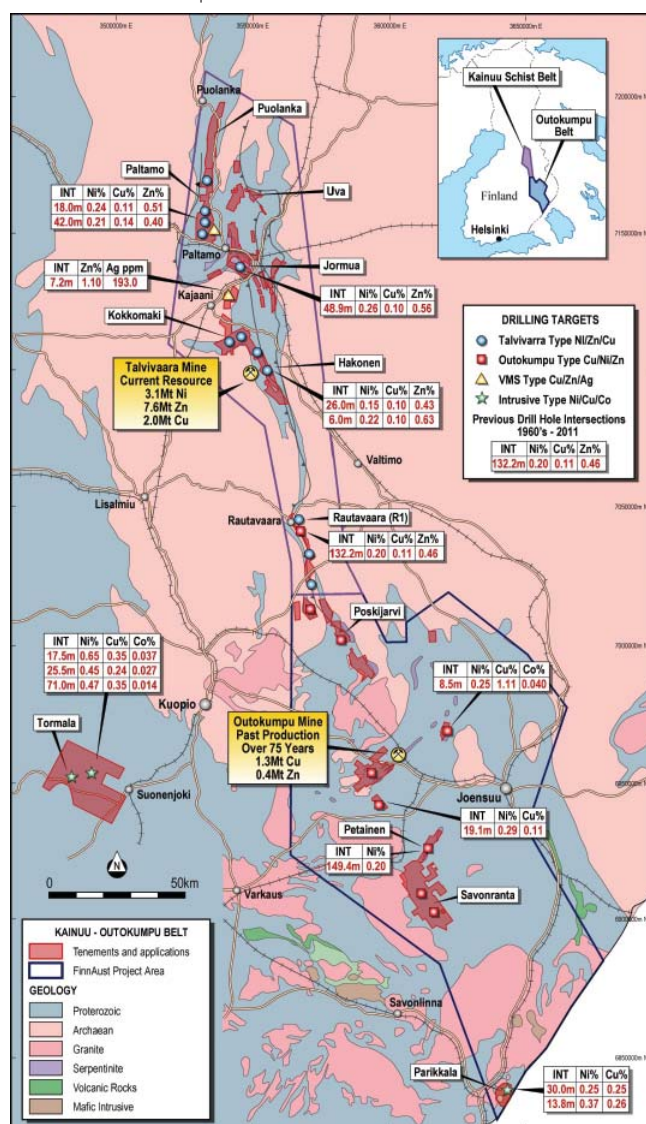
### FinnAust Listing Process

The initial formal meeting for the proposed FinnAust Mining Plc listing on the London AIM market was held in London in June. The target is for FinnAust to list within 12 months from the first meeting, probably in February 2012. The final decision to proceed with the listing and the timing of the listing will be conditional on the market and advice from FinnAust's London based advisors.

A number of parties have been appointed to support the listing process. Grant Thornton is FinnAust's Nominated Advisor, Numis Securities is the Broker to the issue, SRK is conducting the Competent Person's Report and London and Helsinki based lawyers and accountants have also been appointed.

FinnAust has appointed Mr Urpo Kuronen as the CEO for FinnAust Mining Plc. Mr Kuronen is based in Finland and has over 30 years experience working as a geologist on nickel and base metal exploration and development projects. This includes 20 years in a wide range of senior roles working for Outokumpu and 10 years in Australia. Mr Julian Hanna has been appointed as Chairman and Mr Graham Marshall, (Western Areas' Commercial Manager) and Dr Sami Siiskonen (Magnus director and shareholder) are also directors. A non executive director with a banking or financing background is also being recruited.

**Figure 6:** Plan showing FinnAust Mining holdings Finland and location of Talvivaara and Outokumpu mines.





## Canadian Exploration

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

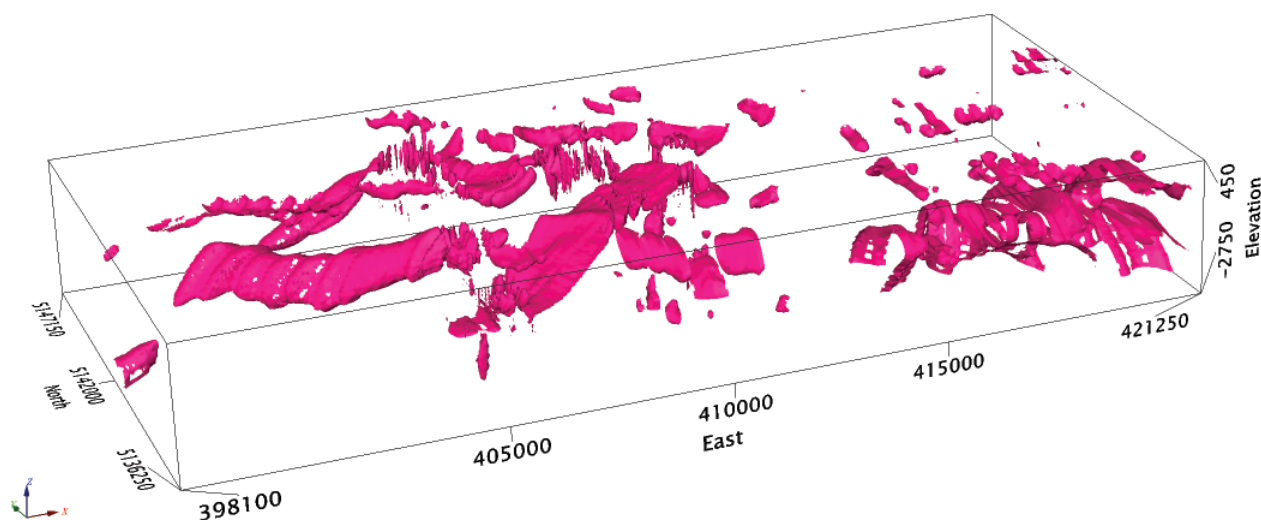
Western Areas has a joint venture with Mustang Minerals (TSX:MUM) to explore the East Bull Lake Project. East Bull Lake is a 20km long mafic intrusive complex which consists of two separate zoned intrusions joined by a 5km long feeder dyke. The project is considered to have excellent potential to host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

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

A ZTEM (z-axis tipper electromagnetic) heliborne survey has been flown over the East Bull Lake intrusive complex.

Preliminary interpretation of the ZTEM data has identified several large ZTEM responses extending from approx 300m and 1500m depth (Figure 7). These responses may represent conductive geological contacts which are interpreted to occur at the base of the western and eastern intrusions. Drilling is required to test the source of these responses and determine if they are associated with sulphide mineralization. A diamond core drilling program is planned to commence in the December quarter as soon as access is finalised.

**Figure 7:** Interpreted ZTEM conductivity iso-surface anomalies within 20km long East Bull Lake intrusive complex





## Resource and Reserve Statement

**Table 2:** Western Areas NL Ore Reserve and Resources

Western Areas NL Ore Reserve / Mineral Resource Table - 30 June 2011				
Deposit	Tonnes	Grade Ni%	Ni Tns	JORC Classification
<b>Ore Reserves</b>				
<b>1. Flying Fox Area</b>				
T1 South	4,100	2.8	110	Probable Ore Reserve
	184,300	4.0	7,380	Probable Ore Reserve
T5	707,900	6.2	43,920	Probable Ore Reserve
<b>2. Spotted Quoll</b>	171,300	4.6	7,920	Probable Ore Reserve
	1,725,000	4.1	70,200	Probable Ore Reserve
<b>3. Diggers Area</b>				
Digger South	2,016,000	1.4	28,950	Probable Ore Reserve
Digger Rocks	93,000	2.0	1,850	Probable Ore Reserve
<b>TOTAL WESTERN AREAS ORE RESERVES</b>	<b>4,901,600</b>	<b>3.3</b>	<b>160,330</b>	<b>Probable Ore Reserve</b>
<b>Mineral Resources</b>				
<b>1. Flying Fox Area</b>				
T1 South	70,400	4.0	2,820	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	234,300	4.9	11,400	Indicated Mineral Resource
	23,200	3.9	920	Inferred Mineral Resource
T5 Massive Zone	966,800	6.0	57,940	Indicated Mineral Resource
	24,500	4.5	1,110	Inferred Mineral Resource
T5 Disseminated Zone	197,200	0.9	1,590	Indicated Mineral Resource
	357,800	1.0	3,460	Inferred Mineral Resource
T7	93,700	4.8	4,500	Inferred Mineral Resource
<b>Total Flying Fox</b>	<b>2,061,200</b>	<b>4.3</b>	<b>87,970</b>	
<b>New Morning / Daybreak</b>				
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
<b>Total New Morning / Daybreak</b>	<b>2,143,900</b>	<b>1.4</b>	<b>30,700</b>	
Spotted Quoll	1,494,600	5.9	88,290	Indicated Mineral Resource
	231,300	6.4	14,760	Inferred Mineral Resource
<b>Total Spotted Quoll</b>	<b>1,725,900</b>	<b>6.0</b>	<b>103,050</b>	
Beautiful Sunday	480,000	1.4	6,720	Indicated Mineral Resource
<b>TOTAL WESTERN BELT</b>	<b>6,411,000</b>	<b>3.6</b>	<b>228,440</b>	
<b>2. Cosmic Boy Area</b>				
Cosmic Boy	180,900	2.8	5,050	Indicated Mineral Resource
Seagull	195,000	2.0	3,900	Indicated Mineral Resource
<b>TOTAL COSMIC BOY AREA</b>	<b>375,900</b>	<b>2.4</b>	<b>8,950</b>	
<b>3. Diggers Area</b>				
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
<b>TOTAL DIGGERS AREA</b>	<b>10,028,200</b>	<b>1.0</b>	<b>99,570</b>	
<b>TOTAL WESTERN AREAS RESOURCES</b>	<b>16,815,100</b>	<b>2.0</b>	<b>336,960</b>	





# Directors' Report

## For the Year Ended 30 June 2011

The Directors of Western Areas NL submit herewith the financial report of the company for the financial year ended 30 June 2011. Unless noted, all amounts in this report refer to Australian dollars. In order to comply with the provisions of the *Corporations Act 2001*, the directors' report follows:

### Information About the Directors and Senior Management

#### Directors

##### **Terry Streeter** 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 is a member of the Remuneration, Nomination, Treasury and Audit & Risk Management Committees.

##### **Julian Hanna** MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER

Mr Hanna is a geologist with over 30 years experience in gold and base metal exploration and mine development. Mr Hanna has a BSc in geology, 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 Committee.

##### **Dan Lougher** 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 the Australasian Institute of Mining & Metallurgy.

##### **David Southam** FINANCE DIRECTOR

Mr Southam is a Certified Practising Accountant with over 20 years' experience in accounting, banking and finance across the resources and industrial sectors. Mr Southam's previous role was Chief Financial Officer of Gindalbie Metals Limited where he was responsible for completing one of Australia's largest project financing transactions in 2010 from China and was instrumental in securing life of mine offtake contracts for the Karara Iron Ore Project. Mr Southam has also held senior finance and accounting positions with Brambles, WMC Resources and ANZ Investment Bank.

##### **David Cooper** NON-EXECUTIVE DIRECTOR

Mr Cooper is a Certified Practising 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** NON-EXECUTIVE DIRECTOR

Mr Dunbar is based in Toronto, Canada and has held a number of senior positions in both the commercial and corporate banking sectors and is currently the President of Mustang Minerals Corp. Mr Dunbar is a member of the Audit & Risk, Nomination, Treasury and Remuneration Committees.

##### **Rick Yeates** NON-EXECUTIVE DIRECTOR

Mr Yeates is a Geologist with more than 29 years mining industry experience in various roles and he has significant experience across a wide range of resource projects around the world. Mr Yeates is familiar with both the ASX and TSX regulatory environments and has had exposure to international resource funds and financial institutions. Mr Yeates is a member of the Remuneration, Nomination, Treasury and Audit & Risk Management Committees.

The above mentioned directors held office during the whole financial year and since the end of the financial year except for Mr D Southam who was appointed on 15 November 2010.

### Directorships of Other Listed Companies

Name	Company	Period of Directorship
Terry Streeter	Midas Resources Limited	Since February 2003
	Fox Resources Limited	Since June 2005
	Minera IRL	Resigned July 2010
Julian Hanna	Mustang Minerals Corp	Since December 2006
Dan Lougher	Mustang Minerals Corp	Since January 2011
Robin Dunbar	Mustang Minerals Corp	Since November 1997
	Lexam VG Gold Inc.	Since September 2005
	Aquila Resources Inc.	Since May 2006
Rick Yeates	Middle Island Resources Ltd	Since March 2010

# Directors' Report continued

## 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:

Name	Ordinary Shares	Share Options \$7.50
Julian Hanna	1,293,987	200,000
Dan Lougher	50,884	200,000
David Cooper	1,000,000	-
David Southam	-	-
Terry Streeter	25,809,410	-
Robin Dunbar	102,500	-
Rick 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.

## Company Secretary

Mr J Belladonna, a Certified Practising Accountant, has been employed at Western Areas NL since 2005, originally as Financial Controller and then as the Company Secretary. Mr Belladonna was appointed as the Chief Financial Officer on 1 July 2010. Mr Belladonna has over 10 years experience in the resources industry including Gold and Base Metals in a range of management positions.

## Remuneration of Directors and Senior Management

Information about the remuneration of directors and senior management is set out in the Remuneration Report of this Directors' Report on page 27.

## Share Options Granted to Directors and Senior Management

There were no options granted to directors and senior management during the financial year ended 30 June 2011.

## Principal Activities

The principal activities of the Consolidated Entity during the year consisted of mining, processing and sale of nickel sulphide concentrate, the continued feasibility and development of the high grade nickel mines and the exploration for nickel sulphides, and platinum group metals.

## Operating and Financial Review

### Income Statement

Consolidated revenue for the year increased by 175.1% to \$468.7 million, while gross profit increased by \$193.2 million to \$244.9 million.

Consolidated net profit after tax (NPAT) for the group amounted to \$135.0 million, an improvement of 850.0% from the results reported for the year ended 30 June 2010.

Impacting NPAT of \$135.0 million for the year were the following non-cash items:

- Depreciation charges of \$15.2 million
- Amortisation charges of \$64.8 million
- Convertible bond accretion expense of \$8.5 million

These non-cash items amounted to \$88.5 million.

### Balance Sheet

Total assets at reporting date were \$692.3 million, representing an increase of \$171.6 million from 2010. This movement was primarily driven from free cashflow generation of \$143.6 million as a result of record concentrate sales and higher average realised nickel prices. Mine development increased by \$29.1 million with the ramp up of the Spotted Quoll Open Pit, combined with the commencement of development at Spotted Quoll Underground. Stockpiles increased by \$5.1 million in line with increased mine and mill production.

Total liabilities at reporting date were \$403.9 million, an increase of \$55.2 million from 2010. The increase is mainly attributable to an increase in the deferred tax liability (\$36.1 million) and trade and other payables (\$8.8 million), both associated with increased mine activity. In November 2010, Western Areas issued convertible bonds with a face value of \$110 million as an exchange offer for a number of the 2012 convertible bonds with a face value of \$103 million. The restructured bonds mature on 2 July 2014.

Total equity attributable to shareholders increased by \$116.0 million to \$288.1 million. The increase is mainly due to a build up in accumulated profits of \$111.6 million, and includes dividend payments of \$23.4 million.



## Cash Flow Statement

Cash at bank on 30 June 2011 totalled \$209.0 million. The positive movement of \$143.6 million from the corresponding period resulted from increased receipts from customers of \$276.4 million with record concentrate sales. Continued capital development at Forresteria has seen a further \$106.2 million invested into new mines, processing capacity and exploration.

Consolidated cashflow from operations was \$276.2 million, representing an increase of \$189.0 million from the prior year. As detailed above, this significant increase was mainly driven by higher concentrate sales combined with a more favourable average realised nickel price versus last year.

Net cash used in investing activities decreased from the corresponding period by \$8.2 million to \$106.2 million as a result of reduced asset purchases totalling \$19.8 million. This was partially offset by an increase in mine development of \$9.3 million with the commencement of Spotted Quoll Underground.

Net cash from financing activities decreased by \$38.9 million, due primarily to two dividend payments (13 cents) of \$23.4 million.

## Significant Changes in the State of Affairs

No significant changes in the consolidated group's state of affairs occurred during the financial year.

## Subsequent Events

The Board of Directors on 22 August 2011, declared a 15 cent per share unfranked final dividend for the year ended 30 June 2011.

## Future Developments

Disclosure of information regarding likely developments in the operations of the consolidated entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the consolidated entity. Accordingly, this information has not been disclosed in this report.

## 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. The Consolidated Entity has achieved a high level of compliance with all environmental conditions set for its projects and actively strives for continual improvement.

## Dividends paid or Recommended

In respect of the financial year ended 30 June 2010, as detailed in the directors' report for that financial year, a final unfranked dividend of 3 cents per share was paid to the holders of fully paid ordinary shares on 1 October 2010.

In respect of the financial year ended 30 June 2011, an interim unfranked dividend of 10 cents per share was paid to the holders of fully paid ordinary shares on 28 March 2010.

In respect of the financial year ended 30 June 2011, the directors recommend the payment of a final unfranked ordinary dividend of 15 cents per share to the holders of fully paid ordinary shares on 3 October 2011.

## Share Options

Details of unissued shares or interests under option as at the date of this report are:

Grant Date	Date of Expiry	Exercise Price	Number under option
13 Nov 2009	30 Sep 2012	\$7.25	1,410,000
13 Nov 2009	17 Sep 2012	\$7.50	600,000
			2,010,000

## Indemnification of Officers and Directors

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

The company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the company against a liability incurred as such an officer or auditor.

# Directors' Report continued

## Directors' Meetings

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 2011 and the number of meetings attended by each Director.

	Meetings of Committees				
	Directors Meetings	Audit & Risk Management	Remuneration	Nomination	Treasury
<b>Number of Meetings held :</b>	10	3	2	1	1
<b>Number of Meetings attended :</b>					
Julian Hanna	10	-	-	1	-
David Cooper	10	3	2	1	1
Terry Streeter	10	2	2	1	1
Robin Dunbar	9	3	2	1	1
David Southam*	5	-	-	-	1
Dan Lougher	10	-	-	-	-
Rick Yeates	10	3	2	1	1

\* Mr D Southam attended all meetings called since his appointment on 15 November 2010.

## Treasury Policy

The Consolidated Entity has a Treasury Risk Management policy and a set of procedures for managing the Consolidated Entity'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 Consolidated Entity only enters hedging contracts as approved by the Board to prudently manage currency and nickel price risk in a balanced and measured way, while still maintaining adequate exposure to the spot nickel price.

## Risk Management

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

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

- Board approval of a strategic plan, which encompasses the Board's objectives and strategies along with identifying risks and plans to manage such risks;
- Implementation of Board approved operating budgets and plans, then monitoring the actual progress against these;
- Establishment of an Audit & Risk Management Committee and a Treasury Risk Management Committee to report on specific business risks; and
- Establishing a systematic risk identification and management strategy.

## 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 29 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.

## 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 37 forms part of the Directors' Report for the year ended 30 June 2011.

## Non – Audit Services

The entity's auditor, Crowe 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.



## Directors' Report continued

### Remuneration Summary

The Board has spent considerable time this year focusing on its remuneration framework, reflecting on past feedback, the current strategic direction of the business and how remuneration can best support the future needs of the company.

During 2011 we undertook a comprehensive review of remuneration practices, and commissioned a review of our remuneration framework by external advisors PwC.

This review will result in significant changes to our remuneration framework, with the new remuneration structure to take effect for FY2012.

The key initiatives under this review were:

- Introducing new executive contracts for all executives which align with current market expectations.
- Benchmarking executive remuneration to determine current market practices for long-term incentives.
- Design and implementation of a new equity based long-term incentive (LTI) plan.

### Part A – Overview of the Company's New Approach to Long-term Incentives

#### 1) Selecting the Right Plan Vehicle

In the past the company had made use of a standard employee share option plan, however, grants under this plan were more typically made on an ad-hoc basis and over the last two years no new grants have been made under this plan.

It was recognised that the options plan was no longer fit for purpose and was not providing an effective tool to reward, retain and motivate senior executives.

A number of different equity incentive vehicles were explored with the Board deciding that the most appropriate LTI plan going forward should be a Performance Rights Plan.

Under a Performance Rights plan executives will be granted a right to be issued a share in the future subject to the performance based vesting conditions being met.

#### 2) Grant Frequency and LTI Quantum

Under the new remuneration structure executives will receive a new grant of Performance Rights each year, such that the LTI will now form a key component of executives Total Annual Remuneration.

The LTI dollar value that executives will be entitled to receive is set at a fixed percentage of their base salary and ranges from 50% to 100% of base salary, depending on the participants position within the company. This level of LTI is in line with current market practice.

The number of Performance Rights to be granted is determined by dividing the LTI dollar value of the award by the fair value of a Performance Right.

#### 3) Performance Conditions

The focus was on selecting a performance condition that would only reward executives for creating shareholder value as determined via the change in the company's share price.

Reflecting on market practice the Board has decided that the most appropriate performance measure to track share price performance is via a relative total shareholder return (TSR) measure.

The company's TSR will be measured against a customised peer group comprising the following companies:

Aditya Birla Minerals Ltd	Kagara Ltd	Oz Minerals Ltd
Alumina Ltd	Medusa Mining Ltd	PanAust Ltd
Aquarius Platinum Ltd	Minara Resources Ltd	Panoramic Resources Ltd
Atlas Iron Ltd	Mincor Resources NL	Perilya Ltd
Bougainville Copper Ltd	Mirabela Nickel Ltd	Rex Minerals Ltd
Discovery Metals Ltd	Mt Gibson Iron	Sandfire Resources Ltd
Gindalbie Metals Ltd	OM Holdings Ltd	Zimplats Holdings Ltd
Independence Group NL		

No Performance Rights will vest unless the percentile ranking of the Company's TSR for the relevant performance year, as compared to the TSRs for the peer group companies, is at or above the 50th percentile.

The following table sets out the vesting outcome based on the company's relative TSR performance:

Relative TSR performance	Performance Vesting Outcomes
Less than 50th percentile	0% vesting
At the 50th percentile	50% vesting
Between 50th and 75th percentile	For each percentile over the 50th, an additional 2% of the performance rights will vest
At or above 75th percentile	100% vesting

# Directors' Report continued

## Remuneration Summary continued

### 4) Performance Period

As no LTI awards have been made to executives for a number of years, with significant shareholder value being realised in this time, it was felt that the initial grants under the LTI needed to serve a number of different purposes:

- (a) recognise the period of two years where no LTI awards have been made.
- (b) act as a key retention tool.
- (c) focus on future shareholder value generation.

Therefore, the focus on the initial awards under the LTI was to provide a transitional award which would meet the key needs noted previously while providing a step towards a structure that in the future would be solely focused on long term sustainable shareholder value generation.

### Company Performance

Year Ended 30 June	2011	2010	2009	2008	2007
Net Profit / (Loss) after Tax	134,973	14,212	(35,172)	(54,907)	(54,907)
EPS	75.1	8.0	(20.9)	(31.7)	(31.7)
Dividends	0.25	0.06	-	-	-
Market capitalisation	1,060.4M	679.4M	1,053.6M	1,727.5M	803.8M
Closing share price	5.90	3.78	5.90	10.30	4.83
TSR – 1 year (%)	65.2	0.0	69.6	81.8	68.2
TSR – 3 year rolling (%)	39.1	54.6	77.3	80.0	52.6

### FY 2012 LTI Grant

Performance Rights will vest subject to the meeting of service and performance conditions as defined below:

- One-third of the rights will be performance tested against the relative TSR measure for the period 1 July 2011 to 30 June 2012.
- One-third of the rights will be performance tested against the relative TSR measure for the period 1 July 2012 to 30 June 2013.
- One-third of the rights will be performance tested against the relative TSR measure for the period 1 July 2013 to 30 June 2014.

All of the grant will be subject to a service based vesting condition which will provide that, notwithstanding the passing of the performance test, no rights will vest and become exercisable into shares unless the participant remains employed as at 30 June 2014.

For the FY 2013 grant the LTI performance will be structured as follows:

Performance Rights will vest subject to the meeting of service and performance conditions as defined below:

- Two-thirds of the rights will be performance tested against the relative TSR measure for the period 1 July 2012 to 30 June 2014.
- One-third of the rights will be performance tested against the relative TSR measure for the period 1 July 2012 to 30 June 2015.

All of the grant will be subject to a service based vesting condition which will provide that notwithstanding the passing of the performance test no rights will vest and become exercisable into shares unless the participant remains employed as at 30 June 2015.

For the FY 2014 grant onwards the LTI performance will be structured as follows:

Performance Rights will vest subject to the meeting of service and performance conditions as defined below:

- All of the rights will be performance tested against the relative TSR measure for the period 1 July 2013 to 30 June 2016.

## Part B – Overview of the Company's New Approach to Executives Contracts

All company officers have been moved on to new executive service agreements which comply with current legal requirements and align to current market practice. The key changes under the new contracts are as follows:

- Removal of any notice period where termination is due to dismissal with cause.
- Remove any change of control redundancy provisions.
- Introduce market practice clauses for notice periods being:
  - o Voluntary resignation – 3 months notice.
  - o Material change in duties – 6 to 12 months notice.
  - o Company termination on notice (excludes with cause) – 6 to 12 months notice.



## Remuneration Report

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

### Director and Senior Management Details

The following persons acted as directors of the company during or since the end of the financial year:

Mr T Streeter (Chairman)

Mr J Hanna (Managing Director and Chief Executive Officer)

Mr D Lougher

Mr D Southam (Appointed 15 November 2010)

Mr D Cooper

Mr R Dunbar

Mr R Yeates

The term 'senior management' is used in this remuneration report to refer to the following persons:

Mr J Belladonna (Chief Financial Officer / Company Secretary)

Mr C Wilkinson (General Manager Exploration)

Mr G Marshall (General Manager Commercial)

Mr K McKenzie (General Manager Operations)

## Section 1 – Overview of Our Executive Remuneration Strategy and Programs

### Remuneration Committee

The Remuneration Committee of the Board of Directors of Western Areas NL 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. The remuneration committee utilises independent consultants to assist in this regard.

### Remuneration Philosophy

The Company recognises that Western Areas NL 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.

The remuneration structure for executives has several components:

- Total Fixed Remuneration – which includes base salary, superannuation, allowances and salary sacrificed components.
- Variable Rewards – "at-risk" component relates to performance and comprises:
  - o a cash based short-term incentive (STI); and
  - o participation in long-term incentive equity plans (LTI).

### Executive Director and Senior Management Remuneration

*"The key principle of our remuneration strategy is pay for performance"*

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.

# Directors' Report continued

## Remuneration Report continued

### Fixed

*"Fixed remuneration is positioned around the median of the external market for comparable roles"*

Fixed remuneration consists of cash (or base salary), superannuation, allowances and any salary sacrifice components. 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 short-term incentive plan is designed to motivate and reward executives for the achievement of short-term business goals"*

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 STI Plan involves linking key performance indicators (KPIs) with the opportunity to earn a cash bonus. The maximum value of the award for executives and specified management ranges from between 25% to 60% of their base salary, depending on the nature of their role.

The KPIs used and the respective weightings of the KPI's will vary by role and are designed to align to those measures relevant to the responsibilities of each role.

For FY11 the KPI's which could be selected as part of an executives balanced scorecard had to be sourced from the below KPI list. Due to the commercial sensitive nature of these KPIs, the precise metrics being used have not been disclosed.

KPIs for Operations Group Executives	Overview KPI
Forrestania safety performance	Based on Lost Time Injury performance in each quarter.
Forrestania cash cost	Focused on average cash costs for Flying Fox (FF) and Spotted Quoll (SQ) mines per pound of nickel produced. Above budget performance required.
Forrestania Ni in ore production	Need to exceed set budget nickel metal in ore from combined production of FF and SQ mines.
Forrestania CB plant recoveries	Achieve a set threshold recovery above budget levels for the combined ore feed from FF and SQ mines.
Forrestania nickel in concentrate sales	Sale of nickel metal in concentrate to exceed a set tonnes per quarter target (above budget).
Forrestania environmental accidents	Based on reportable environmental incidents per quarter.
KPIs for Corporate Executives	Overview KPI
Bond conversion	Convert a minimum percentage of outstanding convertible bonds into shares.
Bond restructure	Convert a set percentage of the bonds face value into new bonds with a threshold interest rate.
Company performance against ASX	Achieve a set relative level of outperformance for WSA shares over FY11 when compared to the S&P ASX 200 index.
Earnings	Achieve EBIT target above budget.
Peers	Achieve a set percentile ranking of WSA Total Shareholder Return for FY11 when compared to other listed nickel companies.
Fund raising	Achieve a target investment threshold for a greenfields project from an external party.
KPIs for Exploration Executives	Overview KPI
New nickel resource	Establish a new published nickel resource exceeding a targeted nickel tonnage level.
New nickel discovery	Discovery of a new nickel deposit.

The percentage of the maximum STI payment that was paid and forfeited during FY11 are outlined in the table below:

Name	Percentage of max STI awarded	Percentage of max STI forfeited
<b>Executive Directors</b>		
Mr J Hanna	60%	40%
Mr D Lougher	100%	0%
Mr D Southam	68%	32%
<b>Executives</b>		
Mr J Belladonna	100%	0%
Mr C Wilkinson	0%	100%
Mr G Marshall	58%	42%
Mr K McKenzie	100%	0%



*"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"*

For the FY12 year and beyond the LTI will be based on the new Performance Rights Plan as described in the introduction section of the remuneration report.

## 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 Executive Directors.

No LTI's for FY11 have been awarded or set for the Key Management Personnel of the Company.

The table below represents the Executives' mix of fixed remuneration, short-term incentives and long-term incentives based upon remuneration paid or expensed during the 2011 financial year.

1 LTI refers to the value of the options that was expensed during the 2010/11 financial year.  
No options have been granted over the last two financial years.

## Section 2 – Remuneration Details of Executive Directors and Executives

[illegible]

# Directors' Report continued

## Remuneration Report continued

## Section 2 – Remuneration Details of Executive Directors and Executives (continued)

2010

	Short Term Employee Benefits				LTI (i)	Post Employment	
	Base Salary	STI Payments / Bonuses	Allowances	Non Monetary	Share Based Options	Superannuation	TOTAL
Non-Executive Directors							
T Streeter	152,250	-	24,486	585	-	15,225	192,546
D Cooper	131,950	-	-	586	-	13,195	145,731
R Dunbar	145,145	-	-	-	-	-	145,145
R Yeates	99,450	-	-	293	-	9,945	109,688
Executive Directors							
J Hanna	558,250	-	12,581	5,304	175,530	55,825	807,490
C Oliver (ii)	472,200	-	12,946	5,304	175,530	22,500	688,480
D Lougher	456,750	-	16,355	5,305	175,530	49,008	702,948
Senior Management							
C Wilkinson	279,125	-	11,695	4,425	96,000	27,913	419,158
G Marshall	107,917	-	-	2,066	48,000	10,792	168,775
J Belladonna	203,000	-	-	4,133	96,000	20,300	323,433
							3,703,394

(i) LTI refers to the value of the options that was expensed during the 2011 financial year. No options were granted during the year.

(ii) Mr Oliver was deceased on 19 June 2010.

(iii) Bonuses disclosed includes the payment of deferred bonuses from 2008/09 plus all paid and accrued bonuses for 2010/11.

(iv) Mr Southam was appointed on 15 November 2010.

## Section 3 – Executive Contracts

A summary of the key contractual provisions for each of the current executives is set out in below table:

Name & job title	Base salary \$	Contract duration	Notice period employee	Termination provision
J Hanna Managing Director & Chief Executive Officer*	630,612	No fixed term	3 months	12 months termination payment and accrued leave entitlements
D Lougher Operations Director*	515,597	No fixed term	3 months	12 months termination payment and accrued leave entitlements
D Southam Finance Director*	486,000	No fixed term	3 months	12 months termination payment and accrued leave entitlements
J Belladonna Company secretary*	291,600	No fixed term	3 months	6 months termination payment and accrued leave entitlements
C Wilkinson General Manager Exploration	315,087	No fixed term	4 weeks	6 months termination payment and accrued leave entitlements
G Marshall General Manager Commercial	286,443	No fixed term	4 weeks	8 weeks termination payment and accrued leave entitlements
K McKenzie General Manager Operations	368,443	No fixed term	1 month	1 month termination payment and accrued leave entitlements

\* In the event that there is a takeover of, or merger with the company, the company must pay the executive a bonus within 10 days of that takeover or merger occurring.

The amount of the takeover bonus will be calculated as follows:

(a) The positive difference between the bid price for the company's shares as a result of the takeover or merger bid and the volume weighted share price of the company's share price for the 20 days immediately preceding the takeover or merger bid; and

(b) Multiplied by 3, as a percentage of the executive's base annual salary at the time that such a bid is completed.

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



## Section 4 – Equity Tables

### Options Held by Key Management Personnel

	Balance at 1 July 2010	Granted as Remuneration	On Exercise of Options	Purchases / (Sales)	Expired / Lapsed	Balance at 30 June 2011	Options Vested*
J Hanna	600,000	-	-	-	(400,000)	200,000	100,000
D Cooper	400,000	-	-	-	(400,000)	-	-
T Streeter	400,000	-	-	-	(400,000)	-	-
R Dunbar	400,000	-	-	-	(400,000)	-	-
D Lougher	600,000	-	-	-	(400,000)	200,000	100,000
D Southam	-	-	-	-	-	-	-
C Wilkinson	340,000	-	-	-	(240,000)	100,000	50,000
G Marshall	50,000	-	-	-	-	50,000	25,000
J Belladonna	180,000	-	-	-	(80,000)	100,000	50,000
K McKenzie	190,000	-	-	-	(90,000)	100,000	50,000
<b>TOTAL</b>	<b>3,160,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,410,000)</b>	<b>750,000</b>	<b>375,000</b>

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

### Shareholding by Key Management Personnel

	Balance at 1 July 2010	Granted as Remuneration	On Exercise of Options	Other Changes During the Year	Balance at 30 June 2011
J Hanna	1,360,179	-	-	(66,192)	1,293,987
D Cooper	1,000,000	-	-	-	1,000,000
T Streeter	25,809,410	-	-	-	25,809,410
R Dunbar	102,500	-	-	-	102,500
R Yeates	-	-	-	6,000	6,000
D Lougher	50,884	-	-	-	50,884
D Southam	-	-	-	-	-
C Wilkinson	7,000	-	-	-	7,000
J Belladonna	65,000	-	-	(5,000)	60,000
K McKenzie	27,918	-	-	-	27,918
<b>TOTAL</b>	<b>28,422,891</b>	<b>-</b>	<b>-</b>	<b>(65,192)</b>	<b>28,357,699</b>

### Options Granted as Part of Remuneration for the Year Ended 30 June 2011

No options were granted during the financial year ended 30 June 2011.

## Section 5 – Non-Executive Directors' Remuneration

### Non-executives Remuneration Policy and Structure

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 NL. However share based payments in the form of options or equity in the Company are 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.

## Directors' Report continued

### Remuneration Report continued

## Section 5 – Non-Executive Directors' Remuneration (continued)

### Directors Fees Limits

Non-Executive Directors' fees are determined with an aggregated Directors' fee limit of \$800,000, which was approved by shareholders at the 2008 AGM.

### Directors Fee Structure

Non-Executive Directors' remuneration consists of a base Directors fee for their role as Board members which also compensate for any role on nominated Board sub-committees. That is, no separate committee fees are payable.

### *Non-Executive Director Remuneration for the Year Ended 30 June 2011*

Refer to page 29 for details of Non-Executive Directors' remuneration.

### Rounding of Amounts

The company is a company of the kind referred to in ASIC Class Order 98/100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

### Corporate Governance

In recognising the need for the highest standards in corporate behaviour and accountability, the Directors of Western Areas NL support and, unless otherwise stated, adhere to the Australian Stock Exchange Corporate Governance Council's "Principles of Good Corporate Governance and Best Practice Recommendations".

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

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



**Julian Hanna**

Managing Director

Perth, 22 August 2011



# 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 NL 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 have 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](http://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 3. 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:

<b>Name</b>	<b>Position</b>
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 is currently searching for two additional Independent Non-Executive Directors. To assist in the process the Nomination Committee engaged a specialist director search consultant to assist in sourcing and securing suitable candidates. 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.

# Corporate Governance Statements continued

## 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 personal gain.
- Ensure compliance with the code of conduct.

## Diversity Policy

The Company's policy regarding Diversity is contained in the Western Areas' Code of Conduct. Diversity in the context of the policy includes, but is not limited to, gender, age, ethnicity and cultural background. The policy ensures that roles and positions are filled by the best possible candidates available without discrimination.

The Diversity Policy outlines the requirements of the board to develop measurable objectives for achieving diversity, and annually assess both the objectives and the progress in achieving those objectives. Over the next few years the Company aims to increase diversity in senior appointments as positions become available. All appointments will be based on merit and expertise required to discharge the duties of such roles.

	30 June 2011	%
Women on the Board	0	0
Women in Senior Management*	0	0
Women employees in total	19	15

\* During the year Financial Year one woman was employed in a senior management role but resigned in March 2011. Post 30 June 2011, one woman was appointed into a senior management role.

## Trading Policy

The Company's policy regarding Directors and Employees trading in securities is published in the Western Areas' Code of Conduct and is also available on the Company's website. The policy contains provisions on trading in Company securities, including when trading windows are available, restricted periods and prohibited periods. The policy defines Insider Trading and restricts Directors and Employees from acting on material information until it has been released to the market and adequate time has elapsed for this to be reflected in the securities price.

## Nomination Committee

The Board has established a Nomination Committee to assess the necessary and desirable competencies of a Board member and to evaluate the Board's performance. The Nomination Committee shall also review Board succession plans and make recommendations for the appointment and removal of Directors. The Nomination Committee operates under a charter approved by the Board.

For details of the Directors' that are members of the Nomination Committee and their attendance at meetings of the Nomination Committee, refer to page 24 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 Nomination Committee has a majority of Non-Executive Independent Directors.

## Audit & Risk Management Committee

The Board has an established 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 24 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.



## Risk Management

### Management of Material Risks

Management of material risks is governed by the Risk Management ("RM") program. The RM program involves the relevant Western Areas NL personnel (including all senior management where required) and external experts participating in regular workshop based risk reviews, during which risks and related controls are identified and evaluated.

The RM program contains RM Standards which detail specific management roles, responsibilities and an organisational structure that governs lines of communication, authority and reporting. The Standards provide that nominated risk and control owners have responsibility for implementing required further actions to improve controls over material risks, and this is the subject of management review and audit.

### Reporting on Material Risks

The Board requires management to report on whether material business risks are being managed effectively. "Effectiveness" is determined during workshop based risk reviews against standard risk and control effectiveness criteria.

As part of the program management reports to the Board on the effectiveness of our controls over material risks following the RM criteria.

Risk and control reporting is undertaken six monthly, comprising a statement of relevant business objectives, a summary of risk and control profiles against those objectives, a commentary on the effectiveness of the risk management system and key activities. Material risks, covering strategic and business risks, include commentary on changes impacting the risk and control profile.

Reporting covers financial, safety, environment, community, reputation, compliance and other material risks impacts identified in Western Areas' risk criteria.

### Activity

In 2011 Western Areas NL enhanced its approach to risk management developing a whole of business approach, recognising the importance of risk management to business success and in meeting Corporate Governance requirements. The integration of our approach to risk management across the business is designed to facilitate the capture all significant risks and to ensure senior management and the Board are made aware of material risks in operations, projects and corporate activities. This occurs by applying a standard approach, including the assessment and communication of risks.

The Company has an ongoing operational risk management program, with a strong emphasis on safety and emergency risk management embedded in our Health and Safety management system.

Within the new program we have, or intend to, focus workshops on risk management in four key areas, Strategy, Business as Usual, Sustainability and Resilience.

The Company has engaged MYR Consulting Pty Ltd to assist in development of the risk management framework, activities and policies.

## 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. The Remuneration Committee will also engage independent remuneration consultants to provide impartial advice in respect of remuneration trends and executive employment contracts.

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 24 of the Directors' Report.

For further details regarding the Board's committees refer to our website [www.westernareas.com.au](http://www.westernareas.com.au)

## Corporate Governance Statements continued

### 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 24 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 the Company.

### Shareholder Rights

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



# Audit Independence Declaration



## AUDITOR'S INDEPENDENCE DECLARATION

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Western Areas NL for the year ended 30 June 2011, 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.

A handwritten signature in dark ink, appearing to read "Cyrus Patel".

CROWE HORWATH PERTH

A handwritten signature in dark ink, appearing to read "Cyrus Patel".

CYRUS PATELL  
Partner

Signed at Perth, 22 August 2011

# Consolidated Income Statement

Year Ended 30 June 2011

		Consolidated Entity	
		2011	2010
	Notes	\$'000	\$'000
Sales		468,659	170,365
Cost of sales		(223,729)	(118,600)
<b>Gross profit</b>		<b>244,930</b>	<b>51,765</b>
Other revenue	2	6,682	23,037
Finance costs	3	(36,721)	(30,852)
Employee benefits expenses		(8,488)	(4,319)
Foreign Exchange Adjustment		1,236	117
Administration and other expenses		(3,790)	(5,026)
Share based payments		(574)	(4,731)
Impairment of non-current assets	3	(4,334)	(212)
Realised derivative losses	3	(1,728)	(6,499)
Unrealised movement in market value of derivatives	3	(1,943)	(422)
<b>Profit before income tax</b>		<b>195,270</b>	<b>22,858</b>
Income tax expense	4	(60,297)	(8,646)
<b>Profit for the year</b>		<b>134,973</b>	<b>14,212</b>
Basic earnings per share (cents per share)	19	75.1	8.0
Diluted earnings per share (cents per share)	19	75.1	8.0

The accompanying notes form part of these financial statements.

# Consolidated Statement of Comprehensive Income

## Year Ended 30 June 2011

	Notes	Consolidated Entity	
		2011 \$'000	2010 \$'000
Profit for the year		134,973	14,212
<b>Other comprehensive income, net of tax</b>			
Net loss on mark to market valuation of hedging instruments		(12)	(564)
Net gain / (loss) on revaluation of available for sale financial assets		2,610	(1,051)
Convertible note reserve		1,205	19,146
Exchange differences on translation of foreign controlled entities		10	-
<b>Total comprehensive income for the year</b>		<b>138,786</b>	<b>31,743</b>
Profit attributable to:			
Members of the parent entity		135,007	14,212
Non controlling interest		(34)	-
Comprehensive Income attributable to:			
Members of the parent entity		138,818	31,743
Non controlling interest		(32)	-

The accompanying notes form part of these financial statements.



# Statement of Financial Position

As at 30 June 2011

		Consolidated Entity	
	Notes	2011 \$'000	2010 \$'000
<b>Current Assets</b>			
Cash and cash equivalents	20 (b)	208,948	65,368
Trade and other receivables	6	27,719	16,700
Inventories	7	30,942	25,228
Other financial assets	8 (b)	4,739	-
<b>Total Current Assets</b>		<b>272,348</b>	<b>107,296</b>
<b>Non Current Assets</b>			
Property, plant and equipment	9	111,683	111,108
Intangible asset	10	521	506
Exploration & evaluation expenditure	11	91,875	94,895
Mine development	12	209,454	180,403
Deferred tax assets	13	-	24,228
Other financial assets	8 (a)	6,445	2,303
<b>Total Non Current Assets</b>		<b>419,978</b>	<b>413,443</b>
<b>Total Assets</b>		<b>692,326</b>	<b>520,739</b>
<b>Current Liabilities</b>			
Trade and other payables	14	55,608	46,765
Short term borrowings	15	61	83
Short term provisions	16	1,344	1,057
Other financial liabilities	17	2,839	496
<b>Total Current Liabilities</b>		<b>59,852</b>	<b>48,401</b>
<b>Non Current Liabilities</b>			
Long term borrowings	15	301,825	295,370
Long term provisions	16	6,122	4,886
Deferred tax liability	13	36,069	-
<b>Total Non Current Liabilities</b>		<b>344,016</b>	<b>300,256</b>
<b>Total Liabilities</b>		<b>403,868</b>	<b>348,657</b>
<b>Net Assets</b>		<b>288,458</b>	<b>172,082</b>
<b>Equity</b>			
Issued capital	18	202,611	202,611
Reserves	32	78,564	74,177
Accumulated profit / (losses)		6,937	(104,706)
<b>Equity attributable to owners of the company</b>		<b>288,112</b>	<b>172,082</b>
Non controlling interest		346	-
<b>Total Equity</b>		<b>288,458</b>	<b>172,082</b>

The accompanying notes form part of these financial statements.

# Statement of Changes in Equity

Ended 30 June 2011

CONSOLIDATED ENTITY		Issued Capital	Prospectus Expenses	Option Reserve	Hedge Reserve	Investment Reserve	Convertible Note Reserve	Foreign Exchange Reserve	Retained Earnings	Non- Controlling Interest	Total Equity
	Note	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Total Equity at 1 July 2009</b>		<b>209,060</b>	<b>(10,168)</b>	<b>10,854</b>	<b>576</b>	<b>(4,254)</b>	<b>44,739</b>	<b>-</b>	<b>(113,525)</b>	<b>-</b>	<b>137,282</b>
Shares issued during the year	18	3,773									3,773
Share issue expenses incurred	18		(54)								(54)
Share based payments expense				4,731							4,731
Total comprehensive income for the year					(564)	(1,051)	19,146		14,212		31,743
Dividends paid									(5,393)		(5,393)
<b>Total Equity at 30 June 2010</b>		<b>212,833</b>	<b>(10,222)</b>	<b>15,585</b>	<b>12</b>	<b>(5,305)</b>	<b>63,885</b>	<b>-</b>	<b>(104,706)</b>	<b>-</b>	<b>172,082</b>
Share based payments expense				574							574
Non-controlling shares in FinnAust PLC										380	380
Total comprehensive income for the year					(12)	2,610	1,205	10	135,007	(34)	138,786
Dividends paid									(23,364)		(23,364)
<b>Total Equity at 30 June 2011</b>		<b>212,833</b>	<b>(10,222)</b>	<b>16,159</b>	<b>-</b>	<b>(2,695)</b>	<b>65,090</b>	<b>10</b>	<b>6,937</b>	<b>346</b>	<b>288,458</b>

The accompanying notes form part of these financial statements.

# Statement of Cash Flows

For the Year Ended 30 June 2011

		Consolidated Entity	
		2011	2010
	Notes	\$'000	\$'000
<b>Cash Flows From Operating Activities</b>			
Receipts from customers		437,457	161,131
Payments to suppliers and employees		(122,193)	(61,663)
Interest received		3,478	2,683
Royalties paid		(22,135)	(8,069)
Other receipts		679	19,315
Finance costs		(22,429)	(21,223)
Derivative settlement receipt / (payments)		1,378	(4,967)
<b>Net Cash Provided by Operating Activities</b>	20(a)	<b>276,235</b>	<b>87,207</b>
<b>Cash Flows From Investing Activities</b>			
Purchase of non-current assets		(13,409)	(33,204)
Proceeds from sale of assets		-	300
Rental Deposit		(8)	-
Mine development expenditure		(70,664)	(61,376)
Exploration & evaluation expenditure		(20,074)	(19,564)
Rental deposit		-	(66)
Purchase of available for sale financial assets		(1,999)	(64)
Capitalised development costs		-	(506)
<b>Net Cash Used In Investing Activities</b>		<b>(106,154)</b>	<b>(114,480)</b>
<b>Cash Flows From Financing Activities</b>			
Repayment of borrowings		-	(105,000)
Proceeds from issue of convertible note		-	125,000
Proceeds from issue of shares for non controlling interests		380	3,773
Finance lease principal repayments		(125)	(69)
Borrowing costs		(3,392)	(5,826)
Capital raising costs		-	(54)
Dividends paid		(23,364)	(5,393)
<b>Net Cash (Used in)/ Provided by Financing Activities</b>		<b>(26,501)</b>	<b>12,431</b>
Net increase / (decrease) in cash held		143,580	(14,842)
Cash as at 1 July		65,368	80,210
<b>Cash as at 30 June</b>	20(b)	<b>208,948</b>	<b>65,368</b>

The accompanying notes form part of these financial statements.



# Notes to the Financial Statements

## For the Year Ended 30 June 2011

### 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 28 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 statements have 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 following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 July 2010:

- AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project*;
- AASB 2009-8 *Amendments to Australian Accounting Standards – Group cash-settled Share-based Payment Transactions*;
- AASB 2009-10 *Amendments to Australian Accounting Standards – Classification of Rights Issues*;
- AASB Interpretation 19 *Extinguishing Financial Liabilities with Equity Instruments*;
- AASB 2009-13 *Amendments to Australian Accounting Standards arising from Interpretation 19*; and
- AASB 2010-3 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project*.

The adoption of these standards did not have any impact on the amounts for the current period or prior periods.

#### a Principles of Consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Western Areas NL at the end of the reporting period. A controlled entity is an entity over which Western Areas NL has the power to govern the financial and operating policies 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.

In preparing consolidated financial statements, all inter-group balances and transactions between entities in the consolidated group have been eliminated in full on consolidation.

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are shown separately within the equity section of the consolidated statement of financial position and statement of comprehensive income. The non-controlling interest in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

#### 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 business combination will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exceptions).

# Notes to the Financial Statements continued

For the Year Ended 30 June 2011

## a Principles of Consolidation (continued)

The acquisition may result in the recognition of goodwill 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.

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. 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. The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase. 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.

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).

## 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, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use.

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(m)).

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.

# Notes to the Financial Statements continued

For the Year Ended 30 June 2011

## e Property, Plant and Equipment (continued)

### 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	2-20%
Plant and equipment	2-33%
Motor vehicles	23%
Furniture and fittings	6-27%

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.

## 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.

Amortisation 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 amortisation charge proportional to the depletion of proved and probable reserves.

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

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 for current costs and current legal requirements and technology. 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 for the year comprises current income tax expense and deferred tax expense.

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.



# Notes to the Financial Statements continued

For the Year Ended 30 June 2011

## h Income Tax (continued)

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.

## i 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.

## j 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.

# Notes to the Financial Statements continued

For the Year Ended 30 June 2011

## k 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.

## l Financial Instruments

### *Initial recognition and 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.

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.)

# Notes to the Financial Statements continued

For the Year Ended 30 June 2011

## l Financial Instruments (continued)

### *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.

#### *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.

## m 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.

## n Rounding Amounts

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

## o 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.

## p 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.



# Notes to the Financial Statements continued

For the Year Ended 30 June 2011

## q 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.

## r 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.

## s 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 can be directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

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.

## t 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 2011 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. The carrying value of available for sale assets at 30 June 2011 were \$6.4 million.

# Notes to the Financial Statements continued

For the Year Ended 30 June 2011

## t Critical Accounting Estimates and Balances (continued)

### 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 \$91.9M

## u 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.

## v 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).

### *Diluted earnings per share*

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

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

## w Comparative Figures

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

## x 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

	Consolidated Entity	
	2011	2010
Notes	\$'000	\$'000
- Interest received – Bank Deposits	5,242	2,721
- Infrastructure access fee – Kagara Ltd	-	20,000
- Asset sales income	-	314
- Sundry income	-	2
- Profit on convertible bond swap	1,440	-
<b>Total revenue</b>	<b>6,682</b>	<b>23,037</b>

# Notes to the Financial Statements continued

For the Year Ended 30 June 2011

## Note 3 Profit for the Year

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

		Consolidated Entity	
	Notes	2011 \$'000	2010 \$'000
- Depreciation of non-current assets		15,229	7,318
- Amortisation of mine development assets		64,798	34,516
- Rental expenditure – operating leases		483	411
- Impairment of capitalised exploration expenditure	11	4,334	212
- Realised derivative losses		1,728	6,449
- Mark-to-market revaluation of derivatives		1,943	422
- Borrowing costs:			
Interest expense – borrowings		23,948	23,715
Bond accretion expense		8,503	5,487
Interest expense – finance leases		6	12
Borrowing costs amortised		4,049	2,525
Other borrowing costs		3,607	5,013
Total borrowing costs		40,113	36,752
Less: borrowing costs capitalised corporate facility.		-	(140)
Less: interest expense capitalised to fixed assets		-	(443)
Less: interest expense capitalised to mine development	12	-	(443)
Less: borrowing costs capitalised - Convertible bond		(3,392)	(4,874)
Total borrowing costs expensed		36,721	30,852

## Note 4 Income Tax

The Components of the Tax expense comprise:

		Consolidated Entity	
	Notes	2011 \$'000	2010 \$'000
- Current Tax		60,151	7,450
- Deferred income tax		146	1,196
Income tax expense		60,297	8,646

The prima facie tax on the profit 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 from ordinary activities at 30%	58,581	6,857
<i>Adjusted for the tax effect of:</i>		
- Unrealised hedge loss	(583)	127
- Share based payments	172	1,419
- Premium on bond swap	(432)	-
- Other non allowed items	156	479
- Share issue costs deducted	(294)	(486)
- Temporary other	146	(1,196)
- Convertible bond accretion	2,551	1,446
Tax Expense	60,297	8,646



# Notes to the Financial Statements continued

For the Year Ended 30 June 2011

## Note 5 Dividends

	Consolidated Entity	
	2011 \$'000	2010 \$'000
<b>Dividends paid</b>		
Final unfranked ordinary dividend of 3 cents per share for the 2010 financial year	5,393	-
Interim unfranked ordinary dividend of 10 cents (2010: 3.0 cents) per share	17,971	5,393
	23,364	5,393
<b>Dividends proposed</b>		
Proposed final 2011 unfranked ordinary dividend of 15 cents (2010: 3.0 cents) per share	26,960	5,393

## Note 6 Trade and Other Receivables

	Consolidated Entity	
	2011 \$'000	2010 \$'000
Trade debtors	21,219	14,662
Other debtors	2,012	223
GST refund due	2,136	1,285
Prepayments	2,352	530
	<b>27,719</b>	<b>16,700</b>

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

	Consolidated Entity	
	2011 \$'000	2010 \$'000
Ore Stockpiles – at cost	19,976	12,475
Nickel Concentrate Stockpiles – at cost	7,641	10,068
Consumables and Spare Parts – at cost	3,325	2,685
	<b>30,942</b>	<b>25,228</b>

## Note 8 Other Financial Assets

	Notes	Consolidated Entity	
		2011 \$'000	2010 \$'000
Available for sale	8 (a)	6,445	1,837
Derivatives	8 (b)	4,739	466
		11,184	2,303
Less non-current portion		(6,445)	(2,303)
Current portion		4,739	-
<b>(a) Available for sale financial assets</b>			
Investments in listed companies at fair value		6,445	1,837
<b>(b) Derivatives</b>			
Nickel Collar Options	29 (c)	4,739	466
		<b>4,739</b>	<b>466</b>

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 the income statement.

## Note 8 Other Financial Assets (continued)

(c) Investments in subsidiaries		Percentage of equity held	
Name	Country of Incorporation	2011 %	2010 %
Western Platinum NL	Australia	100	100
Australian Nickel Investments Pty Ltd	Australia	100	100
Bioheap Ltd	Australia	100	100
FinnAust Mining PLC	United Kingdom	77	75

All the entities above, except FinnAust Mining PLC, 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 1 unlisted company. Due to the immaterial value of the financial results of these companies the financial results have not been consolidated into the consolidated entity.

## Note 9 Property, Plant and Equipment

	Consolidated Entity	
	2011 \$'000	2010 \$'000
Property – at cost	20,937	19,260
Accumulated depreciation	(4,697)	(3,034)
	16,240	16,226
Plant & equipment – at cost	119,268	105,141
Accumulated depreciation	(23,958)	(10,519)
	95,310	94,622
Plant & equipment under lease	579	579
Accumulated depreciation	(446)	(319)
	133	260
Total property, plant & equipment - at cost	140,784	124,980
Accumulated Depreciation	(29,101)	(13,872)
<b>Total</b>	<b>111,683</b>	<b>111,108</b>

### 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 mortgagee.

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

# Notes to the Financial Statements continued

For the Year Ended 30 June 2011

## Note 9 Property, Plant and Equipment (continued)

### Movement in carrying amounts

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

	Consolidated Entity	
	2011 \$'000	2010 \$'000
<b>Property</b>		
Written down value at the beginning of the year	16,226	17,665
- Additions	1,677	11
- Depreciation expense	(1,663)	(1,450)
Written down value at the end of the year	<b>16,240</b>	<b>16,226</b>
<b>Plant &amp; Equipment</b>		
Written down value at the beginning of the year	94,622	63,749
- Additions	14,127	36,678
- Depreciation expense	(13,439)	(5,805)
Written down value at the end of the year	<b>95,310</b>	<b>94,622</b>
<b>Plant &amp; Equipment under Lease</b>		
Written down value at the beginning of the year	260	299
- Additions	-	24
- Depreciation expense	(127)	(63)
Written down value at the end of the year	<b>133</b>	<b>260</b>

## Note 10 Intangible Assets

	Consolidated Entity	
	2011 \$'000	2010 \$'000
Capitalised patents and trademarks costs – at cost	<b>521</b>	<b>506</b>

## Note 11 Exploration & Evaluation Expenditure

	Consolidated Entity	
	2011 \$'000	2010 \$'000
Exploration & Evaluation Expenditure consists of:		
- At cost	152,358	130,044
- Transferred to mine development	(41,000)	(20,000)
- Accumulated impairment loss	(19,483)	(15,149)
Total Exploration and Evaluation	<b>91,875</b>	<b>94,895</b>

# Notes to the Financial Statements continued

For the Year Ended 30 June 2011

## Note 11 Exploration & Evaluation Expenditure (continued)

### Movement in carrying amount

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

	Consolidated Entity	
	2011 \$'000	2010 \$'000
<b>Exploration &amp; Evaluation Expenditure</b>		
Written down value at the beginning of the year	94,895	80,059
- Expenditure incurred during the year	22,314	15,048
- Transferred to mine development	(21,000)	-
- Impairment loss	(4,334)	(212)
Written down value at the end of the year	<b>91,875</b>	<b>94,895</b>

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 economically viable discovery 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 exploitation or alternatively their sale.

## Note 12 Mine Development

	Consolidated Entity	
	2011 \$'000	2010 \$'000
Capitalised development expenditure consists of:		
- Mine development	135,890	104,296
- Exploration expenditure transfer	41,000	20,000
- Deferred mining expenditure	164,891	125,172
- Capitalised restoration costs	5,843	4,307
- Capitalised interest	11,175	11,175
- Accumulated amortisation	(149,345)	(84,547)
Total Mine Development	<b>209,454</b>	<b>180,403</b>

### Movement in carrying amount

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

<b>Development Expenditure</b>		
Written down value at the beginning of the year	180,403	141,511
- Additions	71,313	72,965
- Exploration expenditure transfer	21,000	-
- Increase in restoration cost provision	1,536	-
- Capitalised interest	-	443
- Amortisation charge for the year	(64,798)	(34,516)
Written down value at the end of the year	<b>209,454</b>	<b>180,403</b>



# Notes to the Financial Statements continued

For the Year Ended 30 June 2011

## Note 13 Tax Asset

	Consolidated Entity	
	2011 \$'000	2010 \$'000
<b>(a) Liabilities</b>		
<b>Deferred tax liabilities comprise:</b>		
- Exploration & mine development expenditure	44,126	39,315
- Other	2,106	453
Total	46,232	39,768
<b>(b) Assets:</b>		
<b>Deferred tax assets comprise:</b>		
- Future income tax benefits due to tax losses	168	60,919
- Provisions	1,837	1,783
- Property, plant and equipment	2,026	-
- Mine development	5,023	1,211
- Other	1,109	83
Total	10,163	63,996
<b>(c) Reconciliation</b>		
<i>(i) Gross movement</i>		
The overall movement in the deferred tax account is as follows:		
Opening balance	24,228	32,874
(Debit) / Credit to income statement	(60,297)	(8,646)
Closing balance	(36,069)	24,228
<i>(ii) Deferred tax liability</i>		
The movement in the deferred tax liabilities for each temporary difference during the year is as follows:		
Exploration & development expenditure		
Opening balance	(39,315)	(38,148)
Credit to income statement	(4,811)	(1,167)
Closing balance	(44,126)	(39,315)
Other		
Opening balance	(453)	(135)
Debit / (Credit) to income statement	(1,653)	(318)
Closing balance	(2,106)	(453)

## Note 13 Tax Asset (continued)

	Consolidated Entity	
	2011 \$'000	2010 \$'000
<i>(iii) Deferred tax assets</i>		
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	60,919	64,811
(Credit) to income statement	(60,751)	(3,892)
Closing balance	168	60,919
Provisions		
Opening balance	1,783	1,664
Debit to income statement	54	119
Closing balance	1,837	1,783
Mine development		
Opening balance	1,211	4,467
(Credit) to income statement	3,812	(3,256)
Closing balance	5,023	1,211
Property, plant & equipment		
Opening balance	-	-
Credit to income statement	2,026	-
Closing balance	2,026	-
Other		
Opening balance	83	215
(Credit) / Debit to income statement	1,026	(132)
Closing balance	1,109	83

## Note 14 Trade & Other Payables

	Consolidated Entity	
	2011 \$'000	2010 \$'000
Current trade & other payables	13,822	20,026
Accrued expenses	30,053	16,532
Accrued interest	11,733	10,207
	<b>55,608</b>	<b>46,765</b>

# Notes to the Financial Statements continued

For the Year Ended 30 June 2011

## Note 15 Borrowings

		Consolidated Entity	
	Notes	2011 \$'000	2010 \$'000
<b>Current</b>			
Lease liability	15 (c) & 21 (b)	61	83
Corporate loan facility	15 (a)	-	-
		<b>61</b>	<b>83</b>
<b>Non Current</b>			
Corporate loan facility	15 (a)	-	-
Corporate loan facility borrowing cost		-	(720)
Convertible bonds	15 (b)	309,980	304,527
Convertible bond borrowing costs		(8,155)	(8,495)
Lease liability	15 (c) & 21 (b)	-	58
		<b>301,825</b>	<b>295,370</b>
The carrying value of assets secured under the corporate loan facility is as follows:			
<b>Corporate facility</b>			
Mine development		209,454	180,403
Property, plant & equipment		111,550	110,848
		<b>321,004</b>	<b>291,251</b>

- (a) The Corporate Loan facility is available for broad company purposes as agreed between the Australia and New Zealand Banking Group Ltd (ANZ) and Western Areas NL. 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

Convertible bond (Issued June 2007)	103,186	198,860
Convertible bond (Issued April 2010)	108,645	105,667
Convertible bond (Issued November 2010)	98,149	-
	<b>309,980</b>	<b>304,527</b>

- (i) The convertible notes issued in June 2007 mature on 2 July 2012 and the convertible notes issued in April 2010, mature on 2 July 2015. In November 2010, Western Areas NL issued bonds with a face value of \$110.2 million as an exchange offer for a number of the 2012 bonds with a face value of \$103 million. These bonds mature on 2 July 2014.
- (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
  - 6.375% on convertible note issued in November 2010
- (c) The lease liability is secured over the assets under the lease. The finance leases have an average term of 4 years and an average implicit discount rate of 6.08%. Refer to note 9 for the carrying value of the assets under lease.

# Notes to the Financial Statements continued

For the Year Ended 30 June 2011

## Note 16 Provisions

		Consolidated Entity	
	Notes	2011 \$'000	2010 \$'000
<b>Current</b>			
Employee Entitlements	16 (a)	1,344	1,057
<b>Non Current</b>			
<i><b>Rehabilitation and restoration cost</b></i>			
Opening balance		4,886	4,682
Discount unwind		214	204
Rehabilitation expenditure		(514)	-
Additional provisions raised		1,536	-
Closing balance	16 (b)	6,122	4,886

(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 Forrester Nickel Project. The current mine life is 9 years, after which time the rehabilitation activities will be undertaken.

## Note 17 Other Financial Liabilities

		Consolidated Entity	
	Notes	2011 \$'000	2010 \$'000
<b>Derivatives</b>			
Forward Exchange Contracts	29 (c)	-	139
Collar Options	29 (c)	2,839	357
		2,839	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 the income statement.

## Note 18 Issued Capital

### (a) Issued capital

		Consolidated Entity	
		2011 \$'000	2010 \$'000
179,735,899 Ordinary shares fully paid (2010: 179,735,899)		202,611	202,611

### (b) Movements in issued capital

#### 2011

There was no movement in issued capital during the year.

#### 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	909,250	3,773
Balance at end of the financial year	179,735,899	202,611



# Notes to the Financial Statements continued

For the Year Ended 30 June 2011

## Note 18 Issued Capital (continued)

### 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.

### (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	
	2011 \$'000	2010 \$'000
Earnings used to calculate basic / diluted earnings per share	134,973	14,212
Weighted average number of ordinary shares outstanding during the year used in calculating basic earnings per share	179,735,899	178,163,303
Weighted average number of dilutive options outstanding*	-	-
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive earnings per share	179,735,899	178,163,303

\* As at 30 June 2011, none of the outstanding options were dilutive as the weighted average exercise price of the options were higher than the weighted average share price.

# Notes to the Financial Statements continued

For the Year Ended 30 June 2011

## Note 20 Cash Flow Information

	Consolidated Entity	
	2011 \$'000	2010 \$'000
<b>(a) Reconciliation of the net profit after tax to the net cash flow from operations:</b>		
Profit after income tax	134,973	14,212
Depreciation	15,229	7,318
Amortisation	68,847	37,041
Convertible bond accretion expense	8,503	5,487
Discount on convertible bond payout	(1,440)	-
GST relating to non operating activity	(399)	(354)
Impairment expenses	4,334	212
Capitalised interest paid	-	(886)
Interest receivable	(1,764)	(38)
Other	(1,078)	(125)
Loss from sale of non-current assets	-	(301)
Share based payment	574	4,731
Unrealised movement in market value of derivatives	(1,943)	422
<b>Change in Assets and Liabilities</b>		
Increase in payables	850	10,248
(Increase )/ decrease in inventory	(5,714)	4,349
(Increase) in receivables	(6,560)	(5,611)
Decrease in interest payable	1,526	1,856
Decrease in deferred tax	60,297	8,646
Net Cash Flows Received from Operating Activities	<b>276,235</b>	<b>87,207</b>
<b>(b) Reconciliation of Cash</b>		
Cash balance comprises :		
Cash on hand	208,948	65,368
Closing Cash Balance	<b>208,948</b>	<b>65,368</b>

### (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*	30,000	-	30,000
- Letter of Credit	2,000	1,938	62
Performance Guarantees:-			
ANZ Banking Group			
- Security bond facility	10,000	6,611	3,389
Commonwealth Bank			
- Security bond facility	71	71	-
	<b>42,071</b>	<b>8,620</b>	<b>33,451</b>

\* 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 did not acquire any plant & equipment by means of a finance lease (2010: \$24K).

# Notes to the Financial Statements continued

For the Year Ended 30 June 2011

## 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	
	2011 \$'000	2010 \$'000
- no later than 1 year	304	295
- later than 1 year and not later than 5 years	153	388
Lease expenditure contracted for at year end	457	683

The operating leases are for miscellaneous office equipment and office premises in West Perth. The West Perth office lease expires December 2012.

### (b) Finance Lease Commitments

- no later than 1 year	61	89
- later than 1 year and not later than 5 years	-	60
Total Minimum Lease Payments	61	149
- future finance charges	-	(8)
Total Lease Liability	61	141
- current	61	83
- non current	-	58
	61	141

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	623	-
- later than 1 year and not later than 5 years	-	-
Total minimum commitments	623	-

### (d) Exploration Expenditure Commitments

- no later than 1 year	4,315	3,443
- later than 1 year and not later than 5 years	17,260	11,722
Total Minimum Payments	21,575	15,165

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:

	Consolidated Entity	
	2011 \$'000	2010 \$'000
- Audit and review of financial statements	141	132
- Other services	9	26
	150	158

## Note 23 Material Contracts

Western Areas NL has two main customers. A summary of the key terms of the off-take agreements entered into with these customers are detailed below. Credit risk associated with these customers is detailed in Note 29.

In 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.

## Note 27 Key Management Personnel (KMP)

### Key Management Personnel

T Streeter	Chairman (Non-Executive)
D Cooper	Director (Non-Executive)
J Hanna	Managing Director and Chief Executive Officer
R Dunbar	Director (Non-Executive)
R Yeates	Director (Non-Executive)
D Lougher	Operations Director
D Southam	Finance Director (Appointed 15 November 2010)
J Belladonna	Chief Financial Officer (Appointed 1 July 2010) / Company Secretary
C Wilkinson	General Manager Exploration
G Marshall	General Manager Commercial

Refer to the remuneration report contained in the Directors' report for details of the remuneration paid or payable to each member of the group's key management personnel for the year ended 30 June 2011.



# Notes to the Financial Statements continued

For the Year Ended 30 June 2011

## Note 27 Key Management Personnel (KMP) (continued)

The totals of remuneration paid to KMP of the group during the year are as follows:

	2011	2010
	\$'000	\$'000
Short term employee benefits	4,664	2,711
Share based payments	912	767
Post-employment benefits	308	225
	5,884	3,703

### Options held by Key Management Personnel

	Balance at 1 July 2010	Granted as Remuneration	On Exercise of Options	Purchases / (Sales)	Expired / Lapsed	Balance at 30 June 2011	Options Vested *
J Hanna	600,000	-	-	-	(400,000)	200,000	100,000
D Cooper	400,000	-	-	-	(400,000)	-	-
T Streeter	400,000	-	-	-	(400,000)	-	-
R Dunbar	400,000	-	-	-	(400,000)	-	-
D Lougher	600,000	-	-	-	(400,000)	200,000	100,000
C Wilkinson	340,000	-	-	-	(240,000)	100,000	50,000
G Marshall	50,000	-	-	-	-	50,000	25,000
J Belladonna	180,000	-	-	-	(80,000)	100,000	50,000
K McKenzie	190,000	-	-	-	(90,000)	100,000	50,000
<b>TOTAL</b>	<b>3,160,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,410,000)</b>	<b>750,000</b>	<b>375,000</b>

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

### Shareholding by Key Management Personnel

	Balance at 1 July 2010	Granted as Remuneration	On Exercise of Options	Other Changes During the Year	Balance at 30 June 2011
J Hanna	1,360,179	-	-	(66,192)	1,293,987
D Cooper	1,000,000	-	-	-	1,000,000
T Streeter	25,809,410	-	-	-	25,809,410
R Dunbar	102,500	-	-	-	102,500
R Yeates	-	-	-	6,000	6,000
D Lougher	50,884	-	-	-	50,884
C Wilkinson	7,000	-	-	-	7,000
J Belladonna	65,000	-	-	(5,000)	60,000
K McKenzie	27,918	-	-	-	27,918
<b>TOTAL</b>	<b>28,422,891</b>	<b>-</b>	<b>-</b>	<b>(65,192)</b>	<b>28,357,699</b>

## 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:

Joint Venture	% Interest	Principal Activities	Consolidated Entity	
			2011 \$'000	2010 \$'000
Koolyanobbing (3 JV's)	51% - 100%	Nickel & Gold exploration	200	628
Sandstone Project	51% - 70%	Nickel exploration	2,500	1,494
Mt Alexander	25%	Nickel & Copper exploration	100	106
Great Western Project	51%-70%	Nickel & Copper exploration	100	173
Kawana Project	70%-80%	Nickel & Copper exploration	100	153

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

## Note 29 Financial Risk Management

### Financial Risk Management Policies

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

# Notes to the Financial Statements continued

For the Year Ended 30 June 2011

## Note 29 Financial instruments (continued)

### (b) Liquidity Risk (continued)

#### *Financial liability and financial asset maturity analysis*

The Consolidated Entity's maturity analysis of financial assets and financial liabilities shown below:

#### **2011 Consolidated Entity**

	1 year or less	Over 1 to 5 years	More than 5 Years	Total
	\$'000	\$'000	\$'000	\$'000
<b>Financial Assets – Non Derivative</b>				
Cash	208,948	-	-	208,948
Receivables	27,719	-	-	27,719
<b>Financial Assets –Derivative</b>				
Nickel Collar Options (net settled)	4,739	-	-	4,739
	241,406	-	-	241,406
<b>Financial Liabilities – Non Derivative</b>				
Payables	55,608	-	-	55,608
Convertible bonds*	-	340,700	-	340,700
Lease liability	61	-	-	61
<b>Financial Liabilities –Derivative</b>				
Collar options (net settled)	2,839	-	-	2,839
	58,508	340,700	-	399,208
Net Financial Assets/(Liabilities)	<b>182,898</b>	<b>(340,700)</b>	-	<b>(157,802)</b>

#### **2010 Consolidated Entity**

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

\* Included in 1-5 years maturity analysis of the convertible bond is a convertible bond with a carrying value of \$105.5M maturing on 2 July 2012.

# Notes to the Financial Statements continued

For the Year Ended 30 June 2011

## Note 29 Financial instruments (continued)

### (c) Market Risk

Market risk is 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:

#### 2011 Consolidated Entity

	Floating Interest Rate	Fixed Interest maturing in:			Non-Interest Bearing	Total	Weighted Average Interest Rate
		1 year or less	Over 1 to 5 years	More than 5 Years			
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
<b>Financial Assets</b>							
Cash	208,948	-	-	-	-	208,948	6.12%
Receivables	-	-	-	-	27,719	27,719	-
	208,948	-	-	-	27,719	236,667	
<b>Financial Liabilities</b>							
Payables	-	-	-	-	55,608	55,608	-
Convertible bonds	-	-	340,700	-	-	340,700	7.05%
Lease liability	-	61	-	-	-	61	6.09%
	-	61	340,700	-	55,608	396,369	
Net Financial Assets/(Liabilities)	208,948	(61)	(340,700)	-	(27,889)	(159,702)	

#### 2010 Consolidated Entity

	Floating Interest Rate	Fixed Interest maturing in:			Non-Interest Bearing	Total	Weighted Average Interest Rate
		1 year or less	Over 1 to 5 years	More than 5 Years			
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
<b>Financial Assets</b>							
Cash	65,368	-	-	-	-	65,368	5.70%
Receivables	-	-	-	-	16,700	16,700	-
	65,368	-	-	-	16,700	82,068	
<b>Financial Liabilities</b>							
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)	



# Notes to the Financial Statements continued

For the Year Ended 30 June 2011

## Note 29 Financial instruments (continued)

### (c) Market Risk (continued)

#### (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% (2010 – increased by 10% / decreased by 10%) and foreign exchange rate increased by 5% / decrease by 5% (2010 increased by 5% / decrease by 5%) 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.

Available for sale financial assets – Index	Impact on equity	
	30 June 2011	30 June 2010
	\$'000	\$'000
ASX	66	33
TSX	273	123

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 500 increase and decrease in the nickel price. USD 500 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	Equity
	\$'000	\$'000
<b>Year Ended 30 June 2011</b>		
+/- \$500 / tonne nickel	+1,283	+1,283
<b>Year Ended 30 June 2010</b>		
+/- \$500 / tonne nickel	+1,173	+1,173

#### 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 3,300 tonnes of nickel at an average USD price/tonne call of US\$27,429 and US price/tonne put of US\$22,141. The hedging contracts are vanilla forward sales contracts with maturity dates as shown in the table below.

	FY 2011	TOTAL	FY 2010	TOTAL
Nickel Tonnes	3,300	3,300	400	500
US Price (\$/tonne) Call	27,429	27,429	22,550	22,550
USD Value (\$'000)	90,516	90,516	9,020	9,020
US Price (\$/tonne) Put	22,141	22,141	20,000	20,000
USD Value (\$'000)	73,065	73,065	8,000	8,000

# Notes to the Financial Statements continued

For the Year Ended 30 June 2011

## Note 29 Financial instruments (continued)

### (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	-	32,080

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	Equity
	\$'000	\$'000
<b>Year Ended 30 June 2011</b>		
+ 5% in \$A/\$US	(2,726)	(2,726)
- 5% in \$A/\$US	3,013	3,013
<b>Year Ended 30 June 2010</b>		
+ 5% in \$A/\$US	(1,088)	(1,088)
- 5% in \$A/\$US	1,203	1,203

### Forward exchange contracts

The consolidated entity had open forward exchange contracts, exchange options and exchange collar options at 30 June 2010 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.

Consolidated Group	Notional Amounts		Average Exchange Rate	
	2011 \$000	2010 \$000	2011 \$	2010 \$
Buy AUD / Sell USD				
Settlement				
- less than 6 months	-	23,000	-	0.8932
- 6 months to 1 year	-	5,000	-	0.9000

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.

### (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.

# Notes to the Financial Statements continued

For the Year Ended 30 June 2011

## Note 29 Financial instruments (continued)

### (d) Net fair values (continued)

		2011		2010	
		Carrying Amount	Net Fair Value	Carrying Amount	Net Fair Value
		\$'000	\$'000	\$'000	\$'000
<b>Financial Assets</b>					
Cash and cash equivalents	(i)	208,948	208,948	65,368	65,368
Available-for-sale assets at fair value	(iv)	6,445	6,445	1,837	1,837
Derivative financial assets	(vi)	4,739	4,739	466	466
Loans and receivables	(ii) & (iii)	27,719	27,719	16,700	16,700
		247,851	247,851	84,371	84,371
<b>Financial Liabilities</b>					
Trade and sundry payables	(i)	55,608	55,608	46,765	46,765
Convertible notes	(v)	309,980	333,500	304,527	333,500
Derivative financial liabilities	(vi)	2,839	2,839	496	496
Other liabilities	(i)	61	61	141	141
		368,488	392,008	351,929	380,902

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) Quoted market prices at reporting date are used as well as valuation techniques incorporating observable market data relevant to the hedged position.
- (v) 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.
- (vi) Quoted closing bid prices at reporting date.

#### 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

2011	Level 1	Level 2	Level 3	Total
	\$000	\$000	\$000	\$000
<b>Financial assets:</b>				
<i>Available-for-sale financial assets:</i>				
- listed investments	6,445	-	-	6,445
<b>2010</b>				
<b>Financial assets:</b>				
<i>Available-for-sale financial assets:</i>				
- listed investments	1,837	-	-	1,837

# Notes to the Financial Statements continued

For the Year Ended 30 June 2011

## 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 17 September 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.
- (ii) On 15 September 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.

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 2011:

Consolidated Entity				
	2011		2010	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Opening balance	7,300,000	12.80	9,189,250	11.55
Options issued	-	-	2,350,000	7.31
Options cancelled	(420,000)	8.73	(140,000)	15.00
Options Expired	(4,870,000)	15.38	(3,190,000)	7.50
Options exercised	-	-	(909,250)	4.15
<b>Closing balance</b>	<b>2,010,000</b>	<b>7.32</b>	<b>7,300,000</b>	<b>12.80</b>
<b>Vested balance</b>	<b>1,340,000</b>	<b>7.32</b>	<b>5,030,000</b>	<b>15.37</b>

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

- (i) The \$7.25 employee options issued in September 2009 vest as follows: Half vest 12 before expiry and half vest 24 months before expiry date.
- (ii) 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 12 Months.

The fair value of the options outstanding as at 30 June 2011 was determined as detailed below:

- (i) 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.
- (ii) 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.



# Notes to the Financial Statements continued

For the Year Ended 30 June 2011

## Note 31 Share Based Payments (continued)

The movement in the various classes of options for the year ended 30 June 2011 were as follows:

	- Option Terms (Exercise Price and Maturity) -						
	Employee \$7.50 Jan 11	Employee \$15.00 May 11	Contractor \$17.00 May 11	Director \$17.00 May 11	Director \$7.50 Nov 12	Employee \$7.25 Sep 12	TOTAL
Opening balance	500,000	1,730,000	400,000	2,400,000	600,000	1,670,000	7,300,000
Options issued	-	-	-	-	-	-	-
Options Expired	(500,000)	(1,570,000)	(400,000)	(2,400,000)	-	-	(4,870,000)
Options Cancelled	-	(160,000)	-	-	-	(260,000)	(420,000)
Options exercised	-	-	-	-	-	-	-
Closing balance	-	-	-	-	600,000	1,410,000	2,010,000

## 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 available for sale financial assets.

### (iv) Convertible Bond Reserve

The Convertible bond reserve records the equity proportion value of the convertible bond.

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

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods and which the Group has decided not to early adopt. A discussion of those future requirements and their impact on the Group is as follows:

- AASB 9: Financial Instruments (December 2010) (applicable for annual reporting periods commencing on or after 1 January 2013).

This Standard is applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments. The Group has not yet determined any potential impact on the financial statements.

The key 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;
- 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;
- requiring financial assets to be reclassified 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; and
- requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income, except when that would create an accounting mismatch. If such a mismatch would be created or enlarged, the entity is required to present all changes in fair value (including the effects of changes in the credit risk of the liability) in profit or loss.

## Note 33 New Accounting Standards for Application in the Future Periods (continued)

- 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 2009–12: 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 IFRSs 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. The amendments are not expected to impact the Group.
- AASB 2010–4: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101 & AASB 134 and Interpretation 13] (applicable for annual reporting periods commencing on or after 1 January 2011).

This Standard details numerous non-urgent but necessary changes to Accounting Standards arising from the IASB’s annual improvements project. Key changes include:

- clarifying the application of AASB 108 prior to an entity’s first Australian-Accounting-Standards financial statements;
- adding an explicit statement to AASB 7 that qualitative disclosures should be made in the context of the quantitative disclosures to better enable users to evaluate an entity’s exposure to risks arising from financial instruments;
- amending AASB 101 to the effect that disaggregation of changes in each component of equity arising from transactions recognised in other comprehensive income is required to be presented, but is permitted to be presented in the statement of changes in equity or in the notes;
- adding a number of examples to the list of events or transactions that require disclosure under AASB 134; and
- making sundry editorial amendments to various Standards and Interpretations.

This Standard is not expected to impact the Group.

- AASB 2010–5: Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042] (applicable for annual reporting periods beginning on or after 1 January 2011).

This Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB. However, these editorial amendments have no major impact on the requirements of the respective amended pronouncements.

- AASB 2010–6: Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & AASB 7] (applicable for annual reporting periods beginning on or after 1 July 2011).

This Standard adds and amends disclosure requirements about transfers of financial assets, especially those in respect of the nature of the financial assets involved and the risks associated with them. Accordingly, this Standard makes amendments to AASB 1: First-time Adoption of Australian Accounting Standards, and AASB 7: Financial Instruments: Disclosures, establishing additional disclosure requirements in relation to transfers of financial assets.

This Standard is not expected to impact the Group.

- AASB 2010–7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127] (applies to periods beginning on or after 1 January 2013).

This Standard makes amendments to a range of Australian Accounting Standards and Interpretations as a consequence of the issuance of AASB 9: Financial Instruments in December 2010. Accordingly, these amendments will only apply when the entity adopts AASB 9.

As noted above, the Group has not yet determined any potential impact on the financial statements from adopting AASB 9.

# Notes to the Financial Statements continued

For the Year Ended 30 June 2011

## 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

	Consolidated Entity	
	2011 \$'000	2010 \$'000
<b>Assets</b>		
Current Assets	269,664	106,909
Non Current Assets	422,381	413,068
<b>Total Assets</b>	<b>692,045</b>	<b>519,977</b>
<b>Liabilities</b>		
Current Liabilities	59,064	48,041
Non Current Liabilities	344,017	300,256
<b>Total Liabilities</b>	<b>403,081</b>	<b>348,297</b>
<b>Net Assets</b>	<b>288,964</b>	<b>171,680</b>
<b>Equity</b>		
Issued capital	202,611	202,611
Reserves	78,554	74,177
Accumulated profit / (loss)	7,799	(105,108)
<b>Total Equity</b>	<b>288,964</b>	<b>171,680</b>

### Statement of Comprehensive Income

Profit for the period	<b>132,162</b>	<b>14,713</b>
Total comprehensive income for the period	<b>135,965</b>	<b>33,372</b>

### 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:

Level 2  
2 Kings Park Road  
West Perth WA 6005

Tel: +61 8 9334 7777

Fax: +61 8 9486 7866

Web: [www.westernareas.com.au](http://www.westernareas.com.au)

Email: [info@westernareas.com.au](mailto: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 43 to 74 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 2011 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 2011.

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

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

**J Hanna**  
**Director**

Dated this 22nd day of August 2011



# Independent Audit Opinion



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

We have audited the accompanying financial report of Western Areas NL, which comprises the consolidated statement of financial position as at 30 June 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

### Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards,

### 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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 judgement, 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 of the financial report that gives a true and fair view 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:

- (a) the financial report of Western Areas NL is 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 2011 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the consolidated financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.



## REPORT ON THE REMUNERATION REPORT

We have audited the Remuneration Report included in pages 13 to 20 of the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

## Auditor's Opinion

In our opinion, the Remuneration Report of Western Areas NL for the year ended 30 June 2011 complies with section 300A of the *Corporations Act 2001*.

A handwritten signature in dark ink that reads "Crowe Horwath Perth".

CROWE HORWATH PERTH

A handwritten signature in dark ink, appearing to be "Cyrus Patel".

CYRUS PATELL  
Partner

Signed at Perth, 22 August 2011

# Tenement Listing

For the Year Ended 30 June 2011

Areas of Interest	Tenements	Company's Interest	Joint Venture Partners
Forrestania	L74/00011	100%	
	E74/00470	100%	
	E74/00499	100%	
	E77/01864	100%	
	E77/01865	100%	
	G70/00226	100%	
	G70/00231	100%	
	L70/00109	100%	
	L70/00111	100%	
	L74/00025	100%	
	L74/00044	100%	
	L77/00104	100%	
	L77/00141	100%	
	L77/00182	100%	
	L77/00197	100%	
	L77/00202	100%	
	L77/00203	100%	
	L77/00217	100%	
	L77/00204	100%	
	M74/00057	100%	
	M74/00058	100%	
	M74/00064	100%	
	M74/00065	100%	
	M74/00081	100%	
	M74/00090	100%	
	M74/00091	100%	
	M74/00092	100%	
	M77/00098	100%	
	M77/00215	100%	
	M77/00216	100%	
	M77/00219	100%	
	M77/00284	100%	
	M77/00285	100%	
	M77/00286	100%	
	M77/00329	100%	
	M77/00335	100%	
	M77/00336	100%	
	M77/00389	100%	
	M77/00399	100%	
	M77/00458	100%	
	M77/00542	100%	
	M77/00543	100%	
	M77/00545	100%	
	M77/00550	100%	

# Tenement Listing continued

For the Year Ended 30 June 2011

Areas of Interest	Tenements	Company's Interest	Joint Venture Partners
Forrestania (continued)	M77/00568	100%	
	M77/00574	100%	
	M77/00582	100%	
	M77/00583	100%	
	M77/00584	100%	
	M77/00585	100%	
	M77/00586	100%	
	M77/00587	100%	
	M77/00588	100%	
	M77/00589	100%	
	M77/00911	100%	
	M77/00912	100%	
Great Western JV	E74/00305	100%	Great Western Exploration Ltd
	E74/00313	100%	Great Western Exploration Ltd
	E74/00320	100%	Great Western Exploration Ltd
	E74/00428	100%	Great Western Exploration Ltd
	E74/00445	100%	Great Western Exploration Ltd
	E74/00446	100%	Great Western Exploration Ltd
	E77/01545	100%	Great Western Exploration Ltd
	E77/01546	100%	Great Western Exploration Ltd
	E77/01547	100%	Great Western Exploration Ltd
	E77/01590	100%	Great Western Exploration Ltd
	E77/01677	100%	Great Western Exploration Ltd
	P74/00251	100%	Great Western Exploration Ltd
	P74/00322	100%	Great Western Exploration Ltd
	E77/01537	100%	Jindalee Resources Ltd
	E74/00368	100%	Jindalee Resources Ltd / Uran Ltd
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



# Tenement Listing continued

For the Year Ended 30 June 2011

Areas of Interest	Tenements	Company's Interest	Joint Venture Partners
<b>Kawana</b>	E77/01093	0%	Bildex Holdings Pty Ltd & Fleet Street Holdings Pty Ltd
	E77/01355	0%	Bildex Holdings Pty Ltd & Fleet Street Holdings Pty Ltd
	E77/01365	0%	Bildex Holdings Pty Ltd & Fleet Street Holdings Pty Ltd
	E77/01438	0%	Bildex Holdings Pty Ltd & Fleet Street Holdings Pty Ltd
	E77/01674	0%	Bildex Holdings Pty Ltd & Fleet Street Holdings Pty Ltd
	E77/01686	0%	Bildex Holdings Pty Ltd & Fleet Street Holdings Pty Ltd
	P77/03618	0%	Bildex Holdings Pty Ltd & Fleet Street Holdings Pty Ltd
	E77/01394	0%	Wheatbelt Holdings Ltd
<b>Koolyanobbing</b>	E77/01004	100%	Cliffs Asia Pacific Iron Ore Pty Ltd
	L77/00214	100%	Cliffs Asia Pacific Iron Ore Pty Ltd
	M77/00606	100%	Cliffs Asia Pacific Iron Ore Pty Ltd
	M77/00607	100%	Cliffs Asia Pacific Iron Ore Pty Ltd
	M77/00611	100%	Cliffs Asia Pacific Iron Ore Pty Ltd
	M77/00988	100%	Cliffs Asia Pacific Iron Ore Pty Ltd
	M77/00989	100%	Cliffs Asia Pacific Iron Ore Pty Ltd
	M77/00990	100%	Cliffs Asia Pacific Iron Ore Pty Ltd
	P77/03482	100%	Cliffs Asia Pacific Iron Ore Pty Ltd
	E77/01089	100%	Cliffs Asia Pacific Iron Ore Pty Ltd
	E77/01307	100%	Cliffs Asia Pacific Iron Ore Pty Ltd
	E77/01407	100%	
	M77/00676	100%	
	M77/00737	100%	
	M77/00839	100%	
	P77/03807	100%	
<b>Lake King</b>	E70/02148	70%	Swanoak Holdings Pty Ltd
	E70/03123	70%	Swanoak Holdings Pty Ltd
	P70/01534	70%	Swanoak Holdings Pty Ltd
	P70/01535	70%	Swanoak Holdings Pty Ltd
	P70/01536	70%	Swanoak Holdings Pty Ltd
	E70/04028	70%	Swanoak Holdings Pty Ltd
	E70/04029	70%	Swanoak Holdings Pty Ltd
<b>Mount Alexander</b>	E29/00638	75%	BHP Billiton
<b>Mt. Holland</b>	P77/03572	100%	
<b>Sandstone</b>	M57/00206	0%	Bennett, John
	M57/00450	0%	Bennett, John
	P57/01076	0%	Bennett, John
	P57/01248	0%	Bennett, John
	P57/01239	0%	Bennett, John Paul
	P57/01247	0%	Bennett, John Paul
	P57/01249	0%	Bennett, John Paul
	P57/01187	0%	Donald-hill, Richard Forbes
	P57/01188	0%	Donald-hill, Richard Forbes
	P57/01189	0%	Donald-hill, Richard Forbes
	E57/00642	0%	Elixir Holdings Pty Ltd Troy Resources NI
	E57/00667	0%	Elixir Holdings Pty Ltd Troy Resources NI
	P57/01091	0%	Elixir Holdings Pty Ltd Troy Resources NI

# Tenement Listing continued

For the Year Ended 30 June 2011

Areas of Interest	Tenements	Company's Interest	Joint Venture Partners
Sandstone (continued)	P57/01092	0%	Elixir Holdings Pty Ltd Troy Resources NI
	P57/01114	0%	Elixir Holdings Pty Ltd Troy Resources NI
	P57/01115	0%	Elixir Holdings Pty Ltd Troy Resources NI
	P57/01218	0%	Garbutt, Robert Sydney Kjellgren, Gary Herbert Spraggon, Robin Guy
	E57/00778	0%	Gibson, Peter Ronald
	M57/00631	0%	Gloede, Danny James
	P57/00970	0%	Gloede, Danny James
	P57/01231	0%	Gloede, Danny James
	M57/00600	0%	Kjellgren, Gary Herbert
	M57/00272	0%	Kjellgren, Gary Herbert Spraggon, Robin Guy
	M57/00239	0%	Kjellgren, Norman William Wirraminna Gold NI
	E57/00664	0%	Legendre, Bruce Robert Troy Resources NI Wirraminna Gold NI
	P57/01110	0%	Legendre, Bruce Robert Troy Resources NI Wirraminna Gold NI
	P57/01047	0%	Legendre, Bruce Robert Voermans Geological Services Pty Ltd Wasse, Bernfried Gunter Franz
	P57/01048	0%	Legendre, Bruce Robert Voermans Geological Services Pty Ltd Wasse, Bernfried Gunter Franz
	E57/00765	0%	Legendre, Joseph Paul
	E57/00788	0%	Mindax Ltd
	E57/00826	0%	Mithril Resources Ltd
	E57/00779	0%	Plasia Pty Ltd
	P57/01240	0%	Reilly, Graeme Edward
	P57/01210	0%	Sheppard, Robert Ernst John
	E57/00485	0%	Troy Resources NI
	E57/00576	0%	Troy Resources NI
	E57/00580	0%	Troy Resources NI
	E57/00581	0%	Troy Resources NI
	E57/00583	0%	Troy Resources NI
	E57/00584	0%	Troy Resources NI
	E57/00585	0%	Troy Resources NI
	E57/00587	0%	Troy Resources NI
	E57/00592	0%	Troy Resources NI
	E57/00595	0%	Troy Resources NI
	E57/00596	0%	Troy Resources NI
	E57/00637	0%	Troy Resources NI
	E57/00639	0%	Troy Resources NI
	E57/00640	0%	Troy Resources NI
	E57/00641	0%	Troy Resources NI
	E57/00662	0%	Troy Resources NI
	E57/00663	0%	Troy Resources NI
	E57/00665	0%	Troy Resources NI
	E57/00670	0%	Troy Resources NI
	E57/00703	0%	Troy Resources NI
	E57/00808	0%	Troy Resources NI
	G57/00003	0%	Troy Resources NI
	L57/00010	0%	Troy Resources NI
	L57/00015	0%	Troy Resources NI
	L57/00022	0%	Troy Resources NI
	L57/00023	0%	Troy Resources NI
	L57/00024	0%	Troy Resources NI
	L57/00025	0%	Troy Resources NI
	L57/00026	0%	Troy Resources NI
	L57/00027	0%	Troy Resources NI

# Tenement Listing continued

For the Year Ended 30 June 2011

Areas of Interest	Tenements	Company's Interest	Joint Venture Partners
Sandstone (continued)	L57/00033	0%	Troy Resources NI
	L57/00034	0%	Troy Resources NI
	M57/00001	0%	Troy Resources NI
	M57/00022	0%	Troy Resources NI
	M57/00040	0%	Troy Resources NI
	M57/00068	0%	Troy Resources NI
	M57/00088	0%	Troy Resources NI
	M57/00128	0%	Troy Resources NI
	M57/00129	0%	Troy Resources NI
	M57/00130	0%	Troy Resources NI
	M57/00163	0%	Troy Resources NI
	M57/00248	0%	Troy Resources NI
	M57/00301	0%	Troy Resources NI
	M57/00469	0%	Troy Resources NI
	M57/00529	0%	Troy Resources NI
	M57/00530	0%	Troy Resources NI
	M57/00622	0%	Troy Resources NI
	M57/00632	0%	Troy Resources NI
	P57/01038	0%	Troy Resources NI
	P57/01072	0%	Troy Resources NI
	P57/01085	0%	Troy Resources NI
	P57/01086	0%	Troy Resources NI
	P57/01089	0%	Troy Resources NI
	P57/01090	0%	Troy Resources NI
	P57/01096	0%	Troy Resources NI
	P57/01097	0%	Troy Resources NI
	P57/01098	0%	Troy Resources NI
	P57/01108	0%	Troy Resources NI
	P57/01109	0%	Troy Resources NI
	P57/01112	0%	Troy Resources NI
	P57/01121	0%	Troy Resources NI
	P57/01122	0%	Troy Resources NI
	P57/01201	0%	Troy Resources NI
	P57/01202	0%	Troy Resources NI
	P57/01203	0%	Troy Resources NI
	P57/01204	0%	Troy Resources NI
	P57/01207	0%	Troy Resources NI
	P57/01208	0%	Troy Resources NI
	P57/01211	0%	Troy Resources NI
	P57/01212	0%	Troy Resources NI
	P57/01220	0%	Troy Resources NI
	P57/01224	0%	Troy Resources NI
	P57/01229	0%	Troy Resources NI
	P57/01246	0%	Troy Resources NI
	P57/01252	0%	Troy Resources NI
	P57/01253	0%	Troy Resources NI
	P57/01254	0%	Troy Resources NI
	P57/01255	0%	Troy Resources NI
	M57/00417	0%	Troy Resources NI Wirraminna Gold NI
	P57/01116	0%	Troy Resources NI Wirraminna Gold NI
	P57/01117	0%	Troy Resources NI Wirraminna Gold NI

# Tenement Listing continued

For the Year Ended 30 June 2011

Areas of Interest	Tenements	Company's Interest	Joint Venture Partners
Sandstone (continued)	P57/01118	0%	Troy Resources NI Wirraminna Gold NI
	P57/01119	0%	Troy Resources NI Wirraminna Gold NI
	P57/01230	0%	Troy Resources NI Wirraminna Gold NI
	E57/00704	0%	Troy Resources NL & Wirraminna Gold NL
	M57/00415	0%	Troy Resources NL & Wirraminna Gold NL
	M57/00416	0%	Troy Resources NL & Wirraminna Gold NL
	E57/00800	0%	Vanguard Exploration Pty Ltd
	E57/00666	0%	Wirraminna Gold NI
	M57/00266	0%	Wirraminna Gold NI
	M57/00439	0%	Wirraminna Gold NI
	M57/00630	0%	Wirraminna Gold NI
	P57/01095	0%	Wirraminna Gold NI
	P57/01111	0%	Wirraminna Gold NI
	P57/01205	0%	Wirraminna Gold NI
	P57/01206	0%	Wirraminna Gold NI
	P57/01209	0%	Wirraminna Gold NI
	P57/01219	0%	Wirraminna Gold NI
	P57/01221	0%	Wirraminna Gold NI
	P57/01222	0%	Wirraminna Gold NI
	P57/01223	0%	Wirraminna Gold NI
	P57/01225	0%	Wirraminna Gold NI
	P57/01235	0%	Wirraminna Gold NI
	P57/01236	0%	Wirraminna Gold NI
	P57/01237	0%	Wirraminna Gold NI
	P57/01238	0%	Wirraminna Gold NI
	P57/01245	0%	Zuks, Adam Zuks, Nikolajas
East Bull Lake (Canada)	B00N997236	0%	Mustang Minerals
	B00N997237	0%	Mustang Minerals
	B00N997238	0%	Mustang Minerals
	B00N997239	0%	Mustang Minerals
	B00N997240	0%	Mustang Minerals
	B00N997241	0%	Mustang Minerals
	B00N997244	0%	Mustang Minerals
	B00N997245	0%	Mustang Minerals
	B00N997246	0%	Mustang Minerals
	B00N997247	0%	Mustang Minerals
	B00N997248	0%	Mustang Minerals
	B00N997249	0%	Mustang Minerals
	B00N997253	0%	Mustang Minerals
	B00N997254	0%	Mustang Minerals
	B00N997255	0%	Mustang Minerals
	B00N997256	0%	Mustang Minerals
	B00N997257	0%	Mustang Minerals
	B00N997258	0%	Mustang Minerals
	B00N997261	0%	Mustang Minerals
	B00N997262	0%	Mustang Minerals
	B00N997263	0%	Mustang Minerals
	B00N997264	0%	Mustang Minerals
	B00N997265	0%	Mustang Minerals

# Tenement Listing continued

For the Year Ended 30 June 2011

Areas of Interest	Tenements	Company's Interest	Joint Venture Partners
East Bull Lake (Canada) (continued)	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
	BOON1134485	0%	Mustang Minerals
	BOON1134486	0%	Mustang Minerals
	BOON1134487	0%	Mustang Minerals



# Tenement Listing continued

For the Year Ended 30 June 2011

Areas of Interest	Tenements	Company's Interest	Joint Venture Partners
East Bull Lake (Canada) (continued)	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

# Shareholder Information

The Shareholder Information set out below shows the position as at 30 June 2011

## a) Distribution of Shareholdings

### Ordinary Shares\*

i) Distribution schedule of holdings:	
1 – 1,000	2,161
1,001 – 5,000	2,602
5001 – 10,000	699
10,001 – 100,000	604
100,001 – over	122
Total number of holders	6,188
ii) Number of holders of less than a marketable parcel	255
iii) Number of overseas Holders	234
iv) Percentage held by 20 largest holders	57.35%

\*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	%
Terence E Streeter	25,809,410	14.36%
Margaret & Allan Greenwell	9,686,820	5.39%
Commonwealth Bank Group	8,953,022	4.98%
Northward Capital Pty Ltd	6,789,110	3.78%
Platypus Asset Management Pty Ltd	5,950,787	3.31%
Giovanni Santalucia	5,862,072	3.26%
AMP Group Holdings Limited	5,214,742	2.90%
Ausbil Dexia Ltd	5,087,577	2.83%
Goldman Sachs Group Inc	3,542,231	1.97%
State Street Corporation	3,484,331	1.94%
Mount Kellet Capital Management LP	3,060,980	1.70%
Vanguard Group Inc	2,869,270	1.60%
Aviva Investors Australia Limited	2,433,000	1.35%
Macquarie Group Limited	2,315,856	1.29%
Prudential Financial Inc	2,072,089	1.15%
Marchesani Family Holdings (Retail Group)	2,050,677	1.14%
Cambrian Capital LP	2,005,000	1.12%
Front Street Capital Inc	1,990,772	1.11%
Eley Griffiths Group Pty Ltd	1,976,151	1.10%
John & Cheryl Susan Marinovich	1,916,300	1.07%
	<b>103,070,197</b>	<b>57.35%</b>

## c) Substantial Shareholders

NAME	NO. SHARES HELD	%
Terence E Streeter	25,809,410	14.36%
Margaret & Allan Greenwell	9,686,820	5.39%
Commonwealth Bank Group	8,953,022	4.98%

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