APPENDIX 4E – PRELIMINARY FINAL REPORT **Financial year ended 30 June 2012**

August 20, 2012 **ASX & TSX: WSA**

Reporting Period

The reporting period is the financial year ended 30 June 2012. The previous corresponding period is 30 June 2011.

Results for announcement to the market

		% Change		Amount A$'000
Revenue from ordinary activities	Down	(29)%	to	330,698
Profit from ordinary activities after tax attributable to members of Western Areas NL	Down	(70)%	to	40,301
Net profit after tax attributable to members of Western Areas NL	Down	(70)%	to	40,301

Dividends

	Amount per security	Unfranked amount per security	Franked amount per security	% CFI
Financial year ended 30 June 2012				
Final dividend	6.0 cents	4.2 cents	1.8 cents	0%
Interim dividend	5.0 cents	5.0 cents	0 cents	0%
Financial year ended 30 June 2011				
Final dividend	15.0 cents	15.0 cents	0 cents	0%
Interim dividend	10.0 cents	10.0 cents	0 cents	0%

Dividend payments

Date the final 2012 dividend is payable	12 October 2012
Record date to determine entitlements to dividend	21 September 2012
Date final dividend was declared	20 August 2012

Total dividend per security (interim plus final)

	Current year	Previous year
Ordinary securities	11.0 cents	25.0 cents

Total dividends paid or payable on all securities

	Current year A$'000	Previous year A$'000
Ordinary securities	19,771	44,931

Management Discussion and Analysis

Financial Year - Physical Summary				
		2011/12	**2010/11**	**Change**
Tonnes Mined	*Tns*	634,122	594,274	7%
Nickel Grade (average)	*%*	4.9	5.4	(9)%
Tonnes Milled	*Tns*	547,668	519,465	5%
Milled Grade (average)	*%*	5.1	5.4	(6)%
Recovery	*%*	92	91	1%
Nickel in Concentrate	*Tns*	25,641	25,663	0%
Nickel Sales in Concentrate	*Tns*	26,280	25,055	5%

Increased ore production tonnes resulted from material mined from Flying Fox's large high grade T5 ore body, first ore production from Spotted Quoll Underground in November 2011 and high grade ore production from the Tim King Pit until February 2012.

The nickel concentrator milled 547,668 tonnes of ore from Western Areas assets as well as 42,738 tonnes of ore under the Lounge Lizard agreement, bringing the combined milled tonnage to 590,406 tonnes. Nickel sales were 5% higher than the prior year with consistent sales of nickel to the Company's offtake customers.

Full Financial Year - Results Summary			
	2011/12	**2010/11**	**Change**
	A$M	**A$M**	**%**
Revenue	330.7	468.7	(29)%
Gross Profit	96.2	244.9	(61)%
EBIT	94.9	232.0	(59)%
Profit before Tax	57.5	195.3	(71)%
Net Profit After Tax	40.2	135.0	(70)%

Consolidated revenue for the year decreased by 29% to $330.7 million, while gross profit decreased by $148.7 million to $96.2 million. Consolidated net profit after tax for the group amounted to $40.2 million, a decrease of 70.0% from the results reported for the year ended 30 June 2011. The primary reason for these decreases was a significantly weak nickel price during 2012 when compared to 2011

Full Financial Year - Balance Sheet Summary			
	2011/12	**2010/11**	**Change**
	A$M	**A$M**	**A$M**
Cash at bank	165.5	209.0	(43.5)
Current Assets	235.0	272.3	(37.3)
Total Assets	775.0	692.3	82.7
Current Liabilities	229.1	59.9	169.2
Total Liabilities	485.1	403.9	81.2
Net Equity	289.9	288.5	1.4

Cash at bank on 30 June 2012 totaled $165.5 million. The decrease of $43.5 million from the corresponding period resulted from the purchase of the Outokumpu royalty of $14.9 million and a net cash payment of $23 million for the purchase of Kagara Nickel Pty Ltd. Continued capital development at Forrestania has seen a further $44.7 million invested into new mines, processing capacity and exploration (excluding Kagara Nickel Pty Ltd and Outokumpu royalty purchase).

Stockpiles

At the end of the financial year there were 7,243 tonnes of concentrate, grading 14.3% nickel containing 1,028 tonnes of nickel stockpiled at the nickel concentrator.

Ore stockpiles ready for treatment at the Forrestania Project comprise 171,682 tonnes of ore at an average grade of 4.4% nickel comprising 7,558 tonnes of nickel.

Net Tangible Asset Backing

	Current year	Previous year
The net tangible assets per security	160.04 cents	159.14 cents

The income statement, statement of financial position, statement of cashflows and associated notes are contained in the financial statements in the attached Financial Report for the year ended 30 June 2012. Other detailed commentary on the variation between the results for the year ended 30 June 2012 and the comparative period is provided in the Directors Report of the Financial Report.

Investments in Controlled Entities

Wholly Owned and Controlled Subsidiaries of Western Areas NL:

- BioHeap Ltd
- FinnAust Mining Plc 81% (United Kingdom Entity)
- Western Platinum NL
- Australian Nickel Investments Pty Ltd
- Western Areas Nickel Pty Ltd (Formerly Kagara Nickel Pty Ltd)

Investments in Associates & Joint Ventures

Associates of Western Areas NL did not contribute to the result of the consolidated group for the financial year ended 30 June 2012.

Associates of Western Areas NL:

- Mustang Minerals Inc. 19% (Canadian Entity)
- Polar Gold Pty Ltd 78% (Australian Entity)

Audit Review & Accounting Standards

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

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

Date: 20 August 2012

Daniel Lougher

Managing Director

WESTERN AREAS NL

ABN 68 091 049 357

FINANCIAL REPORT

FOR THE YEAR ENDED 30 June 2012

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DIRECTORS' REPORT

The Directors of Western Areas NL submit herewith the financial report of the company for the financial year ended 30 June 2012. 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

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 and Treasury Committees.
Dan Lougher	Managing Director. 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. Mr Lougher serves on the Nomination Committee.
David Southam	Finance Director. Mr Southam is a Certified Practicing Accountant with more than 20 years experience in accounting, banking and finance across the resources and industrial sectors. Mr Southam was responsible for completing one of Australia's largest project financing transactions for 2010 and in securing life of mine offtake contracts with consortiums out of China.
Julian Hanna	Non-Executive Director. Mr Hanna is a geologist with over 30 years experience in gold and base metal exploration and mine development. He has a BSc in geology, is a member of AusIMM and has been involved in the discovery and development of several gold and base metal deposits.
Ian Macliver	Non-Executive Director. Mr Macliver is Managing Director of Grange Consulting Group Pty Limited which provides specialist corporate advisory services to both listed and unlisted companies. He has many years experience as a senior executive and Director of both resource and industrial companies, with particular responsibility for capital raising and other corporate initiatives. Mr Macliver chairs the Treasury and Audit & Risk Management Committees and is a member of the Remuneration and Nomination Committee.
Robin Dunbar	Non-Executive Director. Mr Dunbar is based in Toronto, Canada and has held a number of senior positions in both commercial and the corporate banking sectors and is currently the President of Mustang Minerals 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 30 years mining industry experience in various roles and he has significant experience across a wide range of resource projects around the world. He is familiar with the ASX regulatory environments and has had exposure to international resource funds and financial institutions. Mr Yeates chairs the Remuneration and Nomination Committee and is a member of the 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 Macliver who was appointed on 1 October 2011.

Mr David Cooper was a director at the start of the financial year and retired from office on 30 September 2011. Western Areas is grateful for the many years of valuable service provided by Mr Cooper.

DIRECTORS' REPORT

Directorships of Other Listed Companies

Name	Company	Period of Directorship
T Streeter	Midas Resources Limited Fox Resources Limited Waratah Resources Ltd Minera IRL	Since February 2003 Since June 2005 Since January 2012 April 2007 - July 2009
J Hanna	Mustang Minerals Corp	Since December 2006
D Lougher	Mustang Minerals Corp	Since January 2011
R Dunbar	Mustang Minerals Corp Lexam VG Gold Inc. Aquila Resources Inc.	Since November 1997 Since September 2005 Since May 2006
D Southam	Padbury Mining Ltd	September 2011 - December 2011
R Yeates	Middle Island Resources Ltd	Since March 2010
I Macliver	Stratatel Ltd Select Exploration Ltd Otto Energy Ltd Mt Gibson Iron Ltd Port Bouvard Ltd Car Parking Technologies Ltd	Since July 2000 Since September 2010 Since January 2004 February 2001 - November 2011 December 1994 - April 2011 May 2006 - February 2011

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	Performance Rights	$7.50 Options
T Streeter	25,889,410	-	-
D Lougher	64,884	113,981	200,000
J Hanna	1,134,666	-	200,000
D Southam	-	107,354	-
R Dunbar	102,500	-	-
R Yeates	10,000	-	-
I Macliver	20,000	-	-

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 is a Certified Practicing Accountant and has been employed at Western Areas NL since 2005, originally as Financial Controller and then as the Company Secretary and Chief Financial Officer. In his time at the Company he has been intimately involved in the accounting, capital raising and financial initiatives at the company. Mr Belladonna has over 10 years experience in the resources industry including listed gold and base metal companies in a range of management positions.

DIRECTORS' REPORT

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 9.

Performance Rights Granted to Directors and Senior Management

Performance Rights granted to directors and senior management during the financial year ended 30 June 2012 is set out in the remuneration report of this directors report on page 15.

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 decreased by 29.4% to $330.7 million, while gross profit decreased by $148.8 million to $96.2 million.

Consolidated net profit after tax (NPAT) for the group amounted to $40.2 million, a decrease of 70.2% from the results reported for the year ended 30 June 2011. The primary driver impacting the change in earnings was a reduction in the average realised nickel price from US$11.38/lb in the prior financial year to US$8.06/lb for the year ended 30 June 2012. The expensing of the acquisition costs relating to the purchase of Kagara Nickel Pty Ltd, reduced the profit before income tax by $3.6 million.

Impacting NPAT of $40.2 million for the year were the following non-cash items:

- Depreciation charges of $15.3 million
- Amortisation charges of $76.4 million
- Convertible bond accretion expense of $9.1 million

These non-cash items amounted to $100.8 million.

Statement of Financial Position

Total assets at reporting date were $775.0 million, representing an increase of $82.6 million from 2011. Mine development increased by $86.2 million, primarily driven by the purchase of Kagara Nickel Pty Ltd for a total consideration of $68.0 million, the purchase of the Outokumpu royalty and the ramping up of development at Spotted Quoll Underground. Exploration and evaluation expenditure increased by $41.4 million. Stockpiles increased by $11.2 million in line with increased mine and mill production.

Total liabilities at reporting date were $485.1 million, an increase of $81.2 million from 2011. The increase is mainly attributable to a draw down of $45.0 million on the corporate facility as part of the financing of the 100% purchase of Kagara Nickel Pty Ltd, an increase in the current and deferred tax liability ($15.8 million) and trade and other payables ($10.8 million), both associated with increased mine activity. On 2 July 2012, the Consolidated Entity repaid $105.5M convertible bond issued in June 2007 from cash reserves.

Total equity attributable to shareholders has increased by $1.4 million to $289.9 million. This includes dividend payments to shareholders totalling $35.9 million.

DIRECTORS' REPORT

Statement of Cash Flows

Cash at bank on 30 June 2012 totalled $165.5 million. The decrease of $43.4 million from the corresponding period resulted from a net cash payment of $23.0 million for the purchase of Kagara Nickel, $14.9 million for the purchase of the Outokumpu royalty and a lower average nickel price. The average monthly nickel price weakened from US$11.38 in the prior financial year to US$8.06 for the year ended 30 June 2012, while the Australian Dollar traded at an average of $1.03 to the US$ during the financial year. Continued capital development at Forrestania and other regional and international projects has seen an increase of $19.7 million invested into new mines, processing capacity and exploration.

Consolidated cashflow from operations was $159.3 million, representing a decrease of $117.0 million from the prior year. This decrease was mainly driven by weaker average realised nickel price against increase nickel concentrate sales for the current financial year.

Net cash used in investing activities increased from the corresponding period by $104.8 million to $210.9 million as a result of the purchase of Kagara Nickel Pty Ltd for $71.1 million (including stockpiles) and the Outokumpu royalty purchase of $14.9 million. Mine development and asset purchases decreased by $2.9 million to $81.1 million for the year. A further $42.7 million, representing an increase of $22.6 million from the prior year, was invested in exploration and evaluation activities. Exploration and evaluation includes the company's investment into FinnAust which amounted to $7.4 million for the current financial year.

Net cash from financing activities increased by $34.7 million, due primarily on drawing down $45.0 million on the corporate loan facility to fund the Kagara Nickel Pty Ltd purchase. Two dividend payments totalling $35.9 million were paid during the financial year.

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 20 August 2012, declared a final 30% partially franked dividend of 6 cents per share to the holders of fully paid ordinary shares.

On 2 July 2012, the Consolidated Entity repaid a $105.5 million convertible bond issued in June 2007 from cash reserves.

Other than matters detailed above, there have been no subsequent events after 30 June 2012 which have a material effect on the financial statements for the year ended 30 June 2012.

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

DIRECTORS' REPORT

Dividends Paid or Recommended

In respect of the financial year ended 30 June 2011, a final unfranked dividend of 15 cents per share was declared to the holders of fully paid ordinary shares, and subsequently paid on 1 October 2011.

In respect of the half year ended 31 December 2011, an interim unfranked dividend of 5 cents per share was declared and subsequently paid to the holders of fully paid ordinary shares on 4 April 2012.

In respect of the financial year ended 30 June 2012, the directors declared the payment of a final, 30% partially franked dividend of 6 cents per share to the holders of fully paid ordinary shares to be paid on 12 October 2012.

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
30 Sep 2009	30 Sep 2012	$7.25	1,300,000
13 Nov 2009	30 Sep 2012	$7.50	600,000
			1,900,000

Indemnification of Officers and Directors

During the financial year, 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' 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 2012 and the number of meetings attended by each Director.

	Meetings of Committees				
	Directors Meetings	Audit & Risk Management	Remuneration	Nomination	Treasury
Number of Meetings held :	14	3	4	4	1
Number of Meetings attended :					
T Streeter (*)	13	1	4	4	1
D Lougher	14	-	-	-	-
D Southam	14	-	-	-	-
J Hanna	14	-	-	1	-
R Dunbar	12	3	2	1	1
R Yeates	13	3	4	4	1
D Cooper (**)	2	1	1	1	-
I Macliver (***)	11	2	3	3	1

(*) Mr Streeter resigned from the Audit and Risk Committee during FY12, but attended all meetings while he remained a member
(**) Mr Cooper retired as at 30 September 2011.
(***) Mr Macliver attended all meetings called since his appointment on 1 October 2011.

DIRECTORS' REPORT

Directors' Benefits

No Directors of the Consolidated Entity have, since the end of the previous financial year, received or become entitled to receive a benefit (other than a benefit included in the total amount of emoluments received or due and receivable by Directors shown on page 20 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 28 forms part of the Director's Report for the year ended 30 June 2012.

Non – Audit Services

The entity's auditor, Crowe Horwath, did not provide non-audit services 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 does not compromise the general principles relating to auditor independence as set out in APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

DIRECTORS' REPORT

REMUNERATION SUMMARY

Change of Managing Director

During FY12, Mr Julian Hanna stepped down as Managing Director ('MD') after 12 years in this key role, and agreed to remain on the Board as a Non-Executive Director ('NED') and consultant to assist with identifying and developing new growth opportunities for the Company with a specific focus on Finland. Given Mr Hanna's successful track record and significant experience (particularly in exploration), the Board felt there was a great advantage to shareholders in keeping Mr Hanna involved in the Company as a NED. His termination payment consisted of:

- 12 months termination payment in lieu of notice, which is aligned to current market practices and was disclosed in the FY11 Financial Report; and
- Payments relating to statutory long service leave entitlements accrued over a decade and statutory annual leave accruals.

Mr Hanna's short term incentive ('STI') targets that were triggered during the time he served as MD during FY12 were paid in accordance with the STI terms and conditions. In accordance with the long term incentive ('LTI') Plan approved at last year's AGM, Mr Hanna was not granted a LTI award and has been removed from the program. From 1st February 2012, Mr Hanna will receive fees for his role as a NED of the Board, and is being paid arms-length consulting fees for services performed over and above his duties as a NED.

On 3 January 2012, the Company announced that Mr Dan Lougher had been appointed as the new MD, effective 1 February 2012. Mr Lougher was previously the Company's Operations Director and was appointed from a group of applicants following an extensive and competitive process involving a large number of external candidates.

Since joining Western Areas in May 2006, Mr Lougher has been an integral part of the team that delivered first nickel production from Flying Fox, successfully commissioned the Cosmic Boy concentrator and delivered the Spotted Quoll project from discovery to production in less than two years. Mr Lougher was also active in corporate activities, along with company marketing within the investment community.

Mr Lougher's remuneration package as MD is aligned with the recent reform of the executive remuneration framework, and his remuneration as MD matches that of Mr Hanna's (in the MD role). Furthermore, Mr Lougher volunteered to hold his STI and LTI entitlements at the level of his Operations Director role until the new financial year commenced on 1st July 2012. Post this date, Mr Lougher's STI and LTI entitlements transitioned to the MD level.

Long-term incentives

A key initiative from the comprehensive review undertaken by the Company in FY11 was the design and implementation of a new equity based LTI plan. The new LTI plan, which was overwhelmingly approved by shareholders at the 2011 AGM, is to be transitioned over a 3 year period. The terms of the FY12 grant represented Phase 1 of the transitional plan. The following two phases completing the transitional plan are outlined below.

DIRECTORS' REPORT

REMUNERATION SUMMARY

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.

The Company's TSR will be measured against a customised peer group comprising the following 23 companies:

Aditya Birla Minerals Ltd	Gindalbie Metals Ltd	PanAust Ltd
Alumina Ltd	Independence Group NL	Paladin Energy Ltd
Acquarius Platinum Ltd	Medusa Mining Ltd	Panoramic Resources Ltd
Atlas Iron Ltd	Mincor Resources NL	Perilya Ltd
Beadell Resources Ltd	Mirabela Nickel Ltd	Rex Minerals Ltd
Bouganville Copper Ltd	Mt Gibson Iron	Sandfire Resources Ltd
Cudeco Ltd	OM Holdings Ltd	Zimplats Holdings Ltd
Discovery Metals Ltd	Oz Minerals Ltd	

For the FY 2014 grant onwards the LTI performance will be structured so that all Performance Rights will vest subject to the meeting of the service and performance conditions over a three year performance period. The FY2014 rights will be performance tested against the relative TSR measure for a three year period 1 July 2013 to 30 June 2016.

Short-term incentives

The Company does not propose any material change to the STI program for FY13.

REMUNERATION REPORT (AUDITED)

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

The report is comprised of the following key sections:

- Section A: Who this report covers
- Section B: Remuneration governance and philosophy
- Section C: Executive remuneration framework
- Section D: Use of remuneration consultants
- Section E: Link between performance and remuneration outcomes
- Section F: Non-executive director remuneration
- Section G: Details of remuneration

SECTION A: WHO THIS REPORT COVERS

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

Mr T Streeter (Non-Executive Chairman)
Mr D Lougher (Managing Director, effective 1 February 2012) *
Mr J Hanna (Non-Executive Director, effective 1 February 2012) **
Mr R Dunbar (Independent, Non-Executive Director)
Mr R Yeates (Independent, Non-Executive Director)
Mr I Macliver (Independent, Non-Executive Director, effective 1 October 2011)
Mr D Cooper (Independent, Non-Executive Director, resigned 30 September 2011)
Mr D Southam (Finance Director)

* Mr Lougher formerly held the position of Director of Operations and was appointed to the position of Managing Director, effective 1 February 2012.

** Mr Hanna stepped down from the position of Managing Director and Chief Executive Officer effective 31 January 2012 and remains on the Board as a Non-Executive director.

Other Key Management Personnel ('KMP') of the company during the financial year were:

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 Forrestania Operations)

Changes since the end of the reporting period:

On 1 August 2012, My Wyn Jones was appointed as the General Manager of Operations for Western Areas. Mr Jones graduated as a Mining Engineer from the Western Australian School of Mines, holds an MBA from Lancaster University and is an AusIMM member. In the 8 years he has been with the Company, he has been instrumental in the establishment of the Forrestania Nickel Project, serving as the Registered Manager for 4 years, and managed the Company's mining, feasibility and project developments.

SECTION B: REMUNERATION GOVERNANCE AND PHILOSOPHY

Remuneration Committee

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

Remuneration levels and other terms of employment for the Directors and the senior management team are reviewed at least annually by the Committee, having regard to qualifications and experience, relevant market conditions, and performance against goals set each year.

The committee assesses the appropriateness of the remuneration levels to ensure the Company is able to attract and retain high quality Executives. The Remuneration Committee utilises independent salary reports to assist in this regard.

Remuneration Philosophy

The Company recognises that Western Areas operates in a global environment and to prosper in such an environment, 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.

SECTION C: EXECUTIVE REMUNERATION FRAMEWORK

"The key principle of our remuneration strategy is to 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 that total remuneration is competitive by market standards.

The Company's Executive reward structure provides a combination of fixed and variable pay, and is comprised of:

- Fixed remuneration, inclusive of base pay, superannuation, allowances, and salary-sacrifice components;
- Short term incentives; and
- Long term incentives.

DIRECTORS' REPORT

Remuneration mixes

In accordance with the Company's objective to ensure that executive remuneration is aligned to company performance, a significant portion of executives' remuneration is placed "at risk". The relative proportion of *target* FY12 total remuneration packages split between fixed and variable remuneration is shown below:

	Fixed Remuneration	Target STI	Target LTI
Executive Directors			
Mr J Hanna[1]	39%	23%	38%
Mr D Lougher	42%	26%	32%
Mr D Southam	43%	25%	32%
Executives			
Mr J Belladonna	46%	20%	34%
Mr C Wilkinson	51%	23%	26%
Mr G Marshall	51%	23%	26%
Mr K McKenzie	51%	23%	26%

[1] Mr J Hanna stepped down from the role of MD on 31 January 2012. This remuneration mix reflects his target remuneration package from 1 July 2011 to 31 January 2012.

Fixed remuneration

"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 salary reports to ensure that the remuneration levels set meet the objectives of the Company.

There are no guaranteed base pay increases included in any executives' contracts.

Short term incentive ('STI')

"The STI 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 target value of the STI award for Executives ranges from between 45% to 60% of their base salary and is only rewarded to high performing employees for outperformance. STI payments are capped at target STI levels. Target STI for each KMP is outlined below:

Name	Base salary FY2012	Target STI quantum (% of base salary)	Target STI quantum ($)
Executive Directors			
Mr J Hanna[1]	$630,612	60%	$380,000
Mr D Lougher	$515,597	60%	$310,000
Mr D Southam	$486,000	60%	$290,000
Executives			
Mr J Belladonna	$291,600	45%	$130,000
Mr C Wilkinson	$315,087	45%	$140,000
Mr G Marshall	$286,443	45%	$130,000
Mr K McKenzie	$368,280	45%	$163,000

[1] Mr J Hanna stepped down from the role of MD on 31 January 2012. These figures represent the STI arrangements in place for his role as MD at the start of the financial year. Once Mr Hanna stepped down he no longer participated in the STI program.

The KPIs used and the respective weightings of the KPIs will vary by role and are designed to align to those measures relevant to the responsibilities of each role. The overall STI program comprised of 44% financial and 56% non-financial KPIs, and are targeted at the areas of the business in which employee's operate to ensure the employee's efforts are focused on key areas of the business.

Due to the commercially sensitive nature of the KPIs, the precise metrics being used have not been disclosed. However, for FY12 the KPI's which could be selected as part of an Executive's balanced scorecard had to be sourced from the below KPI list.

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).
Project development	Based on first ore production to the mine ore pad from the Spotted Quoll underground mine.
Forrestania Environmental accidents	Based on reportable environmental incidents per quarter.

KPIs for Corporate Executives	Overview KPI
Earnings	Achieve EBIT target above budget.
Cashflow	Achieve pre-funding cashflow target above budget.
Diggers South partner	Secure a joint venture partner to contribute towards the development of the Diggers South project.
M&A activity	Successful completion of a merger or acquisition that adds value to the Company.
Fund raising	Achieve a target investment threshold for a greenfields project from an external party.

KPIs for Exploration Executives	Overview KPI
New Nickel resources	Establishing new published nickel resources exceeding a targeted nickel tonnage levels.
New Nickel Discovery	Discovery of a new Nickel deposit.

Long Term Incentive ('LTI')

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

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.

The new Performance Rights Plan ('LTI plan') was approved by shareholders at the 2011 annual general meeting and was rolled out during FY12.

Grant frequency and quantum

Under the new remuneration structure, Executives will receive a new grant of Performance Rights each year, such that the LTI now forms 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, ranging from 50% to 100% of base salary, depending on the participant's 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.

The quantum of grants made during FY12 is as follows:

Name	Base salary	LTI quantum (% of base salary)	LTI quantum ($)	Number of Performance Rights issued	Fair value per Performance Right at grant date	Vest date	Expiry date
Executive Directors							
Mr D Lougher	$515,597	75%	$386,698	113,891	$3.75	30 June 2014	30 June 2014
Mr D Southam	$486,000	75%	$364,500	107,354	$3.75	30 June 2014	30 June 2014
Executives							
Mr J Belladonna	$291,600	75%	$218,700	64,411	$3.75	30 June 2014	30 June 2014
Mr C Wilkinson	$315,087	50%	$157,544	46,399	$3.75	30 June 2014	30 June 2014
Mr G Marshall	$286,443	50%	$143,221	42,182	$3.75	30 June 2014	30 June 2014
Mr K McKenzie	$368,280	50%	$184,140	54,234	$3.75	30 June 2014	30 June 2014

Performance conditions

Careful consideration was given to 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.

DIRECTORS' REPORT

The Company's TSR will be measured against a customised peer group comprising the following 23 companies:

Aditya Birla Minerals Ltd	Gindalbie Metals Ltd	PanAust Ltd
Alumina Ltd	Independence Group NL	Paladin Energy Ltd
Acquarius Platinum Ltd	Medusa Mining Ltd	Panoramic Resources Ltd
Atlas Iron Ltd	Mincor Resources NL	Perilya Ltd
Beadell Resources Ltd	Mirabela Nickel Ltd	Rex Minerals Ltd
Bouganville Copper Ltd	Mt Gibson Iron	Sandfire Resources Ltd
Cudeco Ltd	OM Holdings Ltd	Zimplats Holdings Ltd
Discovery Metals Ltd	Oz Minerals Ltd	

Two companies have been removed from the peer group. Kagara Ltd due to voluntary administration and Minara Ltd due to delisting.

No Performance Rights will vest unless the percentile ranking of the Company's TSR for the relevant performance year, as compared to the TSR's 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	Pro-rata / progressive vesting from 50% - 100%
At or above 75th percentile	100% vesting

Performance period and vesting

As no LTI awards were made to executives for a number of years prior to 1 July 2011, and with significant shareholder value being realised in the preceding time, it was felt that the initial grants under the LTI plan needed to serve a number of different purposes:

- focus on future shareholder value generation ;
- act as a key retention tool; and
- recognise the period of two years where no LTI awards were made.

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

For grants made under the LTI plan during FY12, vesting will occur subject to the meeting of service and performance conditions as follows:

- 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 Performance Rights will vest and become exercisable into shares unless the participant remains employed as at 30 June 2014.

Service contracts

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

Name & job title	Base salary $	Contract duration	Notice period employee	Termination provision
D.Lougher, Managing Director *	680,000	No fixed term	3 months	12 months termination payment and accrued leave entitlements
D.Southam, Finance Director *	510,106	No fixed term	3 months	12 months termination payment and accrued leave entitlements
J. Belladonna, Chief Financial Officer / Company Secretary *	320,000	No fixed term	3 months	6 months termination payment and accrued leave entitlements
C Wilkinson, General Manager Exploration	327,690	No fixed term	1 month	6 months termination payment and accrued leave entitlements
G Marshall, General Manager Commercial	297,900	No fixed term	1 month	2 months termination payment and accrued leave entitlements
Mr K McKenzie, General Manager Forrestania Operations	383,011	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 (expressed as a percentage of the 20 day VWAP) between the bid price for the Company's shares as a result of a 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 senior 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.

DIRECTORS' REPORT

SECTION D: USE OF REMUNERATION CONSULTANTS

Western Areas did not engage any remuneration consultants, as defined in the Corporation Act 2001, during the 2012 financial year.

The Company did however engage PwC to provide services related to the preparation and compliance review of the remuneration report, excluding the remuneration tables, and used the McDonald Report as a tool to assist in the assessment and benchmarking of salaries and conditions.

SECTION E: LINK BETWEEN PERFORMANCE AND REMUNERATION OUTCOMES

The remuneration framework detailed above has been tailored with the objective of attracting and retaining the highest calibre staff who contribute to the success of the Company, while maintaining alignment between Company performance and individual rewards. The remuneration policies seek a balance between the interests of stakeholders and competitive market remuneration levels.

Company Performance

Year Ended 30 June	2012	2011	2010	2009	2008
Net Profit / (Loss) after Tax	40,181	134,973	14,212	(35,172)	(54,907)
EPS	22.4	75.1	8.0	(20.9)	(31.7)
Dividends	0.11	0.25	0.06	-	-
Market capitalisation	729.7M	1,060.4M	679.4M	1,053.6M	1,727.5M
Closing share price	4.06	5.90	3.78	5.90	10.30
TSR – 1 year (%)	80	67	2	75	83
TSR – 3 year rolling (%)	39	41	57	80	83

The percentage of the maximum STI payment that was paid and forfeited during FY12 is outlined in the table below:

Name	Percentage of max STI awarded	Percentage of max STI forfeited
Executive Directors		
Mr J Hanna[1]	25%	75%
Mr D Lougher	94%	6%
Mr D Southam	93%	7%
Executives		
Mr J Belladonna	100%	0%
Mr C Wilkinson	57%	43%
Mr G Marshall	50%	50%
Mr K McKenzie	100%	0%

[1] Mr J Hanna stepped down from the role of MD on 31 January 2012. Mr Hanna's STI that were triggered during the time he served as MD during FY12 have been paid in accordance with the STI terms and targets.

The table below represents the Executives' *actual* remuneration mix of fixed remuneration, short-term incentives and long-term incentives based upon remuneration paid or expensed during FY12. It is the Company's policy to ensure that a suitable portion of executive remuneration is placed 'at-risk' and subject to performance against appropriately set targets.

Name	Fixed Remuneration	STI	LTI[1]
Executive Directors			
Mr J Hanna[2]	92%	6%	2%
Mr D Lougher	58%	26%	16%
Mr D Southam	59%	27%	14%
Executives			
Mr J Belladonna	62%	22%	16%
Mr C Wilkinson	72%	15%	13%
Mr G Marshall	75%	13%	12%
Mr K McKenzie	63%	25%	12%

[1] LTI refers to the value of the Options and Performance Rights that were expensed during the 2011/12 financial year. No Options have been granted over the last two financial years.
[2] Mr J Hanna stepped down from the role of MD on 31 January 2012. This remuneration mix reflects his actual remuneration package, including termination payments from 1 July 2011 to 31 January 2012.

SECTION F: NON-EXECUTIVE DIRECTOR REMUNERATION

Non-Executive Directors 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 ('NEDs') 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 independent salary reports as well as the fees paid to NEDs of comparable companies when undertaking this annual review.

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

There is no scheme to provide retirement benefits to NEDs, other than statutory superannuation.

Non-Executive Directors fees limits

NED fees are determined within an aggregated fee limit of $1,000,000, which was approved by shareholders at the 2011 AGM. The following fees (including statutory superannuation) were applicable for the year:

	Board Chair	Board Member
Fees	$187,238	$162,237

The Remuneration Committee resolved to freeze the NED remuneration level for the FY13 year at the FY12 level.

Non-Executive Directors fee structure

NED remuneration consists of a base Directors fee for their role as Board members, and is inclusive of compensation for any role on nominated Board sub-committees. That is, no separate committee fees are payable.

DIRECTORS' REPORT

SECTION G: DETAILS OF REMUNERATION

2012	Short Term Employee Benefits				LTI (i)	Post Employment	
	Base Salary	STI Payments / Bonuses (iii)	Allowances / Termination	Non Monetary	Share Based Payments	Superannuation	**TOTAL**
Non-executive Directors							
T Streeter	168,683	-	-	35,893	-	18,555	**223,131**
J Hanna (ii)	60,913	-	-	-	-	6,700	**67,613**
D Cooper (v)	36,548	-	-	-	-	4,020	**40,568**
R Dunbar	162,273	-	-	-	-	-	**162,273**
R Yeates	146,192	-	-	-	-	16,081	**162,273**
I Macliver (v)	109,644	-	-	-	-	12,061	**121,705**
Executive Directors							
J Hanna (ii)	367,857	95,000	1,091,873	19,657	32,848	40,465	**1,647,700**
D Lougher	579,390	290,000	-	30,633	175,324	45,836	**1,121,183**
D Southam	514,460	270,000	-	41,602	134,192	24,997	**985,251**
Executive Officers							
J Belladonna	302,759	130,000	-	31,541	93,220	22,914	**580,434**
C Wilkinson	307,087	80,000	-	29,187	70,705	42,660	**529,639**
G Marshall	286,443	65,000	-	29,627	59,080	48,883	**489,033**
K McKenzie	368,280	163,000	-	-	80,498	40,511	**652,289**
							6,783,092

2011	Short Term Employee Benefits				LTI (i)	Post Employment	
	Base Salary	STI Payments / Bonuses (iv)	Allowances	Non Monetary	Share Based Options	Superannuation	**TOTAL**
Non-executive Directors							
T Streeter	159,135	-	17,314	8,758	-	15,914	**201,121**
D Cooper	137,917	-	-	-	-	13,792	**151,709**
R Dunbar	151,709	-	-	-	-	-	**151,709**
R Yeates	137,917	-	-	-	-	13,792	**151,709**
Executive Directors							
J Hanna (ii)	583,495	260,000	22,531	9,682	186,000	58,350	**1,120,058**
D Lougher	477,405	335,000	23,333	10,366	186,000	47,741	**1,079,845**
D Southam	291,249	115,000	20,794	4,355	-	18,123	**449,521**
C Oliver	283,352	-	15,286	913	186,000	25,000	**510,551**
Executive Officers							
J Belladonna	270,000	122,000	20,899	5,463	101,000	25,333	**544,695**
C Wilkinson (iv)	291,748	25,000	16,692	10,605	101,000	29,175	**474,220**
G Marshall	265,225	70,000	5,694	2,116	50,500	26,523	**420,058**
K McKenzie	341,000	153,000	-	-	101,000	34,100	**629,100**
							5,884,296

(i) LTI refers to the value of Options and Performance Rights that were expensed during the 2012 financial year. No Options were granted during the year.

(ii) Mr J Hanna stepped down from the role of MD on 31 January 2012 and remains on the Board as a Non-Executive Director. Outlined above is his remuneration as MD from 1 July 2011 to 31 January 2012, and his remuneration as NED from 1 February 2012 to 30 June 2012. Mr Hanna received a termination payment that consisted of a lump Sum payment for annual leave and long service leave accrued over 12 years of service to the company ($508,378) and a termination in payment in lieu of notice of his annual average salary measured over a 3 year period ($583,495), as per his executive contract. Mr Hanna also receives separate consulting fees for services performed beyond his duties as a NED, the details of which are separately outlined below under "Consulting fees".

(iii) Includes all paid and accrued bonuses for 2011/12.

(iv) Bonuses disclosed includes the payment of deferred bonuses from 2010/11.

(v) Mr Cooper resigned from the board at 30 September 2011, Mr Macliver commenced as a Director at 1 October 2011.

Consulting fees

After stepping down as MD, Mr Hanna agreed to remain on the Board as a Non-Executive Director ('NED') and as a consultant to assist with identifying and developing new growth opportunities for the Company.

From 1 February 2012 and onwards, in addition to receiving fees for his role as a NED of the Board, Mr Hanna was paid arms-length consulting fees for his services as a consultant since that time valued $49,250.

Options held by Key Management Personnel

	Balance at 1 July 2011	Granted as Remuneration	On Exercise of Options	Purchases / (Sales)	Expired / Lapsed	Balance at 30 June 2012	Options Vested (*)
D Lougher	200,000	-	-	-	-	200,000	200,000
J Hanna	200,000	-	-	-	-	200,000	200,000
C Wilkinson	100,000	-	-	-	-	100,000	100,000
G Marshall	50,000	-	-	-	-	50,000	50,000
J Belladonna	100,000	-	-	-	-	100,000	100,000
K McKenzie	100,000					100,000	100,000
TOTAL	**750,000**	**-**	**-**	**-**	**-**	**750,000**	**750,000**

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

Performance Rights held by Key Management Personnel

	Balance at 1 July 2011	Granted as Remuneration	On Exercise of Performance Rights	Purchases / (Sales)	Expired / Lapsed	Balance at 30 June 2012	Performance Rights Vested
D Lougher	-	113,891	-	-	-	113,891	-
D Southam	-	107,354	-	-	-	107,354	-
C Wilkinson	-	46,399	-	-	-	46,399	-
G Marshall	-	42,182	-	-	-	42,182	-
J Belladonna	-	64,411	-	-	-	64,411	-
K McKenzie	-	54,234	-	-	-	54,234	-
TOTAL	**-**	**428,471**	**-**	**-**	**-**	**428,471**	**-**

DIRECTORS' REPORT

Shareholding by Key Management Personnel

	Balance at 1 July 2011	Granted as Remuneration	On Exercise of Options	Other Changes During the Year	Balance at 30 June 2012
D Lougher	50,884	-	-	14,000	64,884
T Streeter	25,809,410	-	-	80,000	25,889,410
J Hanna	1,293,987	-	-	(159,321)	1,134,666
D Cooper **	1,000,000	-	-	(1,000,000)	-
R Dunbar	102,500	-	-	-	102,500
R Yeates	6,000	-	-	4,000	10,000
I Macliver *	-	-	-	20,000	20,000
C Wilkinson	7,000	-	-	-	7,000
J Belladonna	60,000	-	-	-	60,000
K McKenzie	27,918	-	-	31,000	58,918
TOTAL	**28,357,699**	**-**	**-**	**(1,010,321)**	**27,347,378**

* Mr Macliver joined the board on 1 October 2011 and held the above shares at that time.
** Mr Cooper resigned from the board at 30 September 2011 and held the above shares at that time.

Options Granted as part of remuneration for the Year Ended 30 June 2012

No options were granted during the financial year ended 30 June 2012.

End of remuneration report.

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.

Daniel Lougher
Managing Director

Perth, 20 August 2012

CORPORATE GOVERNANCE STATEMENTS

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

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

During the current financial year the Board of Directors 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

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:

Name	Position
R Dunbar	Non-Executive Director
R Yeates	Non-Executive Director
I MacLiver	Non-Executive Director

CORPORATE GOVERNANCE STATEMENTS

At the date of this report and throughout the financial year, Western Areas NL has not complied with the Council's recommendation of having the majority of the Board comprise Independent Directors and that the Chair be an Independent Director. The Company remains committed to the process of bringing new independent Directors onto the Board and is currently searching for addition 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.

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 no limited to, gender, age, ethnicity and cultural back ground. The policy ensures that roles and positions are filled by the best possible candidate 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 2012	***%***	***30 June 2011***	***%***
Women on the Board	*0*	*0*	*0*	*0*
Women in Senior Management	*1*	*5*	*0*	*0*
Women employees in total	*21*	*15*	*19*	*15*

CORPORATE GOVERNANCE STATEMENTS

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 7 of the Directors' Report.

The Nomination Committee ran the selection process for the Managing Director position, nomination of Ian Macliver to the Board and conducted one Board performance evaluation. The performance assessment involved each member of the Board to rate the Board's performance against specific qualitative and quantitative criteria.

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 7 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.

CORPORATE GOVERNANCE STATEMENTS

Risk Management

Management of material risks

Management of material risks is governed by the Risk Management ("RM") program. The RM program involves the relevant WSA 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 WSA's risk criteria.

Activity

In 2011 WSA 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 engages MYR Consulting Pty Ltd to assist in development of the risk management framework, activities and policies.

CORPORATE GOVERNANCE STATEMENTS

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 7 of the Directors' Report.

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

Treasury

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

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

For details on the members, number of meetings and meeting attendance of the Treasury Committee held during the year at those meetings, refer to page 7 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

AUDITOR'S INDEPENDENCE DECLARATION

Crowe Horwath

AUDITOR'S INDEPENDENCE DECLARATION

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Western Areas NL for the year ended 30 June 2012, 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

CROWE HORWATH PERTH

SEAN MCGURK
Partner

Signed at Perth, 20 August 2012

Crowe Horwath Perth is a WHK Group Firm and a member of Crowe Horwath International, a Swiss verein. Each member firm of Crowe Horwath is a separate and independent legal entity.

CONSOLIDATED INCOME STATEMENT
Year Ended 30 June 2012

	Notes	Consolidated Entity 2012 $'000	Consolidated Entity 2011 $'000
Sales		330,698	468,659
Cost of sales		(234,524)	(223,729)
Gross profit		**96,174**	**244,930**
Other income	2	8,763	6,682
Finance costs	3	(37,441)	(36,721)
Employee benefit expense		(7,664)	(8,488)
Foreign exchange gain		663	1,236
Administration and other expenses		(6,304)	(3,790)
Business combination acquisition costs	35	(3,618)	-
Share based payments		(882)	(574)
Impairment of non-current assets	3	(79)	(4,334)
Realised derivative gains/(losses)	3	9,030	(1,728)
Changes in fair value of derivatives	3	(1,181)	(1,943)
Profit before income tax		**57,461**	**195,270**
Income tax expense	4	(17,280)	(60,297)
Profit for the year		**40,181**	**134,973**
Basic earnings per share (cents per share)	19	22.4	75.1
Diluted earnings per share (cents per share)	19	22.4	75.1

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year Ended 30 June 2012

	Notes	Consolidated Entity 2012 $'000	Consolidated Entity 2011 $'000
Profit for the year		40,181	134,973
Other comprehensive income/(loss), net of tax			
Changes in fair value of hedging instruments		970	(12)
Changes in fair value of available for sale financial assets		(4,070)	2,610
Convertible note reserve		-	1,205
Exchange differences on translation of foreign controlled entities		(607)	10
Total comprehensive income for the year		**36,474**	**138,786**

	2012 $'000	2011 $'000
Profit attributable to:		
Members of the parent entity	40,301	135,007
Non controlling interest	(120)	(34)
	40,181	**134,973**

	2012 $'000	2011 $'000
Total Comprehensive Income attributable to:		
Members of the parent entity	36,594	138,818
Non controlling interest	(120)	(32)
	36,474	**138,786**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 June 2012

	Notes	Consolidated Entity 2012 $'000	2011 $'000
Current Assets			
Cash and cash equivalents	20 (b)	165,502	208,948
Trade and other receivables	6	25,360	27,719
Inventories	7	42,121	30,942
Financial assets	8 (b)	1,973	4,739
Total Current Assets		234,956	272,348
Non Current Assets			
Property, plant and equipment	9	107,111	111,683
Intangible assets	10	525	521
Exploration & evaluation expenditure	11	133,282	91,875
Mine development	12	295,634	209,454
Financial assets	8 (a)	3,460	6,445
Total Non Current Assets		540,012	419,978
Total Assets		774,968	692,326
Current Liabilities			
Trade and other payables	14	66,444	55,608
Borrowings	15	150,392	61
Provisions	16	1,374	1,344
Current tax liabilities	13	10,606	-
Financial liabilities	17	284	2,839
Total Current Liabilities		229,100	59,852
Non Current Liabilities			
Borrowings	15	208,688	301,825
Provisions	16	6,096	6,122
Deferred tax liabilities	13 (c)	41,219	36,069
Total Non Current Liabilities		256,003	344,016
Total Liabilities		485,103	403,868
Net Assets		**289,865**	**288,458**
Equity			
Issued capital	18	202,611	202,611
Reserves	32	75,739	78,564
Retained earnings		11,289	6,937
Equity attributable to members of the parent entity		**289,639**	**288,112**
Non controlling interest		226	346
Total Equity		**289,865**	**288,458**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year Ended 30 June 2012

CONSOLIDATED ENTITY	Note	Issued Capital	Prospectus Expenses	Share Based Payment Reserve	Hedge Reserve	Investment Reserve	Convertible Note Reserve	Foreign Exchange Reserve	Retained Earnings	Non-Controlling Interest	Total Equity
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Total Equity at 1 July 2010		**212,833**	**(10,222)**	**15,585**	**12**	**(5,305)**	**63,885**	**-**	**(104,706)**	**-**	**172,082**
Comprehensive income											
Profit for the year									135,007	(34)	134,973
Other comprehensive income for the year					(12)	2,610	1,205	10			3,813
Total comprehensive income for the year					(12)	2,610	1,205	10	135,007	(34)	138,786
Transactions with owner in their capacity as owner, and other transfers											
Share based payments expense				574							574
Non-controlling shares in FinnAust PLC										380	380
Dividends paid									(23,364)		(23,364)
Total Equity at 30 June 2011		**212,833**	**(10,222)**	**16,159**	**-**	**(2,695)**	**65,090**	**10**	**6,937**	**346**	**288,458**
Comprehensive income											
Profit for the year									40,301	(120)	40,181
Other comprehensive income for the year					970	(4,070)		(607)	-	-	(3,707)
Total comprehensive income for the year					970	(4,070)		(607)	40,301	(120)	36,474
Transactions with owner in their capacity as owner, and other transfers											
Share based payments expense				882							882
Dividends paid									(35,949)		(35,949)
Total Equity at 30 June 2012		**212,833**	**(10,222)**	**17,041**	**970**	**(6,765)**	**65,090**	**(597)**	**11,289**	**226**	**289,865**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
Year Ended 30 June 2012

	Notes	Consolidated Entity 2012 $'000	2011 $'000
Cash Flows From Operating Activities			
Receipts from customers		326,808	437,457
Payments to suppliers and employees		(144,403)	(122,193)
Interest received		10,257	3,478
Royalties paid		(16,344)	(22,135)
Other receipts		12	679
Finance costs		(24,252)	(22,429)
Realisation on settlement of derivatives		8,699	1,378
Income tax paid		(1,524)	-
Net Cash Provided by Operating Activities	20(a)	**159,253**	**276,235**
Cash Flows From Investing Activities			
Purchase of property, plant and equipment		(13,721)	(13,409)
Rental Deposit		9	(8)
Mine development expenditure		(67,417)	(70,664)
Exploration & evaluation expenditure		(42,677)	(20,074)
Payment of termination of royalty agreement		(14,926)	-
Payment for subsidiary	35	(71,100)	-
Purchase of available for sale financial assets		(1,085)	(1,999)
Net Cash Used In Investing Activities		**(210,917)**	**(106,154)**
Cash Flows From Financing Activities			
Proceeds from borrowings		45,000	-
Proceeds from issue of shares for non controlling interests		-	380
Finance lease principal repayments		(69)	(125)
Borrowing costs		(764)	(3,392)
Dividends paid		(35,949)	(23,364)
Net Cash (Used in)/ Provided by Financing Activities		**8,218**	**(26,501)**
Net increase / (decrease) in cash and cash equivalents held		(43,446)	143,580
Cash and cash equivalents as at 1 July		208,948	65,368
Cash and cash equivalents as at 30 June	20(b)	**165,502**	**208,948**

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2012

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.

The financial report was approved by the board of directors on 20 August 2012.

Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*.

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

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2011 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods. However, the adoption of AASB 1054 Australian Additional Disclosures and AASB 2011-1 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project enabled the removal of certain disclosures in relation to commitments and the franking of dividends.

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2012

Note 1: Statement of Significant Accounting Policies

(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).

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 income statement 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.

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2012

Note 1: Statement of Significant Accounting Policies

(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
For The Year Ended 30 June 2012

Note 1: Statement of Significant Accounting Policies

(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 or the estimated life of mine, if shorter. 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% or unit of production basis over the life of mine
Motor vehicles	20%
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.

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2012

Note 1: Statement of Significant Accounting Policies

(g) Mine Development (Continued...)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2012

Note 1: Statement of Significant Accounting Policies

(h) Income Tax (Continued...)

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 statement of financial position 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.

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2012

Note 1: Statement of Significant Accounting Policies

(j) Employee Benefits

Provision is made for the consolidated entity'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.

Share based payment transactions

The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

(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.

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2012

Note 1: Statement of Significant Accounting Policies

(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 profit or loss', 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.)

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2012

Note 1: Statement of Significant Accounting Policies

(l) Financial Instruments (Continued…)

Available-for-sale financial assets

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

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

Financial liabilities

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

De-recognition

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

Impairment

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

Derivative financial instruments

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2012

Note 1: Statement of Significant Accounting Policies

(l) Financial Instruments (Continued…)

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 statement of financial position.

(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.

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2012

Note 1: Statement of Significant Accounting Policies

(r) Convertible Bonds

The component of the convertible bond that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, 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 translation 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 translation 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.

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2012

Note 1: Statement of Significant Accounting Policies

(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.

(ii). *Reserve estimates*
Estimates are recoverable quantities of proven and probable reserves include assumptions regarding commodity prices, exchange rates, discount rates, production and transportation costs for future cash flows. It also requires interpretation of complex and difficult geological and geophysical models in order to make an assessment of the size, shape, depth and quality of reserves and their anticipated recoveries. The economic, geological and technical factors we use to estimate reserves may change from period to period. Changes in reported reserves can impact asset carrying values, the provision for restoration and the recognition of deferred tax assets, due to changes in expected cash flows. Reserves are integral to the amount of depreciation, depletion and amortisation charged to the income statement and the calculation of inventory. The Group prepares reserve estimates in accordance with the JORC Code, guidelines prepared by the Joint Ore Reserves Committee of The Australian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia.

Key judgements

(i). *Available for sale financial assets*
In the 2012 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 2012 were $3.5 million.

(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 $133.3M

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2012

Note 1: Statement of Significant Accounting Policies

(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.

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2012

Note 2: Other Income

	Consolidated Entity 2012 $'000	Consolidated Entity 2011 $'000
- Interest income	8,624	5,242
- Sundry income	139	-
- Premium on convertible bond swap	-	1,440
Total other income	**8,763**	**6,682**

Note 3: Profit before income tax

	Notes	Consolidated Entity 2012 $'000	Consolidated Entity 2011 $'000
Profit before income tax includes the following specific expenses:			
- Depreciation of property, plant and equipment	9	15,258	15,229
- Amortisation of mine development asset	12	76,423	64,798
- Rental expenditure relating to operating leases		849	483
- Impairment of capitalised exploration expenditure	11	79	4,334
- Realised derivative (gains) / losses		(9,030)	1,728
- Changes in fair value of derivatives		1,181	1,943
- Employee benefits expense			
Defined contribution superannuation expense		2,143	1,369
- Finance costs:			
Interest expense – borrowings		24,367	23,948
Bond accretion expense		9,083	8,503
Interest expense – finance leases		5	6
Borrowing costs amortised		3,702	4,049
Other borrowing costs		284	215
Total borrowing costs		**37,441**	**36,721**

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2012

	Notes	Consolidated Entity 2012 $'000	Consolidated Entity 2011 $'000
Note 4: Income Tax			
The components of the tax expense comprise:			
- Current tax		12,130	-
- Deferred tax		5,150	60,297
Income tax expense		**17,280**	**60,297**

The prima facia 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:

	2012	2011
Prima facia tax payable on profit before income tax at 30% (2011: 30%)	17,238	58,581
Adjusted for the tax effect of:		
- Changes in fair value of derivatives	354	(583)
- Share based payment expense	265	172
- Premium on convertible bond swap	-	(432)
- Other non allowable items	136	156
- Share issue costs deductible	(109)	(294)
- Other temporary differences	1,132	146
- Royalty buy back	(4,461)	-
- Convertible bond accretion expense	2,725	2,551
Tax Expense	**17,280**	**60,297**

Note 5: Dividends

	2012	2011
Dividends paid		
Final unfranked ordinary dividend of 15 cents (2010: 3 cents) per share for the year ended 30 June 2011	26,962	5,393
Interim unfranked ordinary dividend of 5 cents (2011: 10 cents) per share	8,987	17,971
	35,949	**23,364**
Dividends proposed		
Proposed final 2012 ordinary dividend of 6 cents (2011: 15 cents) per share, 30% partially franked and 70% unfranked.	**10,784**	**26,960**

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2012

	Notes	Consolidated Entity 2012 $'000	2011 $'000
Note 6: Trade and Other Receivables			
Trade debtors		21,765	21,219
Other debtors		780	2,012
GST refund due		1,741	2,136
Prepayments		1,074	2,352
		25,360	**27,719**

There are no balances within trade and other receivables that contain assets that are past due. It is expected the balances will be received when due.

	Notes	2012 $'000	2011 $'000
Note 7: Inventories			
Ore stockpiles – at cost		31,319	19,976
Nickel concentrate stockpiles – at cost		7,089	7,641
Consumables and spare parts – at cost		3,713	3,325
		42,121	**30,942**
Note 8: Financial Assets			
Available for sale	8 (a)	3,460	6,445
Derivative financial instruments	8 (b)	1,973	4,739
		5,433	11,184
Less non-current portion		(3,460)	(6,445)
Current portion		1,973	4,739
(a) Available for sale financial assets			
Investments in listed companies at fair value		3,460	6,445
(b) Derivative financial instruments			
Foreign exchange collar options		1,973	-
Nickel collar options	29 (c)	-	4,739
		1,973	**4,739**

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.

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2012

Note 8: Other Financial Assets (Continued…)

(c) Investments in subsidiaries

Name	Country of Incorporation	Percentage of equity held	
		2012 %	2011 %
Western Platinum NL	Australia	100%	100 %
Australian Nickel Investments Pty Ltd	Australia	100%	100 %
Bioheap Ltd	Australia	100%	100%
FinnAust Mining PLC	United Kingdom	81%	77%
Western Areas Nickel Pty Ltd (formerly known as Kagara Nickel Pty Ltd) (Note 35)	Australia	100%	-

All the entities above, except FinnAust Mining PLC, are members of the tax consolidated group of which Western Areas NL is the head entity. Western Areas NL 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 this company, the financial information of this company has not been consolidated into the consolidated entity.

Note 9: Property, Plant and Equipment

	Consolidated Entity	
	2012 $'000	2011 $'000
Property – at cost	22,871	20,937
Accumulated depreciation	(6,481)	(4,697)
	16,390	16,240
Plant & equipment – at cost	127,820	119,268
Accumulated depreciation	(37,357)	(23,958)
	90,463	95,310
Plant & equipment under lease	779	579
Accumulated depreciation	(521)	(446)
	258	133
Total property, plant & equipment - at cost	151,470	140,784
Accumulated Depreciation	(44,359)	(29,101)
Total	**107,111**	**111,683**

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

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2012

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	
	2012 $'000	**2011 $'000**
Property		
Written down value at the beginning of the year	16,240	16,226
- Additions	1,934	1,677
- Depreciation expense	(1,784)	(1,663)
Written down value at the end of the year	**16,390**	**16,240**
Plant & Equipment		
Written down value at the beginning of the year	95,310	94,622
- Additions	8,552	14,127
- Depreciation expense	(13,399)	(13,439)
Written down value at the end of the year	**90,463**	**95,310**
Plant & Equipment under Lease		
Written down value at the beginning of the year	133	260
- Additions	200	-
- Depreciation expense	(75)	(127)
Written down value at the end of the year	**258**	**133**

Note 10: Intangible Assets

Capitalised patents and trademarks costs – at cost	**525**	**521**

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2012

	Consolidated Entity	
	2012 $'000	**2011 $'000**
Note 11: Exploration & Evaluation Expenditure		
Exploration & Evaluation Expenditure consists of:		
- At cost	198,844	152,358
- Transferred to mine development	(46,000)	(41,000)
- Accumulated impairment loss	(19,562)	(19,483)
Total Exploration and Evaluation Expenditure	**133,282**	**91,875**

Movement in carrying amount:

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

Exploration & Evaluation Expenditure		
Written down value at the beginning of the year	91,875	94,895
- Expenditure incurred during the year	46,486	22,314
- Transferred to mine development	(5,000)	(21,000)
- Impairment loss	(79)	(4,334)
Written down value at the end of the year	**133,282**	**91,875**

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.

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2012

Note 12: Mine Development

	Notes	Consolidated Entity 2012 $'000	Consolidated Entity 2011 $'000
Capitalised development expenditure consists of:			
- Mine development		204,120	135,890
- Acquisition of mining assets		59,796	-
- Exploration expenditure transfer		46,000	41,000
- Deferred mining expenditure		194,468	164,891
- Capitalised restoration costs		5,843	5,843
- Capitalised interest		11,175	11,175
- Accumulated amortisation		(225,768)	(149,345)
Total Mine Development		**295,634**	**209,454**

Movement in carrying amount:

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

Development Expenditure	2012 $'000	2011 $'000
Written down value at the beginning of the year	209,454	180,403
- Additions	157,603	71,313
- Exploration expenditure transfer	5,000	21,000
- Increase in restoration cost provision	-	1,536
- Amortisation charge for the year	(76,423)	(64,798)
Written down value at the end of the year	**295,634**	**209,454**

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2012

Note 13 Tax

	Consolidated Entity 2012 $'000	2011 $'000
Current		
Current tax liability		
Income tax expense	12,130	-
Tax paid during the year	(1,524)	-
	10,606	-
Non-Current		
(a) Liabilities		
Deferred tax liabilities comprise:		
- Exploration & mine development expenditure	58,108	44,126
- Other	773	2,106
Total	58,881	46,232
(b) Assets:		
Deferred tax assets comprise:		
- Future income tax benefits due to tax losses	-	168
- Provisions	1,829	1,837
- Property, plant and equipment	5,623	2,026
- Mine development	9,966	5,023
- Other	244	1,109
Total	17,662	10,163
(c) Reconciliation		
(i) Gross movement		
The overall movement in the deferred tax account is as follows:		
Opening balance	(36,069)	24,228
(Debit) / Credit to income statement	(5,150)	(60,297)
Closing balance	(41,219)	(36,069)
(ii) Deferred tax liability		
The movement in the deferred tax liabilities for each temporary difference during the year is as follows:		
Exploration & development expenditure		
Opening balance	(44,126)	(39,315)
Credit to income statement	(13,982)	(4,811)
Closing balance	(58,108)	(44,126)
Other		
Opening balance	(2,106)	(453)
Debit / (Credit) to income statement	1,333	(1,653)
Closing balance	(773)	(2,106)

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2012

Note 13 Tax Asset (Continued...)

(iii) Deferred tax assets

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

	Consolidated Entity 2012 $'000	Consolidated Entity 2011 $'000
Deferred tax assets due to tax losses		
Opening balance	168	60,919
(Credit) to income statement	(168)	(60,751)
Closing balance	-	168
Provisions		
Opening balance	1,837	1,783
(Credit)/Debit to income statement	(8)	54
Closing balance	1,829	1,837
Mine development		
Opening balance	5,023	1,211
Debit to income statement	4,943	3,812
Closing balance	9,966	5,023
Property, plant & equipment		
Opening balance	2,026	-
Debit to income statement	3,597	2,026
Closing balance	5,623	2,026
Other		
Opening balance	1,109	83
(Credit) / Debit to income statement	(865)	1,026
Closing balance	244	1,109

Note 14: Trade & Other Payables

	2012 $'000	2011 $'000
Current trade & other payables	15,214	13,822
Accrued expenses	39,377	30,053
Accrued interest	11,853	11,733
	66,444	**55,608**

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2012

Note 15: Borrowings

	Notes	Consolidated Entity 2012 $'000	2011 $'000
Current			
Corporate loan facility	15 (a)	45,000	-
Convertible bond	15 (b)	105,500	-
Convertible bond borrowing cost		(156)	-
Lease liabilities	15 (c) & 21 (b)	48	61
		150,392	**61**
Non Current			
Convertible bonds	15 (b)	213,563	309,980
Convertible bond borrowing costs		(4,367)	(8,155)
Lease liabilities	15 (c) & 21(b)	187	-
Corporate loan facility borrowing cost		(695)	(695) -
		208,688	**301,825**

(a) **Corporate loan facility**

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 amount drawn down at 30 June 2012 is repayable by 31 March 2013. The ANZ Bank corporate facility remains in place until March 2014.

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

	2012	2011
Mine development	295,634	209,454
Property, plant & equipment	106,853	111,550
	402,487	**321,004**

(b) **Convertible bonds**

	2012	2011
Current		
Convertible bond (Issued June 2007)	105,500	-
Non-current		
Convertible bond (Issued June 2007)	-	103,186
Convertible bond (Issued April 2010)	111,934	108,645
Convertible bond (Issued November 2010)	101,629	98,149
Total non-current	213,563	**309,980**
Total convertible bond borrowing	**319,063**	**309,980**

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2012

Note 15: Borrowings (Continued...)

(i) The convertible bond issued in June 2007 matured on 2 July 2012 and was paid off subsequent to reporting period.
(ii) The convertible bond issued in November 2010 and April 2010 mature on 2 July 2014 and 2 July 2015 respectively. The November 2010 and April 2010 convertible bond are convertible into fully paid ordinary share at $6.46/share and $7.53/share respectively prior to maturity.

(iii) Interest is payable on the convertible note as follows:
- 8% on convertible bond issued in June 2007
- 6.4% on convertible bond issued in April 2010
- 6.375% on convertible bond issued in November 2010

(c) **Lease liabilities**
The lease liabilities are secured over the assets under the lease. The finance leases have an average term of 3 years and an average implicit discount rate of 6.4%. Refer to note 9 for the carrying value of the assets under lease.

Note 16: Provisions

		Consolidated Entity	
		2012 $'000	**2011 $'000**
Current			
Employee Entitlements	16 (a)	**1,374**	**1,344**
Non Current			
Rehabilitation and restoration cost			
Opening balance		6,122	4,886
Unwinding of discount		284	214
Rehabilitation expenditure incurred during the period		(310)	(514)
Additional provision raised		-	1,536
Closing balance	16 (b)	**6,096**	**6,122**

(a) Employee entitlements relate to balance of annual leave and long service leave accrued by the consolidated entity's employees. Recognition and measurement criteria have been disclosed in Note 1.

(b) Rehabilitation and restoration cost relates to an estimate of restoration costs that will result from the development of the Forrestania Nickel Project. The current mine life is 10 years, after which time the rehabilitation activities will be undertaken.

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2012

Note 17: Financial Liabilities

Derivative financial instruments		Consolidated Entity	
		2012 $'000	2011 $'000
Foreign exchange collar options	29 (c)	284	-
Nickel collar options	29 (c)	-	2,839
		284	**2,839**

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	
	2012 $'000	2011 $'000
179,735,899 fully paid ordinary shares (2011: 179,735,899)	**202,611**	**202,611**

b) **Movements in issued capital**

There was no movement in issued capital during the year (2011: Nil).

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**

Information relating to options issued, exercised, lapsed during the year and the options outstanding at the end of the year is detailed in Note 31 Share Based Payments.

d) **Terms and conditions of ordinary shares**

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

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

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2012

Note 19: Earnings Per Share

	Consolidated Entity	
	2012 $'000	2011 $'000
Earnings used to calculate basic / diluted earnings per share	40,181	134,973
	2012 Number	**2011 Number**
Weighted average number of ordinary shares outstanding during the year used in calculating basic earnings per share	179,735,899	179,735,899
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	179,735,899

* As at 30 June 2011 and 30 June 2012, none of the outstanding options were dilutive as the weighted average exercise price of the options were higher than the weighted average share price for the year.

Note 20: Cash Flow Information

	Consolidated Entity	
	2012 $'000	2011 $'000
a) Reconciliation of the net profit after tax to net cash provided by operating activities		
Profit after income tax	40,181	134,973
Depreciation expense	15,258	15,229
Amortisation expense	80,125	68,847
Convertible bond accretion expense	9,083	8,503
Premium on convertible bond payout	-	(1,440)
Impairment expenses	79	4,334
Interest receivable	1,633	(1,764)
Others	3,765	(1,477)
Share based payment expense	882	574
Changes in fair value of derivatives	1,181	(1,943)
Stamp duty on acquisition of subsidiary (Note 35)	3,487	-
Change in Assets and Liabilities		
Increase in trade and other payables	688	850
Increase in inventories	(7,875)	(5,714)
Increase in trade and other receivables	(1,806)	(6,560)
Decrease in interest payable	120	1,526
Increase in tax liabilities	15,756	60,297
Net cash provided by operating activities	**159,253**	**276,235**

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2012

Note 20: Cash Flow Information (Continued…)

b) Reconciliation of Cash and Cash Equivalents

	Consolidated Entity	
	2012	**2011**
	$000	**$000**
Cash and cash equivalents comprises :		
Cash on hand and at bank	**165,502**	**208,948**

The cash at bank on 30 June 2012 includes restricted cash of $105.5M and $11.7M for the convertible bond payment and $11.7M interest on convertible bonds payable on 2 July 2012.

c) Financing Facilities Available

As at the reporting date the Consolidated Entity had the following financing facilities in place:

	Total Facility $'000	Utilised at Balance Date $'000	Available Facilities (*) $'000
Banking Facilities:-			
ANZ Banking Group			
- Cash advance facility*	110,000	45,000	65,000
Performance Guarantees:-			
ANZ Banking Group			
- Security bond facility	15,000	7,475	7,525
Commonwealth Bank			
- Security bond facility	71	71	-
	125,071	**52,546**	**72,525**

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

d) Non Cash Financing Activities

During the year, the consolidated entity acquired plant & equipment by means of a finance lease to the value of $200k (2011: Nil).

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2012

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 2012 $'000	2011 $'000
- no later than 1 year	876	304
- later than 1 year and not later than 5 years	3,610	153
Lease expenditure contracted for at year end	4,486	457

The operating leases are for miscellaneous office equipment and office premises in West Perth. The West Perth office lease expires September 2018.

b) Finance Lease Commitments

	2012 $'000	2011 $'000
- no later than 1 year	48	61
- later than 1 year and not later than 5 years	187	-
Total Minimum Lease Payments	235	61
- future finance charges	28	4
Total Lease Liability	263	65
- current	61	61
- non current	202	4
	263	65

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

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2012

Note 21: Commitments (Continued…)

c) Capital Expenditure Commitments

	Consolidated Entity 2012 $'000	Consolidated Entity 2011 $'000
- no later than 1 year	-	623
- later than 1 year and not later than 5 years	-	-
Total minimum commitments	-	623

d) Exploration Expenditure Commitments

	2012 $'000	2011 $'000
- no later than 1 year	5,138	4,315
- later than 1 year and not later than 5 years	20,552	17,260
Total Minimum Payments	25,690	21,575

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.

Note 22: Auditor Remuneration

	Consolidated Entity 2012 $'000	Consolidated Entity 2011 $'000
During the year the following fees were paid or payable for services provided by the auditor of the Company:		
- Audit and review of financial statements	159	141
- Other services	-	9
	159	150

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2012

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 March 2012 the quantity of nickel in concentrate sold to BHP increased to 12,000 tonnes per annum.

In November 2011, the Company extended the Sale and Purchase Agreement for Nickel Concentrates entered into in June 2009 with Jinchuan Group Ltd ("Jinchuan") to deliver up to 25,000 tonnes of nickel concentrate for a period of 2 years. Under the extension, the Company has agreed to deliver and Jinchuan has agreed to purchase up to 15,000 tonnes of nickel concentrate for a one year period commencing March 2012.

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

The Board of Directors on 20 August 2012, declared a final 30% partially franked ordinary dividend of 6 cents per share to the holders of fully paid ordinary shares for the year ended 30 June 2012.

On 2 July 2012, the Consolidated Entity repaid $105.5M convertible bond issued in June 2007 from cash reserves.

Other than matters detailed above, there have been no subsequent events to 30 June 2012 which have a material effect on the financial statements for the year ended 30 June 2012.

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 statement of financial position 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.

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2012

Note 27: Key Management Personnel

Key Management Personnel

Key management personnel of the Consolidated Entity (as defined by AASB 124: Related Party transactions) include the following:

T Streeter	Chairman (Non-Executive)
J Hanna	Director (Non-Executive) (Appointed 1 February 2012)
R Dunbar	Director (Non-Executive)
R Yeates	Director (Non-Executive)
D Cooper	Director (Non-Executive) (Resigned 30 September 2011)
I Macliver	Director (Non-Executive) (Appointed: 1 October 2011)
D Lougher	Managing Director (Appointed 1 February 2012)
D Southam	Finance Director
J Belladonna	Chief Financial Officer / Company Secretary
C Wilkinson	General Manager Exploration
G Marshall	General Manager Commercial
K McKenzie	General Manager Forrestania Operations

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 2012.

The total of remuneration paid to key management personnel of the Consolidated Entity during the year is detailed below:

	2012 $'000	2011 $'000
Short term employee benefits	5,813	4,664
Share based payments	646	912
Post-employment benefits	324	308
	6,783	5,884

Performance Rights held by Key Management Personnel

	Balance at 1 July 2011	Granted as Remuneration	Exercised	Expired / Lapsed	Balance at 30 June 2012	Performance Rights Vested
D Lougher	-	113,891	-	-	113,891	-
D Southam	-	107,354	-	-	107,354	-
C Wilkinson	-	46,399	-	-	46,399	-
G Marshall	-	42,182	-	-	42,182	-
J Belladonna	-	64,411	-	-	64,411	-
K McKenzie	-	54,234	-	-	54,234	-
TOTAL	**-**	**428,471**	**-**	**-**	**428,471**	**-**

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2012

Note 27: Key Management Personnel (KMP) (Continued...)

Shareholding by Key Management Personnel 2012

	Balance at 1 July 2011	Granted as Remuneration	On Exercise of Options	Other Changes During the Year	Balance at 30 June 2012
J Hanna	1,293,987	-	-	(159,321)	1,134,666
T Streeter	25,809,410	-	-	80,000	25,889,410
R Dunbar	102,500	-	-	-	102,500
D Cooper **	1,000,000			(1,000,000)	-
I Macliver *	-	-	-	20,000	20,000
R Yeates	6,000	-	-	4,000	10,000
D Lougher	50,884	-	-	14,000	64,884
D Southam	-	-	-	-	-
C Wilkinson	7,000	-	-	-	7,000
J Belladonna	60,000	-	-	-	60,000
K McKenzie	27,918	-	-	31,000	58,918
TOTAL	**28,357,699**	**-**	**-**	**(1,010,321)**	**27,347,378**

* Mr Ian Macliver joined the board on 1 October 2011 and held the above shares at that time.
** Mr David Cooper resigned as non-executive director on 30 September 2011 and held the above shares at that time.

Shareholding by Key Management Personnel 2011

	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
TOTAL	**28,422,891**	**-**	**-**	**(65,192)**	**28,357,699**

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2012

Note 27: Key Management Personnel (KMP) (Continued...)

Options held by Key Management Personnel 2012

	Balance at 1 July 2011	Granted as Remuneration	On Exercise of Options	Purchases / (Sales)	Expired / Lapsed	Balance at 30 June 2012	Options Vested (*)
J Hanna	200,000	-	-	-	-	200,000	200,000
D Lougher	200,000		-	-		200,000	200,000
C Wilkinson	100,000	-	-	-		100,000	100,000
G Marshall	50,000	-	-	-		50,000	50,000
J Belladonna	100,000	-	-	-		100,000	100,000
K McKenzie	100,000	-	-	-		100,000	100,000
TOTAL	**750,000**	**-**	**-**	**-**		**750,000**	**750,000**

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

Options held by Key Management Personnel 2011

	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
TOTAL	**3,160,000**	**-**	**-**	**-**	**(2,410,000)**	**750,000**	**375,000**

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

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2012

Note 28: Interests in Joint Ventures

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

			Consolidated Entity	
Joint Venture	**% Interest**	**Principal Activities**	**2012 $'000**	**2011 $'000**
Koolyanobbing (3 JV's)	51% - 100%	Nickel & Gold exploration	832	200
Sandstone Project	51% - 70%	Nickel exploration	5,625	2,500
Mt Alexander	25%	Nickel & Copper exploration	100	100
Great Western Project	51%-70%%	Nickel & Copper exploration	1,772	100
Kawana Project	70%-80%	Nickel & Copper exploration	304	100

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.

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2012

Note 29: Financial Risk Management (Continued…)

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 carrying amount of financial assets exposed to credit risk is detailed below:

	2012 '000	2011 '000
Cash and cash equivalents	165,502	208,948
Trade and other receivables	25,360	27,719
Available for sale financial assets	3,460	6,445
Derivative financial instruments	1,973	4,739

Cash and cash equivalents and derivative financial instruments
The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings.

Trade and other receivables
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 past due. It is expected these balances will be received when due.

Available for sale financial assets
Credit risk on available for sale financial assets is minimised by undertaking transactions with recognised counterparties on recognised exchanges.

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 assets and 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
For The Year Ended 30 June 2012

Note 29: Financial Risk Management (Continued…)

b) Liquidity Risk (Continued…)

Financial liability and financial asset maturity analysis

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

2012 Consolidated Entity	1 year or less $'000	Over 1 to 5 years $'000	More than 5 Years $'000	**Total contractual cash flows $'000**
Financial Assets – Non Derivative				
Cash and Cash Equivalents	165,502	-	-	**165,502**
Trade and Other Receivables	25,360	-	-	**25,360**
Financial Assets –Derivative				
Nickel Collar Options (net settled)	1,973	-	-	**1,973**
	192,835	-	-	**192,835**
Financial Liabilities – Non Derivative				
Trade and Other Payables	66,444	-	-	**66,444**
Convertible bonds	105,500	273,212	-	**378,712**
Corporate loan facility	45,000	-	-	**45,000**
Lease liabilities	61	202	-	**263**
Financial Liabilities –Derivative				
Collar options (net settled)	284			**284**
	217,289	273,414	-	**490,703**
Net Financial Assets/(Liabilities)	**(24,454)**	**(273,414)**	**-**	**(297,868)**

2011 Consolidated Entity	1 year or less $'000	Over 1 to 5 years $'000	More than 5 Years $'000	**Total contractual cash flows $'000**
Financial Assets – Non Derivative				
Cash and Cash Equivalents	208,948	-	-	**208,948**
Trade and Other Receivables	27,719	-	-	**27,719**
Financial Assets –Derivative				
Nickel Collar Options (net settled)	4,739	-	-	**4,739**
	241,406	-	-	**241,406**
Financial Liabilities – Non Derivative				
Trade and Other Payables	55,608	-	-	**55,608**
Convertible bonds	-	402,173	-	**402,173**
Lease liabilities	65	-	-	**65**
Financial Liabilities –Derivative				
Collar options (net settled)	2,839	-	-	**2,839**
	58,512	402,173		**460,685**
Net Financial Assets/(Liabilities)	**182,894**	**(402,173)**	**-**	**(219,279)**

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2012

Note 29: Financial Risk Management (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, 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:

2012 Consolidated Entity		Fixed Interest maturing in:					
	Floating Interest Rate $'000	1 year or less $'000	Over 1 to 5 years $'000	More than 5 Years $'000	Non-Interest Bearing $'000	**Total** **$'000**	Weighted Average Interest Rate
Financial Assets							
Cash and Cash Equivalents	165,502	-	-	-	-	**165,502**	3.75%
Trade and Other Receivables	-	-	-	-	25,360	**25,360**	
	165,502	-	-	-	25,360	**190,862**	
Financial Liabilities							
Trade and Other Payables	-	-	-	-	66,444	**66,444**	
Corporate loan facility	-	45,000	-	-	-	**45,000**	5.4%
Convertible bonds	-	105,344	209,196	-	-	**314,540**	7.05%
Lease liability	-	48	187	-	-	**235**	6.4%
	-	150,392	209,383	-	66,444	**426,219**	
Net Financial Assets/(Liabilities)	**165,502**	**(150,392)**	**(209,383)**	**-**	**(41,084)**	**(235,357)**	

2011 Consolidated Entity		Fixed Interest maturing in:					
	Floating Interest Rate $'000	1 year or less $'000	Over 1 to 5 years $'000	More than 5 Years $'000	Non-Interest Bearing $'000	**Total** **$'000**	Weighted Average Interest Rate
Financial Assets							
Cash and Cash Equivalents	208,948	-	-	-	-	**208,948**	6.12%
Trade and Other Receivables	-	-	-	-	27,719	**27,719**	-
	208,948	-	-	-	27,719	**236,667**	
Financial Liabilities							
Trade and Other Payables	-	-	-	-	55,608	**55,608**	-
Convertible bonds	-	-	301,825	-	-	**301,825**	7.05%
Lease liability	-	61	-	-	-	**61**	6.09%
	-	61	301,825	-	55,608	**357,494**	
Net Financial Assets/(Liabilities)	**208,948**	**(61)**	**(301,825)**	**-**	**(27,889)**	**(120,827)**	

Interest rate sensitivities have not been included in the financial report as the changes in profit before tax due to changes in interest rate is not material to the results of the Consolidated Entity.

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2012

Note 29: Financial Risk Management (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 statement of financial position as available-for-sale.

A 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 comprehensive income. The analysis is based on the assumption that the equity indexes had increased by 10% / decreased by 10% (2011 – increased by 10% / decreased by 10%) and foreign exchange rate increased by 5% / decrease by 5% (2011 increased by 5% / decrease by 5%) with all other variables held constant and all the Consolidated Entity's equity instruments moved according to the historical correlation with the index. The percentages are the sensitivity rates used when reporting equity price risk internally to key management personnel and represents management's assessment of the possible change in equity prices.

	Impact on comprehensive income	
Available for sale financial assets Index	**30 June 2012**	**30 June 2011**
	$'000	**$'000**
ASX	27	66
TSX	143	273

Comprehensive income 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. Commodity price risk arises from the sale of nickel. The entity manages its commodity price risk exposure arising from future commodity sales through sensitivity analysis, cash flow management and forecasting and where appropriate utilise derivative financial instruments to reduce price risk.

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**
Year Ended 30 June 2012		
+- $500 / tonne nickel	+-1,143	+-1,143
	Profit	**Equity**
	$'000	**$'000**
Year Ended 30 June 2011		
+- $500 / tonne nickel	+-1,283	+-1,283

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2012

Note 29: Financial Risk Management (Continued…)
c) Market Risk (Continued…)

Nickel Collar Options

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. The hedges are treated as cashflow hedges in accordance with AASB 139 "Financial Instruments: Recognition and Measurement".

As at 30 June 2012 the Consolidated Entity did not have any open nickel collar options. Additional information on nickel collar options open at 30 June 2011 is detailed in the table below:

	30 June 2012	30 June 2011
Nickel Tonnes	-	3,300
US Price ($/tonne) Call	-	27,429
USD Value ($'000)	-	90,516
US Price ($/tonne) Put	-	22,141
USD Value ($'000)	-	73,065

iii) Currency Risk

Currency risk arises when future commercial transactions and recognised financial assets and liabilities are denominated in a currency that is not the entity's functional currency. The Consolidated Entity manages its foreign currency risk exposure through sensitivity analysis, cash flow management, forecasting and where appropriate, utilises derivative financial instruments. The carrying amount of the Consolidated Entity's foreign currency denominated monetary assets and monetary liabilities at the reporting date is as follows:

	30 June 2012		30 June 2011	
	Financial liabilities	Financial assets	Financial liabilities	Financial assets
US$ '000	-	24,231	-	32,080
Euros '000	-	1,207	-	1,835

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

Sensitivity analysis	**Profit $'000**	**Equity $'000**
Year Ended 30 June 2012		
+ 5% in $A/$US	(1,796)	(1,796)
- 5% in $A/$US	1,985	1,985
	Profit $'000	**Equity $'000**
Year Ended 30 June 2011		
+ 5% in $A/$US	(2,726)	(2,726)
- 5% in $A/$US	3,013	3,013

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2012

Note 29: Financial Risk Management (Continued…)

c) Market Risk (Continued…)

Foreign exchange collar options

The consolidated entity had open foreign exchange collar options at 30 June 2012 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 hedges are treated as cash flow hedges in accordance with AASB 139 "Financial Instruments: Recognition and Measurement".

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

	Notional Amounts		Exchange Rate			
	2012	2011	2012		2011	
Consolidated Group	$000	$000	$		$	
Buy AUD / Sell USD			Put	Call	Put	Call
Settlement						
— less than 6 months	40,000	-	1.007	0.9031	-	-
— 6 months to 1 year	20,000	-	1.007	0.9031	-	-

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
For The Year Ended 30 June 2012

Note 29: Financial Risk Management (Continued…)

d) Net fair values (Continued…)

		2012		2011	
		Carrying Amount $'000	Net Fair Value $'000	Carrying Amount $'000	Net Fair Value $'000
Financial Assets					
Cash and cash equivalents	(i)	165,502	165,502	208,948	208,948
Available-for-sale assets at fair value	(ii)	3,460	3,460	6,445	6,445
Derivative financial assets	(iii)	1,973	1,973	4,739	4,739
Loans and receivables	(i)	25,360	25,360	27,719	27,719
		196,295	196,295	247,851	247,851

		2012		2011	
		Carrying Amount $'000	Net Fair Value $'000	Carrying Amount $'000	Net Fair Value $'000
Financial Liabilities					
Trade and other payables	(i)	66,444	66,444	55,608	55,608
Convertible bonds	(iv)	314,540	333,500	301,825	333,500
Derivative financial liabilities	(iii)	284	284	2,839	2,839
Corporate loan facility	(iv)	44,305	44,500	-	-
Other liabilities	(i)	235	235	61	61
		425,808	444,963	360,333	392,008

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) Quoted closing bid prices at reporting date.

iii) Fair valuation performed by financial risk management firm which include valuation techniques incorporating observable market data relevant to the hedged position.

iv) 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.

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2012

Note 29: Financial Risk Management (Continued…)

d) Net fair values (Continued…)

Financial Instruments Measured at Fair Value

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

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

Consolidated Group

	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
2012				
Financial assets:				
Available-for-sale financial assets	3,460	-	-	3,460
Derivative financial instrument	-	1,973	-	1,973
Total financial assets	3,460	1,973	-	5,433
Financial liabilities				
Derivative financial instruments	-	284	-	284
2011				
Financial assets:				
Available-for-sale financial assets	6,445	-	-	6,445
Derivative financial instrument	-	4,739	-	4,739
Total financial assets	6,445	4,739	-	11,184
Financial liabilities				
Derivative financial instruments	-	2,839	-	2,839

Note 30: Related Party Transactions

Mr Julian Hanna received $45k for consulting services provided through Ravelstone Consulting Ltd.

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

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2012

Note 31: Share Based Payments

(a) Expenses arising from share based transactions

	Consolidated Entity	
	2012 $'000	2011 $'000
Equity settled share options and performance rights granted during:		
Year ended 30 June 2011	347	574
Year ended 30 June 2012	535	-
Total expense recognised as employee costs	882	574

(b) Performance rights

Under the Performance Rights plan, executives are granted a right to be issued a share in the future subject to the performance based vesting conditions being met. The company's share price performance is measured via a relative total shareholder return ('TSR'). The Company's TSR will be measured against a customised peer group of companies.

For grants made under the Long Term Incentive (LTI) plan during FY12, vesting will occur subject to the meeting of service and performance conditions as follows:

- 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 Performance Rights will vest and become exercisable into shares unless the participant remains employed as at 30 June 2014.

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	Pro-rata / progressive vesting from 50% - 100%
At or above 75th percentile	100% vesting

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2012

Note 31: Share Based Payments

(b) Performance rights (Continued...)

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 valuation inputs used in determining the fair value of performance rights issued during the year is detailed below:

	2012
Underlying share price	$5.66
Exercise price of rights	Nil
Risk free rate	3.12%
Volatility factor	35% to 55%
Dividend yield	4.0%
Effective life	2.58 years
Entitled number of employees	6

Performance Rights held by Key Management Personnel at 30 June 2012

	Balance at 1 July 2011	Granted as Remuneration	Exercise of Performance Rights	Expired / Lapsed	Balance at 30 June 2012	Performance Rights Vested
D Lougher	-	113,891	-	-	113,891	-
D Southam	-	107,354	-	-	107,354	-
C Wilkinson	-	46,399	-	-	46,399	-
G Marshall	-	42,182	-	-	42,182	-
J Belladonna	-	64,411	-	-	64,411	-
K McKenzie	-	54,234	-	-	54,234	-
TOTAL	**-**	**428,471**	**-**	**-**	**248,471**	**-**

No performance rights were issues in 2011.

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2012

Note 31: Share Based Payments (Continued…)

(c) Option plans

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, expiring in September 2012, vest as follows: half vest 12 months before expiry and half vest 24 months before expiry date.

ii) The $7.50 directors' options issued in November 2009, expiring in September 2012, 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 3 months.

The fair value of the options outstanding as at 30 June 2012 was determined as detailed below:

i) The employee options issued on 17 September 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.

The following options were outstanding at 30 June 2012:

	Consolidated Entity			
	2012		2011	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Opening balance	2,010,000	7.32	7,300,000	12.80
Options cancelled	(110,000)	7.32	(420,000)	8.73
Options Expired	-	-	(4,870,000)	15.38
Closing balance	**1,900,000**	**7.32**	**2,010,000**	**7.32**
Vested balance	**1,900,000**	**7.32**	**1,340,000**	**7.32**

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2012

Note 31: Share Based Payments (Continued…)

(c) Option plans

The movement in the various classes of options for the year ended 30 June 2012 were as follows:

	Option Terms (Exercise Price and Maturity)		
	Director $7.50 Sep 12	Employee $7.25 Sep 12	TOTAL
Opening balance	**600,000**	**1,410,000**	**2,010,000**
Options cancelled		(110,000)	(110,000)
Closing balance	**600,000**	**1,300,000**	**1,900,000**

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 Sep 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.

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2012

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

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Group. The Group has decided not to early adopt any of the new and amended pronouncements. The Group's assessment of the new and amended pronouncements that are relevant to the Group but applicable in future reporting periods is set out below:

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

  These Standards are applicable retrospectively and include revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments.

  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.

  The Group has not yet been able to reasonably estimate the impact of these pronouncements on its financial statements.

- ***AASB 2010–8: Amendments to Australian Accounting Standards: Deferred Tax: Recovery of Underlying Assets [AASB 112] (applies to periods beginning on or after 1 January 2012).***

  This Standard makes amendments to AASB 112: Income Taxes and incorporates Interpretation 121: Income Taxes – Recovery of Revalued Non-Depreciable Assets into AASB 112.

  Under the current AASB 112, the measurement of deferred tax liabilities and deferred tax assets depends on whether an entity expects to recover an asset by using it or by selling it. The amendments introduce a presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2012

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

The amendments are not expected to significantly impact the Group.

- ***AASB 10: Consolidated Financial Statements, AASB 11: Joint Arrangements, AASB 12: Disclosure of Interests in Other Entities, AASB 127: Separate Financial Statements (August 2011), AASB 128: Investments in Associates and Joint Ventures (August 2011) and AASB 2011–7: Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards [AASB 1, 2, 3, 5, 7, 9, 2009–11, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17] (applicable for annual reporting periods commencing on or after 1 January 2013).***

  AASB 10 replaces parts of AASB 127: Consolidated and Separate Financial Statements (March 2008, as amended) and Interpretation 112: Consolidation – Special Purpose Entities. AASB 10 provides a revised definition of control and additional application guidance so that a single control model will apply to all investees. The Group has not yet been able to reasonably estimate the impact of this Standard on its financial statements.

  AASB 11 replaces AASB 131: Interests in Joint Ventures (July 2004, as amended). AASB 11 requires joint arrangements to be classified as either “joint operations” (where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities) or “joint ventures” (where the parties that have joint control of the arrangement have rights to the net assets of the arrangement). Joint ventures are required to adopt the equity method of accounting (proportionate consolidation is no longer allowed).

  AASB 12 contains the disclosure requirements applicable to entities that hold an interest in a subsidiary, joint venture, joint operation or associate. AASB 12 also introduces the concept of a “structured entity”, replacing the “special purpose entity” concept currently used in Interpretation 112, and requires specific disclosures in respect of any investments in unconsolidated structured entities. This Standard will affect disclosures only and is not expected to significantly impact the Group.

  To facilitate the application of AASBs 10, 11 and 12, revised versions of AASB 127 and AASB 128 have also been issued. The Group has not yet been able to reasonably estimate the impact of these pronouncements on its financial statements.

- ***AASB 13: Fair Value Measurement and AASB 2011–8: Amendments to Australian Accounting Standards arising from AASB 13 [AASB 1, 2, 3, 4, 5, 7, 9, 2009–11, 2010–7, 101, 102, 108, 110, 116, 17, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 & 1038 and Interpretations 2, 4, 12, 13, 14, 17, 19, 131 & 132] (applicable for annual reporting periods commencing on or after 1 January 2013).***

  AASB 13 defines fair value, sets out in a single Standard a framework for measuring fair value, and requires disclosures about fair value measurement.

  AASB 13 requires:

  - inputs to all fair value measurements to be categorised in accordance with a fair value hierarchy; and
  - enhanced disclosures regarding all assets and liabilities (including, but not limited to, financial assets and financial liabilities) to be measured at fair value.

- ***AASB 2011–9: Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049] (applicable for annual reporting periods commencing on or after 1 July 2012).***

  The main change arising from this Standard is the requirement for entities to group items presented in other comprehensive income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently.

  This Standard affects presentation only and is therefore not expected to significantly impact the Group.

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2012

Note 34: Parent Information

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

Statement of Financial Position

	Parent Entity	
	2012 $'000	**2011 $'000**
Assets		
Current Assets	232,009	269,664
Non Current Assets	548,814	422,381
Total Assets	780,823	692,045
Liabilities		
Current Liabilities	227,388	59,064
Non Current Liabilities	256,003	344,017
Total Liabilities	483,391	403,081
Net Assets	**297,432**	**288,964**
Equity		
Issued capital	202,611	202,611
Reserves	76,335	78,554
Retained Earnings	18,486	7,799
Total Equity	**297,432**	**288,964**

Statement of Comprehensive Income

Profit for the year	**46,640**	**132,162**
Total comprehensive income for the year	**43,540**	**135,965**

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.

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2012

Note 35: Business Combination

Acquisition of Kagara Nickel Pty Ltd

On 29 February 2012, Western Areas NL, acquired 100% of the paid-up capital of Kagara Nickel Pty Ltd from Kagara Ltd. Kagara Nickel Pty Ltd is principally engaged in nickel mining and exploration and owns the high grade Lounge Lizard nickel deposit, located adjacent to Western Areas' 100% owned Flying Fox nickel mine, at the Forrestania Nickel Project. The purchase consideration of $68M was paid from cash reserves of $23M and $45M utilising the ANZ corporate facility. As part of the agreement, a further $3.1M was paid from cash reserves in April as consideration for the ore stockpiles.

Net Identifiable Assets Acquired and Liabilities Assumed at Fair Value at Date of Acquisition	**2012 $'000**
Inventory	3,128
Receivables	150
Property, plant and equipment	26
Mine development	59,796
Exploration and evaluation expenditure	8,000
	71,100
Cash consideration paid	**71,100**

Kagara Nickel Pty Ltd did not generate any revenue or incur any expenses since 29 February 2012. Had the results of Kagara Nickel Pty Ltd been consolidated from 1 July 2011, revenue of the consolidated group would have been $330.7M and consolidated profit would have been $40.2M for the year ended 30 June 2012.

Note 36: 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
Email: info@westernareas.com.au

DIRECTORS' DECLARATION

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

   (a) the Consolidated Entity's financial statements and notes set out on pages 29 to 83 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 2012 and of its performance, for the financial year 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, Financial Director and Chief Financial Officer for the financial year ended 30 June 2012.

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

D Lougher
Managing Director

Dated this 20th day of August 2012

INDEPENDENT AUDITOR'S 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 2012, the consolidated income statement, 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 2012 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 11 to 22 of the directors' report for the year ended 30 June 2012. 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 2012 complies with section 300A of the *Corporations Act 2001.*

Crowe Horwath Perth

CROWE HORWATH PERTH

SEAN MCGURK
Partner

Signed at Perth, 20 August 2012