



14 February, 2011

ASX & TSX: WSA

News Release

FIRST HALF FY 2010/11 FINANCIAL RESULTS AND INCREASED PRODUCTION GUIDANCE

The Board of Western Areas is pleased to announce a substantial increase in earnings, profits and the interim dividend for the first half of the 2010/11 financial year. In addition the Company wishes to announce a 16% increase in production guidance for the full FY 2010/11.

Highlights for first half FY 2010/11:

- **Revenue from nickel sales was A\$230.9m** (\$85.5m 1st half 2009/10)
- **Earnings before interest and tax (EBIT) was A\$117.2m** (\$31.7m 1st half 2009/10)
- **Net Profit After Tax (NPAT) was A\$67.2m** (\$10.7m 1st half 2009/10)
- **Interim Dividend of 10 cents per share, unfranked** (3c per share 1st half 2009/10)

Production Guidance for FY 2010/11:

Strong production from Flying Fox and Spotted Quoll mines in the six months to 31 December 2010 (16,261t nickel in ore) has resulted in a 16% increase in production guidance from 25,000t nickel in ore to approximately **29,000t nickel in ore for FY 2010/2011**.

Western Areas expects March Q 2011 mine production to be higher than planned but lower than Dec Q 2010 production due to substantial development work in both mines. Strong production is scheduled in June Q 2011 as high grade areas are accessed at Flying Fox T5.

The following table provides key financial and operational metrics for the period:

Highlights	1H 2009/10	2H 2009/10	1H 2010/11	1H 09/10 vs 1H10/11
Mine Production (tonnes Ni)	3,791	10,020	16,261	12,470
Mill Production (tonnes Ni)	3,857	5,719	12,654	8,797
Sales (tonnes Ni)	5,874	4,992	13,247	7,373
Cash Costs (US\$/lb)	3.06	2.35	1.86	(1.20)
Revenue (\$'000)	85,531	84,834	230,873	145,342
EBITDA (\$'000)	50,427	45,117	155,866	105,439
EBIT (\$'000)	31,724	21,986	117,157	85,433
Interest Expense (\$'000)	14,837	16,015	18,116	3,279
Income Tax Expense (\$'000)	6,212	2,434	31,877	25,665
NPAT (\$'000)	10,675	3,537	67,164	56,489
Cashflow from Operations (\$'000)	50,357	36,850	115,740	65,383
Net Cashflow (\$'000)	10,457	(25,299)	59,707	49,250
Total Assets (\$'000)	500,620	520,739	605,122	104,502
Total Liabilities (\$'000)	349,203	348,657	366,152	16,949
Shareholders Equity (\$'000)	151,417	172,082	238,970	87,553
Dividend (cents)	3	3	10	7
Earnings per share (cents)	6	8	38	32



The Appendix 4D and Financial Statement are attached and an updated presentation to shareholders on the results will be loaded onto the Company's website.

Key dates for the interim dividend will be:

- Ex Dividend Date, 22 February 2011
- Record Date, 28 February 2011
- Payment date, 28 March 2011

The Board has determined that payment of a 10 cent per share interim dividend is an appropriate return to shareholders at this time. With total cash plus receivables of A\$167.7M at the end of the period and strong projected cash flows, the Company has sufficient funding for planned growth, capital expenditure, exploration activities, bond repayment obligations and potential future dividend payments over the foreseeable future. A\$40M has already been set aside towards repayment of the first bond (A\$105.5M) due in July 2012.

Discussion

Western Areas Managing Director, Mr. Julian Hanna, said that "the record results for the first half of the financial year demonstrated the high quality of the company's assets and the hard work from all people involved at Western Areas".

The following factors have had a significant influence on the first half financial results:

1. Ongoing outperformance of our high grade mines at Spotted Quoll and Flying Fox which produced 16,261 tonnes of nickel in ore in the six months to 31 December;
2. Strong demand from Jinchuan for nickel concentrate resulting in 6,785 tonnes of nickel in concentrate being exported from Esperance Port in the six months to 31 December;
3. Low cash costs of production which place Western Areas firmly at the floor of the cost curve.

Mr Hanna added, "we have substantial drilling programs underway or planned at our main nickel deposits of Flying Fox, Spotted Quoll, and at the proposed Diggers South mine, with the target to push mine life out past ten years. We also have a major exploration campaign underway at our regional nickel projects in Western Australia. Encouraging results are being received from a number of areas and these will be announced later in the March quarter."

-ENDS-

For further details, please contact:

Julian Hanna
Managing Director – Western Areas NL
Telephone +61 8 9334 7777
Email: jhanna@westernareas.com.au

David Southam
Finance Director – Western Areas NL
Telephone +61 8 9334 7777/ +61 408 931 151
Email: dsoutham@westernareas.com.au

WESTERN AREAS NL



Shane Murphy
FD Third Person
Telephone +61 8 9386 1233 / 0420 945 291
Email: shane.murphy@fdthirdperson.com.au

Dan Lougher
Operations Director – Western Areas NL
Telephone +61 8 9334 7777
Email: dlougher@westernareas.com.au

Or visit: www.westernareas.com.au

FORWARD LOOKING STATEMENT: This release contains certain forward-looking statements.

Examples of forward-looking statements used in this release include: “Strong production from Flying Fox and Spotted Quoll mines in the six months to 31 December 2010 (16,261t nickel in ore) has resulted in a 16% increase in production guidance from 25,000t nickel in ore to approximately 29,000t nickel in ore for FY 2010/2011.”, and, “Western Areas expects March Q 2011 mine production to be higher than planned but lower than Dec Q 2010 production due to substantial development work in both mines. Strong production is scheduled in June Q 2011 as high grade areas are accessed at Flying Fox T5” and, “With total cash plus receivables of A\$167.7M at the end of the period and strong projected cash flows, the Company has sufficient funding for planned growth, capital expenditure and exploration activities, bond repayment obligations and potential future dividend payments over the foreseeable future,” and, “We have substantial drilling programs underway or planned at our main nickel deposits of Flying Fox, Spotted Quoll, and at the proposed Diggers South mine, with the target to push mine life out past ten years”.

These 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 or the Spotted Quoll, Flying Fox or Diggers South deposits 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.



February 14, 2011

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APPENDIX 4D - HALF YEAR ENDED 31 DECEMBER 2010

Reporting Period

The reporting period is the half year ended 31 December 2010. The previous corresponding period is 31 December 2009.

Results for announcement to the market

		% Change		Amount \$'000
Revenue from ordinary activities	Up	170%	To	230,837
Profit/(loss) from ordinary activities after tax attributable to members of Western Areas NL	Up	529%	To	67,164
Net profit/(loss) after tax attributable to members of Western Areas NL	Up	529%	To	67,164

The Company had gross profit from operations of \$129.2m (2009 \$16.8m). The Group Net Profit after Tax was \$67.2m (2009 \$10.7m). Nickel Sales revenue was significantly higher at \$230.9m (2009 \$85.5m) due to the commencement of significant export sales and a more favorable average nickel price.

Dividends

	Amount per security	Unfranked amount per security
Interim year ended 31 Dec 2010		
Interim dividend	10.0 cents	10.0 cents
Interim year ended 31 Dec 2009		
Interim dividend	3.0 cents	3.0 cents

Western Areas paid an unfranked 3 cent per share final dividend on 1 October 2010. The Board has declared an unfranked 10 cent per share interim dividend for the period ended 31 December 2010 with a record date of 28 February 2011.

Net Tangible Asset Backing

The net tangible assets per security for the half year end 31 December 2010 was \$1.33. (31 December 2009 \$0.63)



Investments in Controlled Entities

During the period the Company did not lose control over any entities and gained control over one entity, FinnAust Mining Plc.

Subsidiaries of Western Areas NL:

- Western Platinum NL
- Australian Nickel Investment Pty Ltd
- Bioheap Ltd (formally: Pacific Ore Australia Pty Ltd)
- FinnAust Mining Plc (75% WSA Owned English Entity)

Investments in Associates & Joint Ventures

Associates of Western Areas NL did not contribute to the result of the consolidated group for the half year ended 31 December 2010.

Associates of Western Areas NL:

- Mustang Minerals Inc. 19.9% (Canadian Entity)
- Polar Gold Pty Ltd 78% (Australian Entity)

Western Areas NL does not have an interest in any Joint Venture Entities.

Audit Review & Accounting Standards

This report is based on Consolidated Financial Statements that have been subject to a full Audit by the Companies Auditor.

All entities incorporated into the Consolidated Group's result were prepared under AIFRS

Date: 14 February 2011

A handwritten signature in black ink, appearing to read 'Joseph Belladonna', is written over a light blue rectangular background.

Joseph Belladonna

Chief Financial Officer & Company Secretary

WESTERN AREAS NL



ABN 68 091 049 357

AUDITED INTERIM FINANCIAL REPORT

**FOR THE SIX MONTHS ENDED
31 DECEMBER 2010**

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CORPORATE DIRECTORY

Directors

Terry Streeter (Chairman)
David Cooper
Robin Dunbar
Julian Hanna
David Southam (Appointed 15 November 2010)
Daniel Lougher
Richard Yeates

Registered Office

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

Company Secretary

Joseph Belladonna

Treasury Advisers

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

Auditors

Crowe Horwath Perth Audit Partnership
256 St Georges Terrace
Perth WA 6000

Bankers

ANZ Banking Group Limited
77 St Georges Terrace
Perth WA 6000

Share Registry

Australia

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

Canada

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

Stock Exchange

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

Solicitors

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

INTERIM FINANCIAL REPORT**DIRECTORS' REPORT**

The directors submit the financial report of the consolidated entity for the six months ended 31 December 2010.

The consolidated financial statements are a general purpose financial report prepared in accordance with the Corporations Act 2001, AASB 134 "Interim Financial Reporting", Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board. The report does not include full disclosures of the type normally included in an annual report. It is recommended that this financial report be read in conjunction with the 30 June 2010 annual financial report and any other public announcements made by Western Areas NL during the year in accordance with continuous disclosure requirements arising under the Corporations Act 2001. The financial report covers Western Areas NL and its controlled entities (the "Consolidated Entity"). Western Areas NL is a listed public company, incorporated and domiciled in Australia. The accounting policies adopted are consistent with those of the previous financial year.

The effective date of this report is 14 February 2011.

All amounts in this discussion are expressed in Australian dollars unless otherwise identified.

Auditor's Declaration

The lead auditor's independence declaration under s 307C of the Corporations Act 2001 is set out on page 19 for the half-year ended 31 December 2010.

Forward Looking Statements

The following Directors report may contain forward-looking statements that involve numerous risks and uncertainties. Actual results of the Company could differ materially from those discussed in such forward-looking statements as a result of the risks and uncertainties inherent in the business.

The Company disclaims any intention or obligation to update or revise the forward looking statements whether as a result of new information or change in business circumstance.

Directors

The names of the Company's directors in office during the six months ended and until the date of this report are as below. Unless noted, directors were in office for this entire period.

Terence Streeter	Non Executive Chairman
David Cooper	Non Executive Director
Robin Dunbar	Non Executive Director
Richard J Yeates	Non Executive Director
Julian Hanna	Managing Director and Chief Executive Officer
David Southam	Finance Director (Appointed 15 November 2010)
Daniel Lougher	Director of Operations

Company Secretary

Joseph Belladonna

REVIEW OF OPERATIONS

Mine production has increased significantly during the last two quarters with upward trends in both ore tonnes and grade. High grade ore sources are now available from the completely developed T4 deposit and the large T5 deposit. Production from Flying Fox increased to an average of 1,300 nickel tonnes in ore per month for the Sept and Dec quarters and should sustain these levels in the coming year. Nickel sales were also strong in the half year and the majority of the backlog of concentrate stockpiles has now been sold to BHP Billiton and Jinchuan.

At the Spotted Quoll mine, the Tim King pit is ahead of forecast with an average of 1,400 nickel tonnes in ore per month for the first six months. First high grade ore was intersected in the open pit in the June Qtr and production for the half year has been exceptional due to the high grade and additional ore in the north lode. Development for the Spotted Quoll underground mine will commence early in the June 11 quarter. Current ore reserves at Spotted Quoll should support an 8 to 10 year mine life.

Cash costs for the June and December quarters at the Forrester Operations were well below guidance of US\$2.50, at US\$1.86 /lb nickel in concentrate. This places Western Areas well into the lower quartile of nickel sulphide producers.

The exploration expenditure has been increased to advance exploration activity at our regional Sandstone project, additional drilling for resource extensions (Flying Fox and Spotted Quoll) and exploration along the Forrester tenements.

OPERATIONAL HIGHLIGHTS

1. Production from Flying Fox mine for the half year was **181,570 tonnes mined at 4.3% nickel for 7,822 tonnes (17.2M lbs) contained nickel.**
2. Production from the Tim King Pit at Spotted Quoll for the half year was **123,674 tonnes mined at 6.8% nickel for 8,439 tonnes (18.6M lbs) contained nickel.**
3. **254,569 ore tonnes were milled to produce 12,654 tonnes (27.9M lbs) nickel in concentrate for the half year. The average plant recovery was 89%.**
4. Cash costs (before smelting/refining charges) for the half year were **US\$1.86/lb nickel, 26% below the long term guidance target of US\$2.50/lb nickel.**
5. **Stockpiles at 31 December 2010 contain an estimated 5,936 tonnes (13.1M lbs) nickel** in ore and concentrate which should contribute to ongoing strong sales.
6. At 31 December Western Areas had a total of **A\$167.7M cash plus nickel sales receivables** compared with A\$82.1M at the end of June 2010.
7. Spotted Quoll Stage One underground mine feasibility confirmed a **robust 8 year project with IRRs ranging from 41% (US\$6/lb Ni) to 96% (US\$10/lb Ni).**
8. Drilling below Spotted Quoll **indicates the high grade deposit may extend to at least twice the depth of the planned Stage One underground mine.**
9. **\$20M pa exploration program underway** with drilling to test Flying Fox T6/T7/T8 deposits, plus new targets at Forrester and regional nickel projects.
10. The **2012 convertible bond was partly restructured** to extend the maturity date & reduce the coupon rate. A bond repayment account was established with \$40m.
11. Western Areas welcomed **David Southam as Finance Director** in November.

FLYING FOX & SPOTTED QUOLL MINES and COSMIC BOY MILL PRODUCTION

Tonnes Mined		2009/2010			2010/2011		FYTD
		Dec Qtr	Mar Qtr	Jun Qtr	Sep Qtr	Dec Qtr	Total
Flying Fox							
Ore Tonnes Mined	Tn's	53,618	67,072	91,437	84,935	96,635	181,570
Grade	Ni %	3.3%	4.5%	4.0%	4.0%	4.6%	4.3%
Ni Tonnes Mined	Tn's	1,776	2,990	3,697	3,363	4,459	7,822
Spotted Quoll							
Ore Tonnes Mined	Tn's	-	6,293	46,258	66,978	56,696	123,674
Grade	Ni %	0.0%	3.5%	6.7%	7.4%	6.2%	6.8%
Ni Tonnes Mined	Tn's	-	220	3,113	4,939	3,500	8,439
Total - Ore Tonnes Mined	Tn's	53,618	73,365	137,695	151,913	153,331	305,244
Grade	Ni %	3.3%	4.4%	4.9%	5.5%	5.2%	5.3%
Total Ni Tonnes Mined	Tn's	1,776	3,210	6,810	8,302	7,959	16,261
Tonnes Milled and Sold							
		Dec Qtr	Mar Qtr	Jun Qtr	Sep Qtr	Dec Qtr	Total
Ore Processed	Tns	64,985	61,662	83,639	131,542	123,027	254,569
Grade	%	3.1%	4.2%	4.5%	5.7%	5.4%	5.6%
Ave. Recovery	%	88%	92%	88%	89%	90%	89%
Ni Tonnes in Concentrate	Tns	1,791	2,416	3,303	6,678	5,976	12,654
Ni Tonnes in Concentrate Sold	Tns	3,091	2,444	2,307	6,151	5,602	11,753
Ni Tonnes in Ore Sold	Tns	-	-	241	987	507	1,494
Total Nickel Sold	Tns	3,091	2,444	2,548	7,138	6,109	13,247
Stockpiles					Sep Qtr	Dec Qtr	
Ore	Tns				73,293	92,405	
Grade	%				4.6%	4.4%	
Concentrate	Tns				11,386	13,052	
Grade	%				14.1%	14.1%	
Contained Ni in Stockpiles	Tns				4,977	5,936	
Financial Statistics							
		Dec Qtr	Mar Qtr	Jun Qtr	Sep Qtr	Dec Qtr	Total
Group Production Cost/lb							
Mining Cost (*)	A\$/lb	3.30	2.03	1.72	1.36	1.36	1.36
Haulage	A\$/lb	0.14	0.11	0.09	0.07	0.08	0.07
Milling	A\$/lb	0.96	0.59	0.56	0.37	0.40	0.39
Admin	A\$/lb	0.16	0.17	0.17	0.15	0.19	0.17
By Product Credits	A\$/lb	(0.21)	(0.02)	(0.03)	(0.02)	(0.02)	(0.02)
Cash Cost Ni in Con (***)	A\$/lb	4.34	2.88	2.51	1.93	2.01	1.97
Cash Cost Ni in Con/lb (***)	US\$/lb (**)	3.95	2.61	2.22	1.75	1.99	1.86
Exchange Rate US\$ / A\$		0.91	0.90	0.88	0.90	0.99	0.95

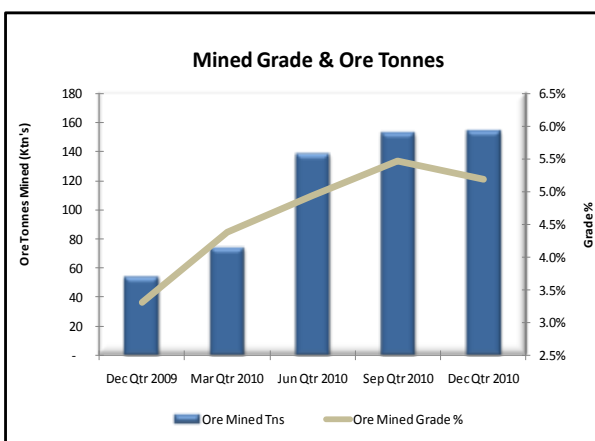
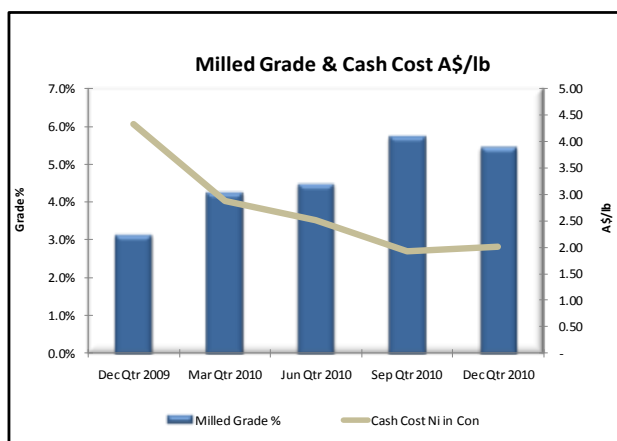
(*) Mining Costs are net of deferred waste costs and inventory stockpile movements

(**) US\$ FX for Relevant Quarter is RBA ave daily rate (Dec Qtr = A\$1:US\$0.99)

(*** 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..



On behalf of the Board

Julian Hanna
Director

Dated 14 February 2011

CONSOLIDATED INCOME STATEMENT **For The Six Months Ended 31 December 2010**

	Notes	Consolidated Entity	
		Six months ended	
		31 December	
		2010 \$'000	2009 \$'000
Sales		230,873	85,531
Cost of sales		(101,664)	(68,696)
Gross profit		129,209	16,835
Other income	2	2,622	21,810
Finance costs	3	(18,116)	(14,837)
Administration expenses		(2,684)	(2,088)
Employee benefits expenses		(4,209)	(2,029)
Foreign exchange adjustments		(2,335)	(13)
Share based payments		(2,081)	(1,920)
Unrealised movement in market value of derivatives		(2,244)	(871)
Realised movement in market value of derivatives		(95)	-
Impairment of exploration expenditure		(1,026)	-
Profit before income tax		99,041	16,887
Income tax expense		(31,877)	(6,212)
Profit for the period		67,164	10,675
Earnings per share			
Basic earnings per share (cents per share)		37.6	6.0
Diluted earnings per share (cents per share)		37.6	6.0

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For The Six Months Ended 31 December 2010

	Consolidated Entity	
	Six months ended 31 December	
	2010 \$'000	2009 \$'000
Profit for the period	67,164	10,675
Other comprehensive income		
Net profit / loss on mark to market valuation of hedging instruments	895	(1,560)
Net profit / loss on revaluation of investments	647	(617)
Convertible note reserve	1,207	-
Foreign exchange translation reserve	(95)	-
Total comprehensive income for the period	69,818	8,498

CONSOLIDATED BALANCE SHEET
As At 31 December 2010

	Notes	Consolidated Entity	
		31 Dec 2010 \$'000	30 Jun 2010 \$'000
Current Assets			
Cash and cash equivalents		125,075	65,368
Trade and other receivables		42,609	16,700
Inventories		33,128	25,228
Other financial assets		7,592	-
Total Current Assets		208,404	107,296
Non-Current Assets			
Property, plant & equipment	6	107,652	111,108
Intangible asset	7	506	506
Exploration & evaluation	8	82,237	94,895
Mine development	9	203,787	180,403
Deferred tax assets		-	24,228
Other financial assets		2,536	2,303
Total Non-Current Assets		396,718	413,443
Total Assets		605,122	520,739
Current Liabilities			
Trade and other payables		47,319	46,765
Short term borrowings	10	83	83
Short term provisions		2,042	1,057
Other financial liabilities		8,972	496
Total Current Liabilities		58,416	48,401
Non-Current Liabilities			
Long term borrowings	10	295,101	295,370
Long term provisions		4,986	4,886
Deferred tax liabilities		7,649	-
Total Non-Current Liabilities		307,736	300,256
Total Liabilities		366,152	348,657
Net Assets		238,970	172,082
Equity			
Issued capital	13	202,611	202,611
Reserves		78,912	74,177
Accumulated losses		(42,933)	(104,706)
Total Parent Equity		238,590	172,082
Non Controlling Interest		380	-
Total Equity		238,970	172,082

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For The Six Months Ended 31 December 2010

	Issued Capital	Capital Raising Expenses	Option Reserve	Hedge Reserve	Investment Reserve	Convertible Note Reserve	Foreign Exchange Reserve	Accumulated Losses	Total Equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Total Equity at 1 July 2009	209,060	(10,168)	10,854	576	(4,254)	44,739	-	(113,525)	137,282
Shares issued during the year	3,773								3,773
Share issue expense		(56)							(56)
Share based payments expense			1,920						1,920
Total comprehensive income for the period				(1,560)	(617)	-	-	10,675	8,498
Total Equity at 31 December 2009	212,833	(10,224)	12,774	(984)	(4,871)	44,739	-	(102,850)	151,417
Total Equity at 1 July 2010	212,833	(10,222)	15,585	12	(5,305)	63,885	-	(104,706)	172,082
Share based payments expense			2,081						2,081
Total comprehensive income for the period				895	647	1,207	(95)	67,164	69,818
Dividends paid								(5,391)	(5,391)
Total Equity at 31 December 2010	212,833	(10,222)	17,666	907	(4,658)	65,092	(95)	(42,933)	238,590

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS
For The Six Months Ended 31 December 2010

	Six Months Ended 31 December	
	2010 \$'000	2009 \$'000
Cash Flows From Operating Activities		
Cash receipts in the course of operations	192,103	72,188
Cash payments to suppliers & employees	(54,661)	(28,179)
Royalties paid	(8,547)	(3,050)
Interest received	1,015	1,318
Finance costs	(13,084)	(11,011)
Other receipts	(2)	19,761
Derivative settlement	(1,084)	(670)
Net Cash Received from Operating Activities	115,740	50,357
Cash Flows From Investing Activities		
Purchase of plant & infrastructure	(3,714)	(9,098)
Profit from sale of investments	-	318
Mine development expenditure	(32,299)	(23,794)
Exploration & evaluation activities	(11,491)	(10,297)
Investment in other entities	(50)	(570)
Net Cash Used in Investing Activities	(47,554)	(43,441)
Cash Flows From Financing Activities		
Proceeds from share issues for non controlling interest	380	-
Proceeds from option conversion	-	3,773
Capital raising costs	-	(56)
Finance leases	(76)	(36)
Borrowing costs	(3,392)	(140)
Dividends paid	(5,391)	-
Net Cash From Financing Activities	(8,479)	3,541
Net increase in cash held	59,707	10,457
Cash at beginning of financial period	65,368	80,210
Cash as at 31 December	125,075	90,667

The accompanying notes form part of these financial statements.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For The Six Months Ended 31 December 2010****Statement of compliance**

The half-year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. The half-year report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report.

Note 1: Basis of preparation

The condensed consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The Company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2010 annual financial report for the financial year ended 30 June 2010, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current reporting period.

New and revised Standards and amendments thereof and Interpretations effective for the current reporting period that are relevant to the Group include:

- Amendments to AASB 5, 8, 101, 107, 117, 118, 136 and 139 as a consequence of AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project.

AASB 2009-5 Introduces amendments into Accounting Standards that are equivalent to those made by the IASB under its program of annual improvements to its standards. A number of the amendments are largely technical, clarifying particular terms, or eliminating unintended consequences. Other changes are more substantial, such as the current/non-current classification of convertible instruments, the classification of expenditure on unrecognised assets in the statement of cash flows and the classification of leases of land and buildings.

The adoption of these amendments has not resulted in any changes to the Group's accounting policies and have no effect on the amounts reported for the current or prior periods.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For The Six Months Ended 31 December 2010

Note 2: Other Income

- Infrastructure access fee
- Interest received
- Profit on disposal of asset
- Profit on bond swap
- Other income

Total Other Income

Consolidated Entity	
31 Dec 2010	31 Dec 2009
\$'000	\$'000
-	20,000
1,182	1,490
-	318
1,440	-
-	2
2,622	21,810

Note 3: Profit from Ordinary Activities

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

- Amortisation of mine development assets
- Depreciation of non-current assets
- Rental expenditure – operating leases

- Finance costs expensed:

Interest expense – borrowings

Bond accretion expense

Interest expense - finance leases

Amortisation of finance costs

Other financing costs

Total financing costs

Less: interest expense capitalised

Less: borrowing costs capitalised

Total Financing Costs Expensed

31,433	12,419
7,276	3,150
226	187
12,206	12,421
4,076	2,405
4	6
1,724	-
106	424
18,116	15,256
-	(279)
-	(140)
18,116	14,837

Note 4: Dividends

Distributions paid

Final unfranked ordinary dividend declared on 25 August 2010 of 3 cents (2010: \$0) per share.

Distributions proposed

On 14 February 2011, the directors declared a fully franked interim dividend of 10 cents per share to the holders of fully paid ordinary shares in respect of the half year ended 31 December 2010, to be paid on 28 March 2011. This dividend has not been included as a liability in the financial statements.

5,391	-
17,974	-

Note 5: Contingent Liabilities

There has been no change in contingent liabilities since the last annual reporting date.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For The Six Months Ended 31 December 2010

	Consolidated Entity	
	31 Dec 2010 \$'000	30 Jun 2010 \$'000
Note 6: Property, Plant and Equipment		
Property – at cost	20,720	19,260
Accumulated depreciation	(3,771)	(3,034)
	16,949	16,226
Plant & equipment – at cost	107,501	105,141
Accumulated depreciation	(16,995)	(10,519)
	90,506	94,622
Plant & equipment under lease	579	579
Accumulated depreciation	(382)	(319)
	197	260
Total Property, Plant & Equipment - at Cost	128,800	124,980
Accumulated Depreciation	(21,148)	(13,872)
Total	107,652	111,108

Assets Pledged as Security

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

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

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

Property

Written down value at the beginning of the period	16,226	17,665
- Additions	1,460	11
- Depreciation expense	(737)	(1,450)
Written down value at the end of the half year	16,949	16,226

Plant & Equipment

Written down value at the beginning of the period	94,622	63,749
- Additions	2,360	36,678
- Depreciation expense	(6,476)	(5,805)
Written down value at the end of the half year	90,506	94,622

Plant & Equipment under Lease

Written down value at the beginning of the period	260	299
- Additions	-	24
- Depreciation expense	(63)	(63)
Written down value at the end of the half year	197	260

Note 7: Intangible Assets

Capitalised patents and trademarks - at cost	506	506
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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For The Six Months Ended 31 December 2010

Note 8: Exploration & Evaluation

Exploration & Evaluation Expenditure

- At cost

- Transferred to mine development

- Impairment loss write off

Total Exploration and Evaluation

Consolidated Entity	
31 Dec 2010 \$'000	30 Jun 2010 \$'000
119,412	110,044
(21,000)	-
(16,175)	(15,149)
82,237	94,895

Movement in carrying amount:

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

Exploration & Evaluation Expenditure

Written down value at the beginning of the period

- Expenditure incurred during the period

- Transferred to mine development

- Impairment loss

Written down value at the end of the period

94,895	80,059
9,368	15,048
(21,000)	-
(1,026)	(212)
82,237	94,895

Carry Forward Exploration & Evaluation Expenditure

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

Note 9: Mine Development

Development Expenditure

- Mine development

- Exploration transferred to mine development

- Deferred mining expenditure

- Capitalised restoration costs

- Capitalised interest

- Accumulated amortisation

Total Mine Development

138,115	124,296
21,000	-
145,170	125,172
4,307	4,307
11,175	11,175
(115,980)	(84,547)
203,787	180,403

Movement in carrying amount:

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For The Six Months Ended 31 December 2010

Note 9: Mine Development (Cont)

	Consolidated Entity	
	31 Dec 2010 \$'000	30 Jun 2010 \$'000
Development Expenditure		
Written down value at the beginning of the period	180,403	141,511
- Additions	33,817	72,965
- Exploration expenditure transferred to mine development	21,000	-
- Increase in restoration cost provision	-	-
- Capitalised interest	-	443
- Amortisation charge for the period	(31,433)	(34,516)
Written down value at the end of the period	203,787	180,403

Note 10: Borrowings

Current

Lease liability	83	83
	83	83

Non-Current

Corporate loan facility borrowing cost	(506)	(720)
Convertible bonds	305,553	304,527
Convertible bond borrowing costs	(9,974)	(8,495)
Lease liability	28	58
	295,101	295,370

The carrying values of assets secured under the corporate loan facility are as follows:

Mine development - \$203.8M (2009: \$180.4M)
Property, plant & equipment - \$107.5M (2009: \$110.9M)

- (a) The lease liability is secured over the assets under the lease. The finance leases have an average term of 4 years and an average implicit discount rate of 7.38%. Refer to note 6 for the carrying value of the assets under lease.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For The Six Months Ended 31 December 2010

Note 11: Subsequent Events

There are no events or circumstances that have arisen since the end of the six months that have significantly affected or may significantly affect the operation of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in the subsequent financial years.

Note 12: 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 operating decision maker is in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

Note 13: Contributed Equity

a) Issued capital

Ordinary shares fully paid

31 Dec 2010 \$'000	30 June 2010 \$'000
202,611	202,611

b) Movements in issued capital

31 December 2010	
Number of Shares	\$'000
Balance at beginning of the financial period	179,735,899
- Issued via option conversions	-
- Transaction cost relating to share issue	-
Balance at end of the financial period	179,735,899

30 June 2010	
Number of Shares	\$'000
Balance at beginning of the financial year	178,826,649
- Issued via option conversions	909,250
- Transaction cost relating to share issue	(54)
Balance at end of the financial year	179,735,899

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For The Six Months Ended 31 December 2010

Note 13: Contributed Equity (Cont)

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.

c) Share Options on Issue

The movement in the various classes of options for the six months ended 31 December 2010 were as follows:

	-- Option Terms (Exercise Price and Maturity) --						
	Employee \$7.50 Jan 11	Employee \$15.00 May 11	Employee \$17.00 May 11	Director \$17.00 May 11	Director \$7.50 Nov 12	Employee \$7.25 Sep 12	TOTAL
Opening balance	500,000	1,730,000	400,000	2,400,000	600,000	1,670,000	7,300,000
Options issued		-	-	-	-	-	-
Options cancelled		-	-	-	-	-	-
Options exercised		-	-	-	-	-	-
Closing balance	500,000	1,730,000	400,000	2,400,000	600,000	1,670,000	7,300,000

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

- The \$7.50 employee options vest in line with the Employee Share Option Scheme. 1/3 of the options vest on the grant date itself, a further 1/3 12 months after the grant date and the final 1/3 24 months after the grant date.
- The \$15.00 employee options vest in line with the Employee Share Option Scheme. 1/3 of the options vest on the grant date itself, a further 1/3 12 months after the grant date and the final 1/3 24 months after the grant date.
- The \$17.00 employee options vest in line with the Employee Share Option Scheme. 1/3 of the options vest on the grant date itself, a further 1/3 12 months after the grant date and the final 1/3 24 months after the grant date.
- The \$17.00 Directors' options vest immediately.
- The \$7.50 directors options issued in November 2009 vest as follows: half vest 12 months before the expiry date and half vest 24 months before expiry date.
- The \$7.25 employee options issued in September 2009 vest as follows: half vest 12 months after the grant date and half vest 24 months after the grant date.

d) Terms and Conditions of Contributed Equity

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.

AUDITORS 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 half-year ended 31 December 2010, I declare that, to the best of my knowledge and belief, there have been:

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

CROWE HORWATH PERTH AUDIT PARTNERSHIP

A handwritten signature in black ink, appearing to read "Cyrus Patel", written over a horizontal line.

CYRUS PATELL
Partner

Perth, WA

Dated this 14th day of February 2011

Crowe Horwath Perth Audit Partnership is a member of Crowe Horwath International, a Swiss entity.
Each member firm of Crowe Horwath is a separate and independent legal entity.

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial report of Western Areas NL and its controlled entities (the consolidated entity), which comprises the consolidated balance sheet as at 31 December 2010, and the consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

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

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

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's Opinion

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

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.

CROWE HORWATH PERTH AUDIT PARTNERSHIP

A handwritten signature in black ink, appearing to read "Cyrus Patell", written over a horizontal line.

CYRUS PATELL
Partner

Perth, WA
Dated this 14th day of February 2011

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Each member firm of Crowe Horwath is a separate and independent legal entity.

DIRECTORS' DECLARATION

The directors of the Company declare that:

- 1) The financial statements and notes, as set out on pages 7 to 18:
 - (i) give a true and fair view of the economic entity's financial position as at 31 December 2010 and of its performance for the half year ended on that date; and
 - (ii) comply with Accounting Standard AASB 134 "Interim Financial Reporting" and Corporations Regulations 2001;
- 2) In the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

On behalf of the Board

A handwritten signature in black ink, appearing to read 'J. Hanna', followed by a long horizontal flourish.

Julian Hanna
Director

Dated 14 February 2011