APPENDIX 4E – PRELIMINARY FINAL REPORT **Financial year ended 30 June 2013**
August 27, 2013 **ASX: WSA**

Reporting Period

The reporting period is the financial year ended 30 June 2013. The previous corresponding period is 30 June 2012.

Results for announcement to the market

		% Change		Amount A$'000
Revenue from ordinary activities	Down	(7)%	to	306,541
Profit from ordinary activities after tax attributable to members of Western Areas Ltd	Down	(334)%	to	(94,105)
Net profit after tax attributable to members of Western Areas Ltd	Down	(334)%	to	(94,105)

Dividends

	Amount per security	Unfranked amount per security	Franked amount per security	% CFI
Financial year ended 30 June 2013				
Final dividend	Nil	Nil	Nil	0%
Interim dividend	2.0 cents	0 cents	2.0 cents	0%
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%

Dividend payments

No final 2013 dividend is payable.

Total dividend per security (interim plus final)

	Current year	Previous year
Ordinary securities	2.0 cents	11.0 cents

Total dividends paid or payable on all securities

	Current year A$'000	Previous year A$'000
Ordinary securities	3,937	19,771

Management Discussion and Analysis

Financial Year - Physical Summary				
		2012/13	2011/12	Change
Tonnes Mined	*Tns*	555,736	634,122	(78,386)
Nickel Grade (average)	*%*	5.0	4.9	0.1
Tonnes Milled	*Tns*	586,254	547,668	38,586
Milled Grade (average)	*%*	5.1	5.1	0
Recovery	*%*	91	92	(1)
Nickel in Concentrate	*Tns*	26,918	25,641	1,277
Nickel Sales in Concentrate	*Tns*	27,819	26,280	1,539

Total ore production decreased due to the transition from open pit to underground mining at Spotted Quoll. The Company now sources all ore from the two underground operations allowing for better delivery of ore as required by the concentrator.

The nickel concentrator processed 586,254 ore tonnes for FY13 compared to the 547,668 ore tonnes for the corresponding period FY12, with the variance attributed to the 42,738 tonnes of ore milled under the Lounge Lizard agreement not reported as Western Areas tonnage for FY12.

Full Financial Year - Results Summary			
	2012/13	2011/12	Change
	A$M	A$M	%
Revenue	306.5	330.7	(7)%
Gross Profit	46.7	96.2	(51)%
EBIT	(101.8)	94.9	(207)%
(Loss) / Profit before Tax	(128.6)	57.5	(324)%
Net (Loss) / Profit After Tax	(94.1)	40.2	(334)%

Consolidated revenue for the year decreased by 7.3% to $306.5 million, while gross profit decreased by $49.5 million to $46.7 million. This has resulted from a fall in the realised nickel price and the ore feed for the group now being sourced from two underground mines due to the completion of the Spotted Quoll open pit.

The consolidated net loss after tax for the group amounted to $94.1 million, a decrease of $134.3 million from the results reported for the year ended 30 June 2012. The primary driver impacting the change in earnings were impairment and write-off charges to the income statement of $142.4 million and a reduction in the average realised nickel price from US$8.07/lb in the prior financial year to US$7.31/lb for the year ended 30 June 2013.

Due to the reported Net Loss After Tax resulting from the impairment charge and in recognition of the prevailing nickel price, the Board has decided not to pay a final dividend this year. With a view to retaining balance sheet flexibility, the Board believes this represents a continued disciplined approach to prudent capital management, and notes that dividends declared for the year (2 cents per share interim dividend) represents a payout ratio of approximately 70% of underlying NPAT.

Management Discussion and Analysis (Continued…)

Full Financial Year - Balance Sheet Summary			
	2012/13	**2011/12**	**Change**
	A$M	**A$M**	**A$M**
Cash at bank	80.7	165.5	(84.8)
Current Assets	130.3	235.0	(104.7)
Total Assets	518.0	775.0	(257.0)
Current Liabilities	41.2	229.1	(187.9)
Total Liabilities	275.0	485.1	(210.1)
Net Equity	243.0	289.9	(46.9)

Cash at bank on 30 June 2013 totalled $80.7 million. The decrease of $84.8 million from the corresponding period resulted from cash repayment of $105.5 million of convertible bonds, full repayment of the $45 million corporate loan facility and the final payment of $14.3 million for the cancellation of the Outokumpu royalty. This was partially offset by capital raised of $65.0 million.

Total assets at reporting date were $518.0 million, representing a decrease of $257.0 million from 2012. Mine development decreased by $53.9 million, which includes impairment and write-off charges of $48.3 million. Exploration and evaluation expenditure decreased by $101.1 million, which includes impairment and write-off charges of $94.1 million and a transfer of exploration expenditure to mine development of $30 million. Stockpiles decreased by $11.8 million mainly due to lower concentrate stockpiles compared to the prior year and a planned reduction in ore stockpiles with completion of the Tim King open pit.

Total liabilities at reporting date were $275.0 million, a decrease of $210.1 million from 2012. The decrease is mainly attributable to the repayment of $105.5 million of convertible bonds in July 2012 and the full repayment of the $45.0 million drawn portion of the corporate loan facility. The deferred tax liability decreased by $30.6 million, mainly due to impairment charges and trade and other payables decreased by $29.5 million.

Stockpiles

Ore stockpiles ready for treatment at the Forrestania Nickel Operation comprise 138,862 tonnes of ore at an average grade of 4.0% nickel comprising 5,505 tonnes of nickel. At the end of the financial year there were 1,383 tonnes of concentrate available for sale, grading 14.1% nickel containing 195 tonnes of nickel stockpiled at the nickel concentrator.

Net Tangible Asset Backing

	Current year	Previous year
The net tangible assets per security	129.5 cents	160.04 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 2013. Other detailed commentary on the variation between the results for the year ended 30 June 2013 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 Ltd:

- BioHeap Ltd
- FinnAust Mining Plc 84% (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 Ltd did not contribute to the result of the consolidated group for the financial year ended 30 June 2013.

Associates of Western Areas Ltd:

- 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: 27 August 2013

Daniel Lougher
Managing Director

WESTERN AREAS LTD

ABN 68 091 049 357

FINANCIAL REPORT

FOR THE YEAR ENDED
30 June 2013

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DIRECTORS' REPORT

The Directors of Western Areas Ltd submit herewith the financial report of the company for the financial year ended 30 June 2013. 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	Executive 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.
Ian Macliver	Lead Independent 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. During the year, the Board unanimously endorsed appointing Mr Macliver as the Lead Independent Non-Executive Director.
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.
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.

DIRECTORS' REPORT

Directorships of Other Listed Companies

Name	Company	Period of Directorship
T Streeter	Midas Resources Limited (Ceased) Fox Resources Limited Waratah Resources Ltd (Ceased)	February 2003 – April 2013 Since June 2005 January 2012 – to October 2012
J Hanna	Mustang Minerals Corp MOD Resources Ltd	Since December 2006 Since January 2013
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 (Ceased)	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 (Ceased) Port Bouvard Ltd (Ceased) Car Parking Technologies Ltd (Ceased)	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 (*)
T Streeter	23,937,630	-
D Lougher	79,957	408,691
J Hanna	723,791	-
D Southam	-	273,254
R Dunbar	112,500	-
R Yeates	10,000	-
I Macliver	23,948	-

(*) None of the performance rights have vested at 30 June 2013.

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 Ltd 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, debt financing, corporate governance, 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 2013 is set out in the Remuneration Report of this directors' report on page 14.

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, other base metals and platinum group metals.

Operating and Financial Review

Income Statement

Consolidated revenue for the year decreased by 7.3% to $306.5 million, while gross profit decreased by $49.5 million to $46.7 million. This has resulted from a fall in the realised nickel price and the ore feed for the group now being sourced from two underground mines, rather than one open cut and one underground mine.

Consolidated net loss after tax (NLAT) for the group amounted to $94.1 million, a decrease of $134.3 million from the results reported for the year ended 30 June 2012. The primary driver impacting the change in earnings were impairment and write-off charges to the income statement of $142.4 million ($99.7 million tax effected) and a reduction in the average realised nickel price from US$8.07/lb in the prior financial year to US$7.31/lb for the year ended 30 June 2013.

Impacting net loss after tax of $94.1 million for the year were the following pre-tax non-cash items:

- Depreciation charges of $12.9 million
- Amortisation charges of $70.2 million
- Impairment and write-off charges of $142.4 million
- Convertible bond accretion expense of $7.5 million

These non-cash items amounted to $233.0 million.

Statement of Financial Position

Total assets at reporting date were $518.0 million, representing a decrease of $257.0 million from 2012. Cash and cash equivalents decreased by $84.8 million, mainly as a result of retiring convertible bond of $105.5 million. Mine development decreased by $53.9 million, which includes impairment and write-off charges of $48.3 million. Exploration and evaluation expenditure decreased by $101.1 million, which includes impairment and write-off charges of $94.1 million and a transfer of exploration expenditure to mine development of $30 million. Stockpiles decreased by $11.8 million mainly due to lower concentrate stockpiles and the planned throughput of stockpiled ore from the Tim King Pit.

Total liabilities at reporting date were $275.0 million, a decrease of $210.1 million from 2012. The decrease is mainly attributable to the repayment of the $105.5 million convertible bond in July 2012 and the full repayment of the $45.0 million drawn portion of the corporate loan facility. The deferred tax liability decreased by $30.6 million, mainly due to impairment charges and trade and other payables decreased by $29.5 million.

Total equity attributable to the shareholders has decreased by $46.9 million to $242.9 million. This includes a capital raising of $65.0 million, offset by dividend payments to shareholders totalling $14.7 million, and accounting losses of $94.1 million.

DIRECTORS' REPORT

Statement of Cash Flows

Cash at bank on 30 June 2013 totalled $80.7 million. The decrease of $84.8 million from the corresponding period resulted from cash repayment of $105.5 million of the convertible bond, full repayment of the $45 million corporate facility and $14.3 million for the purchase of the Outokumpu royalty. This was partially offset by a capital raising of $65.0 million. The average monthly nickel price weakened from US$8.07 in the prior financial year to US$7.31 for the year ended 30 June 2013, while the Australian Dollar traded at an average of $1.03 to the US$ during the financial year.

Consolidated cashflow from operations was $112.1 million, representing a decrease of $47.1 million from the prior year. This decrease was mainly driven by a weaker average realised nickel price, lower net interest received, higher operating expenses with a shift to underground mines and increased tax payments. Partially offsetting was an increase in sales volumes and slightly lower royalties associated with a weaker nickel price.

Net cash used in investing activities decreased from the corresponding period by $117.2 million to $93.7 million as a result of the purchase of Kagara Nickel Pty Ltd for $71.1 million (including stockpiles and stamp duty) in the prior year. Mine development and asset purchases decreased by $26.5 million to $54.7 million for the year. $24.5 million was invested in exploration and evaluation activities, representing a decrease of $18.2 million from the prior year. Exploration and evaluation includes the company's investment into FinnAust which amounted to $4.3 million for the current financial year.

Net cash from financing activities decreased by $111.4 million, primarily due to the repayment of the convertible bond of $105.5 million and the full repayment of the $45.0 million corporate loan facility, partially offset by a capital raising of $65.0 million. Two dividend payments totalling $14.7 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

There have been no subsequent events after 30 June 2013 which has a material effect on the financial statements for the year ended 30 June 2013.

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 that 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 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.

In respect of the half year ended 31 December 2012, an interim fully franked dividend of 2 cents per share was declared and subsequently paid to the holders of fully paid ordinary shares on 4 April 2013.

Given the result for the financial year and in recognition of low commodity prices, the Board has decided not to pay a final dividend in respect of the financial year ended 30 June 2013. The Board believes this represents prudent capital management, and note that dividends declared for the year (2 cents per share interim dividend) represents a payout ratio of approximately 70% of underlying NPAT.

Share Options

No options were issued during the financial year and all existing options expired.

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 Company 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 2013 and the number of meetings attended by each Director.

	Meetings of Committees				
	Directors Meetings	**Audit & Risk Management**	**Remuneration**	**Nomination (*)**	**Treasury (*)**
Number of Meetings held :	10	3	2	-	-
Number of Meetings attended :					
T Streeter	10	3	2	-	-
D Lougher	10	-	-	-	-
D Southam	10	-	-	-	-
J Hanna	10	-	-	-	-
R Dunbar	10	3	2	-	-
R Yeates	10	3	2	-	-
I Macliver	10	3	2	-	-

(*) Regular June 2013 meeting was held in July 2013. Board composition is discussed as a regular Board agenda item.

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 21 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 Ltd on page 29 forms part of the Director's Report for the year ended 30 June 2013.

Non – Audit Services

The entity's auditor, Crowe Horwath, provided non-audit services amounting to $7,500 during FY13 (FY12: Nil). 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 REPORT (AUDITED)

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

Key Changes/Events from FY12 to FY13

- Reduction in the quantum of the maximum Short Term Incentive ("STI") payment available to executives, via the reduction of the percentage of base salary per employee available to be paid as an STI bonus.
- Executive and Management team forfeited a minimum of 50% of their STI payment that was triggered and earned via achievement of the individual KPI's. These have been cancelled not deferred.
- The Company has frozen salaries going into the new financial year.
- The second tranche of the FY12 Long Term Incentive ("LTI") allocation has not vested due to the relative total shareholder return minimum threshold not being reached.

The report is comprised of the following key sections:

- Section A: Who this report covers
- Section B: Remuneration governance and philosophy
- Section C: Voting and comments made at the Company's 2012 Annual General Meeting
- Section D: Use of remuneration consultants
- Section E: Executive remuneration framework
- Section F: Non-executive director remuneration
- Section G: Service contracts
- Section H: Link between performance and remuneration outcomes
- Section I: 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)
Mr D Southam (Executive Director)
Mr I Macliver (Lead Independent, Non-Executive Director)
Mr J Hanna (Non-Executive Director)
Mr R Dunbar (Independent, Non-Executive Director)
Mr R Yeates (Independent, 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 W Jones (General Manager Operations, appointed 1 August 2012)

DIRECTORS' REPORT

SECTION B: REMUNERATION GOVERNANCE AND PHILOSOPHY

Remuneration Committee

The Remuneration Committee is a sub-committee of the Board. It is responsible for assisting the Board in fulfilling its responsibilities relating to the remuneration of Directors, the remuneration and incentivisation of the Managing Director and other KMP, and remuneration practices, strategies and disclosures generally.

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

The Remuneration Committee assesses the appropriateness of 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.

The Corporate Governance Statement set out on pages 24 to 28 provides further information on the role of the Remuneration Committee.

Remuneration Philosophy

The Company recognises that it 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, fair and facilitate the deployment of senior management across the Company.

SECTION C: VOTING AND COMMENTS MADE AT THE COMPANY'S 2012 ANNUAL GENERAL MEETING

Western Areas received more than 97% of "yes" votes on its remuneration report for the 2012 financial year. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

SECTION D: USE OF REMUNERATION CONSULTANTS

Western Areas engaged PwC as Remuneration Consultants during the 2013 financial year to provide assistance with the implementation of the LTI plan, however no 'remuneration recommendations' as defined in the Corporation Act 2001 were made.

DIRECTORS' REPORT

SECTION E: 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.

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* FY13 total remuneration packages split between fixed and variable remuneration is shown below:

	Fixed Remuneration	Target STI	Target LTI
Executive Directors			
Mr D Lougher	39%	22%	39%
Mr D Southam	43%	24%	33%
Executives			
Mr J Belladonna	43%	24%	33%
Mr C Wilkinson	53%	21%	26%
Mr G Marshall	53%	21%	26%
Mr W Jones	53%	21%	26%

During the 2013 financial year, adjustments were made to Executives' remuneration mix via a reduction in the maximum STI opportunity available, resulting in increased emphasis on LTI. This further aligns management with shareholders and long term value generation. Refer to *Section H: Link between performance and remuneration outcomes* for details of Executives' *actual* remuneration mix for FY13.

Fixed remuneration

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

Fixed remuneration consists of base salary, superannuation, allowances, and any salary sacrifice components. The fixed remuneration component is reviewed annually by the Remuneration Committee. Base salary for each Executive is benchmarked against market data for comparable roles in the market and the Remuneration Committee refers to external independent salary reports to ensure that the remuneration levels set meet the objectives of the Company.

There is no guaranteed base pay increases included in any Executives' contracts.

DIRECTORS' REPORT

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. Target STI opportunity for Executives was reduced by 10% in FY13 down to ranges of between 55% to 40% of their base salary. Challenging KPIs are set to ensure payouts are only triggered to reward high performing employees for outperformance.

It is the Company's policy to cap STI payments at target STI levels. Target STI for each KMP during FY13 is outlined below:

Name	Base salary FY2013	Target STI quantum (% of base salary)	Target STI quantum ($)
Executive Directors			
Mr D Lougher	$680,000	55%	$374,000
Mr D Southam	$510,106	55%	$280,500
Executives			
Mr J Belladonna	$320,000	55%	$176,000
Mr C Wilkinson	$327,690	40%	$135,000
Mr G Marshall	$297,901	40%	$119,000
Mr W Jones (*)	$385,000	40%	$154,000

(*) Annualised salary for the GM Operations position.

The KPIs used span across key focus areas of the business (operations, corporate and exploration), and the respective KPIs and their weightings will vary by role and are designed to align to those measures relevant to the responsibilities of each role.

The KPIs for Executives in FY13 were selected from the below (note that not all the below KPIs are used in the scorecard for each role):

	Overview KPI	Why KPI was set
Operations		
Forrestania safety performance	Based on Lost Time Injury performance in each quarter.	Motivate and reward the continued focus on safety standards.
Forrestania unit cash cost	Focused on average unit cash costs for Flying Fox (FF) and Spotted Quoll (SQ) mines per pound of nickel produced. Above budget performance required.	Motivate and reward the stringent management of production costs outcomes that exceed the Boards set business plan.
Forrestania nickel in ore production	Need to exceed set budget nickel metal in ore from combined production of FF and SQ mines.	Motivate and reward Nickel production outcomes that exceed Board set business plans.
Forrestania mill recoveries	Achieve a set threshold recovery above budget levels for the combined ore feed from FF and SQ mines.	Motivate and reward Nickel production outcomes that exceed Board set business plans.
Forrestania nickel in concentrate sales	Sale of nickel metal in concentrate to exceed a set tonnes per quarter target (above budget).	Motivate and reward Nickel production outcomes that exceed Board set business plans.
Forrestania environmental incidents	Based on the number of reportable environmental incidents per quarter.	Motivate and reward the continued focus on best practice environmental management.

Corporate		
Earnings	Achieve EBIT target above budget.	Motivate and reward financial outcomes that exceed Board set business plans.
Cashflow	Achieve pre-funding cashflow target above budget.	Motivate and reward financial outcomes that exceed Board set business plans.
Offtake contracts	Securing offtake contracts at more favourable commercial terms than existing contracts.	Motivate and reward contractual outcomes that exceed Board set business plans and benefit shareholders.
Business development	Successful completion of business development transactions that add value to the Company and shareholders.	Motivate and reward business development initiatives that enhance the corporate capital structure and benefits shareholders.
Exploration		
New nickel resources	Establishing new published nickel resources exceeding a targeted nickel tonnage levels.	Motivate and reward economic nickel discovery.
New nickel discovery	Discovery of a new Nickel deposit.	Motivate and reward economic nickel discovery.

The Remuneration Committee is responsible for determining the STI to be paid based on an assessment of whether the KPIs are met. To assist in this assessment, the Remuneration Committee receives detailed reports on performance which are verified against outcomes.

Based on the achievements of the Company in FY13, the Remuneration Committee determined that Executives achieved between 51% to 75% of their target STI opportunity. In making this assessment, the Remuneration Committee considered the following factors:

- An exceptional safety performance across the group and below industry bench mark injury frequency rate.
- The high level of environmental management and no reportable environmental incidences.
- Mine and Concentrator nickel production and recovery rates were a minimum of 10% above budgeted expectation.
- Achieving nickel sales quantities over and above a Board set limit.
- Net pre-financing cashflow performance was a minimum 15% above the Board approved budget expectation.
- The discovery of a new exploration project area.

In recognition of the difficult commodity price environment and its impact on earnings the Executive Directors and Executives elected to voluntarily forfeit 50% of their respective STI payments earned FY13.

Performance achieved during FY13 against the above KPIs has resulted in Executives earning the following STI payments:

Name	Target STI quantum ($)	STI quantum earned ($)	Adjusted STI quantum ($) ^	STI forfeited ($)
Executive Directors				
Mr D Lougher	$374,000	$214,000	$107,000	$267,000
Mr D Southam	$280,500	$155,000	$77,500	$203,000
Executives				
Mr J Belladonna	$176,000	$90,000	$45,000	$131,000
Mr C Wilkinson	$135,000	$70,000	$35,000	$100,000
Mr G Marshall	$119,000	$79,000	$39,500	$79,500
Mr W Jones	$154,000	$115,000	$57,500	$96,500

^ In recognition of the difficult commodity price environment, the Executive Directors and Executives have elected to voluntarily forfeit 50% of their respective STI payments earned during FY13. Adjusted STI quantum reflects the actual STI payments to be made to Executives.

DIRECTORS' REPORT

Long Term Incentive ('LTI')

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

The Performance Rights plan ('LTI plan') was approved by shareholders at the annual general meeting held in November 2011 and was implemented during FY12. The initial 2 years of the plan's operation involved a transition towards a 3-year testing period which is now complete. As such, from the FY14 grant onwards, grants will be measured against TSR over a 3-year period such that no vesting occurs until the end of the 3-year period. This ensures executives are focused on long-term shareholder value generation.

Grant frequency and quantum

Under the remuneration structure, Executives will receive a 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 remains 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 LTI grants made during FY13 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 ^	Exercise date	Expiry date
Executive Directors							
Mr D Lougher(&)	$680,000	100%(&)	$680,000	294,800	$2.31	Upon receipt of a vesting notice issued in FY15	30 June 2016
Mr D Southam	$510,106	75%	$382,580	165,900	$2.31	As above	30 June 2016
Executives							
Mr J Belladonna	$320,000	75%	$240,000	104,074	$2.31	As above	30 June 2016
Mr C Wilkinson	$327,690	50%	$163,845	71,050	$2.31	As above	30 June 2016
Mr G Marshall	$297,901	50%	$148,951	64,591	$2.31	As above	30 June 2016
Mr W Jones	$379,780	50%	$189,890	83,476	$2.31	As above	30 June 2016

& Mr Lougher increased to the 100% level in line with his appointment to Managing Director in 2012.

* The number of Performance Rights to be issued to each participant is determined by undertaking an indicative valuation at 1 July of each respective year for allocation and Board ratification purposes. The average FY13 valuation at 1 July 2012 was $2.31/right.

^ Fair value as required under AASB 2. Valuation is determined at the date of the annual general meeting held in each respective year.

DIRECTORS' REPORT

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 ^	Exercise date	Expiry date
Executive Directors							
Mr D Lougher	$515,597	75%	$386,698	113,891	$3.75	Upon receipt of a vesting notice issued in FY14	30 June 2015
Mr D Southam	$486,000	75%	$364,500	107,354	$3.75	As above	30 June 2015
Executives							
Mr J Belladonna	$291,600	75%	$218,700	64,411	$3.75	As above	30 June 2015
Mr C Wilkinson	$315,087	50%	$157,544	46,399	$3.75	As above	30 June 2015
Mr G Marshall	$286,443	50%	$143,221	42,182	$3.75	As above	30 June 2015
Mr W Jones	$368,280	50%	$184,140	54,234	$3.75	As above	30 June 2015

* The number of Performance Rights to be issued to each participant is determined by undertaking an indicative valuation at 1 July of each respective year for allocation and Board ratification purposes. The average FY13 valuation at 1 July 2011 was $3.75/right.

^ Fair value as required under AASB 2. Valuation is determined at the date of the annual general meeting held in each respective year.

Performance conditions

Careful consideration was given to ensure that the selected performance condition would only reward executives where shareholder value is generated, 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. TSR measures the return received by shareholders from holding shares in a company over a particular period and is calculated by taking into account the growth in a company's share price over the period as well as the dividends received during that period.

The Company's TSR performance will be assessed 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	

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

For grants made under the LTI plan during FY13, vesting will occur subject to the meeting of service and performance conditions as follows:

- 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.

The FY13 grants will also 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 2015.

As noted above, FY13 concludes the LTI transition period and as such, from FY14 onwards, LTI grants will be subject to performance assessed over a 3-year period such that no vesting will occur until the end of the 3-year period.

Share trading policy

The trading of shares issued to participants under any of the company's employee equity plans is subject to, and conditional upon, compliance with the company's employee share trading policy contained in the Corporate Code of Conduct. Executives are prohibited from entering into any hedging arrangements over unvested performance rights under the LTI plan. The Company would consider a breach of this policy as gross misconduct which may lead to disciplinary action and potentially dismissal.

DIRECTORS' REPORT

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 that 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 2012 AGM. The following fees (including statutory superannuation) were applicable for the year:

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

For the second consecutive year, the Remuneration Committee resolved not to increase NED remuneration levels for FY14. NED fees have not been increased since 1 July 2011.

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. NEDs do not receive any performance-based pay.

DIRECTORS' REPORT

SECTION G: SERVICE CONTRACTS

Executives

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 required by employee or WSA	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
W Jones, General Manager Operations	379,780	No fixed term	1 month	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

[&] The Company pays superannuation at a rate of 11% of the employee's base salary.

*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.

Non-Executive Directors

Non-Executive Directors receive a letter of appointment before commencing duties on the Board. The letter outlines compensation arrangements relevant to the Officer or Director. Non-Executive appointments have no end date, retirement, redundancy or minimum notice periods included in their contracts.

DIRECTORS' REPORT

SECTION H: 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	2013	2012	2011	2010	2009
Net Profit / (Loss) after Tax	(94,105)	40,181	134,973	14,212	(35,172)
EPS	(49.8)	22.4	75.1	8.0	(20.9)
Dividends	0.02	0.11	0.25	0.06	-
Market capitalisation	456.7M	729.7M	1,060.4M	679.4M	1,053.6M
Closing share price	2.32	4.06	5.90	3.78	5.90
TSR – 1 year (%'ile) ranking	48	80	67	2	75
TSR – 3 year rolling (%'ile) ranking	75	39	41	57	80

The second tranche of the FY12 ("LTI") has not vested due to the relative total shareholder return minimum threshold not being reached by a small margin. This highlights the link between shareholder outcomes and Executive remuneration. Furthermore as at 30 June 2013, the TSR ranking for all FY13 grants is currently below the minimum 50^{th} percentile rank for the TSR performance hurdle.

As mentioned above, in recognition of the difficult commodity price environment, the Executive Directors and Executives have elected to voluntarily forfeit at least 50% of their respective STI payments earned during the 2013 financial year. The percentage of the maximum STI payment that was paid and forfeited during FY13 is outlined in the table below:

Name	Percentage of max STI awarded	Percentage of max STI forfeited
Executive Directors		
Mr D Lougher	29%	71%
Mr D Southam	28%	72%
Executives		
Mr J Belladonna	26%	74%
Mr C Wilkinson	26%	74%
Mr G Marshall	33%	67%
Mr W Jones	37%	63%

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 FY13. 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.

	Fixed Remuneration	STI	LTI[1]
Executive Directors			
Mr D Lougher	63%	8%	29%
Mr D Southam	65%	8%	27%
Executives			
Mr J Belladonna	67%	7%	26%
Mr C Wilkinson	74%	6%	20%
Mr G Marshall	72%	8%	20%
Mr W Jones	79%	10%	11%

[1] LTI refers to the value of the Options and Performance Rights that were expensed during the FY13. No Options have been granted over the last two financial years.

DIRECTORS' REPORT

SECTION I: DETAILS OF REMUNERATION

2013	Short Term Employee Benefits				Long Term Employee Benefits		Post Employment	TOTAL
	Base Salary	STI Payments / Bonuses (iii)	Allowances	Non Monetary	Long Service Leave	Share Based Payments LTI (i)	Superannuation	
Non-executive Directors								
T Streeter	168,683	-	-	45,806	-	-	18,555	**233,044**
J Hanna (ii)	146,192	-	-	-	-	-	16,081	**162,273**
R Dunbar	162,273	-	-	-	-	-	-	**162,273**
R Yeates	146,192	-	-	-	-	-	16,081	**162,273**
I Macliver	146,192	-	-	-	-	-	16,081	**162,273**
Executive Directors								
D Lougher	729,800	107,000	3,667	38,162	6,800	359,930	25,000	**1,270,359**
D Southam	541,218	77,500	3,667	48,148	5,101	256,566	25,000	**957,200**
Executive Officers								
J Belladonna	330,126	45,000	3,667	43,586	3,200	157,282	25,000	**607,861**
W Jones	395,981	57,500	1,742	30,847	3,850	61,575	25,000	**576,495**
C Wilkinson	336,701	35,000	3,667	35,003	3,277	110,407	27,034	**551,089**
G Marshall	306,093	39,500	3,667	33,126	2,979	100,372	24,577	**510,314**
								5,355,454

2012	Short Term Employee Benefits				Long Term Employee Benefits		Post Employment	TOTAL
	Base Salary	STI Payments / Bonuses	Allowances / Termination	Non Monetary	Long Service Leave	Share Based Payments LTI (i)	Superannuation	
Non-executive Directors								
T Streeter	168,683	-	-	35,893	-	-	18,555	**223,131**
J Hanna	60,913	-	-	-	-	-	6,700	**67,613**
D Cooper	36,548	-	-	-	-	-	4,020	**40,568**
R Dunbar	162,273	-	-	-	-	-	-	**162,273**
R Yeates	146,192	-	-	-	-	-	16,081	**162,273**
I Macliver	109,644	-	-	-	-	-	12,061	**121,705**
Executive Directors								
J Hanna	367,857	95,000	1,091,873	19,657	3,679	32,848	40,465	**1,651,379**
D Lougher	579,390	290,000	-	30,633	5,156	175,324	45,836	**1,126,339**
D Southam	514,460	270,000	-	41,602	4,860	134,192	24,997	**990,111**
Executive Officers								
J Belladonna	302,759	130,000	-	31,541	2,916	93,220	22,914	**583,350**
C Wilkinson	307,087	80,000	-	29,187	3,151	70,705	42,660	**532,790**
G Marshall	286,443	65,000	-	29,627	2,864	59,080	48,883	**491,897**
								6,153,429

(i) LTI refers to the value of Options and Performance Rights that were expensed during the FY13. No Options were granted during the year.

(ii) Mr J Hanna 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 FY13.

DIRECTORS' REPORT

Consulting fees

After stepping down as Managing Director, Mr Hanna agreed to remain on the Board as a NED and as a consultant to assist with identifying and developing new growth opportunities for the Company.

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 to the value of $50,000 during FY13.

Options held by Key Management Personnel

There were no options held by key management personnel at the end of FY13. There were no options issued during FY13 and all historical options have now lapsed. As such, no portion of any KMP's remuneration for FY13 consisted of options.

	Balance at 1 July 2012	Granted as Remuneration	On Exercise of Options	Purchases / (Sales)	Expired / Lapsed	Balance at 30 June 2013	Options Vested (*)
D Lougher	200,000	-	-	-	200,000	-	-
J Hanna	200,000	-	-	-	200,000	-	-
C Wilkinson	100,000	-	-	-	100,000	-	-
G Marshall	50,000	-	-	-	50,000	-	-
J Belladonna	100,000	-	-	-	100,000	-	-
TOTAL	**650,000**	**-**	**-**	-	**650,000**	-	-

Shareholding by Key Management Personnel

	Balance at 1 July 2012	Granted as Remuneration	On Exercise of Options	Other Changes During the Year	Balance at 30 June 2013
D Lougher	64,884	-	-	15,073	79,957
T Streeter	25,889,410	-	-	(1,951,780)	23,937,630
J Hanna	1,134,666	-	-	(410,875)	723,791
R Dunbar	102,500	-	-	10,000	112,500
R Yeates	10,000	-	-	-	10,000
I Macliver	20,000	-	-	3,948	23,948
C Wilkinson	7,000	-	-	-	7,000
J Belladonna	60,000	-	-	3,948	63,948
W Jones	60,000	-	-	-	60,000
TOTAL	**27,348,460**	**-**	**-**	**(2,329,686)**	**25,018,774**

DIRECTORS' REPORT

Performance Rights held by Key Management Personnel

Details of Performance Rights granted under the LTI plan during FY13 are outlined below:

	Grant date	Number granted	Vesting conditions	Fair value at grant date	Exercise price	Exercise date	Expiry date	Number vested
D Lougher	22/11/12	294,800	(a)	$2.31	Nil	Upon receipt of a vesting notice issued in FY14	1/7/16	-
D Southam	22/11/12	165,900	(a)	$2.31	Nil	As above	1/7/16	-
C Wilkinson	22/11/12	71,050	(a)	$2.31	Nil	As above	1/7/16	-
G Marshall	22/11/12	64,591	(a)	$2.31	Nil	As above	1/7/16	-
J Belladonna	22/11/12	104,074	(a)	$2.31	Nil	As above	1/7/16	-
W Jones	22/11/12	83,476	(a)	$2.31	Nil	As above	1/7/16	-
TOTAL		**783,891**						**-**

a) Performance rights granted during FY13 were granted under the LTI plan and will vest subject to the meeting of service and performance conditions as follows:

- 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.

The FY13 grants will also 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 2015.

	Balance at 1 July 2012	Number granted as Remuneration	Number exercised	Number expired / lapsed	Balance at 30 June 2013	Portion vested (%)
D Lougher	113,891	294,800	-	-	408,691	-
D Southam	107,354	165,900	-	-	273,254	-
C Wilkinson	46,399	71,050	-	-	117,449	-
G Marshall	42,182	64,591	-	-	106,773	-
J Belladonna	64,411	104,074	-	-	168,485	-
W Jones	-	83,476	-	-	83,476	
TOTAL	**374,237**	**783,891**	**-**	**-**	**1,158,128**	**-**

The second tranche of the FY12 ("LTI") has not vested due to the relative total shareholder return minimum threshold not being reached.

End of audited 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 Ltd 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.

D Lougher
Managing Director

Perth, 27 August 2013

CORPORATE GOVERNANCE STATEMENTS

The Board of Directors of Western Areas Ltd is responsible for the corporate governance of the Consolidated Entity. The Board guides and monitors the business and affairs of Western Areas Ltd 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 Ltd are considered to be independent when they are independent of management and free from any business or other relationships that could materially interfere with, or could reasonably be perceived to materially interfere with the exercise of their unfettered and independent judgement.

Composition Developments

Lead Independent Director

During the 2013 financial year Mr Ian Macliver was appointed as the Western Areas' Board Lead Independent Non-Executive Director ("LINED", or "Lead Independent"). The appointment of a Lead Independent Director was to provide the Board an independent alternative to the Chairman should a real or perceived conflict arise during Board proceedings or voting. Mr Macliver also serves as the chairman of the Audit and Risk Committee and it was thought that the combination of these two roles would be complementary.

Independence

In the context of director independence, "materiality" is considered from both the Company and individual Director's 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.

CORPORATE GOVERNANCE STATEMENTS

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

Name	Position
I Macliver	Lead Independent Non-Executive Director
R Dunbar	Non-Executive Director
R Yeates	Non-Executive Director

Council Recommendations

At the date of this report and throughout the financial year, Western Areas Ltd complied with the Council's recommendations with the exception of recommendation 2.1 – Majority of the Board comprise Independent Directors and recommendation 2.2 – that the Chair be an Independent Director.

While not complying with recommendation 2.1, the Directors of Western Areas believe that the Board operates efficiently and effectively. It continues to evaluate and monitor the available pool of independent directors via a specialist Non-Executive director search consultant for suitable candidates. Regarding recommendation 2.2 related to Chairman Independence, the Board believes that the current Chair is the best person that exists on the board to hold the office at this time. While the Chair is Non-Executive they are not independent due to Western Areas' share ownership only.

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.

CORPORATE GOVERNANCE STATEMENTS

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 2013	*%*	*30 June 2012*	*%*
Women on the Board	*0*	*0*	*0*	*0*
Women in Senior Management	*1*	*7(*)*	*1*	*5*
Women employees in total	*21*	*16*	*21*	*15*

(*) Percentage increase relates to the retirement of a Manager that has not been replaced.

To assist in fostering diversity the policy includes the requirement for a least one female candidate to be shortlisted for all senior appointments (including director appointments), if a suitably qualified candidate exists in the applications.

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 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.

CORPORATE GOVERNANCE STATEMENTS

The committee also provides the Board with additional assurance regarding the reliability of financial information included in the financial reports and the independence of the Company's Auditor. The majority of the members of the Audit & Risk 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.

Risk Management

Management of material risks

There is an established Risk Management Policy, which defines our commitment to maintaining a risk management culture to effectively manage risk and protect our business from value destroying events. To enable an integrated and systematic approach to managing risk senior management has designed and implemented the Western Areas Risk Management Program ("RMP"). The RMP supports the identification, evaluation and management of material risks within all areas of the business. It establishes standard criteria for the assessment of risk, WSA's risk tolerance parameters and reporting requirements. The Risk Management Policy can be located on the Company's website.

The RMP is the subject of ongoing development and enhancement to ensure it continues to meet our needs and supports our corporate governance requirements.

Reporting on material risks

Senior management has regularly reported to the Board on the effectiveness of the management of material risks against the RMP 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. Any deterioration of controls over material risks is highlighted. Reporting is also provided on progress against the RMP annual schedule and upcoming activities.

The board has received assurance from the Managing Director and the Chief Financial Officer that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Activity

In 2013 the Company continued enhancing 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 risk management across the business is designed to facilitate the capture of 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.

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 Treasury Committee members, number of meetings held and meeting attendance during the year refer to page 7 of the Directors' Report.

Board and Executive Performance

The performance of the Board and Key Management Personnel 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 Ltd, 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 Ltd for the year ended 30 June 2013, 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, 27 August 2013

CONSOLIDATED INCOME STATEMENT
Year Ended 30 June 2013

	Notes	Consolidated Entity	
		2013 $'000	**2012 $'000**
Sales		306,541	330,698
Cost of sales		(259,838)	(234,524)
Gross profit		**46,703**	**96,174**
Other income	2	6,980	8,763
Finance costs	3	(26,736)	(37,441)
Employee benefit expense		(8,800)	(7,664)
Foreign exchange gain		2,303	663
Administration and other expenses		(6,934)	(6,304)
Business combination acquisition costs	35	-	(3,618)
Share based payments		(1,159)	(882)
Impairment / write-off of non-current assets	11, 12	(142,421)	(79)
Realised derivative gains	3	2,978	9,030
Changes in fair value of derivatives	3	(1,472)	(1,181)
(Loss) / Profit before income tax		**(128,558)**	**57,461**
Income tax benefit / (expense)	4	34,453	(17,280)
(Loss) / Profit for the year		**(94,105)**	**40,181**
Basic (loss) / earnings per share (cents per share)	19	(49.8)	22.4
Diluted (loss) / earnings per share (cents per share)	19	(49.8)	22.4

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year Ended 30 June 2013

	Notes	Consolidated Entity	
		2013 $'000	**2012 $'000**
(Loss) / profit for the year		(94,105)	40,181
Other comprehensive income/(loss), net of tax			
Items that may be reclassified to profit or loss			
Changes in fair value of hedging instruments		(1,460)	970
Changes in fair value of available for sale financial assets		(2,625)	(4,070)
Exchange differences on translation of foreign controlled entities		1,459	(607)
Total comprehensive (loss) / income for the year		**(96,731)**	**36,474**
(Loss) / Profit attributable to:			
Members of the parent entity		(93,986)	40,301
Non controlling interest		(119)	(120)
		(94,105)	**40,181**
Total Comprehensive (Loss) / Income attributable to:			
Members of the parent entity		(96,612)	36,594
Non controlling interest		(119)	(120)
		(96,731)	**36,474**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 June 2013

	Notes	Consolidated Entity	
		2013 $'000	**2012 $'000**
Current Assets			
Cash and cash equivalents	20 (b)	80,719	165,502
Trade and other receivables	6	18,610	25,360
Inventories	7	30,318	42,121
Derivative financial instruments	17	663	1,973
Total Current Assets		130,310	234,956
Non Current Assets			
Property, plant and equipment	9	112,110	107,111
Intangible assets	10	525	525
Exploration & evaluation expenditure	11	32,182	133,282
Mine properties	12	241,776	295,634
Available for sale financial assets	8	1,120	3,460
Total Non Current Assets		387,713	540,012
Total Assets		518,023	774,968
Current Liabilities			
Trade and other payables	14	36,911	66,444
Borrowings	15	104	150,392
Provisions	16	1,932	1,374
Current tax liabilities		324	10,606
Derivative financial instruments	17	1,906	284
Total Current Liabilities		41,177	229,100
Non Current Liabilities			
Borrowings	15	216,915	208,688
Provisions	16	6,298	6,096
Deferred tax liabilities	13	10,629	41,219
Total Non Current Liabilities		233,842	256,003
Total Liabilities		275,019	485,103
Net Assets		**243,004**	**289,865**
Equity			
Contributed equity	18	266,043	202,611
Other reserves	32	42,140	75,739
Retained earnings		(65,286)	11,289
Equity attributable to members of the parent entity		**242,897**	**289,639**
Non controlling interest		107	226
Total Equity		**243,004**	**289,865**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year Ended 30 June 2013

CONSOLIDATED ENTITY	Note	Issued Capital	Capital Raising Costs	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 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**
Comprehensive income											
Loss for the year									(93,986)	(119)	(94,105)
Other comprehensive loss for the year					(1,460)	(2,625)		1,459			(2,626)
Total comprehensive loss for the year					(1,460)	(2,625)		1,459	(93,986)	(119)	(96,731)
Transactions with owner in their capacity as owner, and other transfers											
Contributions of equity		65,009									65,009
Transaction costs on equity			(1,577)								(1,577)
Share based payments expense				1,159							1,159
Transfer of convertible note reserve							(32,132)		32,132		-
Dividends paid									(14,721)		(14,721)
Total Equity at 30 June 2013		**277,842**	**(11,799)**	**18,200**	**(490)**	**(9,390)**	**32,958**	**862**	**(65,286)**	**107**	**243,004**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
Year Ended 30 June 2013

	Notes	Consolidated Entity	
		2013 $'000	2012 $'000
Cash flows from operating activities			
Receipts from customers		313,929	326,808
Payments to suppliers and employees		(175,590)	(144,403)
Interest received		1,621	10,257
Royalties paid		(12,011)	(16,344)
Other receipts		4,958	12
Interest paid		(21,113)	(24,252)
Realisation on settlement of derivatives		6,741	8,699
Income tax paid		(6,420)	(1,524)
Net cash inflow from operating activities	20(a)	**112,115**	**159,253**
Cash flows from investing activities			
Payments for property, plant and equipment		(19,052)	(13,721)
Rental Deposit		20	9
Mine development expenditure		(35,527)	(67,417)
Exploration & evaluation expenditure		(24,510)	(42,677)
Payment for termination of royalty agreement		(14,317)	(14,926)
Payment for acquisition of subsidiary	35	-	(71,100)
Purchase of available for sale financial assets		(285)	(1,085)
Net cash outflow from investing activities		**(93,671)**	**(210,917)**
Cash flows from financing activities			
Proceeds from borrowings		-	45,000
Repayment of borrowings		(150,500)	-
Proceeds from issues of shares		65,009	-
Share issue transaction costs		(1,577)	-
Finance lease payments		(68)	(69)
Borrowing costs		(1,370)	(764)
Dividends paid to company's shareholders		(14,721)	(35,949)
Net cash (outflow) / inflow from financing activities		**(103,227)**	**8,218**
Net decrease in cash and cash equivalents held		(84,783)	(43,446)
Cash and cash equivalents as at the beginning of the financial year		165,502	208,948
Cash and cash equivalents at end of financial year	20(b)	**80,719**	**165,502**

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2013

Note 1: Statement of Significant Accounting Policies

These consolidated financial statements and notes represent those of Western Areas Ltd and Controlled Entities (the "consolidated group" or "group").

The separate financial statements of the parent entity, Western Areas Ltd, have not been presented within this financial report as permitted by amendments made to Corporation Act 2001 effective as at 28 June 2010.

The group is a for profit entity for financial reporting purposes under Australian Accounting Standards.

The financial report was approved by the board of directors on 27 August 2013.

Basis of Preparation

These general purpose financial statements 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 stated otherwise.

Except for cash flow information, the financial statements have been prepared on an accruals basis and are 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 2012 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods. However, amendments made to AASB 101 Presentation of Financial Statements effective 1 July 2012 now require the statement of comprehensive income to show the items of comprehensive income grouped into those that are not permitted to be classified to profit or loss in a future period and those that may have to be reclassified if certain conditions are met. These changes are included in the income statement and statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2013

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 Ltd at the end of the reporting period. A controlled entity is an entity over which Western Areas Ltd has the power to govern the financial and operating policies so as to obtain benefits from its activities.

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(a) 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.
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 2013

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 measured 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 property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Property

Freehold land and buildings are carried at their fair value (being the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction), based on periodic, but at least triennial, valuations by external independent valuers, less accumulated depreciation for buildings. Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation surplus in equity. Decreases that offset previous increases of the same asset are recognised against revaluation surplus directly in equity; all other decreases are recognised in profit or loss. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2013

Note 1: Statement of Significant Accounting Policies

(e) Property, Plant and Equipment (Continued...)

Plant and Equipment

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1(m) for details of impairment).

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the consolidated group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads. 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 are recognised as expenses in profit or loss during the financial period in which they are incurred.

Depreciation

The depreciable amount of all property, plant and equipment is depreciated on a straight line basis over their useful lives or the estimated life of mine, if shorter. Land is not depreciated. The depreciation rates used for each major type of depreciable assets are:

Class 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 the end of each reporting period.

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 disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit or loss in the period in which they arise. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2013

(f) Exploration and Evaluation Expenditure

Exploration, evaluation and development expenditures incurred are capitalised in respect of each identifiable area of interest. These costs are only capitalised to the extent that they are expected to be recovered through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

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

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves

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.

(g) Mine Development

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

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

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

Costs of site restoration are provided for over the life of the facility from when exploration commences and are included in the costs from that stage. Site restoration costs include obligations relating to dismantling and removing mining plant, reclamation, waste dump rehabilitation and other costs associated with restoration and rehabilitation of the site. Such costs have been determined using estimates for current costs and current legal requirements and technology.

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

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2013

Note 1: Statement of Significant Accounting Policies

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2013

Note 1: Statement of Significant Accounting Policies

(h) Income Tax (Continued...)

Tax Consolidation

Western Areas Ltd and its wholly owned Australian subsidiaries have formed an income tax consolidated group under the Tax Consolidation Regime from 1 July 2002. Western Areas Ltd 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2013

Note 1: Statement of Significant Accounting Policies

(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 – are transferred to entities in the consolidated group, are classified as finance leases.

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

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

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

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

(l) Financial Instruments

Initial recognition and measurement

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

b) the amount at which the financial asset or financial liability is measured at initial recognition;
c) less principal repayments;
d) 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
e) 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.

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2013

Note 1: Statement of Significant Accounting Policies

(l) Financial Instruments (Continued…)

Financial assets at fair value through profit and loss

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

Loans and receivables

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

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

Available-for-sale financial assets

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

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

Financial liabilities

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

De-recognition

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

Impairment

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

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2013

Note 1: Statement of Significant Accounting Policies

(l) Financial Instruments (Continued…)

Derivative financial instruments

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

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

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

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

Cash Flow Hedge
The effective portion of changes in the fair value of derivatives that qualify as cash flow hedges are recognised in equity in the hedging reserve. The ineffective portion is recognised directly in the Income Statement. Amounts accumulated in equity are classified to profit or loss in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place).

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.

Reversal of impairment losses
An impairment loss recognised in prior periods for an asset/CGU is reversed if there has been a change in the estimates used to determine the asset's/CGU's recoverable amount. When an impairment loss subsequently reverses, the carrying amount of the asset/CGU is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset/CGU in prior years.

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

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2013

Note 1: Statement of Significant Accounting Policies

(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.

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2013

Note 1: Statement of Significant Accounting Policies

(s) Foreign Currency Transactions and Balances (Continued...)

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.

(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 each asset or cash generating unit (CGU) at each reporting period to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made.

Recoverable amounts for the Group's CGU being the Forrestania Nickel Project are determined using the using a fair value less cost to sell (FVLCS) approach. These calculations incorporate various assumptions and estimates as detailed in Notes 11 and 12

ii) Reserve estimates

Estimates of 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.

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2013

Note 1: Statement of Significant Accounting Policies

(t) Critical Accounting Estimates and Balances (Continued...)

Key judgements

i) Provision for restoration and rehabilitation

Provision is made for the costs of Restoration and rehabilitation when the related environmental disturbance takes place as outlined in Note 16. The provision recognised represents management's best estimate of the costs that will be incurred, but significant judgement is required as many of these costs will not crystallise until the end of the life of the mine. Estimates are reviewed annually and are based on current regulatory requirements and the estimated useful of the life of mine. Engineering and feasibility studies are undertaken periodically, however significant changes in the estimates of contamination, restoration standards and techniques will result in changes to provisions from period to period.

ii) Exploration and evaluation expenditure

The application of the Group's accounting policy for exploration and evaluation expenditure requires judgement to determine whether it is likely that future economic benefits are likely, from either future exploitation or sale, or whether activities have not reached a stage that permits a reasonable assessment of the existence of commercially viable quantities of reserves. The policy requires management to make certain estimates and assumptions about future events or circumstances, in particular, whether an economically viable extraction operation can be established. Estimates and assumptions may change if new information becomes available. If, after expenditure is capitalised, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalised is impaired or written off in the income statement in the period when the new information becomes available

(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) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors.

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2013

Note 1: Statement of Significant Accounting Policies

(w) 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.

(x) Comparative figures

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

(y) 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.

(z) Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

The amount of the impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

(aa) Trade and other payables

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2013

	Consolidated Entity	
	2013 $'000	2012 $'000
Note 2: Other Income		
- Interest income	1,493	8,624
- Sundry income	344	139
- Income on sale of carbon credits	5,143	-
Total other income	**6,980**	**8,763**

	Notes	Consolidated Entity	
		2013 $'000	2012 $'000
Note 3: Profit before income tax			
Profit before income tax includes the following specific expenses:			
- Depreciation of property, plant and equipment	9	12,861	15,258
- Amortisation of mine development asset	12	70,225	76,423
- Rental expenditure relating to operating leases		1,270	849
- Realised derivative gains		2,978	9,030
- Changes in fair value of derivatives		1,472	1,181
- Employee benefits expense			
Defined contribution superannuation expense		1,996	2,143
- Finance costs:			
Interest expense – borrowings		16,758	24,367
Provisions: unwinding of discount		298	284
Bond accretion expense		7,483	9,083
Interest expense – finance leases		15	5
Borrowing costs amortised		2,182	3,702
Total borrowing costs		**26,736**	**37,441**

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2013

Note 4: Income Tax

	Notes	Consolidated Entity 2013 $'000	2012 $'000
The components of the tax expense comprise:			
- Current tax		324	12,130
- Deferred tax		(30,590)	5,150
- R&D Tax offset		(5,547)	-
- Adjustment of current tax for prior periods		1,360	-
Income tax (benefit) / expense		**(34,453)**	**17,280**

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:

	2013 $'000	2012 $'000
Prima facia tax on (loss)/profit before income tax at 30% (2012: 30%)	(38,567)	17,238
Adjusted for the tax effect of:		
- Changes in fair value of derivatives	442	354
- Share based payment expense	348	265
- Other non allowable items	7	136
- Share issue costs deductible	(200)	(109)
- Other temporary differences	1,272	1,132
- Royalty buy back	-	(4,461)
- Convertible bond accretion expense	2,245	2,725
Tax Expense	**(34,453)**	**17,280**

Note 5: Dividends

	2013 $'000	2012 $'000
Dividends paid		
Final ordinary dividend of 6 cents (2011: 15 cents) per share for the year ended 30 June 2012, 30% franked and 70% unfranked.	10,784	26,962
Interim fully franked ordinary dividend of 2 cents (2012: 5 cents unfranked) per share	3,937	8,987
	14,721	**35,949**
Dividends proposed		
No final dividend proposed for the year ended 30 June 2013 (2012: 6 cents per share).	**-**	**10,784**

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2013

	Notes	Consolidated Entity 2013 $'000	2012 $'000
Note 6: Trade and Other Receivables			
Trade debtors		14,372	21,765
Other debtors		1,582	780
GST refund due		1,150	1,741
Prepayments		1,506	1,074
		18,610	**25,360**

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.

Note 7: Inventories			
Ore stockpiles – at cost		24,926	31,319
Nickel concentrate stockpiles – at cost		1,473	7,089
Consumables and spare parts – at cost		3,919	3,713
		30,318	**42,121**

Note 8: Financial Assets

Available for sale financial assets include the following classes of financial assets:

Non-current assets

Listed securities:			
- Equity securities		1,120	3,460
		1,120	**3,460**

(a) Investments in subsidiaries

Name	Country of Incorporation	Percentage of equity held 2013 %	2012 %
Western Platinum NL	Australia	100%	100 %
Australian Nickel Investments Pty Ltd	Australia	100%	100 %
Bioheap Ltd	Australia	100%	100%
FinnAust Mining PLC	United Kingdom	84%	81%
Western Areas Nickel Pty Ltd (formerly known as Kagara Nickel Pty Ltd) (Note 35)	Australia	100%	100%

All the entities above, except FinnAust Mining PLC, are members of the tax consolidated group of which Western Areas Ltd is the head entity. Western Areas Ltd 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.

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2013

Note 9: Property, Plant and Equipment

	Consolidated Entity 2013 $'000	Consolidated Entity 2012 $'000
Property – at cost	40,925	22,871
Accumulated depreciation	(11,316)	(6,481)
	29,609	16,390
Plant & equipment – at cost	127,415	127,820
Accumulated depreciation	(45,290)	(37,357)
	82,125	90,463
Plant & equipment under lease	990	779
Accumulated depreciation	(614)	(521)
	376	258
Total property, plant & equipment – at cost	169,330	151,470
Accumulated Depreciation	(57,220)	(44,359)
Total	**112,110**	**107,111**

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 2013

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	
	2013 $'000	**2012 $'000**
Property		
Written down value at the beginning of the year	16,390	16,240
- Additions / transfers	18,054	1,934
- Depreciation expense	(4,835)	(1,784)
Written down value at the end of the year	**29,609**	**16,390**
Plant & Equipment		
Written down value at the beginning of the year	90,463	95,310
- Additions / transfers	(405)	8,552
- Depreciation expense	(7,933)	(13,399)
Written down value at the end of the year	**82,125**	**90,463**
Plant & Equipment under Lease		
Written down value at the beginning of the year	258	133
- Additions	211	200
- Depreciation expense	(93)	(75)
Written down value at the end of the year	**376**	**258**

Note 10: Intangible Assets

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

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2013

Note 11: Exploration & Evaluation Expenditure

	Notes	Consolidated Entity 2013 $'000	2012 $'000
Exploration & Evaluation Expenditure consists of:			
- At cost		204,786	198,844
- Transferred to mine development		(76,000)	(46,000)
- Accumulated impairment loss		(96,604)	(19,562)
Total Exploration and Evaluation Expenditure		**32,182**	**133,282**

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	2013 $'000	2012 $'000
Written down value at the beginning of the year	133,282	91,875
- Expenditure incurred during the year	23,015	46,486
- Transferred to mine development	(30,000)	(5,000)
- Write-off	(17,073)	-
- Impairment charge	(77,042)	(79)
Written down value at the end of the year	**32,182**	**133,282**

Impairment and write-off

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. Management regularly evaluates the recoverability of exploration and evaluation assets.

At 30 June 2013, Management have assessed that:

- Exploration activities are inherently risky, but can be ultimately very rewarding. In recognition of the risk involved in exploration, specific amounts of exploration and evaluation expenditure are unlikely to be recovered through successful development or sale, and as such have impaired those assets by $77.0 million; and

- exploration expenditure in relation to specific areas of interest have not lead to the discovery of commercially viable quantities of mineral resources and have therefore decided to discontinue activities at this time in these areas, as such $17.0 million has been written off.

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 2013

Note 12: Mine Properties

	Consolidated Entity	
	2013 $'000	**2012 $'000**
Capitalised development expenditure consists of:		
- Mine development	180,041	191,457
- Acquisition of mining assets	59,796	59,796
- Exploration expenditure transfer	76,000	46,000
- Deferred mining expenditure	244,810	207,131
- Capitalised restoration costs	5,843	5,843
- Capitalised interest	11,175	11,175
- Accumulated impairment loss	(39,896)	-
- Accumulated amortisation	(295,993)	(225,768)
Total Mine Development	**241,776**	**295,634**

Movement in carrying amount:

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

Development Expenditure		
Written down value at the beginning of the year	295,634	209,454
- Additions	34,673	157,603
- Exploration expenditure transfer	30,000	5,000
- Impairment charge	(39,896)	-
- Write-off	(8,410)	-
- Amortisation charge for the year	(70,225)	(76,423)
Written down value at the end of the year	**241,776**	**295,634**

Write off of mine property expenditure

Management has reviewed the recoverable amount of each asset or group of assets within the Group's Cash Generating Unit (CGU) being the Forrestania Nickel Project and written off $8.4 million. The major element of this was a charge of $ 6.5 million relating to the Diggers South assets.

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2013

Note 12: Mine Properties (Continued...)

Impairment of Forrestania Nickel Project

The past 6 months has seen deterioration in the nickel price. This combined with managements understanding of the fundamental drivers of nickel supply and demand triggered the Group to undertake an impairment assessment.

For assets within the Group's CGU where it was not possible to determine the recoverable amount of individual assets or group of assets, the recoverable amount has been determined based on the CGU using a fair value less cost to sell (FVLCS) approach. Given the nature of the Group's activities, information on the fair value of an asset is usually difficult to obtain unless negotiations with potential purchasers or similar transactions are taking place. Consequently, the FVLCS for the CGU was determined based on the net present value of the future cash flows expected (discounted cash flow model) to be generated by the CGU and are based on the most recent life of mine plans and are adjusted to ensure these reflect those assumptions a market participant would apply.

The cash flows were discounted using a nominal after-tax discount rate that reflects current market assessment. Other key inputs in the discounted cash flow model included:

- Nickel price – future nickel prices were based on the 30 June 2013 consensus views from market participants;
- Nickel production – future nickel production was based on the Group's Life of Mine Plan;
- Operating and capital cost – these costs were based on management's best estimates of direct and allocated costs at the time of the impairment testing;
- Foreign exchange rates – US dollar to AU dollar exchange rates were based on consensus views from market participants;
- Taxation – a 30% corporate tax rate; and
- Discount rate – a post–tax nominal discount rate of 10% (pre-tax 13%).

The carrying value of the CGU was determined to be greater than the recoverable amount and accordingly an impairment loss of $39.9 million was recognised.

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2013

Note 13 Deferred Tax Liabilities

	Consolidated Entity	
	2013 $'000	**2012 $'000**
The balance comprises temporary differences attributable to:		
(a) Liabilities		
- Exploration & evaluation expenditure	(24,120)	(58,108)
- Property, plant and equipment	(5,036)	5,623
- Other	(706)	(773)
	(29,862)	(53,258)
(b) Assets		
- Provisions	2,469	1,829
- Mine development	16,764	9,966
- Other	-	244
	19,233	12,039
Net deferred tax liabilities	**(10,629)**	**(41,219)**
(c) Reconciliation		
(i) *Gross movement* The overall movement in the deferred tax account is as follows:		
Opening balance	(41,219)	(36,069)
Credit / (Debit)to income statement	30,590	(5,150)
Closing balance	(10,629)	(41,219)
(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	(58,108)	(44,126)
Credit / (Debit) to income statement	33,988	(13,982)
Closing balance	(24,120)	(58,108)
Property, plant and equipment		
Opening balance	5,623	2,026
(Debit) / Credit to income statement	(10,659)	3,597
Closing balance	(5,036)	5,623
Other		
Opening balance	(773)	(2,106)
Credit to income statement	67	1,333
Closing balance	(706)	(773)

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2013

Note 13 Deferred Tax Liabilities (Continued...)

	Consolidated Entity 2013 $'000	Consolidated Entity 2012 $'000
(iii) *Deferred tax assets*		
The movement in the deferred tax assets for each temporary difference during the year is as follows:		
Deferred tax assets due to tax losses		
Opening balance	-	168
Credit to income statement	-	(168)
Closing balance	-	-
Provisions		
Opening balance	1,829	1,837
Credit / (Debit) to income statement	640	(8)
Closing balance	2,469	1,829
Mine development		
Opening balance	9,966	5,023
Credit to income statement	6,798	4,943
Closing balance	16,764	9,966
Other		
Opening balance	244	1,109
Credit to income statement	(244)	(865)
Closing balance	-	244

Note 14: Trade & Other Payables

	2013	2012
Trade payables	8,670	15,214
Accrued expenses	20,728	39,377
Accrued interest	7,513	11,853
	36,911	**66,444**

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2013

Note 15: Borrowings

	Notes	Consolidated Entity 2013 $'000	2012 $'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)	104	48
		104	**150,392**
Non Current			
Convertible bonds	15 (b)	221,046	213,563
Convertible bond borrowing costs		(2,597)	(4,367)
Lease liabilities	15 (c) & 21(b)	275	187
Corporate loan facility borrowing cost		(1,809)	(695)
		216,915	**208,688**

(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 Ltd. In February 2013 the company executed a revised loan facility that both extends and enlarges the existing loan facility between ANZ and Western Areas Ltd. The facility is for $125M, is undrawn as at 30 June 2013 and remains in place until March 2016.

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

	2013	2012
Mine development	241,776	295,634
Property, plant & equipment	111,733	106,853
	353,509	**402,487**

(b) **Convertible bonds**

	2013	2012
Current		
Convertible bond (Issued June 2007)	-	105,500
Non-current		
Convertible bond (Issued April 2010)	115,563	111,934
Convertible bond (Issued November 2010)	105,483	101,629
Total non-current	221,046	213,563
Total convertible bond borrowing	**221,046**	**319,063**

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2013

Note 15: Borrowings (Continued...)

(i) 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 $6.41/share and $7.47/share respectively prior to maturity.

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

- 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	
		2013	**2012**
		$'000	**$'000**
Current			
Employee Entitlements	16 (a)	**1,932**	**1,374**
Non Current			
Rehabilitation and restoration cost			
Opening balance		6,096	6,122
Unwinding of discount		297	284
Rehabilitation expenditure incurred during the period		(95)	(310)
Closing balance	16 (b)	**6,298**	**6,096**

(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 2013

Note 17: Derivative financial instruments

		Consolidated Entity	
		2013 $'000	2012 $'000
Current Assets			
Foreign exchange collar options	29 (c)	663	1,973
		663	**1,973**
Current Liabilities			
Foreign exchange collar options	29 (c)	1,906	284
		1,906	**284**

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	
	2013 $'000	2012 $'000
196,843,803 fully paid ordinary shares (2012: 179,735,899)	**266,043**	**202,611**

b) Movements in issued capital

2013	**Number of Shares**	**$'000**
Balance at beginning of the financial year	179,735,899	202,611
- Share issue expense	-	(1,577)
- Issued via share placement	17,107,904	65,009
Balance at end of the financial year	**196,843,803**	**266,043**

2012

There was no movement in issued capital during the prior year.

Note 18: Issued Capital (Continued...)

Capital management

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

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

c) Share options

Information relating to options issued, exercised, lapsed during the year and the options outstanding at the end of the year are 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 2013

Note 19: Earnings Per Share

	Consolidated Entity	
	2013 $'000	**2012 $'000**
(Loss) / earnings used to calculate basic / diluted earnings per share	(94,105)	40,181
	2013 Number	**2012 Number**
Weighted average number of ordinary shares outstanding during the year used in calculating basic earnings per share	196,843,803	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	196,843,803	179,735,899

* As at 30 June 2012 and 30 June 2013, 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	
	2013 $'000	**2012 $'000**
a) Reconciliation of the net profit after tax to net cash provided by operating activities		
(Loss) / Profit after income tax	(94,105)	40,181
Depreciation expense	12,861	15,258
Amortisation expense	72,407	80,125
Convertible bond accretion expense	7,483	9,083
Impairment expenses	142,421	79
Interest receivable	128	1,633
Others	1,406	461
Share based payment expense	1,159	882
Changes in fair value of derivatives	1,472	1,181
Stamp duty on acquisition of subsidiary (Note 35)	-	3,487
Change in Assets and Liabilities		
(Decrease) / increase in trade and other payables	(6,693)	688
Decrease / (increase) in inventories	11,802	(7,875)
Decrease / (increase) in trade and other receivables	6,986	(1,806)
(Decrease) / increase in interest payable	(4,340)	120
(Decrease) / increase in tax liabilities	(40,872)	15,756
Net cash provided by operating activities	**112,115**	**159,253**

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2013

Note 20: Cash Flow Information (Continued…)

b) Reconciliation of Cash and Cash Equivalents

	Consolidated Entity	
	2013	**2012**
	$000	**$000**
Cash and cash equivalents comprises :		
Cash on hand and at bank	**80,719**	**165,502**

The cash at bank on 30 June 2013 includes restricted cash of $7.5M interest on convertible bonds payable on 2 July 2013.

c) Financing Facilities Available

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

	Total Facility	Utilised at Balance Date	Available Facilities (*)
	$'000	$'000	$'000
Banking Facilities:-			
ANZ Banking Group			
- Cash advance facility*	125,000	-	125,000
Performance Guarantees:-			
ANZ Banking Group			
- Security bond facility	10,000	6,998	3,002
Commonwealth Bank			
- Security bond facility	71	71	-
	135,071	**7,069**	**128,002**

* 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 $212k (2012: $200k).

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2013

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	
	2013 $'000	**2012 $'000**
- no later than 1 year	912	876
- later than 1 year and not later than 5 years	3,757	3,610
Lease expenditure contracted for at year end	4,669	4,486

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

	2013	2012
- no later than 1 year	104	48
- later than 1 year and not later than 5 years	275	187
Total Minimum Lease Payments	379	235
- future finance charges	37	28
Total Lease Liability	416	263
- current	134	61
- non current	282	202
	416	263

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 2013

Note 21: Commitments (Continued…)

c) Capital Expenditure Commitments

	Consolidated Entity 2013 $'000	2012 $'000
- no later than 1 year	-	-
- later than 1 year and not later than 5 years	-	-
Total minimum commitments	-	-

d) Exploration Expenditure Commitments

- no later than 1 year	4,866	5,138
- later than 1 year and not later than 5 years	19,468	20,552
Total Minimum Payments	24,334	25,690

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

During the year the following fees were paid or payable for services provided by the auditor of the Company:	Consolidated Entity 2013 $'000	2012 $'000
- Audit and review of financial statements	171	159
- Audit of Jobs and Competitiveness Program Assistance Application	7	-
	178	159

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2013

Note 23: Material Contracts

The Company 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 was increased to 12,000 tonnes per annum.

In March 2013, the Company entered into a new Sale and Purchase Agreement for Nickel Concentrates with Jinchuan Group Ltd ("Jinchuan") to deliver up to 26,000 tonnes of nickel in concentrate for a period of 2 years.

Note 24: Contingent Liabilities

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

Note 25: Subsequent Events

There have been no subsequent events after 30 June 2013 which has a material effect on the financial statements for the year ended 30 June 2013.

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 2013

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)
I Macliver	Lead Independent Director (Non-Executive)
J Hanna	Director (Non-Executive)
R Dunbar	Director (Non-Executive)
R Yeates	Director (Non-Executive)
D Lougher	Managing Director
D Southam	Executive Director
J Belladonna	Chief Financial Officer / Company Secretary
W Jones	General Manager Operations (Appointed 1 August 2012)
C Wilkinson	General Manager Exploration
G Marshall	General Manager Commercial

Refer to the remuneration report contained in the Directors' report for details of the remuneration paid or payable to each member of the group's key management personnel for the year ended 30 June 2013.

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

	2013 $'000	2012 $'000
Short term employee benefits	3,815	5,813
Share based payments	1,045	646
Post-employment benefits	343	324
	5,203	6,783

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2013

Performance Rights held by Key Management Personnel 2013

	Balance at 1 July 2012	Granted as Remuneration	Exercised	Expired / Lapsed	Balance at 30 June 2013	Performance Rights Vested
D Lougher	113,891	294,800	-	-	408,691	-
D Southam	107,354	165,900	-	-	273,254	-
C Wilkinson	46,399	71,050	-	-	117,449	-
G Marshall	42,182	64,591	-	-	106,773	-
J Belladonna	64,411	104,074	-	-	168,485	-
W Jones	-	83,476	-	-	83,476	
TOTAL	**374,237**	**783,891**	**-**	**-**	**1,158,128**	**-**

Performance Rights held by Key Management Personnel 2012

	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	-
TOTAL	**-**	**374,237**	**-**	**-**	**374,237**	**-**

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2013

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

Shareholding by Key Management Personnel 2013

	Balance at 1 July 2012	Granted as Remuneration	On Exercise of Options	Other Changes During the Year	Balance at 30 June 2013
J Hanna	1,134,666	-	-	(410,875)	723,791
T Streeter	25,889,410	-	-	(1,951,780)	23,937,630
R Dunbar	102,500	-	-	10,000	112,500
I Macliver	20,000	-	-	3,948	23,948
R Yeates	10,000	-	-	-	10,000
D Lougher	64,884	-	-	15,073	79,957
D Southam	-	-	-	-	-
W Jones (*)	60,000	-	-	-	60,000
C Wilkinson	7,000	-	-	-	7,000
J Belladonna	60,000	-	-	3,948	63,948
TOTAL	**27,348,460**	**-**	**-**	**(2,329,686)**	**25,018,774**

* Mr Jones was promoted to General Manager Operations on 1 August 2012 and held the above shares at that time.

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
TOTAL	**28,329,781**	**-**	**-**	**(1,041,321)**	**27,288,460**

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

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2013

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

Options held by Key Management Personnel 2013

	Balance at 1 July 2012	Granted as Remuneration	On Exercise of Options	Purchases / (Sales)	Expired / Lapsed	Balance at 30 June 2013	Options Vested (*)
J Hanna	200,000	-	-	-	(200,000)	-	-
D Lougher	200,000		-	-	(200,000)	-	-
C Wilkinson	100,000	-	-	-	(100,000)	-	-
G Marshall	50,000	-	-	-	(50,000)	-	-
J Belladonna	100,000	-	-	-	(100,000)	-	-
TOTAL	**650,000**	**-**	**-**	**-**	**(650,000)**	**-**	**-**

(*) 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 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
TOTAL	**650,000**	**-**	**-**	**-**		**650,000**	**650,000**

(*) 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 2013

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**	**2013 $'000**	**2012 $'000**
Koolyanobbing (3 JV's)	51% - 100%	Nickel & Gold exploration	1,574	832
Sandstone Project	51% - 70%	Nickel exploration	-	5,625
Mt Alexander	25%	Nickel & Copper exploration	100	100
Great Western Project	51%-70%%	Nickel & Copper exploration	2,174	1,772
Kawana Project	70%-80%	Nickel & Copper exploration	390	304

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 2013

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:

	2013	2012
	'000	'000
Cash and cash equivalents	80,719	165,502
Trade and other receivables	18,610	25,360
Available for sale financial assets	1,120	3,460
Derivative financial instruments	663	1,973

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 2013

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:

2013 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	80,719	-	-	**80,719**
Trade and Other Receivables	18,610	-	-	**18,610**
Financial Assets –Derivative				
Nickel Collar Options (net settled)	663	-	-	**663**
	99,992	-	-	**99,992**
Financial Liabilities – Non Derivative				
Trade and Other Payables	36,911	-	-	**36,911**
Convertible bonds	-	255,262	-	**255,262**
Lease liabilities	104	275	-	**379**
Financial Liabilities –Derivative				
Collar options (net settled)	1,906	-	-	**1,906**
	38,921	255,537	-	**294,458**
Net Financial Assets/(Liabilities)	**61,071**	**(255,537)**	**-**	**(194,466)**

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)**

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2013

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:

2013 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	80,719	-	-	-	-	**80,719**	4.1%
Trade and Other Receivables	-	-	-	-	18,610	**18,610**	
	80,719	-	-	-	18,610	**99,329**	
Financial Liabilities							
Trade and Other Payables	-	-	-	-	36,911	**36,911**	
Convertible bonds	-	-	218,449	-	-	**218,449**	6.4%
Lease liability	-	104	275	-	-	**379**	6.4%
	-	104	218,724	-	36,911	**255,739**	
Net Financial Assets/(Liabilities)	**80,719**	**(104)**	**(218,724)**	**-**	**(18,301)**	**(156,410)**	

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)**	

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 2013

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% (2012 – increased by 10% / decreased by 10%) and foreign exchange rate increased by 5% / decrease by 5% (2012 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 2013**	**30 June 2012**
	$'000	**$'000**
ASX	7	27
TSX	46	143

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 2013		
+- $500 / tonne nickel	+1,974	-1,974
	Profit	**Equity**
	$'000	**$'000**
Year Ended 30 June 2012		
+- $500 / tonne nickel	+-1,143	+-1,143

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2013

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 2013 the Consolidated Entity did not have any open nickel collar options. (2012: Nil)

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 2013		30 June 2012	
	Financial liabilities	**Financial assets**	**Financial liabilities**	**Financial assets**
US$ '000	-	16,754	-	24,231
Euros '000	-	200	-	1,207

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 2013		
+ 5% in $A/$US	(2,690)	(2,690)
- 5% in $A/$US	2,973	2,973
	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

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2013

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 2013 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			
	2013	2012	2013		2012	
Consolidated Group	$000	$000	$		$	
Buy AUD / Sell USD			Put	Call	Put	Call
Settlement						
— less than 6 months	40,000	40,000	1.000	0.920	1.007	0.903
— 6 months to 1 year	30,000	20,000	0.960	0.802	1.007	0.903

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 2013

Note 29: Financial Risk Management (Continued…)

d) Net fair values (Continued…)

		2013		2012	
		Carrying Amount $'000	Net Fair Value $'000	Carrying Amount $'000	Net Fair Value $'000
Financial Assets					
Cash and cash equivalents	(i)	80,719	80,719	165,502	165,502
Available-for-sale assets at fair value	(ii)	1,120	1,120	3,460	3,460
Derivative financial assets	(iii)	663	663	1,973	1,973
Loans and receivables	(i)	18,610	18,610	25,360	25,360
		101,112	101,112	196,295	196,295

		2013		2012	
		Carrying Amount $'000	Net Fair Value $'000	Carrying Amount $'000	Net Fair Value $'000
Financial Liabilities					
Trade and other payables	(i)	36,911	36,911	66,444	66,444
Convertible bonds	(iv)	218,449	235,198	314,540	333,500
Derivative financial liabilities	(iii)	1,906	1,906	284	284
Corporate loan facility	(iv)	-	-	44,305	44,500
Other liabilities	(i)	379	379	235	235
		257,645	274,394	425,808	444,963

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 liabilities 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 2013

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
2013				
Financial assets:				
Available-for-sale financial assets	1,120	-	-	1,120
Derivative financial instrument	-	663	-	663
Total financial assets	1,120	663	-	1,783
Financial liabilities				
Derivative financial instruments	-	1,906	-	1,906
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

Note 30: Related Party Transactions

Mr Julian Hanna received $50K 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 2013

Note 31: Share Based Payments

(a) Expenses arising from share based transactions

	Consolidated Entity	
	2013 $'000	2012 $'000
Equity settled share options and performance rights granted during:		
Year ended 30 June 2012	535	535
Year ended 30 June 2013	623	-
Total expense recognised as employee costs	1,158	535

(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.

For grants made under the Long Term Incentive (LTI) plan during FY13, vesting will occur subject to the meeting of service and performance conditions as follows:

- Two-thirds 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 2013

Note 31: Share Based Payments (Continued…)

(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:

	2013	2012
Underlying share price	$4.06	$5.66
Exercise price of rights	Nil	Nil
Risk free rate	2.40%	3.12%
Volatility factor	35% to 55%	35% to 55%
Dividend yield	4.0%	4.0%
Effective life	3.0 years	2.58 years
Entitled number of employees	7	6

Performance Rights held by Key Management Personnel at 30 June 2013

	Balance at 1 July 2012	Granted as Remuneration	Exercise of Performance Rights	Expired / Lapsed	Balance at 30 June 2013	Performance Rights Vested
D Lougher	113,891	294,800	-	-	408,691	-
D Southam	107,354	165,900	-	-	273,254	-
C Wilkinson	46,399	71,050	-	-	117,449	-
G Marshall	42,182	64,591	-	-	106,773	-
J Belladonna	64,411	104,074	-	-	168,485	-
W Jones	-	83,476	-	-	83,476	
TOTAL	**374,237**	**783,891**	**-**	**-**	**1,158,128**	**-**

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	-
TOTAL	**-**	**374,237**	**-**	**-**	**374,237**	**-**

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2013

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 following options were outstanding at 30 June 2013:

	Consolidated Entity			
	2013		2012	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Opening balance	1,900,000	7.32	2,010,000	7.32
Options cancelled	-	-	(110,000)	7.32
Options Expired	(1,900,000)	7.32	-	-
Closing balance	**-**	**-**	**1,900,000**	**7.32**
Vested balance	**-**	**-**	**1,900,000**	**7.32**

The movement in the various classes of options for the year ended 30 June 2013 were as follows:

	Option Terms (Exercise Price and Maturity)		
	Director $7.50 Sep 12	Employee $7.25 Sep 12	TOTAL
Opening balance	**600,000**	**1,300,000**	**1,900,000**
Options cancelled	(600,000)	(1,300,000)	(1900,000)
Closing balance	**-**	**-**	**-**

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 issued	-	-	-
Options Expired	-	-	-
Options Cancelled	-	(110,000)	(110,000)
Options exercised	-	-	-
Closing balance	**600,000**	**1,300,000**	**1,900,000**

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2013

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 2013

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).*

  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.

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2013

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

These Standards were mandatorily applicable for annual reporting periods commencing on or after 1 January 2013. However, AASB 2012–6*: Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures* (issued September 2012) defers the mandatory application date of AASB 9 from 1 January 2013 to 1 January 2015. In light of the change to the mandatory effective date, the Group is expected to adopt AASB 9 and AASB 2010–7 for the annual reporting period ending 31 December 2015. Although the directors anticipate that the adoption of AASB 9 and AASB 2010–7 may have a significant impact on the Group's financial instruments, it is impracticable at this stage to provide a reasonable estimate of such impact.

– AASB 10*: Consolidated Financial Statements*, AASB 11: *Joint Arrangements, AASB 12: Disclosure of Interests in Other Entities*, AASB 127: *Separate Financial Statements* (August 2011) and AASB 128: *Investments in Associates and Joint Ventures* (August 2011) (as amended by AASB 2012–10: *Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments*), and AASB 2011–7: *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards* (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 these pronouncements 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) The Group has not yet been able to reasonably estimate the impact of these pronouncements on its financial statements.

– 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's financial statements.

  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.

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2013

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

– AASB 13: *Fair Value Measurement* and AASB 2011–8: *Amendments to Australian Accounting Standards arising from AASB 13* (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.

These Standards are expected to result in more detailed fair value disclosures, but are not expected to significantly impact the amounts recognised in the Group's financial statements.

– AASB 2011–4: *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements* (applicable for annual reporting periods beginning on or after 1 July 2013).

This Standard makes amendments to AASB 124: *Related Party Disclosures* to remove the individual key management personnel disclosure requirements (including paras Aus29.1 to Aus29.9.3). These amendments serve a number of purposes, including furthering trans-Tasman convergence, removing differences from IFRSs, and avoiding any potential confusion with the equivalent *Corporations Act 2001* disclosure requirements.

This Standard is not expected to significantly impact the Group's financial report as a whole because:

- some of the disclosures removed from AASB 124 will continue to be required under s 300A of the Corporations Act, which is applicable to the Group; and
- AASB 2011–4 does not affect the related party disclosure requirements in AASB 124 applicable to all reporting entities, and some of these requirements require similar disclosures to those removed by AASB 2011–4.

– AASB 119: *Employee Benefits* (September 2011) and AASB 2011–10: *Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)* (applicable for annual reporting periods commencing on or after 1 January 2013).

These Standards introduce a number of changes to the presentation and disclosure of defined benefit plans, including:

- removal of the "corridor" approach from AASB 119, thereby requiring entities to recognise all changes in a net defined benefit liability/(asset) when they occur; and
- disaggregation of changes in a net defined benefit liability/(asset) into service cost, net interest expense and remeasurements and recognition of:
  (i) service cost and net interest expense in profit or loss; and
  (ii) remeasurements in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2013

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

AASB 119 (September 2011) also includes changes to the criteria for determining when termination benefits should be recognised as an obligation.

The directors anticipate that the application of the amendments to AASB 119 will not have an impact on the amounts reported as the Group does not have a defined benefit plan.

– AASB 2012–5: *Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011* (applicable for annual reporting periods commencing on or after 1 January 2013).

  This Standard amends a number of Australian Accounting Standards as a consequence of the issuance of *Annual Improvements to IFRSs 2009–2011 Cycle* by the International Accounting Standards Board, including:

  - AASB 1: *First-time Adoption of Australian Accounting Standards* to clarify the requirements in respect of the application of AASB 1 when an entity discontinues and then resumes applying Australian Accounting Standards;
  - AASB 101: *Presentation of Financial Statements* and AASB 134: *Interim Financial Reporting* to clarify the requirements for presenting comparative information;
  - AASB 116: *Property, Plant and Equipment* to clarify the accounting treatment of spare parts, stand-by equipment and servicing equipment;
  - AASB 132 and Interpretation 2: *Members' Shares in Co-operative Entities and Similar Instruments* to clarify the accounting treatment of any tax effect of a distribution to holders of equity instruments; and
  - AASB 134 to facilitate consistency between the measures of total assets and liabilities an entity reports for its segments in its interim and annual financial statements.

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

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2013

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	
	2013 $'000	**2012 $'000**
Assets		
Current Assets	128,914	232,009
Non Current Assets	411,637	548,814
Total Assets	540,551	780,823
Liabilities		
Current Liabilities	44,955	227,388
Non Current Liabilities	233,842	256,003
Total Liabilities	278,797	483,391
Net Assets	**261,754**	**297,432**
Equity		
Issued capital	266,043	202,611
Reserves	41,277	76,335
Retained Earnings	(45,566)	18,486
Total Equity	**261,754**	**297,432**

Statement of Comprehensive Income

Profit for the year	**(81,463)**	**46,640**
Total comprehensive income for the year	**(84,086)**	**43,540**

Guarantees

Western Areas Ltd 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 Ltd.

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2013

Note 35: Business Combination

Acquisition of Kagara Nickel Pty Ltd

On 29 February 2012, Western Areas Ltd, 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 Ltd 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 Ltd:

   (a) the Consolidated Entity's financial statements and notes set out on pages 30 to 90 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 2013 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 2013.

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

D Lougher
Managing Director

Dated this 27th day of August 2013

INDEPENDENT AUDITOR'S OPINION

Crowe Horwath

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

We have audited the accompanying financial report of Western Areas Ltd, which comprises the consolidated statement of financial position as at 30 June 2013, 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 Ltd 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 2013 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.

Crowe Horwath.

REPORT ON THE REMUNERATION REPORT

We have audited the Remuneration Report included in pages 9 to 22 of the directors' report for the year ended 30 June 2013. 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 Ltd for the year ended 30 June 2013 complies with section 300A of the *Corporations Act 2001*.

Crowe Horwath Perth

CROWE HORWATH PERTH

Sean McGurk

SEAN MCGURK
Partner

Signed at Perth, 27 August 2013