WESTERN AREAS LTD

2014

ANNUAL REPORT

CORPORATE ***DIRECTORY***

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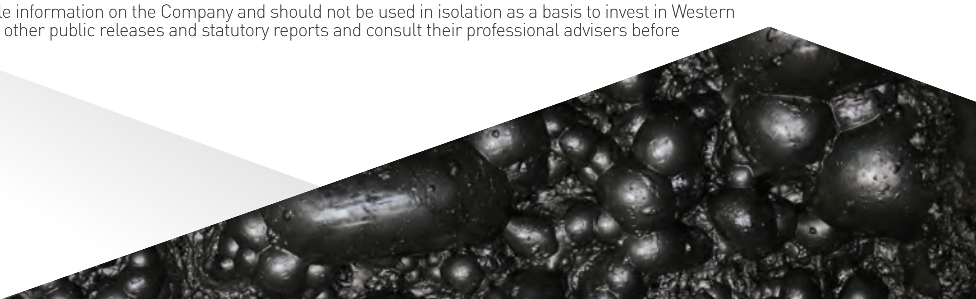
COMPETENT PERSON STATEMENT
The information in the Annual Report that relates to Exploration Results, Mineral Resources and Ore Reserves is based on information compiled by Mr Charles Wilkinson, Mr Andre Wulfse and Mr Daniel Lougher, who are Competent Persons and members of The AusIMM. They are full-time employees of Western Areas Ltd. Mr Wilkinson, Mr Wulfse and Mr Lougher have sufficient experience that is relevant to the style of mineralisation, type of deposit under consideration and to the activity being undertaken to qualify as Competent Persons as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Wilkinson, Mr Wulfse and Mr Lougher consent to the inclusion in the report of the matters based on his information in the form and context in which it appears.

FORWARD LOOKING STATEMENT:
This Annual Report contains certain forward-looking statements including nickel production targets. Often, but not always, forward looking statements can generally be identified by the use of forward looking words such as "may", "will", "expect", "intend", "plan", "estimate", "anticipate", "continue", and "guidance", or other similar words and may include, without limitation, statements regarding plans, strategies and objectives of management, anticipated production and expected costs.

These forward-looking statements are subject to a variety of risks and uncertainties beyond the Company's ability to control or predict which could cause actual events or results to differ materially from those anticipated in such forward-looking statements.

This announcement does not include reference to all available information on the Company and should not be used in isolation as a basis to invest in Western Areas. Any potential investors should refer to Western Area's other public releases and statutory reports and consult their professional advisers before considering investing in the Company.



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CHAIRMAN'S *LETTER*

IAN MACLIVER
INDEPENDENT NON–EXECUTIVE CHAIRMAN

DEAR FELLOW SHAREHOLDERS,

On behalf of your Board of Directors, I am pleased to present to you the Annual Report for the year ended 30 June 2014. In my first year as independent Chairman of the Board, I am very pleased to report on a significant change in the nickel market over the course of the year, with prices rising some 36% throughout FY14, mostly in the second half of the year. The nickel price strength, coupled with our average US dollar exchange rate falling from $1.03 to $0.91, has had a positive effect on our Company's finances.

Crucially, we've maintained our operational performance throughout the year, allowing the Company to reap the full benefit of the improved pricing for nickel. Western Areas seeks to do all it can to implement a cost base and balance sheet that is sustainable through the highs and lows of the nickel price cycle. I am pleased to report that we still maintain our position as one of the lowest cost producers of nickel in Australia.

The nickel price rise in the second half of the year was largely attributable to the Indonesian Government's implementation of a ban in early 2014 on the export of unprocessed nickel laterite ore. The objective of the ban was to encourage the development of a domestic processing industry, rather than seeing raw product shipped off to other countries for value adding processing.

Indonesia was previously a major supplier of nickel laterite material, accounting for as much as a quarter of world supply and as such the ban has seen a significant structural change to the supply side of the nickel industry. The Indonesian product was also the primary source of supply for the Chinese Nickel Pig Iron Industry.

During the year we strengthened our balance sheet as a result of $105m capital raising and the repurchase of $15m of convertible bonds. At year end, the Company was in a net cash position (ie. we held more in cash and liquid assets than our total debt) for the first time in 10 years.

Looking forward to growth in the coming years, the Company retains an excellent portfolio of exploration acreage near our existing Forrestania Nickel Operations.

Essentially, within the next 12 months we will have completely paid off the original development funding taken on to build our Forrestania Nickel Operations. Collectively, this will lead to a $24 million reduction in borrowing costs every year post FY15.

Looking forward to growth in the coming years, the Company retains an excellent portfolio of exploration acreage near our existing Forrestania Nickel Operations. The core of our exploration efforts will be focused there, with the potential for any discovery to be brought rapidly into production, making use of our available infrastructure.

We also continue to review a number of earn in and joint venture opportunities on advanced exploration acreage, currently held by junior resource companies.

During the year we successfully listed our Finnish assets as a separate company on the London AIM market. Capital was raised as part of that process to enable exploration to be undertaken. Pleasingly, early drilling results in Finland have returned positive results.

In closing, I'd like to thank the Company's Managing Director, Dan Lougher, the executive team and all of the employees, contractors and suppliers of Western Areas for their hard work and dedication throughout the year. I would also like to thank my fellow directors for their hard work and valuable insights. I look forward to our operational excellence, and a positive nickel environment, continuing into next year.

Ian Macliver
Independent
Non–executive Chairman

MANAGING DIRECTOR'S *REPORT*

DANIEL LOUGHER
MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER

With continued strong operational performance, including an unrelenting focus on cost reduction and safety, and a fundamental change in the nickel market, the 2014 financial year has been a successful one for Western Areas' shareholders, employees and stakeholders.

Production for the year exceeded expectations, with unit cash costs of nickel in concentrate in particular falling significantly compared to last year, coming in at A$2.50/lb versus A$2.68/lb for the prior year. The strong production results flowed through into our financial results, with underlying net profit after tax (NPAT) for the year of $32.6m, compared to an underlying result of $5.6m last year.

At the end of the previous financial year, the Board made a commitment to increase dividends should the Company return to material profitability. Pleasingly, we were able fulfil this commitment and with the Company posting a solid financial result, the Board decided to pay a final fully franked dividend of 4c per share. Accordingly, dividends for the year totalled 5c per share representing a payout ratio of approximately 41% of NPAT.

Importantly, we've undertaken our activities in a very safe manner, with our Lost Time Injury Frequency Rate (LTIFR) at an industry low rate of 1.9 at 30 June, after briefly touching zero during the year. At the time of writing this report, the Company's LTIFR had decreased to 1.0. We are very proud of our safe work culture, and believe the ability to effectively manage safety in the workplace goes hand in hand with our ability to productively manage all other aspects of the business.

By managing our mining operations well, we've been able to materially benefit from the upsurge in the nickel price created by the Indonesian Government nickel laterite export ban. As discussed elsewhere in the report, we continue to see evidence building that this will not be a temporary change to the nickel market, rather a permanent structural change tightening up the world's supply of nickel.

In particular, the second half of the financial year saw our realised nickel price increase significantly which resulted in Western Areas ending the year in a net cash position. Western Areas' message to the market during the year was very clear that the Company was focused on reducing debt. This goal has now been achieved with our balance sheet being substantially transformed by the retirement of convertible bond debt subsequent to year end. Furthermore, with the last convertible bond debt on track

to be retired from cash reserves in July 2015, the Company will realise around A$24m in annual debt cost savings from the commencement of FY16, including approximately A$12m in FY15.

Our operational result has been built on a culture of constant productivity improvements, innovation and a strong focus on costs. Throughout the year we have implemented a range of operational enhancements and cost reduction initiatives. Significantly, a great number of these initiatives are proposed from our employees, not from the "top down". The ability of our staff to identify these initiatives and see them implemented is a great asset for our Company.

Our Spotted Quoll mine performed extremely well, easily exceeding the steady state run rate of 12,000 nickel tonnes per year (actual 13,973 nickel tonnes) and doing this with zero LTI's. Spotted Quoll continues to have a mine life based on reserves of greater than 10 years. Flying Fox also performed strongly, mining over 14,000 tonnes of nickel for the year. The Cosmic Boy Concentrator continued its excellent track record with throughput being 9% above nameplate capacity and utilisation around 98%.

The majority of the Company's exploration expenditure continues to be directed towards the assessment of the highly prospective greenstone belt contained within the Forrestania tenements. As with previous years, the exploration activities have been directed towards identifying new deposits and evaluating potential extensions to the existing operations. During the year, our focus was on the delineation around the new discovery below the existing resources at New Morning. In addition, testing of the 6km zone between the two mines was undertaken. This area would be easily accessible from existing infrastructure and now with a higher nickel price environment, the Company is running a number of internal studies on how to bring into production a third mine in the medium term.

	FY14	FY13
Lost Time Injury Frequency Rate (LTIFR)	1.9	0.83
Total Ore Mined (tns)	598,959	555,736
Average Mined Grade	4.8%	5.0%
Contained Nickel Mined (tns)	28,686	27,639
Total Ore Processed (tns)	598,152	586,254
Average Processed Grade	4.8%	5.1%
Average Recovery	89%	91%
Contained Nickel Processed (tns)	25,700	26,918
Nickel Sold (tns)	25,756	27,819
Average Nickel Price Recieved (US$/tn)	16,458	16,112
Cash Costs before smelting/refining (A$/lb)	2.50	2.68
Average Exchange Rate USD/AUD	0.91	1.03

> Throughout the year we have implemented a range of operational enhancements and cost reduction initiatives. Significantly, a great number of these initiatives are proposed from our employees, not from the 'top down'.

The ongoing challenge for funding in the junior exploration market continues to offer Western Areas a wealth of opportunities to enter relatively advanced projects for attractive entry prices. Importantly, shareholders should understand that when the Company examines these opportunities it is done with in-depth due diligence, with the view of bringing on a new mining camp. The Company intends to increase its exploration spend to $20m for FY15 which will allow additional exploration resources to be deployed into the Company's projects.

In line with our stated objectives, the Company's Finnish exploration assets were listed on the London AIM Stock Exchange during December 2013, as FinnAust Mining Plc ("FinnAust"). FinnAust raised sufficient exploration funding for a highly targeted 18 month drilling program and is self sufficient with an in-country geological team and a modest office in London. Western Areas of course retains exposure to any discovery through holding a majority 68% of FinnAust. Early drilling success has been seen with high-grade poly-metallic mineralisation from their Hammaslahti target in Southern Finland.

A high standard of environmental management has been maintained at the Forrestania operations. The Company undertook a number of key initiatives during the year, including the completion of a site wide independent environmental audit, the development of a site wide rehabilitation plan and the completion of a carbon emissions benchmarking study. The Company also participated in the Department of Mines and Petroleum's Mining Rehabilitation Fund which has resulted in relinquishment of all the unconditional performance bonds.

Western Areas continues to support a series of biodiversity initiatives such as funding the Carnaby's Black Cockatoo research and is a major sponsor of Perth Zoo's Western Quoll exhibit. The Company also continues to support The Starlight Children's Foundation.

Looking forward into the new financial year, we have released guidance around key operational and financial metrics. Our shareholders will appreciate that we have a proud track record of not missing our targets and working extremely hard to outperform where possible. As a group we are tremendously determined to maintain our reputation of being a dependable mining company and will update our progress towards our goals through quarterly and half year reporting.

We are prepared to say at this early juncture that should the nickel price increase from existing levels as has been forecast by market commentators, the Company expects the financial year to be very strong from a profitability and cashflow generation perspective.

This has been an excellent year for Western Areas shareholders and I would like to acknowledge all of our dedicated staff, contractors and support companies who have made this result possible. I look forward to our success continuing into FY15.

Finally, I would like to take this opportunity to thank our past Chairman, Terry Streeter, for his commitment and leadership over the past 13 years with the company.

Thank you for your support.

Daniel Lougher
Managing Director
& Chief Executive Officer

HIGHLIGHTS
2013-2014

SAFETY

Lost Time Injury Frequency Rate (LTIFR) at an industry low rate of 1.9 at 30 June, after briefly touching zero. At the time of writing this report, the Company's LTIFR had decreased to 1.0.

DIVIDEND

The Board decided to pay a final fully franked dividend of 4c per share. Accordingly, dividends for the year totalled 5c per share representing a payout ratio of approximately 41% of NPAT.

COSMIC BOY CONCENTRATOR

The Cosmic Boy nickel concentrator achieved its fifth year of operation during FY14, achieving a record breaking ore throughput for the full year of 598,152 tonnes.

ENVIRONMENTAL

Western Areas has better energy and emissions productivity (per tonne of contained nickel) than any other nickel miner reporting in Australia.

SPOTTED QUOLL MINE

Our Spotted Quoll mine performed extremely well, easily exceeding the steady state run rate of 12,000 nickel tonnes per year (actual 13,973 nickel tonnes) and doing this with zero LTI's.

PRODUCTION COSTS

Production for the year exceeded expectations, with unit cash costs of nickel in concentrate in particular falling significantly compared to last year, coming in at A$2.50/lb versus A$2.68/lb for the prior year.

FLYING FOX MINE

Flying Fox performed strongly, mining over 14,000 tonnes of nickel for the year.

BALANCE SHEET

Balance sheet being substantially transformed by the retirement of convertible bond debt subsequent to year end.

OPERATIONS *REVIEW*

GROUP OVERVIEW

Western Areas Ltd is an Australian-based nickel miner listed on the ASX. The main asset is the 100% owned Forrestania Nickel Operations, 400km east of Perth. Western Areas is currently targeting FY15 total annual production from the Flying Fox and Spotted Quoll mines of between 25,000 to 27,000 tonnes of nickel in ore and the production of 24,500 to 25,500 tonnes of nickel in concentrate from the Cosmic Boy nickel concentrator.

The Company's 100% owned Forrestania Nickel Operation (FNO) comprises two underground nickel mines (Flying Fox and Spotted Quoll), the Cosmic Boy nickel concentrator and the associated accommodation village. Flying Fox is one of the highest grade nickel mines in Australia and has been in production since 2006 and the second mine, Spotted Quoll, commenced underground high grade nickel ore production in November 2011. The Cosmic Boy nickel concentrator achieved its fifth year of operation during FY14, celebrating this milestone by achieving record ore throughput for the full year.

STRUCTURE

Western Areas is a company limited by shares that is incorporated and domiciled in Australia. Western Areas has prepared a consolidated financial report incorporating the material entities that it controlled during the financial year, which are shown below along with the principal assets of each.

FORRESTANIA SAFETY

At the end of FY14, FNO had a 12 month Lost Time Injury (LTI) frequency rate of 1.98. The FNO individual department summary LTI free days is shown in the table below.

FNO Department	LTI free days
Surface Exploration	2,060
Spotted Quoll UG mine	1,170
Cosmic Boy Village	880
Cosmic Boy Concentrator	370
Flying Fox UG mine	350
Surface Haulage	90

The FNO workforce (comprising both Western Areas and contractors) has a proactive approach to workplace risk management which enabled the excellent safety results across the entire operation. During FY14, there were more than 200 Job Safety Analyses, 18 major risk assessments and over 20,000 hazards reported and actioned. Senior Western Areas managers and department Safety Representatives have been active and visible in the work place areas, conducting safety inspections and audits (80). As a result, four of the six operational departments are reporting LTI free days in excess of a year and a fifth is approaching the same milestone.

An external audit of the OHS safety management system in December 2013 reported a significant improvement from the previous year. A site tour by the auditor and individual interviews showed *'that there is good OH&S compliance by both contractors and Western Areas personnel'*.

The FNO Emergency Response Team has put its skills to good use throughout the year assisting the local Department of Fire and Emergency Services (DFES) and the local Volunteer Fire Brigade to contain and control two bushfires approximately 10kms from site infrastructure. The emergency response team also responded to two vehicle related incidents.

FNO emergency response/DFES teams responding to a local bush fire

Underground Rescue Training

OPERATIONS *REVIEW*

FORRESTANIA ENVIRONMENTAL ACTIVITIES

Overall, FNO environmental compliance was maintained at a high level throughout the financial year, however there were two low impact environmental incidents reported, both during the June quarter and both due to pipeline equipment failures. The environmental impact from these was minor and the faults repaired with no re-occurrence.

Strategen Environmental Consultants were engaged to undertake an independent FNO environmental compliance audit with office preparation completed during the December quarter and the field component completed during the March quarter. The outcomes of the audit will be used to guide and update as required the FNO Environmental Management Plan during FY15.

Various environmental applications relating to FNO surface infrastructure upgrades were approved by the relevant regulators throughout the year, as well as the FNO Rehabilitation and Mine Closure Plan (RMCP) approved by the Department of Mines and Petroleum (DMP) during the December quarter.

The Company continued developing the FNO Rehabilitation Management Plan (RMP) to enhance and compliment the current RMCP, which will be further developed and refined during FY15.

The provenance seed collection, sowing, seedling propagation (utilising the local Talbot Nursery) and planting programs continued during the financial year. The Mining Rehabilitation Fund (MRF) ground disturbance data submissions were lodged for all Western Areas tenement packages during the June quarter. The Company expects that, following DMP assessment of the data and full payment of the levy, relevant environmental performance bonds will be relinquished.

The Company continued involvement in the Carbon Disclosure Project (CDP) and supplied relevant emissions data for the most recent reporting period. CDP reporting for FY14 was finalised during the June quarter.

Energetics (carbon & energy consultants) completed a FNO energy and emissions benchmarking study during the December quarter with key findings below:

- Western Areas produces ~11% of the Australian nickel industry's contained nickel tonnes while only emitting 2% of the industry's carbon emissions.
- Since Western Areas began reporting energy and emissions data under the National Greenhouse and Energy Reporting Scheme (NGER), energy and emissions intensity has decreased in each of its three reported years.
- Western Areas has better energy and emissions productivity (per tonne of contained nickel) than any other nickel miner reporting in Australia.

During the September quarter, FNO replaced plastic disposable food containers with re-useable food containers for all personnel. As a result this reduced plastic and food wastage and has the associated benefit of also reducing consumption costs.

FLYING FOX MINE

Streeter Decline development was put on hold during the financial year to optimise capital expenditure, in line with a low nickel price environment, particularly in the first half of FY14. Lateral capital development completed to establish the 285 and 295 ore blocks. This also included 128m of capital vertical development to provide the necessary extensions of the primary ventilation network and escape-way ladder systems to allow stoping activities to commence in these lower levels of the mine.

The T4 and T5 orebodies are practically fully developed, however air-leg development of the narrower edges of both orebodies continued during the financial year.

Flying Fox production continued to be sourced predominantly from the T5 area using the Avoca longhole stoping method and supplemented with some jumbo drill rig flatback stoping. The Avoca methodology, using a combination of rock-fill and Cemented Rock Fill (CRF), continues to provide stoping flexibility and quick stope panel turnaround. The T4 area continues to use predominately conventional longhole open stoping with minor rock-fill where possible.

During the financial year, a custom built longhole drill rig was introduced to trial narrow vein stoping (→= 1.2m width) from air-leg drives, which has proved very successful in minimising ore dilution and speeding up extraction productivity over and above hand held mining methods.

285 South Ore Drive

SPOTTED QUOLL MINE

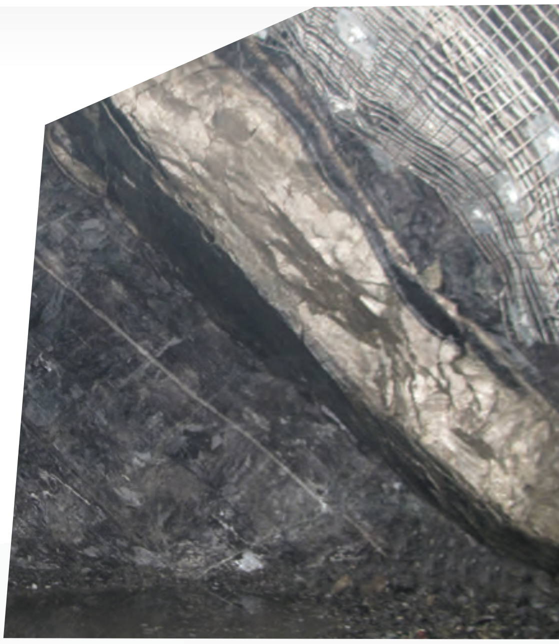
By the end of the financial year, the Hanna Decline was advanced to a depth of 505m (895m RL) below the surface with over 2.7km of lateral decline metres. Approximately 4.1km of capital mine development has been completed, as well as approximately 10.9km of total development. The capital development schedule is on track to access to the second stage of the orebody well before the first stage is complete.

The first stoping district (Block A, 1215 to 1155mRL) was successfully mined out during the financial year with almost 100% extraction. The 1230 and 1155 ore drives have been quarantined to provide access for the high grade Spotted Quoll North orebody, with decline and incline development respectively from these ore drives commencing in July 14.

The second stoping district (Block B, 1110 to 1020mRL) achieved steady state production during the financial year with three stopes available at any one time to ensure a continuous flow of ore. Split firing at the narrower ends of the lower ore drives has proved successful with additional high grade ore extracted in an otherwise low grade section of the ore drives.

The third stoping district (Block C, 1020 to 915mRL) started ore drive development late in the financial year.

The now well established 'top-down' longhole benching using paste-fill has proven to be a reliable and productive stoping method with just over 60,000m^3 poured for the financial year.



1020 Ore Drive: Split fired drive face

OPERATIONS *REVIEW*

MINE ORE PRODUCTION

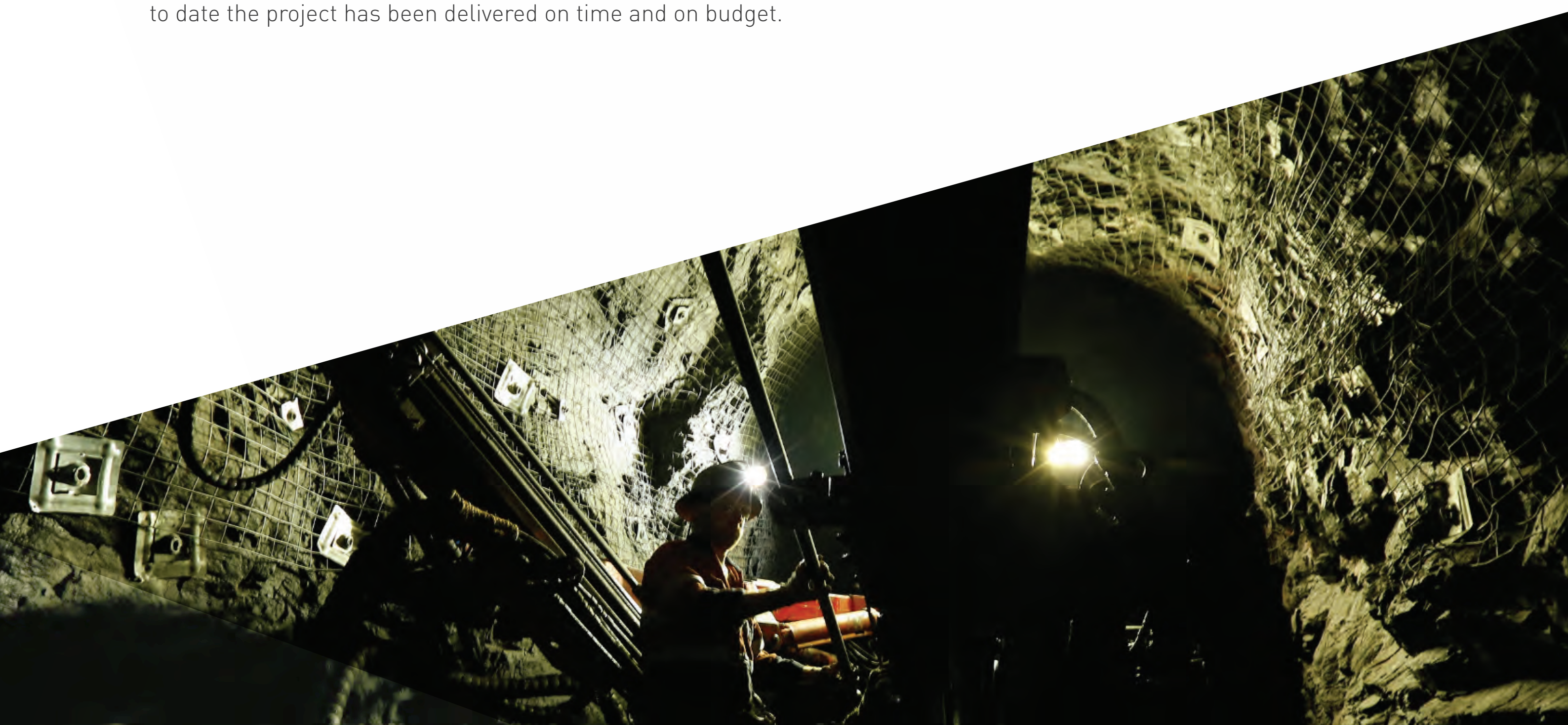
Tonnes Mined		Sep Qtr	Dec Qtr	Mar Qtr	Jun Qtr	FY Total
Flying Fox						
Ore Tonnes Mined	Tns	86,642	83,095	79,328	67,966	317,031
Grade	Ni %	4.8%	4.6%	4.1%	5.1%	4.6%
Ni Tonnes Mined	Tns	4,200	3,791	3,243	3,479	14,713
Spotted Quoll - Underground						
Ore Tonnes Mined	Tns	77,097	74,720	71,614	58,497	281,928
Grade	Ni %	5.3%	4.8%	4.8%	4.8%	5.0%
Ni Tonnes Mined	Tns	4,090	3,616	3,466	2,801	13,973
Total - Ore Tonnes Mined	Tns	163,739	157,815	150,942	126,463	598,959
Grade	Ni %	5.1%	4.7%	4.4%	5.0%	4.8%
Total Ni Tonnes Mined	**Tns**	**8,290**	**7,407**	**6,709**	**6,280**	**28,686**

FLYING FOX PRODUCTION

During the year, Western Areas mined a total of 317,031 ore tonnes at an average grade of 4.6% nickel for 14,713 contained nickel tonnes which included 109,008 ore tonnes @ 4.4% for 4,750 nickel tonnes from the Lounge Lizard tenement.

SPOTTED QUOLL PRODUCTION

During the year, Western Areas mined a total of 281,928 ore tonnes at an average grade of 5.0% for 13,973 contained nickel tonnes. The Spotted Quoll underground operations reached steady state production throughout the year, to date the project has been delivered on time and on budget.



COSMIC BOY MILL PRODUCTION

Tonnes Milled and Sold		Sep Qtr	Dec Qtr	Mar Qtr	Jun Qtr	FY Total
Ore Processed	Tns	150,475	148,901	147,544	151,232	598,152
Grade	%	4.9%	4.9%	4.8%	4.7%	4.8%
Ave. Recovery	%	90%	88%	90%	89%	89%
Ni Tonnes in Concentrate	**Tns**	**6,593**	**6,427**	**6,344**	**6,336**	**25,700**
Total Nickel Sold	**Tns**	**6,554**	**6,409**	**6,418**	**6,374**	**25,756**

During the financial year, the Cosmic Boy Concentrator treated a record breaking 598,152 tonnes at an average ore grade of 4.8% nickel. A total of 173,998 tonnes of concentrate was produced at 14.8% nickel containing 25,700 nickel tonnes. Nickel recovery for the year averaged 89%. The record throughput was achieved due to the ongoing hard work of the concentrator production team that has maximised the utilisation of the concentrator that results from the excellent maintenance team effort that limits downtime to the absolute minimum.

Cosmic Boy Concentrator at dawn

OPERATIONS
REVIEW

NICKEL SALES

Western Areas continued to deliver its high quality and sought after nickel concentrate material into the offtake contracts of the two current customers, BHPB Nickel-West and Jinchuan Group (Jinchuan). A total of 174,903 tonnes of concentrate was delivered to these two customers' offtake contracts during FY14 which contained 25,756 tonnes of nickel.

The current Jinchuan off-take contract which commenced in March 2013 will be completed ahead of time during December 2014.

COST OF PRODUCTION

The unit cash cost of nickel in concentrate (excluding smelting/refining charges and royalties) for the full year was A$2.50/lb, being well below the full year guidance of <A$2.70/lb.

Main contributors to this excellent performance included:

1. Above expected mill availability leading to increased ore throughput.
2. Higher mined grades from Flying Fox included in the mill blend.
3. Sustained focus on absolute cost management, particularly mining contracting costs, logistics, mill consumables and wages.

Financial Statistics		Sep Qtr	Dec Qtr	Mar Qtr	Jun Qtr	FY
Group Production Cost/lb						
Mining Cost (*)	*A$/lb*	1.65	1.88	1.84	1.99	1.84
Haulage	*A$/lb*	0.06	0.06	0.06	0.05	0.06
Milling	*A$/lb*	0.40	0.44	0.43	0.43	0.43
Admin	*A$/lb*	0.19	0.19	0.21	0.16	0.19
By Product Credits	*A$/lb*	(0.02)	(0.03)	(0.02)	(0.02)	(0.02)
Cash Cost Ni in Con (***)	***A$/lb***	**2.28**	**2.54**	**2.52**	**2.61**	**2.50**
Cash Cost Ni in Con/lb (***)	***US$/lb(**)***	***2.09***	***2.36***	***2.26***	***2.43***	***2.28***
Exchange Rate US$/A$		***0.92***	***0.93***	***0.90***	***0.93***	***0.91***

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

(**) US$ FX for Relevant Quarter is RBA ave daily rate (Jun Qtr = A$1:US$0.93).

(***) Payable terms are not disclosed due to confidentiality conditions of the offtake agreements. Cash costs exclude royalties.

Note: Grade and recovery estimates are subject to change until the final assay data are received

FLYING FOX ORE RESERVES / MINERAL RESOURCES

The Flying Fox Mineral Resource and Ore Reserve Summaries at the end of the financial year are as follows:

Mineral Resource: 1.82Mt of ore at a grade of 5.3% for 96,100 nickel tonnes

Ore Reserve: 1.56Mt of ore at a grade of 4.1% for 64,122 nickel tonnes

Remodelling of the Flying Fox orebody suggests that the T7 mineralisation may be trending north towards the dolerite dyke. An underground diamond drill program is planned for the December 2014 quarter to assess this hypothesis. Further modelling work is also underway on the remnant areas above the 800mRL.

The longitudinal section on the right shows the Flying Fox mine below the 800mRL with mineral resources and reserves depleted for mining production during the June 2014 quarter.

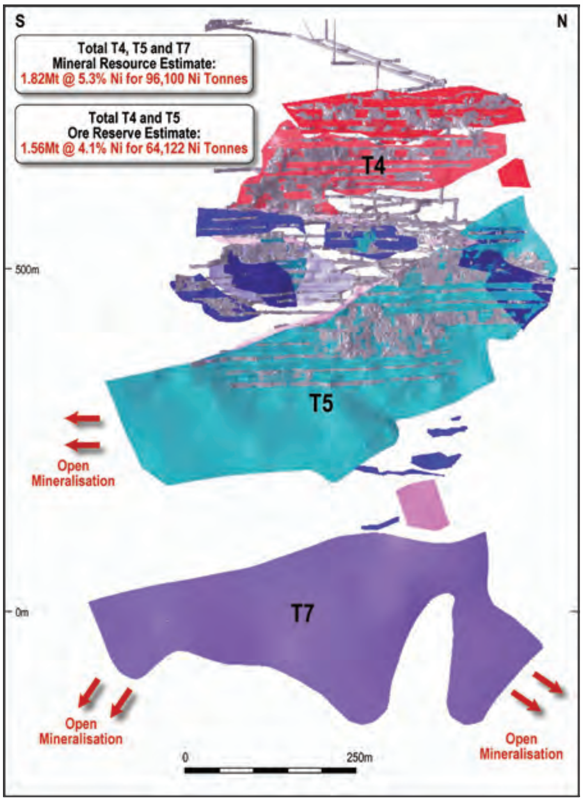


Figure 1: Flying Fox longitudinal section

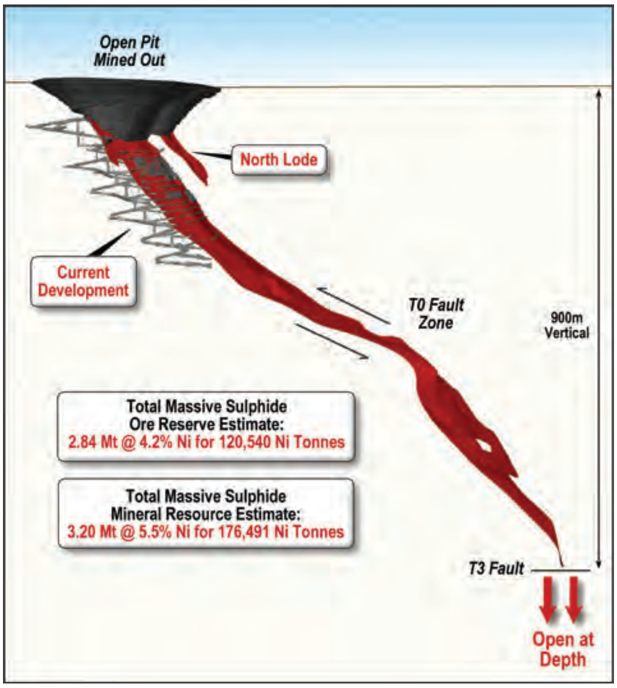


Figure 2: Spotted Quoll longitudinal section

SPOTTED QUOLL ORE RESERVES / MINERAL RESOURCES

The Spotted Quoll Mineral Resource and Ore Reserve Summaries at the end of the financial year are as follows:

Mineral Resource: 3.20Mt of ore at a grade of 5.5% for 176,491 nickel tonnes

Ore Reserve: 2.84Mt of ore at a grade of 4.2% for 120,540 nickel tonnes

The longitudinal section on the right shows the Spotted Quoll Mine with mineral resources and reserves depleted for mining production during the June 2014 quarter.

OPERATIONS *REVIEW*

BIOHEAP

A feasibility study on the treatment of the Cosmic Boy Concentrator (CBC) flash cleaner tailings stream utilising the patented BioHeap™ technology commenced during the year to enable an increase in overall nickel recovery from the plant. The main activities through the financial year have been focused on leaching and recovery test-work plus associated unit processes. This work is being conducted in BioHeap's own mini plant located at BioHeap's Waterford laboratory with expected completion towards the end of the 2014 calendar year. This study, if successful, has the potential for BioHeap to provide possible solutions to concentrators around the world for processing streams that world normally be rejected from final concentrates. The data generated from the developmental and CBC tests using BioHeap's high pH microbial culture was also used to strengthen its patent application.

During FY14, the BioHeap team received several approaches to undertake test-work programs on base metal and gold projects which are confidential in nature. Subsequent proposals were prepared for clients following BioHeap presentations at the ALTA 2014 Nickel Cobalt, Copper, Uranium and Gold conference in Perth. The presentations entitled "High pH leaching using BioHeap® technology" and "BioHeap® application at Cosmic Boy Nickel Concentrator" and trade booth were well received and the conference has continued to generate interest from all sections of the industry which have led to potential clients for BioHeap work.

The BioHeap management team have initiated a marketing campaign, targeting select companies, which will continue over the coming year to promote the BioHeap™ technology and to invite companies considering processing options for sulphide ores to consider the use of the BioHeap™ technology. Alliances and working relationships with research institutes, engineering firms and testwork facilities continue to be formed and strengthened.

BioHeap Testing Facility at Waterford, Western Australia


3D Earthmoving equipment in action at the TSF lift

INFRASTRUCTURE

The Cosmic Boy Tailings Storage Facility (TSF) completed the second upstream lift during the year as scheduled. The two metre lift was completed on time and on budget using 3D Earthmoving as the principal contractor. The upstream methodology uses insitu tailings along with underground development (non acid forming (NAF)) waste rock material for wall armouring. The lift will add two years to the tailings dam life with the next lift not scheduled until 2016.

The Cosmic Boy aerodrome drainage upgrade was completed late in the quarter to maintain compliance with the Civil Aviation Safety Authority (CASA) standards and requirements.

WESTERN AREAS ORE RESERVE / MINERAL ***RESOURCE STATEMENT***

EFFECTIVE DATE 30TH JUNE 2014

Deposit	Tonnes	Grade Ni%	Ni Tns	JORC Classification	JORC Code
Ore Reserves					
1. Flying Fox Area	1,561,771	4.1	64,122	Probable Ore Reserve	2012
2. Spotted Quoll Main	2,669,000	4.2	110,940	Probable Ore Reserve	2004
Spotted Quoll North	168,000	5.7	9,600	Probable Ore Reserve	2012
3. Diggers Area					
Diggers South	2,016,000	1.4	28,950	Probable Ore Reserve	2004
Digger Rocks	93,000	2.0	1,850	Probable Ore Reserve	2004
TOTAL MINERAL RESERVES	6,507,771	3.3	215,462		
Mineral Resources					
1. Flying Fox Area					
T1 South	65,600	3.9	2,580	Indicated Mineral Resource	2004
	35,200	4.9	1,720	Inferred Mineral Resource	2004
T1 North	45,400	4.2	1,900	Indicated Mineral Resource	2004
	12,700	4.8	610	Inferred Mineral Resource	2004
T4 Massive Zone	160,211	5.8	9,267	Indicated Mineral Resource	2012
T5 Massive Zone + Pegs	1,239,399	6.0	74,174	Indicated Mineral Resource	2012
T6 and T7 Massive Zone	47,677	5.1	2,451	Indicated Mineral Resource	2012
	217,840	1.6	3,398	Inferred Mineral Resource	2012
Total High Grade	1,824,027	5.3	96,100		
T5 FF Disseminated Zone	197,200	0.9	1,590	Indicated Mineral Resource	2004
	357,800	1.0	3,460	Inferred Mineral Resource	2004
T5 LL Disseminated Zone	4,428,000	0.8	36,000	Indicated Mineral Resource	2004
Total Disseminated FF - LL	4,983,000	0.8	41,050		
Total Flying Fox - Lounge Lizard	6,807,027	2.0	137,150		
New Morning / Daybreak					
Massive Zone	321,800	3.7	12,010	Indicated Mineral Resource	2004
	93,100	3.5	3,260	Inferred Mineral Resource	2004
Disseminated Zone	1,069,800	0.9	9,650	Indicated Mineral Resource	2004
	659,200	0.9	5,780	Inferred Mineral Resource	2004
Total New Morning / Daybreak	2,143,900	1.4	30,700		

Deposit	Tonnes	Grade Ni%	Ni Tns	JORC Classification	JORC Code
Spotted Quoll Main	160,060	6.2	9,871	Measured Mineral Resource	2012
	2,265,647	5.3	120,518	Indicated Mineral Resource	2012
	641,629	5.2	33,196	Inferred Mineral Resource	2012
Spotted Quoll North	118,414	8.9	10,539	Indicated Mineral Resource	2012
	21,250	11.0	2,367	Inferred Mineral Resource	2012
Total Spotted Quoll	3,207,000	5.5	176,491		
Beautiful Sunday	480,000	1.4	6,720	Indicated Mineral Resource	2004
TOTAL WESTERN BELT	12,637,927	2.8	351,061		
2. Cosmic Boy Area					
Cosmic Boy	180,900	2.8	5,050	Indicated Mineral Resource	2004
Seagull	195,000	2.0	3,900	Indicated Mineral Resource	2004
TOTAL COSMIC BOY AREA	375,900	2.4	8,950		
3. Diggers Area					
Diggers South - Core	3,000,000	1.5	44,700	Indicated Mineral Resource	2004
Diggers South - Halo	4,800,000	0.7	35,600	Indicated Mineral Resource	2004
Digger Rocks - Core	54,900	3.7	2,030	Indicated Mineral Resource	2004
Digger Rocks - Core	172,300	1.1	1,850	Inferred Mineral Resource	2004
Digger Rocks - Halo	1,441,000	0.7	10,350	Inferred Mineral Resource	2004
Purple Haze	560,000	0.9	5,040	Indicated Mineral Resource	2004
TOTAL DIGGERS AREA	10,028,200	1.0	99,570		
TOTAL MINERAL RESOURCES	**23,042,027**	**2.0**	**459,581**		

EXPLORATION ***REPORT***

GROUP EXPLORATION

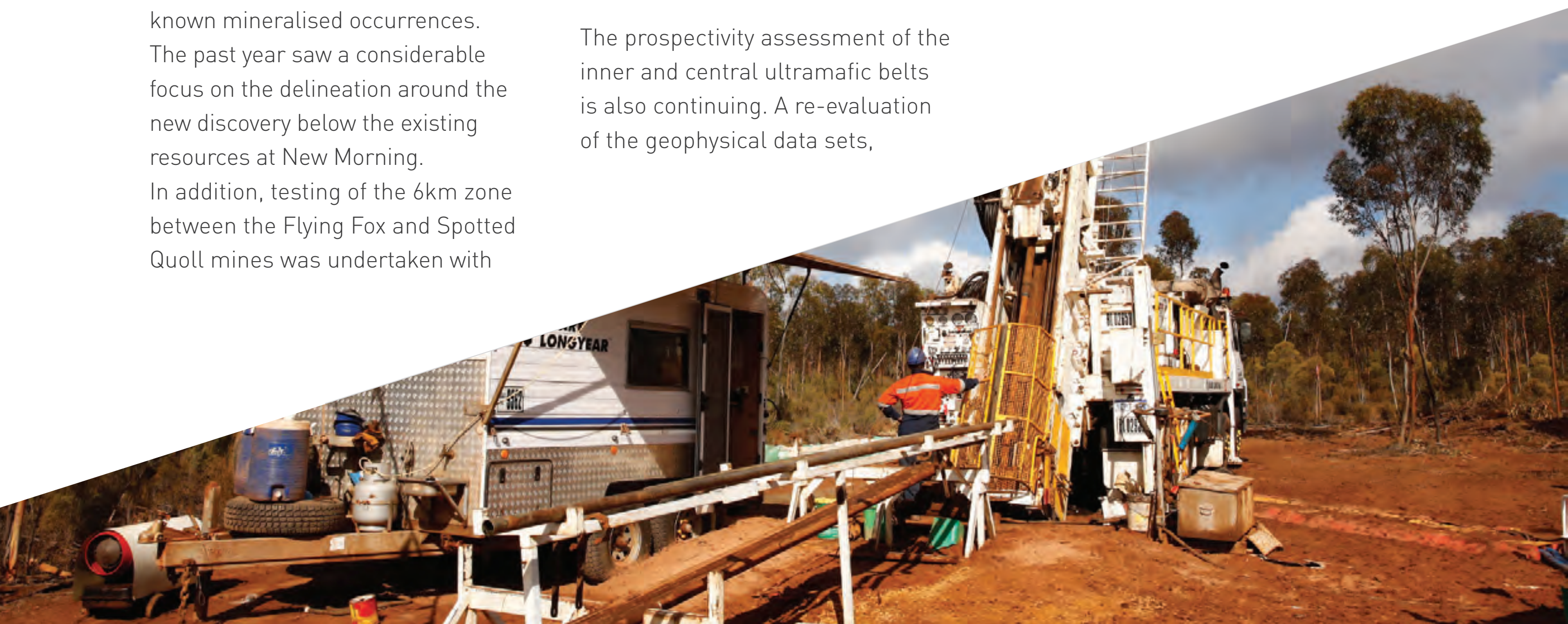
The majority of the Company's exploration expenditure continues to be directed towards assessment of the highly prospective greenstone successions contained within its Forrestania tenement package. This large tenement holding, comprising some $900km^2$ covers over a 125km strike length of ultramafic hosting stratigraphy, and is made up of both wholly owned Western Areas and also Joint Venture tenements, Figure 3. It also includes the Western Ultramafic Belt ("WUB") which contains the bulk of the known high grade deposits at Forrestania, including Flying Fox, Spotted Quoll and New Morning, and has a total known endowment of over 450,000t of contained nickel metal.

As with previous years, the exploration activities have been directed towards identifying new deposits, evaluating potential extensions to the existing Flying Fox and Spotted Quoll deposits as well as testing for extensions to the known mineralised occurrences. The past year saw a considerable focus on the delineation around the new discovery below the existing resources at New Morning.
In addition, testing of the 6km zone between the Flying Fox and Spotted Quoll mines was undertaken with evaluation of the results continuing. Work in the coming year will include a focus on the northern portion of the WUB, a 4.5km zone between the Flying Fox mine and Beautiful Sunday deposit which remains largely untested with no effective deep drilling (T4/5 depth equivalent). Re-interpretation of the previous drilling, together with surface sampling of the WUB to the south of the Spotted Quoll mine, has highlighted a number of prospective targets and these will also be a focus for upcoming exploration.

The laterally extensive Eastern Ultramafic Belt contains numerous prospects and nickel occurrences. As part of the continual assessment process, a number of these were targeted for evaluation during the past year. These included Mt Hope, Liquid Acrobat, Krasenstein West, Krasenstein, Purple Haze and the Mt Gibb Joint Venture prospects of Mt Gibb and Hatters Hill. Further work is required to complete the appraisal of a number of these prospects.

The prospectivity assessment of the inner and central ultramafic belts is also continuing. A re-evaluation of the geophysical data sets, together with a lithogeochemical study of these belts, is being undertaken to identify prospective targets. Exploration drilling commenced at Sebelius, which is part of the inner ultramafic belts, during the year. It is expected that this work will continue through the coming year.

Exploration outside Forrestania was directed towards evaluating projects within the 'Central Yilgarn Belt' to the north of Forrestania. The majority of this work occurred within the Southern Cross Goldfields Joint Venture ground and was aimed at locating high grade nickel sulphide mineralisation associated with komatiitic lava flows. In addition to the above work, the Company was active in the West Musgrave region where exploration commenced on the Traka Joint Venture ground, aimed at locating high grade nickel sulphide (+/- copper) mineralisation associated with mafic-ultramafic intrusives.



FORRESTANIA PROJECT EXPLORATION

Prospectivity reviews and subsequent generation of drill targets to locate new nickel sulphide deposits in the Forrestania Project region are undertaken on a continual basis. Key areas targeted during the past year included those within the WUB: in the New Morning – Flying Fox corridor, the corridor to the north of Flying Fox, up to and including the Beautiful Sunday, Boojum West prospects and in the vicinity of the Spotted Quoll deposit and in addition, prospects within the Eastern Ultramafic Belt were also targeted including Liquid Acrobat, Mt Hope, Krasenstein West, Krasenstein, Purple Haze and southern Mt Gibb prospects (Hatters Hill Central and Mt Gibb).

Western Ultramafic Belt (WUB)

New Morning

The New Morning – Flying Fox corridor includes the approximate 3km section between the Lounge Lizard deposit (currently mined from Flying Fox) and the New Morning deposit, Figure 4.
The Lounge Lizard area, south of Flying Fox, had little deep drilling and the majority of the near surface drilling was directed towards gold exploration. During the year, first pass assessment of the area was undertaken with broadly spaced holes, approximately 300m to 400m apart at the equivalent level of the T1/T2 Flying Fox mineralisation. No significant nickel sulphides were intersected in this drilling, however the prospectivity of nickel sulphide occurrences under the current limit of drill testing is being reviewed.

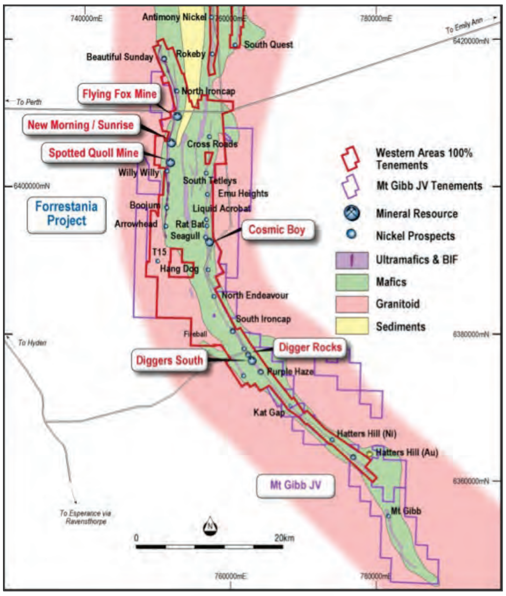


Figure 3: Plan showing Forrestania tenements, mines and key prospects

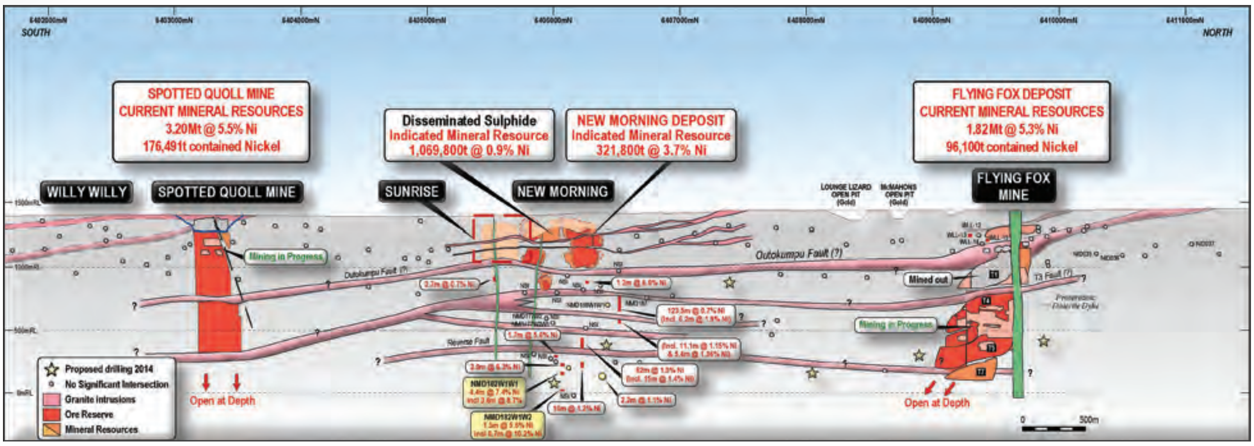


Figure 4: Interpreted Long Projection of the Western Belt footwall contact extending 6km from Spotted Quoll to Flying Fox

EXPLORATION ***REPORT***

The New Morning area was a priority target for exploration at Forrestania during the year. The New Morning "basal contact" style mineralisation is associated with a large cumulate ultramafic body some 1.9km long with known mineralisation occurring within the southern portion, which has a strike length of approximately 800m. The current resources include both high grade massive nickel sulphides as well as disseminated sulphides. The work principally comprised the testing of the down plunge extensions and the strike continuity of the high grade mineralisation below the existing known resource, as well as testing for additions to the north of the known mineralisation in the southern portion of the ultramafic body.

Drilling (four holes NMD182W1W1W1, NMD182W1W2, NMD182W2, NMD182W2W2) utilising wedges off the successfully established footwall hole (NMD182), effectively confirmed an approximately 280m down plunge extent of high grade nickel sulphide mineralisation below the reverse fault, Figure 5. The mineralised extent remains open below and to the south of this, with NMD182W1W2 returning 2.9m @ 3.4% Ni from 1446m (downhole depth). Initial geological interpretations continue to indicate that the mineralised position lies below the reverse fault, in a similar manner to the T4 mineralisation relative to the T3 fault junction at Flying Fox. More recent drilling concentrated on testing the up plunge potential of the high grade mineralisation intersected in the NMD177 and NMD182 series of holes and wedges, reported previously. The area tested is equidistant from the new discovery and the shallower known mineralisation. Initial interpretation of data from the DHEM of the two holes drilled (NMD177W2 and NMD177W2W1) points to the presence of off-hole conductors (plates) adjacent to the holes. The small amount (approximately 10cm) of nickel bearing massive sulphide intersected adjacent to a granite (fault) in NMD177W2W1 suggests that the conductors are likely to be mineralised.

Two holes were drilled, NMD186W1W1 and NMD187 which tested the basal contact north of the main mineralised trend. The drilling focused on locating contact related mineralisation associated with the long intervals of disseminated mineralisation returned in a number of intercepts previously reported and may be indicators of a channel flank position (Figure 5). Drill hole

NMD186W1W1 intersected a granite affected/faulted contact. Nickel sulphides (0.7m @ 1.4% Ni from 734.3m) were intersected on the upper contact of the granite. Subsequent DHEM failed to indicate the mineralisation was associated with a nearby large conductive body.

NMD187 was drilled to test the footwall contact approximately 300m to the north of NMD186W1W1, with a target depth of 740m. The hole intersected the contact at 648m downhole. It is interpreted that a fault (shown by a significant flat lying, intrusive felsic granite, approximately 30m thick) separates the hangingwall units from the footwall units.

In preparation for testing the shallower portions of the New Morning and Sunrise mineralisation, seven short RC pre-collars were drilled (NMD188-195), to facilitate diamond drilling. One of these holes (NMD188) intersected the mineralisation (predominately supergene) early, returning 19m @ 2.2% Ni from 40m with 1m @ 4.65% Ni at EOH (70m). The results indicate the mineralisation may be more extensive than initially thought but the true significance of this intercept will not be known until the diamond program has been completed and assays returned in the September 2014 quarter.

Other

The approximately 10km long strike of highly prospective basal ultramafic contact north of Flying Fox continues to be assessed. At Beautiful Sunday, located on the northern end of the WUB, a program of drilling was completed to test the interpreted down-plunge extensions to the existing mineralisation. Geological logging of the holes indicates the area is structurally complex and although the drilling to date has intersected nickel sulphides (minor), the potential for a significant resource in this area has been reduced. In addition to the above work at Beautiful Sunday, the area to the north of the Flying Fox mine continues to be targeted for testing, as this area has received little deep drilling historically. A drill program of two diamond holes NID035 and NID036 and four RC holes NIRC027 to NIRC030 were completed during the year. Whilst initial holes have not intersected nickel sulphides, due to the prospectivity of the area further drill testing to the north of Flying Fox will continue during the coming year.

At Boojum West (7km south of Spotted Quoll), a further nine holes (SFRC006 to SFRC014) were drilled to the west of the main WUB trend. These holes tested the potential for the WUB to extend beneath what is interpreted to be a flat lying granitoid unit, as well as test a number of magnetic anomalies to determine if the source of magnetic anomalism is related to ultramafic rocks. All holes drilled to date returned magnetic granite and as such no further drilling is planned for this area.

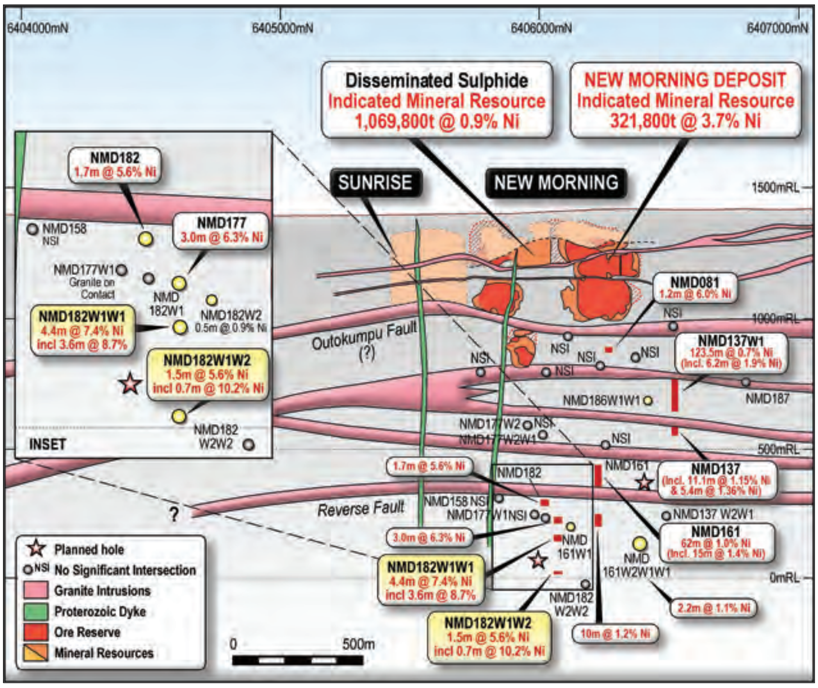


Figure 5: Interpreted Long Projection of the footwall contact at New Morning

EXPLORATION *REPORT*

Eastern Ultramafic Belt

The prospectivity of the Mt Hope area, located approximately 30km northeast of Flying Fox, was assessed during the year with some areas of greater prospectivity identified requiring further follow up activities in FY15. Firstly, a large number of historic diamond holes intersecting the significant volumes of cumulative ultramafic rocks were re-logged and this has identified areas where the basal contact has been poorly tested. Based on this re-logging, a drill program has been planned for FY15, targeting high grade nickel sulphides.

Secondly, a component of the drilling during FY14 concentrated on a central traverse, and returned a thick high grade intersection (up to 9.4% nickel) from clays commencing at 8m. The initial interpretation is that the source of the nickel is associated with lateritic nickel, but further work is being undertaken to fully assess the anomaly.

The Liquid Acrobat prospect is located approximately 4km north of the Cosmic Boy camp. The mineralisation is generally low grade disseminated nickel sulphides, with grades varying from 0.6%-0.8% nickel and is hosted within a thick continuous interval of cumulate ultramafic rocks which has an approximate strike length of 1.8-2.0km. Drilling during the year has confirmed the deeper extensions to the existing mineralisation, to approximately 350m below surface, but has not yet defined thicker zones of higher grade massive nickel sulphides. Data from the completed programs are being used to generate further drilling priorities and targets in this area.

A single hole (KRC032) was completed at the northern end of the Krasenstein area (located some 45km northeast of the Flying Fox mine). Although the hole drilled through a thick cumulate ultramafic sequence with trace disseminated sulphides and elevated copper values (up to 582ppm) adjacent to the footwall contact at 183m, no significant nickel values were returned. Subsequent to the hole being drilled, a MLEM survey 0.8km by 3.5km with 200m spaced lines was completed over the area. Data from the survey has indicated there are a number of conductive bodies in the Krasenstein area. Data from the drilling will be integrated with the EM work to indentify drill targets for the coming year.

Mt Gibb (WSA 70% interest)

The Mt Gibb Project comprises a Joint Venture with Great Western Exploration Limited (GTE) over a 303km^2 tenement area in the southern part of the Forrestania region. The bulk of the Project area lies along the south-eastern margin of Western Areas Forrestania tenements.

Activities within the Joint Venture tenements were dominated by assessment of the southern portion of the tenement holding where the southern extensions of the eastern ultramafic belt are located. The area has prospectivity for both nickel (Mt Gibb) and gold (Hatters Prospect).

At the Hatters (Central) Prospect a four hole RC program (total of 576m) was completed to test for higher grade gold mineralisation following up a 9m at 1.9g/t from 43m, including 5m at 3.0g/t from 47m intercept in HCRC005m. Assay results returned some significant gold values in HCRC008 (10m at 2.01g/t from 122m including 4m at 3.64g/t from 127m) and HCRC010 (6m at 1.8g/t from 113m and 6m at 2.35g/t from 125m); however, the mineralised structures appear to be narrow, with wider (up to 10m downhole width) low grade alteration halos. No further work is planned at this stage.

Within the southern portion of the Mt Gibb joint venture (approximately 45km southeast of Cosmic Boy) a nine hole program (MGRC001 and MGRC009) was completed testing several magnetic anomalies, as well as a number of weak to moderate surface and DHEM and EM anomalies. No nickel sulphide mineralisation was intersected in the holes with barren sulphides intersected consistent with the modelled plate target area. A review of all the data from the previous drilling by the Company is being undertaken to determine the level of exploration activities required to test the nickel potential of the project area in the coming year.

Lake King Joint Venture (WSA 70%)

The Lake King JV tenements cover a 40km long nickel prospective belt located approximately 70km south of Forrestania.

Work on the project area during the last 12 months concentrated on the eastern ultramafic belt particularly on the recently granted tenure to the south of the project. No previous exploration has been reported from this area, which is some 20km in strike length. Several programs of MLEM surveys, auger drilling were completed over a number of priority targets.

Although no nickel sulphides were identified in the programs, the work successfully identified further ultramafic rocks, and together with those along the prospective 'Nickel Hill' trend, will be the focus of the next phase of exploration during the coming year.

REGIONAL EXPLORATION

Western Areas continues to explore for Komatiitic nickel sulphide deposits within the approximately 450km long 'Central Yilgarn Nickel Province'. Activities for the last year within the "Province" have concentrated on evaluating the Southern Cross Joint Venture ground. This included the Marda area and more recently at Perrinvale, in the north east of the Joint Venture tenure.

Outside of the Yilgarn, the Company is exploring for massive sulphide nickel (and copper) deposits associated with mafic-ultramafic intrusives. To this aim, the Company has completed the first phase of exploration evaluating the prospectivity of the Traka Joint Venture ground in the West Musgrave area in the eastern portion of Western Australia.

During the coming year, exploration activities will continue to be conducted over the remaining projects including the Southern Cross Goldfields Joint Venture, the Lake King Joint Venture, Mt Gibb Joint Venture and Traka Joint Venture ground. BHP Billiton continues to manage the Mt Alexander Joint Venture with the Company retaining a 25% interest.

In addition to the existing projects, the Company is actively pursuing additional projects to grow the exploration portfolio. Over the last 12 months a large number of projects have been assessed and we are confident that in the coming months additional projects will be added to the portfolio.

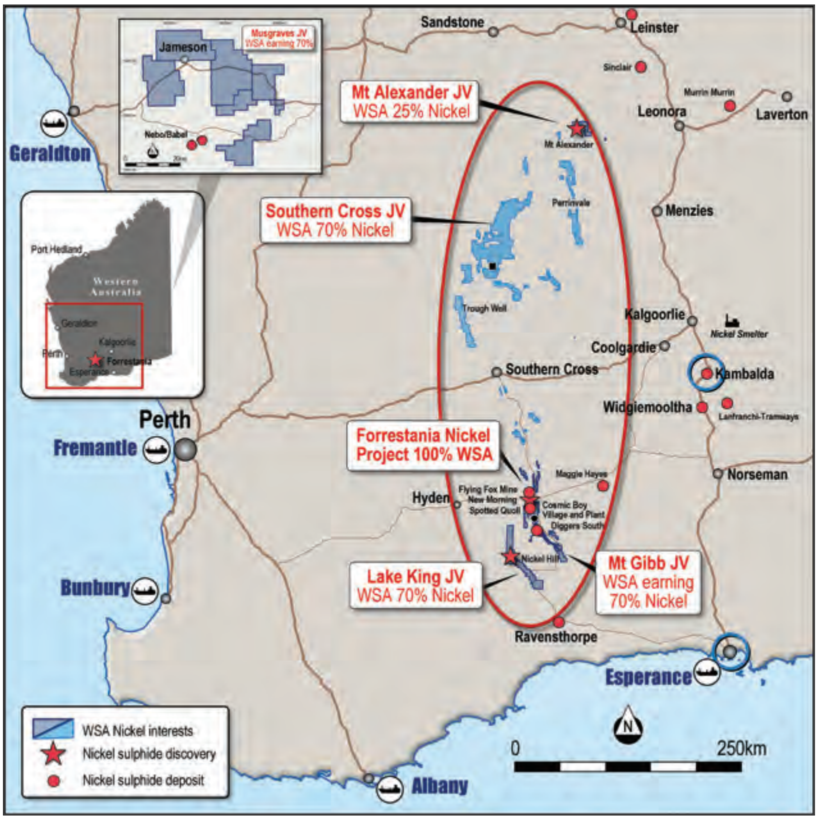


Figure 6: Regional geology showing WSA interests

EXPLORATION *REPORT*

Southern Cross Goldfields Joint Venture (WSA 70% interest)

Western Areas has acquired 70% of Southern Cross Goldfields Limited (SXG) nickel rights across much of its 3,300km^2 tenement portfolio in the Marda and Southern Cross regions of Western Australia. The SXG tenement package covers the north western portion of the Southern Cross-Bullfinch Greenstone Belt within the 'Central Yilgarn Nickel Province'.

An extensive stratigraphic drilling and auger geochemical sampling program was completed in the Marda area during the year. This work was to determine the extent and type of ultramafic stratigraphy, and to broadly screen the adjoining areas for direct traces of nickel sulphide anomalism. A total of 93 air-core holes (3,425m) were completed, testing key stratigraphic traverses. Despite the high volume of ultramafic rocks in the area, it is believed that the sampling program was of a sufficient nature to screen for potential nickel sulphides and no further work is planned in the Marda area.

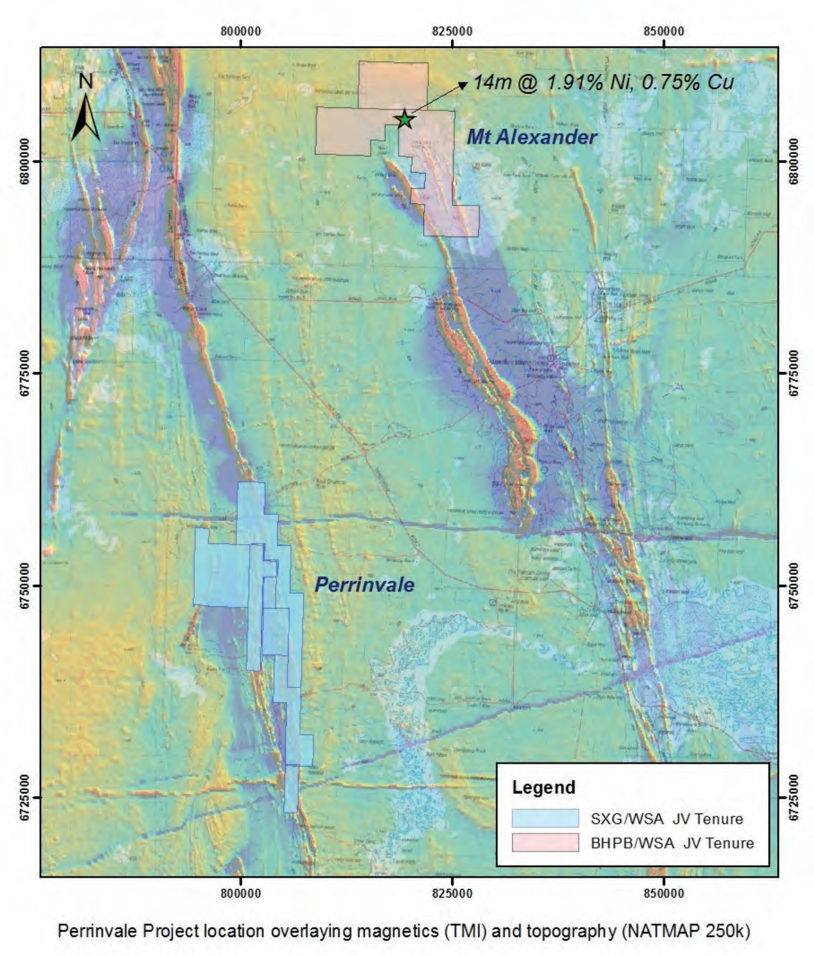


Figure 7: Southern Cross JV Tenure and Exploration Focus Area

Further activities within the Southern Cross Goldfields tenements are now to focus on the Perrinvale area in the north western portion of the tenement holding (Figure 7). The Perrinvale area is an area known to contain extensive units of ultramafic rocks that are relatively unexplored for nickel sulphides. Early indications suggest that the stratigraphy could be similar to that as seen in the Mt Alexander Nickel Project (BHPB/WSA JV), where WMC/BHPB has intersected 14m @ 1.91% Ni and 0.75% Cu (including 4.1m @ 4.77% Ni and 1.68% Cu).

The initial work program at Perrinvale will consist of target generation activities including surface mapping, geochemical sampling and possibly air-core drilling. Any anomalous results will be followed up with RC drilling and surface EM programs.

Musgrave Nickel-Copper Joint Venture (WSA to earn up to 70% interest)

The Company has a Farm-in and Joint Venture Agreement with Traka Resources Limited (Traka). The Agreement provides a staged program for Western Areas to acquire up to a 70% interest in a number of Traka's core tenements within the Musgrave region of Western Australia. The total area included under the Musgrave JV Project is approximately 1,075km2 (Figure 8).

During the first full year of the JV, Western Areas has successfully completed Phase 1 of the earn-in period and earned a 30% interest in Traka's portion of the project tenements, and has elected to continue on to Stage 2.

Exploration activities during the year included the completion of an EM ground survey with a follow up RC drilling program (8 holes for a total of 1,842m) and subsequent down-hole electro-magnetic (DHEM) and fixed loop electro-magnetic (FLEM) surveys. Single holes were completed to test the higher priority EM targets identified from the ground EM surveys. The DHEM was used to confirm the effectiveness of the drilling, and a number of small FLEM surveys were completed to better constrain the geophysical modelling.

Four holes were completed at the Samaria Prospect, testing a cluster of MLEM conductors in the south west of the prospect. Drilling at the Atlas prospect tested a series of highly conductive EM anomalies that were interpreted to lie conformably at the base of an interpreted troctolite, as well as within the layered intrusive pile of the Jameson intrusion. No high-grade, massive nickel and copper mineralisation was returned from the drilling.

Whilst the drilling effectively tested the EM targets and confirmed that no high-grade, massive sulphide bodies exist in the surveyed areas, the presence of copper sulphide mineralisation (including 6m @ 0.16% Cu from 52m in WMRC0004) has implications for the discovery of further low-grade, Succoth style deposits within the tenement package. Large areas of the project tenure remain untested and these areas will be reviewed with the prime focus for the Company to locate higher grade massive sulphide mineralisation.

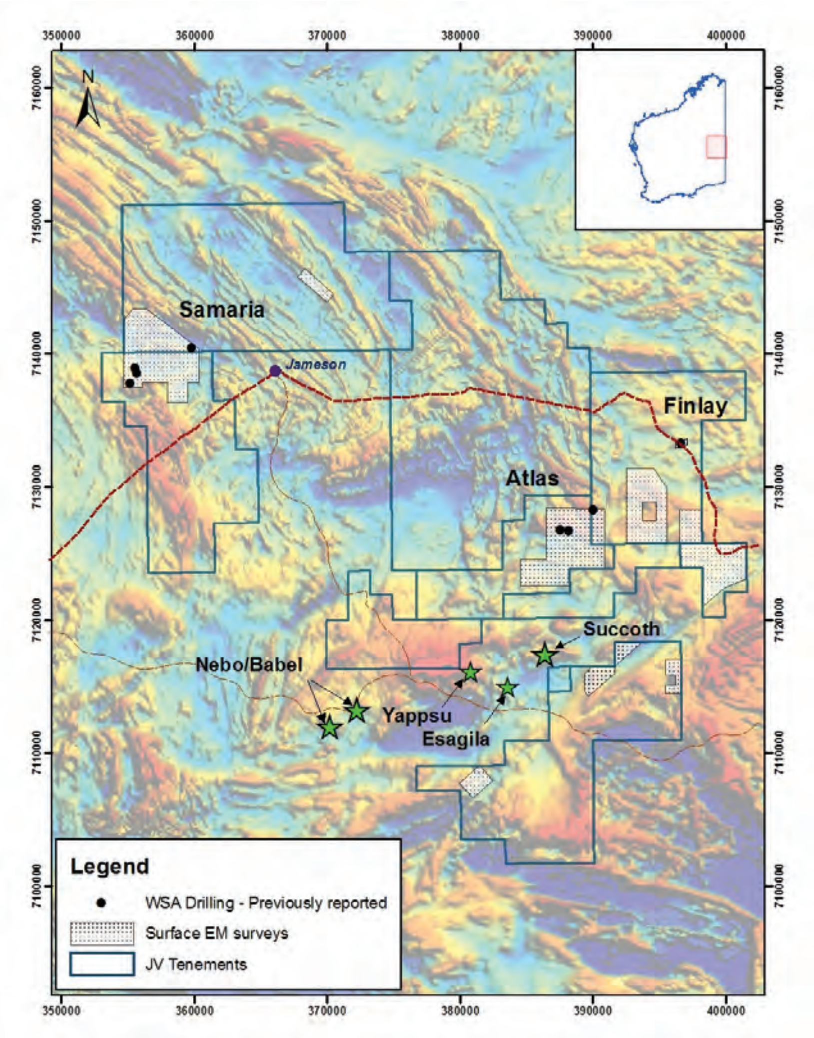
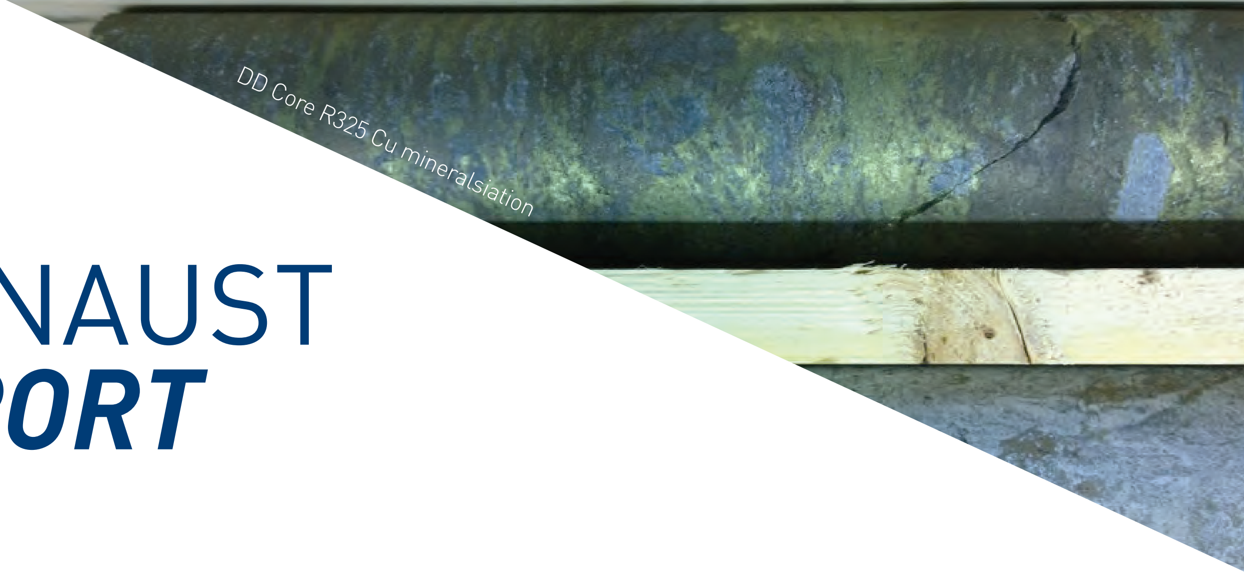


Figure 8: Musgrave Project Tenure and Drill Hole Location Plan



FINNAUST *REPORT*

FinnAust Mining Plc (LON:FAM) successfully completed the reverse takeover of London AIM listed, Centurion Resources Plc (Centurion) with re-admission to the London AIM on 2 December 2013. The transaction included an equity raising of £3.4 million and as part of the equity raising, Western Areas provided cornerstone investor support of £1.8m.

Centurion were selected as a suitable reverse take-over vehicle as the company was an existing AIM listed European resource exploration company with a copper asset in Austria, had a good cash balance and a very experienced corporate and geological management team based in London.

Following readmission to AIM, Centurion was renamed FinnAust Mining Plc ("FinnAust") with Western Areas holding a majority 68% of the enlarged entity.

The total number of ordinary shares on issue at Admission is 247,097,670, giving FinnAust a market capitalisation of approximately £12.4 million, based on the placing price of 5 pence per share.

The FinnAust board consists of four directors, including two Western Areas representatives. Managing Director and CEO, Dan Lougher was appointed FinnAust Chairman and General Manager–Commercial, Graham Marshall was appointed a Non-Executive Director. FinnAust has a very experienced in-country exploration team, managed by its Chief Operating Officer, Mr Urpo Kuronen, which is focused on rapidly advancing the projects.

Following the re-admission to the AIM Market, exploration activities recommenced at the Hammaslahti Copper Project in Southern Finland. To complement the existing regional geological databases, an additional 111km of ground based geophysics was completed and the drill rig was mobilised to site in December 2013.

The Outokumpu Project is located on a copper belt well renowned for its high grade deposits. Four targets have been identified adjacent to and along strike from the historic Outokumpu copper mine. These were prioritised for drill testing during this campaign. Due to favourable ice conditions at Outokumpu, an on-ice drilling program at Lake Juojärvi commenced in February 2014 to test for Outokumpu-style massive copper and polymetallic mineralisation. The section of untested inferred Outokumpu geology under the lake is approximately 5km long.

All holes intercepted varying thicknesses of prospective Outokumpu geology. One drill hole intercepted approximately 50m of iron sulphides and initial Niton testing suggests this intercept is anomalous in nickel, cobalt and silver. The intercept has been dispatched for multi-element analysis, including gold and silver. The significance or otherwise of this intercept can then be determined.

In March, the drill rig returned to Hammaslahti and drilling focused on the Hammaslahti mine corridor as well as two parallel fault structures newly identified by geophysics as lying to the East of the main mineralised fault zone.

Drill hole R325 located 100m north of the old Zinc pit intersected semi-massive to massive sulphides grading 5.6m @ 3.2% Cu, 2.7% Zn, 0.7% Pb, 71gpt Ag and 0.76 gpt Au from 196.80m downhole. This is extremely encouraging and opens up new potential for mineralisation in this area which will be tested further in the coming months.

At the Enonkoski Nickel Project, another historic nickel mine with interpreted regional high-grade potential, target generation is well underway. Several geophysical targets have been generated from new and existing geophysical databases. These have been designed to test for high-grade potential similar to an historic intercept of 15m @ 6.9% Ni and 2.0% Cu drilled at the Enonkoski mine itself.

DIRECTORS' REPORT

The Directors of Western Areas Ltd submit herewith the financial report of the company for the financial year ended 30 June 2014. 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

The following persons were directors of Western Areas Ltd for the entire financial year and up to the date of this report unless otherwise stated.

DIRECTORS

Ian Macliver - *Independent Chairman.*

During the year, Mr Macliver was elevated to the position Chairman following the retirement of Mr Terence Streeter. 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 is a member of the Audit and Risk, Treasury, Remuneration and Nomination Committee.

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 over 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.

Craig Readhead - *Non-Executive Director.*

Mr Readhead is a lawyer with over 30 years legal and corporate advisory experience with specialisation in the resources sector, including the implementation of large scale mining projects both in Australia and overseas. Mr Readhead is a former president of the Australian Mining and Petroleum Law Association and is a partner of specialist mining and corporate law firm, Allion Legal. Mr Readhead is also a member of the WA Council of the Australian Institute of Company Directors. Mr Readhead chairs the Treasury and Audit & Risk Management Committees and is a member of the Remuneration and Nomination Committee.

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.

Tim Netscher - *Non-Executive Director.*

Mr Netscher was appointed as an Independent Non-Executive Director on 1 August 2014.

Terence Streeter

Mr Streeter stepped down from the Board of Western Areas on 21 November 2013 after 13 years of exemplary service to the Company.

DIRECTORS' REPORT

DIRECTORSHIPS OF OTHER LISTED COMPANIES

Name	Company	Period of Directorship
I Macliver	Select Exploration Ltd Otto Energy Ltd Range Resources Ltd (Ceased) JCurve Solutions Limited (formally - Stratatel Ltd) (Ceased) Mt Gibson Iron Ltd (Ceased)	Since September 2010 Since January 2004 Since June 2014 – August 2014 July 2000 – October 2013 February 2001 - November 2011
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. (Ceased)	Since November 1997 Since September 2005 May 2006 – January 2014
D Southam	Sundance Resources Ltd Padbury Mining Ltd (Ceased)	September 2013 September 2011 - December 2011
R Yeates	Middle Island Resources Ltd	Since March 2010
C Readhead	Beadell Resources Ltd Heron Resources Ltd General Mining Corporation Ltd Swan Gold Mining Ltd Redbank Copper Ltd Galaxy Resources Ltd (Ceased)	Since April 2010 Since January 2000 Since August 2007 Since March 2013 Since April 2013 June 2006 - November 2013

Interests in Shares and Options of the Company

As at 30 June 2014, the interest of the Directors or associates of the Directors in the shares and options of the Company are:

Name	Ordinary Shares	Performance Rights (*)
I Macliver	28,948	-
D Lougher	89,957	836,971
J Hanna	663,791	-
D Southam	-	434,465
R Dunbar	112,500	-
R Yeates	10,000	-
C Readhead	-	-
T Netscher	-	-

(*) None of the performance rights have vested at 30 June 2014.

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

DIRECTORS' REPORT

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 15 years experience in the resources industry including listed gold and base metal companies in a range of management positions.

Remuneration of Directors and Senior Management

Information about the remuneration of directors and senior management is set out in the remuneration report of this Directors' Report on page 34.

Performance Rights Granted to Directors and Senior Management

Performance Rights granted to directors and senior management during the financial year ended 30 June 2014 is set out in the Remuneration Report of this Directors' Report on page 36.

Principal Activities

The principal activities of the Consolidated Entity during the year consisted of mining, processing and sale of nickel sulphide concentrate, the continued assessment of the 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 increased by 4.4% to $320.1 million, while gross profit increased by $39.3 million to $86.0 million. Improved revenue and gross profit has resulted from an increase in the nickel price, weakening of the Australian dollar and the ongoing cost saving measures implemented by management throughout the year.

Consolidated net profit after tax (NPAT) for the group amounted to $25.5 million, an increase of $119.6 million from the results reported in the previous financial year. The primary driver impacting the change in earnings were impairment and write-off charges to the income statement of $142.4 million ($99.7M tax effected) booked in the prior year and the cost saving measures implemented in the current financial year to reduce cost of sales by $25.7 million. In addition, the average realised nickel price for the year improved from US$7.31/lb (A$7.50) in the prior financial year to US$7.47/lb (A$8.15) for the year ended 30 June 2014.

Impacting NPAT of $25.5 million for the year were the following pre-tax non-cash items:

- Depreciation charges of $14.4 million
- Amortisation charges of $71.3 million
- Impairment and write-off charges for exploration of $3.1 million
- Convertible bond accretion expense of $8.7 million

These non-cash items amounted to $97.5 million.

Statement of Financial Position

Total assets at reporting date were $658.5 million, representing an increase of $140.5 million from the prior year. Cash and cash equivalents increased by $149.8 million, mainly as a result of equity raisings of $103.9 million (net of costs), and a higher average nickel price, particularly over the last quarter, of the financial year. The cash movement also includes the repurchase of $15.0 million of the July 14 convertible bonds and the interim dividend payment of $2.3 million. Mine development decreased by $35.3 million, which includes amortisation charges of $69.0 million being partially offset from new development of $33.7 million mainly at the Spotted Quoll Underground Mine. Exploration and evaluation expenditure increased by $14.8 million, which includes impairment and write-off charges of $3.1 million. Inventories increased by $8.9 million mainly due to an increase in ore stockpiles driven by the ramp up of the Spotted Quoll Underground mine, which is now in full production.

DIRECTORS' REPORT

Total liabilities at reporting date were $280.8 million, an increase of $5.8 million from 2013. This movement includes increases in the income tax liability of $9.3 million due to higher taxable earnings and the provision for mine rehabilitation increasing $5.8 million to reflect updated closure costs at Forrestania, offset by the repurchase of $15.0 million of the July 2014 convertible bonds.

Total equity attributable to the shareholders has increased by $129.8 million to $372.7 million. This includes total capital raised of $103.9 million (net of costs) and NPAT of $25.5 million, partially offset by the payment of an interim dividend to shareholders totalling $2.3 million.

Statement of Cash Flows

Cash at bank on 30 June 2014 totalled $230.5 million and the group moved into a net cash positive position of $10.3 million. The increase cash at bank of $149.8 million from the corresponding period resulted from equity raisings of $103.9 million net of costs, saving on interest payments of $5.8 million due to the repayment of the July 2012 convertible bond in the prior financial year, a decrease of $25.3 million in capital and exploration expenditure and lower operational expenditure. Also assisting the improvement in cash was the average monthly nickel price increasing from US$7.31 / lb in the prior financial year to US$7.47 / lb for the year ended 30 June 2014, combined with the Australian Dollar weakening to an average of $0.92 to the US$ during the financial year compared to an average of $1.03 for the corresponding period.

Consolidated cashflow from operations was $117.0 million, representing an increase of $4.9 million from the prior year. This increase was mainly driven by lower operating expenses due to cost saving measures implemented, lower interest payments due to the repayment of the July 2012 convertible bond and a higher nickel price being partially offset by an increase in debtors associated with the timing of June 2014 sales.

For the first six months of the financial year the nickel price was particularly weak. In response the Company was able to optimise and defer the timing of major capital expenditure. This resulted in net cash used in investing activities decreasing from the corresponding period by $40.3 million to $53.4 million. Mine development and asset purchases decreased by $20.6 million to $34.0 million for the year. $19.4 million was invested in exploration and evaluation activities, representing a decrease of $5.1 million from the prior year. Exploration and evaluation includes the company's investment into FinnAust which amounted to $2.9 million for the current financial year. The prior year investments also included the final termination payment of $14.3 million for the Outokumpu royalty agreement.

Net cash from financing activities increased by $189.4 million, primarily due to capital raising proceeds of $103.9 million (net of costs), partially offset by the repurchase of $15.0 million of the July 2014 convertible bonds. The movement also reflects the repayment of the convertible bond of $105.5 million and the full repayment of the $45.0 million corporate loan facility in the prior period. Dividend payments totalling $2.3 million were paid during the financial year.

Significant Changes in the State of Affairs

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

Subsequent Events

The Board of Directors on 25 August 2014, declared a final fully franked dividend of 4 cents per share to the holders of fully paid ordinary shares.

On 2 July 2014, the Consolidated Entity repaid a $95.2 million convertible bond issued in November 2010 from cash reserves.

Other than matters detailed above, there have been no subsequent events after 30 June 2014 which have a material effect on the financial statements for the year ended 30 June 2014.

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.

Dividends Paid or Recommended

In respect of the financial year ended 30 June 2014, the Board has decided to pay a final 4 cent, fully franked dividend.

In respect of the half year ended 31 December 2013, an interim fully franked dividend of 1 cent per share was declared and subsequently paid to the holders of fully paid ordinary shares on 10 April 2014.

In respect of the financial year ended 30 June 2013, no final dividend was declared.

Share Options

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

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' 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 43 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.

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 2014 and the number of meetings attended by each Director.

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

* Mr Streeter resigned from the Board on 21 November 2013.

** Mr Readhead was appointed to the Board on 26 June 2014.

DIRECTORS' REPORT

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 53 forms part of the Director's Report for the year ended 30 June 2014.

Non – Audit Services

The entity's auditor, Crowe Horwath, provided non-audit services amounting to $7,000 during FY14 (FY13: $7,000). 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.

REMUNERATION REPORT (AUDITED)

This report outlines the remuneration arrangements in place for Non-Executive Directors, Executives and other Key Management Personnel of Western Areas Ltd. There has been no material change to the remuneration structures or incentive programmes in the current year. It is noted that base salaries were again frozen for the financial year end 30 June 2014.

The report is comprised of the following key sections:

- Section A: Who this report covers
- Section B: Remuneration governance and philosophy
- Section C: 2013 Annual General Meeting voting
- 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) (Resigned 21 November 2013)

Mr I Macliver (Independent Non-Executive Chairman) (Elevated to Chairman 21 November 2013)

Mr D Lougher (Managing Director)

Mr D Southam (Executive Director)

Mr J Hanna (Non-Executive Director)

Mr R Dunbar (Independent, Non-Executive Director)

Mr R Yeates (Independent, Non-Executive Director)

Mr C Readhead (Independent, Non-Executive Director) (Appointed 26 June 2014)

DIRECTORS' REPORT

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)

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 performance against goals set each year, qualifications and experience, relevant market conditions and independent remuneration benchmarking reports.

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 47 to 52 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 and executing strategies 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: 2013 ANNUAL GENERAL MEETING VOTING

Western Areas received more than 99% of "yes" votes on its Remuneration Report resolution for the 2013 financial year. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices. However, various advisory groups and associations publish critiques and opinions on a subscription basis.

SECTION D: USE OF REMUNERATION CONSULTANTS

Western Areas engaged PwC as Remuneration Consultants during the 2014 financial year to provide assistance with documentation management and ongoing market trends and developments in relation to the Long Term Incentive ("LTI") plan, however no 'remuneration recommendations' as defined in the Corporation Act 2001 were made.

SECTION E: EXECUTIVE REMUNERATION FRAMEWORK

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.

DIRECTORS' REPORT

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 FY14 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	49%	27%	24%
Mr G Marshall	49%	27%	24%
Mr W Jones	49%	27%	24%

The higher level KMP target remuneration mix between fixed and at risk remuneration has been designed with emphasis on LTI exposure. This further aligns executives with shareholders and a focus on long term value generation. Refer to Section H: Link between performance and remuneration outcomes for details of Executives' actual remuneration mix for FY14.

Fixed remuneration

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.

Short term incentive ('STI')

The objective of STI's is to link the achievement of key Company operational targets with the remuneration received by those Executives charged with meeting those targets. The STI plan involves linking key performance indicators ('KPIs') with the opportunity to earn a cash bonus. Challenging KPIs are set to ensure payments are only triggered to reward high performing employees for outperformance.

It is the Company's policy to cap STI payments at target STI levels. The percentage is applied against the relevant Executive's base salary only and excludes all allowances and superannuation amounts. Target STI for each KMP during FY14 is outlined below:

Name	Base salary FY2014	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

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. It is noted that Executives voluntarily forfeited 50% of the triggered STI awards in the 2013 financial year in recognition of the nickel price environment.

DIRECTORS' REPORT

The full list of KPIs set for Executives in FY14 is below. Not all KPIs in the list are assigned for each Executive, rather a bespoke set of KPI's tailored toward the Executives area of influence is assigned each year. Rarely is 100% of target STI achieved which the Company believes demonstrates the challenging nature of the KPI targets.

	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 and procedures.
Forrestania unit cash cost	Focused on average unit cash costs for Flying Fox (FF) and Spotted Quoll (SQ) mines per pound of nickel produced. Better than budget performance required.	Motivate and reward the stringent management of production costs outcomes that exceed the Board set business plan.
Forrestania nickel in ore production	Must exceed the budgeted nickel metal in ore production target from 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.
Subsidiary Listing	Securing a successful listing of the FinnAust Mining Subsidiary company.	Motivate and reward completion of a corporate objective.
Business development	Based on business development activities and project pipeline development that provides opportunities to add value or protect value in the Company and for the shareholders.	Motivate and reward business development initiatives that provide market intelligence and enhance corporate growth opportunity identification.
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.

DIRECTORS' REPORT

Based on the achievements of the Company in FY14, the Remuneration Committee determined that Executives achieved between 30% to 92% 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 rates were well above the Board set budgeted expectation.
- Earnings and net pre-financing cashflow performance was significantly above the Board approved budget, expectation and prior year results.
- Achievement of specific corporate objectives, recommendations and outputs that related to the Finnaust Mining Plc listing and/or business development activities.
- The significant cost reduction programs that were successfully implemented that have led to lower operating costs than prior years.

Performance achieved during FY14 against the above KPIs has resulted in Executives earning the following STI payments:

Name	Target STI quantum ($)	STI quantum earned ($)	STI quantum Forfeited ($)
Executive Directors			
Mr D Lougher	$374,000	$309,500	$64,500
Mr D Southam	$280,500	$262,500	$17,500
Executives			
Mr J Belladonna	$176,000	$163,500	$12,500
Mr C Wilkinson	$135,000	$45,000	$90,000
Mr G Marshall	$119,000	$114,000	$5,000
Mr W Jones	$154,000	$124,000	$30,000

Long Term Incentive ('LTI')

The 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 as calculated by an independent valuation expert.

DIRECTORS' REPORT

The quantum of LTI grants made during FY14 was 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	465,750	$1.55	Upon receipt of a vesting notice issued in FY17	30 June 2017
Mr D Southam	$510,106	75%	$382,580	196,530	$1.55	As above	30 June 2017
Executives							
Mr J Belladonna	$320,000	75%	$240,000	123,290	$1.55	As above	30 June 2017
Mr C Wilkinson	$327,690	50%	$163,845	56,110	$1.55	As above	30 June 2017
Mr G Marshall	$297,901	50%	$148,951	51,010	$1.55	As above	30 June 2017
Mr W Jones	$385,000	50%	$189,890	65,920	$1.55	As above	30 June 2017

* 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 FY14 valuation at 1 July 2013 was $1.46/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 for the FY14 grant will be assessed against a customised peer group comprising the following 24 companies:

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

FY14 grants made under the LTI plan will only vest subject to meeting the minimum service period and the relative TSR performance condition tested against the peer group for a rolling 3 year period (1 July 2013 to 30 June 2016).

The FY14 grants service based vesting condition provides 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 2016.

Prior year performance period and vesting

Full vesting details of the Performance Rights granted under the shareholder approved scheme for FY2012 and FY2013 is available at Note 31 in the Financial Statements related to share based payments.

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.

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.

DIRECTORS' REPORT

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.

SECTION G: SERVICE CONTRACTS

Executives

A summary of the key contractual provisions for each of the current executives as at 30 June 2014 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	385,000	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.

(This contractual position is a legacy item that is no longer applicable to any new executive appointment.)

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

DIRECTORS' REPORT

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.

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	2014	2013	2012	2011	2010
Net Profit / (Loss) after Tax	25,460	(94,105)	40,181	134,973	14,212
EPS	12.2	(49.8)	22.4	75.1	8.0
Dividends	0.05	0.02	0.11	0.25	0.06
Market capitalisation	1,073M	457M	730M	1,060M	679M
Closing share price	4.62	2.32	4.06	5.90	3.78
TSR – 3 year rolling (%'ile) ranking	93	75	39	41	57

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 FY14. 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	42%	18%	40%
Mr D Southam	46%	21%	33%
Executives			
Mr J Belladonna	47%	21%	32%
Mr C Wilkinson	66%	7%	27%
Mr G Marshall	58%	18%	24%
Mr W Jones	64%	18%	18%

[1] LTI refers to the value of Performance Rights that were expensed during the FY14. No Options have been granted over the last three financial years.

DIRECTORS' REPORT

SECTION I: DETAILS OF REMUNERATION

2014	Short Term Employee Benefits				Post Employment	Long Term Employee Benefits		TOTAL
	Base Salary	STI Payments / Bonuses (ii)	Allowances	Non Monetary	Super-annuation	Long Service Leave	Share Based Payments LTI (i)	
Non-executive Directors								
T Streeter (iii)	70,285	-	-	33,000	7,731	-	-	111,016
I Macliver (iv)	159,312	-	-	-	17,524	-	-	176,836
R Dunbar	162,273	-	-	-	-	-	-	162,273
R Yeates	146,192	-	-	-	16,081	-	-	162,273
J Hanna	146,192	-	-	-	16,081	-	-	162,273
C Readhead (v)	-	-	-	-	-	-	-	-
Executive Directors								
D Lougher	729,800	309,500	4,000	30,595	25,000	6,800	678,268	1,783,963
D Southam	541,218	262,500	4,000	52,297	25,000	5,101	412,761	1,302,877
Executive Officers								
J Belladonna	330,200	163,500	4,000	45,969	25,000	3,200	255,269	827,138
W Jones	402,350	124,000	1,900	27,707	25,000	3,850	128,629	713,436
C Wilkinson	338,736	45,000	4,000	30,265	25,000	3,277	167,481	613,759
G Marshall	305,670	114,000	4,000	31,438	25,000	2,979	152,257	635,344
								6,651,188

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

(i) LTI refers to the value of Performance Rights that were expensed during FY14. No Options were granted or remain outstanding at the end of the financial year.
(ii) Includes all paid and accrued bonuses in the applicable year.
(iii) Mr Streeter resigned on 21 November 2013.
(iv) Mr Macliver was elevated to Chairman on 21 November 2013.
(v) Mr Readhead was appointed as an Independent Non-Executive Director on 26 June 2014.

It is noted that the primary driver of the year on year increase in total remuneration relates to the accounting value of performance rights pursuant to the accounting standards, rather than actual base salary payments received by Directors or Executives.

DIRECTORS' REPORT

Consulting fees

Mr Julian Hanna, a Non-Executive Director of the Company, was retained as a consultant to assist with identifying and developing new growth opportunities for the Company at the time he stepped down as Managing Director of the Company. This consulting arrangement has now ended and Mr Hanna did not receive any fees relating to this agreement during FY14 (FY13 $50,000) other than his normal Director fee.

Mr Craig Readhead, a Non-Executive Director of the Company since 26 June 2014, is a partner of Allion Legal, a law firm that the Company engages from time to time for the provision of legal services and advice. All FY14 fees were negotiated on an arms length basis. FY14 fees totalled $162,185.

Options held by Key Management Personnel

There were no options held by key management personnel at the end of FY14. There were no options issued during FY14 and all historical options have lapsed during the prior financial year. As such, no portion of any KMP's remuneration for FY14 consisted of options.

Shareholding by Key Management Personnel

The number of shares held by KMP (and their related parties) in the Group during the financial year is as follows:

	Balance at 1 July 2013	Granted as Remuneration	On Vesting of Performance Rights	Other Changes During the Year	Balance at 30 June 2014
T Streeter (*)	23,937,630	-	-	-	23,937,630
I Macliver	23,948	-	-	5,000	28,948
J Hanna	723,791	-	-	(60,000)	663,791
R Dunbar	112,500	-	-	-	112,500
R Yeates	10,000	-	-	-	10,000
D Lougher	79,957	-	-	10,000	89,957
C Wilkinson	7,000	-	-	-	7,000
J Belladonna	63,948	-	-	(13,948)	50,000
W Jones	60,000	-	-	-	60,000
TOTAL	**25,018,774**	**-**	**-**	**(58,948)**	**24,964,826**

(*) Mr Streeter resigned as Chairman on 21 November 2013.

Performance Rights held by Key Management Personnel

Details of Performance Rights granted but not yet vested under the LTI plan during FY14 are outlined below:

	Grant date	Number granted	Vesting conditions	Fair value at grant date	Exercise price	Exercise date	Expiry date	Number vested
D Lougher	21/11/13	465,750	(a)	$1.55	Nil	Upon receipt of a vesting notice issued in FY17	30/6/17	-
D Southam	21/11/13	196,530	(a)	$1.55	Nil	As above	30/6/17	-
C Wilkinson	21/11/13	56,110	(a)	$1.55	Nil	As above	30/6/17	-
G Marshall	21/11/13	51,010	(a)	$1.55	Nil	As above	30/6/17	-
J Belladonna	21/11/13	123,290	(a)	$1.55	Nil	As above	30/6/17	-
W Jones	21/11/13	65,920	(a)	$1.55	Nil	As above	30/6/17	-
TOTAL		**958,610**						**-**

a) Performance rights granted during FY14 were granted under the LTI plan and will vest subject to meeting the relative TSR measure for the period 1 July 2013 to 30 June 2016 against the peer group and satisfaction of the 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 2016.

	Balance at 1 July 2013	Number granted as Remuneration	Number exercised	Number expired / lapsed	Balance at 30 June 2014	Portion vested (%)	Portion unvested (%)
D Lougher	408,691	465,750	-	(37,470)	836,971	-	100%
D Southam	273,254	196,530	-	(35,319)	434,465	-	100%
C Wilkinson	117,449	56,110	-	(15,265)	158,294	-	100%
G Marshall	106,773	51,010	-	(13,878)	143,905	-	100%
J Belladonna	168,485	123,290	-	(21,191)	270,584	-	100%
W Jones	83,476	65,920	-	-	149,396	-	100%
TOTAL	**1,158,128**	**958,610**	**-**	**(123,123)**	**1,993,615**	**-**	**100%**

End of audited remuneration report.

DIRECTORS' 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, 25 August 2014

CORPORATE GOVERNANCE STATEMENTS

This report outlines the Corporate Governance arrangements in place at Western Areas Ltd.

Key Changes/Events

- The Board Chair transitioned to an Independent Non-Executive Director with Mr Ian Macliver appointed as the Chairman on 21 November 2013. This followed Mr Terence Streeter stepping down as a Director and Chairman of the Company after 13 years of outstanding service on behalf of the shareholders.
- The Board composition moved to contain a majority of Independent Directors.
- Appointment of Mr Craig Readhead on 26 June 2014 as an Independent Non-Executive Director.
- Appointment of Mr Tim Netscher on 1 August 2014 as an Independent Non-Executive Director.

Corporate Governance Overview

Western Areas is committed to high standards of corporate governance in which the senior executives and Board are accountable to its stakeholders. We believe that sound corporate governance is an essential component of sustained value creation and aim for sound corporate governance practice to be reflected in our decision making and our culture. The Board has developed policies to ensure that an appropriate level of corporate governance is in place. The corporate governance system is reviewed regularly by the Board to ensure that it fulfils the needs of our shareholders and stakeholders.

The Board's approach in applying the Australian Stock Exchange ("ASX") Corporate Governance Council's "Principles of Good Corporate Governance and Best Practice Recommendations" (the Recommendations") is to ensure that Western Areas corporate governance policies and principles are established, implemented and monitored in such a way so as not to compromise or distract the Board and management from their key goals and to enable the organisation to conduct its business in an efficient and effective manner. In establishing its approach to corporate governance, 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. In accordance with the Recommendations this Corporate Governance Statement contains disclosures to the extent to which the Company has followed the guidelines during the period.

At the date of this report the Company believes it complies with all of the Corporate Governance Recommendations. However for the majority of the financial year Western Areas Ltd did not comply with *recommendation 2.1 – Majority of the Board comprise Independent Directors and for part of the year did not comply with recommendation 2.2 – Board Chair being an independent Director.* Refer to the section on *Principle 2: Structure the board to add value* below for details on how and why the recommendation was not met. Importantly these matters have now been resolved in a planned and staged approach.

The Company's corporate governance policies, procedures and guidelines can be found in the Corporate Governance policy on our website: www.westernareas.com.au.

Principle 1: Lay solid foundations for management and oversight

The Board guides and monitors the business and affairs of Western Areas on behalf of the shareholders by whom they are elected and to whom they are accountable. The role and structure of the Board is defined in the Board Charter (refer to the Corporate Governance policy on our website: www.westernareas.com.au). The Board has responsibility for, and has the authority to determine, all matters relating to policies, practices, management and operations. The Board is required to do all things necessary to determine the objectives and the strategy, and to ensure that the strategy is carried out in order to achieve the objectives of the company. Procedures are in place to enable Directors, in furtherance of their duties, to seek independent professional advice at the Company's expense.

The performance of the Board and senior executives is reviewed against both measurable and qualitative indicators. The performance criteria against which Directors and senior executives are assessed is aligned with the financial and non-financial objectives of the Company. The functions reserved to the Board, delegations to senior executives and the process for evaluating the performance of senior executives are in the Western Areas Corporate Governance Policy (Refer to the Corporate Governance policy on our website: www.westernareas.com.au).

Principle 2: Structure the Board to add value

The Board is structured to ensure that it has a proper understanding of, and competence to deal with, the current and emerging issues of the business, exercise independent judgement, encourages enhanced performance of the company and effectively review and challenge the performance of management. The skills, experience and expertise relevant to the position held by each Director in office at the date of the Financial Report is included on page 29 of the Directors' Report.

CORPORATE GOVERNANCE STATEMENTS

Independence

Directors of Western Areas 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.

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.

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

Name	**Position**
I Macliver	Non-Executive Chairman *(Appointed Chair 21 Novenber 2013)*
R Dunbar	Non-Executive Director
R Yeates	Non-Executive Director
C Readhead	Non-Executive Director *(Appointed 26 June 2014)*
T Netscher	Non-Executive Director *(Appointed 1 August 2014)*

As at the date of this report the Board has a majority of Independent Non-Executive Directors.

At the commencement of the financial year, the Company did not have an Independent Chair as suggested in recommendation 2.2. On 21 November 2013 Mr Terry Streeter stepped down from the Board of Western Areas, with Mr Ian Macliver being elevated to the position of Chairman. This transition was completed in an orderly manner at the Annual General Meeting. Mr Macliver was ideally placed to assume this role after being appointed the Lead Independent Director in 2012 and serving on the Western Areas Board for over 2 years.

Consistent with prior financial years, for the majority of the financial year the Company did not have an Independent majority of Directors as outlined in recommendation 2.1. The Directors of Western Areas believe that at all times the Board operated efficiently and effectively, however Mr Terry Streeter stepped down from the Board of Western Areas' provided an opportunity to commence a significant Board renewal process. Since this time two new Independent Non-Executive members have been appointed. The Board now has what the Company considers an Independent majority.

The Board has a Nomination Committee to assess the necessary and desirable competencies of a Board member and to evaluate the Board's performance. The Nomination Committee also reviews Board succession plans and makes recommendations for the appointment and removal of Directors. The Nomination Committee operates under a charter approved by the Board (Refer to the Corporate Governance policy on our website www.westernareas.com.au). The charter details the role, rights, responsibilities and membership requirements for the Committee. For details of the members of the Nomination Committee and their attendance at meetings of the Nomination Committee, refer to page 33 of the Directors' Report.

During the year a skills matrix was prepared and assesses as part of the Board performance review. The matrix was also assessed against the Company's strategic and operational goals. The overall principle with regard to the skills matrix assessment was to ensure that an appropriate balance between technical (mining, metallurgy and geological), entrepreneurial and financial/legal skills are maintained or enhanced when Board composition alters. As the Company operates entirely in the resources and exploration sector, resources based operational or financial skills were seen as an essential pre-requisite. Prior to the nomination of the recently appointed Board members, the skills matrix was overlayed across the candidates to assist in the evaluation process.

In line with the Company's Board Performance Evaluation policy (Refer to the Corporate Governance policy on our website www.westernareas.com.au) the Nomination Committee conducted one Board performance evaluation. The Board performance evaluations generally require each member of the Board to rate the Board's performance against specific

CORPORATE GOVERNANCE STATEMENTS

qualitative and quantitative criteria, with each year rotating through a different assessment process. The Company uses on a rotational basis group discussions, questionaries and individual assessments. Assessments are conducted by the Nomination Committee and evaluated by the Chair of the Board. The current year performance assessment involved a group discussion on the performance of the Board and its committees.

Diversity

The Company's Diversity policy (Refer to the Corporate Governance policy on our website www.westernareas.com.au) includes, but is not 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 assesses 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 2014	%	30 June 2013	%
Women on the Board	-	-	-	-
Women in Senior Management	1	5	1	7
Women employees in total	24	18	21	16

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), should a suitably qualified candidate exist for the role.

Western Areas has been actively supporting the Women in Mining Western Australian ("WIMWA") organisation through participating and attending WIMWA round table discussions and functions. The Company sponsored and hosted a WIMWA "Diverse Boardroom" event in the Western Areas offices during June 2014.

Since 2009, the Company has co-funded scholarships for two outstanding students studying a mining related discipline each year. The inaugural winners of this award were both female undergraduate Geology students, with 3 of the 7 scholarship winners to date being women. Scholarships students are offered mentorship and participation in student vocational training programmes at Western Areas operations. The Company believes that providing opportunities to the next generation of mining professionals today, we develop the leaders who will enhance and grow our business in the future.

Principle 3: Promote ethical and responsible decision making

The Board acknowledges the importance of maintaining high levels of ethical conduct and has put in place a code of conduct to support and promote ethical behaviour by its personnel and contractors. (Refer to the Corporate Governance policy on our website www.westernareas.com.au) 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; and
- Ensure compliance with the code of conduct.

Principle 4: Safeguard integrity in financial reporting

The Board is responsible for ensuring that an effective internal control framework exists. The Board has established an Audit & Risk Management Committee, which operates under a charter approved by the Board (Refer to the Corporate Governance policy on our website www.westernareas.com.au). The charter 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

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and the reliability of financial information. It also deals with non-financial considerations such as the benchmarking of operational key performance indicators. The Board has delegated the responsibility for the establishment, maintenance and monitoring of the framework for internal control and ethical standards to the Audit & Risk Management Committee.

The Audit & Risk Management Committee 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. The Committee members, their qualifications and the number of meetings of the Audit & Risk Management Committee that they attended throughout the year can be found on page 33 of the Directors' Report.

The Western Areas Chief Executive Officer and Chief Financial Officer provide the Audit & Risk Management Committee signed certification that the financial records of the Company are properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the Company's financial position and performance.

Principle 5: Make timely and balanced disclosure

Western Areas' Continuous Disclosure policy (Refer to the Corporate Governance policy on our website www.westernareas.com.au) provides effective support for compliance with the ASX Listing Rules regarding the public disclosure of material information. The aim of this policy is to ensure that the Company releases price-sensitive information in a timely manner. The policy is based on the premise that Western Areas will immediately notify the market by announcement to the ASX of any information concerning the business of Western Areas that a reasonable person would expect to have a material effect on the price or value of its securities. Generally, the Board is responsible for overseeing Western Area's disclosure practices and procedures. The Board's specific areas of responsibilities are:

- Fulfilling the Company's continuous disclosure obligations;
- Communications with the ASX;
- Making decisions on what should be disclosed publicly;
- Promoting awareness of Continuous Disclosure policy within Western Areas ;
- Overseeing, reviewing and updating the Continuous Disclosure policy, as required, to ensure continuing compliance with changing legal and regulatory compliance; and
- Implementing reporting processes and controls.

The Board has the power to delegate aspects of the administration of this policy to senior management. To this end the practical application of the policy is the responsibility of the Company Secretary.

The Board makes decisions on the disclosure of material information pursuant to legal and regulatory requirements, and advise the Audit and Risk Committee with respect to disclosure issues relating to financial information.

Principle 6: Respect the rights of shareholders

The Board, under the Company's Shareholders' Communications policy (Refer to the Corporate Governance Policy on our website www.westernareas.com.au), is responsible for ensuring shareholder communications are adequate, appropriate, transparent and based on sound corporate governance principles. These principles form the basis of the policy which has the objective of providing shareholders with important information in a timely manner through written and electronic communication.

Western Areas promotes direct communications with shareholders. In addition to the opportunity presented by the Annual General Meeting, to which shareholders are encouraged to attend and question directly the Directors and external auditors, shareholders may at any time direct questions to or request information from the directors or management through the Company Secretary or Investor Relations Representative. Full contact details are available in the Corporate Directory section of this report.

The Annual Report is made easily available to shareholders and other stakeholders in a timely manner in both print and on-line versions. The Company's financial reports and presentations can be freely downloaded from its website which also includes information released to the Australian Stock Exchange.

CORPORATE GOVERNANCE STATEMENTS

Principle 7: Recognise and manage risk

The Western Areas Risk Management and Compliance policy (Refer to the Corporate Governance policy on our website www.westernareas.com.au), defines our commitment to maintaining a risk management culture to effectively manage risk and protect our business from value destroying events. Western Areas' risk management process provides a comprehensive, integrated approach for carrying out risk management activities enabling management to minimise the potential impact of business risks in achieving our objectives to create and protect shareholder value. 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.

Management is responsible for the development and implementation of risk management strategies. The annual business planning process includes careful consideration of the internal and external risks to the Company. The integration of a standard approach to 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 all (potential) material risks.

The Audit and Risk Committee reviews the effectiveness of the RMP, which is the subject of ongoing development and enhancement to ensure it continues to meet the needs of the Company, and supports corporate governance requirements.

Reporting on material risks

During the period senior management regularly reported to the Board on the effectiveness of the management of material risks. 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 work plan.

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

During the period, in addition to the Corporate and Operational RMP activities, the Company focussed on:

- Further development of its compliance risk management approach; and
- Enhancing its management and planning for extreme risks through review and update of its Crisis Management Plan.

Critical mitigation measures relevant to material risks were reviewed, as part of the RMP, to provide assurance that the identified measures were in place and effective.

The Board believes that the key to Western Areas' success is the health, safety and professional development of its employees. The Company places a strong emphasis on safety and emergency risk management, which through the ongoing operational risk management program, is embedded in our Health and Safety management system.

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

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 33 of the Directors' Report.

CORPORATE GOVERNANCE STATEMENTS

Principle 8: Remunerate fairly and responsibly

The Board has established a Remuneration Committee, which operates under a charter approved by the Board (Refer to the Corporate Governance policy on our website www.westernareas.com.au). The majority of its members are Independent Non-Executive Directors. The Committee members, their qualifications and the number of meetings of the Remuneration Committee that they attended throughout the year can be found on page 33 of the Directors' report.

It is the Company's objective to provide maximum stakeholder benefit through the retention of a high quality Board and senior executive team. To achieve this it seeks to remunerate Directors and key executives fairly and appropriately with reference to relevant employment market conditions and the review of independent employment statistics. The Remuneration Committee engages independent remuneration consultants to provide impartial advice in respect of remuneration trends and executive employment contracts.

The Remuneration Statement, (Refer to the Corporate Governance policy on our website www.westernareas.com.au), establishes the principles and policies with respect to remuneration of directors and senior executives. 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.

Further detail on the Company's remuneration philosophy and framework along with details on the amount of remuneration received by Directors and senior executives during the year is provided in the Remuneration Report, which is contained within the Directors' Report.

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 2014, 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

CYRUS PATELL
Partner

Signed at Perth, this 25th day of August 2014

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CONSOLIDATED INCOME STATEMENT
YEAR ENDED 30 JUNE 2014

		Consolidated Entity	
		2014	2013
	Notes	$'000	$'000
Sales		320,078	306,541
Cost of sales		(234,114)	(259,838)
Gross profit		**85,964**	**46,703**
Other income	2	8,620	6,980
Finance costs	3	(26,592)	(26,736)
Employee benefit expense		(9,747)	(8,800)
Foreign exchange (loss) /gain		(2,515)	2,303
Administration and other expenses	3	(9,914)	(6,934)
Acquisition costs – FinnAust Mining Plc	33	(636)	-
Share based payments		(1,956)	(1,159)
Impairment / write-off of non-current assets	11, 12	(3,116)	(142,421)
Realised derivative (loss) / gain	3	(2,860)	2,978
Changes in fair value of derivatives	3	521	(1,472)
Profit / (Loss) before income tax		**37,769**	**(128,558)**
Income tax (expense) / benefit	4	(12,309)	34,453
Profit / (Loss) for the year		**25,460**	**(94,105)**
Basic earnings / (loss) per share (cents per share)	19	12.2	(49.8)
Diluted earnings / (loss) per share (cents per share)	19	12.1	(49.8)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED 30 JUNE 2014

	Notes	Consolidated Entity 2014 $'000	Consolidated Entity 2013 $'000
Profit / (loss) for the year		25,460	(94,105)
Other comprehensive income/(loss), net of tax			
Items that may be reclassified to profit or loss			
Changes in fair value of hedging instruments		(14)	(1,460)
Changes in financial assets at fair value through other comprehensive income		193	(2,625)
Exchange differences on translation of foreign controlled entities		(785)	1,459
Total comprehensive income / (loss) for the year		**24,854**	**(96,731)**

Profit / (loss) attributable to:

	Notes	2014 $'000	2013 $'000
Members of the parent entity		26,843	(93,986)
Non controlling interest	33	(1,383)	(119)
		25,460	**(94,105)**

Total Comprehensive income / (loss) attributable to:

	Notes	2014 $'000	2013 $'000
Members of the parent entity		26,237	(96,612)
Non controlling interest	33	(1,383)	(119)
		24,854	**(96,731)**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014

		Consolidated Entity	
		2014	2013
	Notes	$'000	$'000
Current Assets			
Cash and cash equivalents	20 (b)	230,537	80,719
Trade and other receivables	6	31,261	18,610
Inventories	7	39,207	30,318
Derivative financial instruments	17	10	663
Total Current Assets		301,015	130,310
Non Current Assets			
Property, plant and equipment	9	102,290	112,110
Intangible assets	10	525	525
Exploration & evaluation expenditure	11	47,008	32,182
Mine properties	12	206,434	241,776
Financial assets at fair value through other comprehensive income	8	1,263	1,120
Total Non Current Assets		357,520	387,713
Total Assets		658,535	518,023
Current Liabilities			
Trade and other payables	14	31,318	36,911
Borrowings	15	95,412	104
Provisions	16	2,153	1,932
Current tax liabilities		9,575	324
Derivative financial instruments	17	746	1,906
Total Current Liabilities		139,204	41,177
Non Current Liabilities			
Borrowings	15	117,535	216,915
Provisions	16	12,798	6,298
Deferred tax liabilities	13	11,242	10,629
Total Non Current Liabilities		141,575	233,842
Total Liabilities		280,779	275,019
Net Assets		**377,756**	**243,004**
Equity			
Contributed equity	18	369,936	266,043
Other reserves	32	43,490	42,140
Retained earnings		(40,766)	(65,286)
Equity attributable to members of the parent entity		**372,660**	**242,897**
Non controlling interest	33	5,096	107
Total Equity		**377,756**	**243,004**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 30 JUNE 2014

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 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**
Comprehensive income											
Profit for the year									26,843	(1,383)	25,460
Other comprehensive profit for the year					(14)	193		(785)			(606)
Total comprehensive profit for the year					(14)	193		(785)	26,843	(1,383)	24,854
Transactions with owner in their capacity as owner, and other transfers											
Contributions of equity		106,342									106,342
Transaction costs on equity			(2,449)								(2,449)
Share based payments expense				1,956							1,956
Changes in non-controlling interest										6,372	6,372
Dividends paid									(2,323)		(2,323)
Total Equity at 30 June 2014		**384,184**	**(14,248)**	**20,156**	**(504)**	**(9,197)**	**32,958**	**77**	**(40,766)**	**5,096**	**377,756**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 30 JUNE 2014

	Notes	Consolidated Entity 2014 $'000	Consolidated Entity 2013 $'000
Cash flows from operating activities			
Receipts from customers		304,681	313,929
Payments to suppliers and employees		(161,627)	(175,590)
Interest received		2,834	1,621
Royalties paid		(11,171)	(12,011)
Other receipts		6,201	4,958
Interest paid		(15,282)	(21,113)
Realisation on settlement of derivatives		(6,161)	6,741
Income tax paid		(2,445)	(6,420)
Net cash inflow from operating activities	20(a)	**117,030**	**112,115**
Cash flows from investing activities			
Payments for property, plant and equipment		(4,542)	(19,052)
Loss on sale of assets		(15)	
Rental Deposit		24	20
Mine development expenditure		(29,438)	(35,527)
Exploration & evaluation expenditure		(19,405)	(24,510)
Payment for termination of royalty agreement		-	(14,317)
Purchase of financial assets at fair value through other comprehensive income		-	(285)
Net cash outflow from investing activities		**(53,376)**	**(93,671)**
Cash flows from financing activities			
Repayment of borrowings		(15,000)	(150,500)
Proceeds from issues of shares		106,342	65,009
Share issue transaction costs		(2,449)	(1,577)
Finance lease payments		(147)	(68)
Borrowing costs		(259)	(1,370)
Dividends paid to company's shareholders		(2,323)	(14,721)
Net cash inflow / (outflow) from financing activities		**86,164**	**(103,227)**
Net increase / (decrease) in cash and cash equivalents held		149,818	(84,783)
Cash and cash equivalents as at the beginning of the financial year		80,719	165,502
Cash and cash equivalents at end of financial year	20(b)	**230,537**	**80,719**

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

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 25 August 2014.

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

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any significant impact on the accounting policies of the consolidated entity from the adoption of these Accounting Standards and Interpretations are disclosed below. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 10 Consolidated Financial Statements

The consolidated entity has applied AASB 10 from 1 July 2013, which has a new definition of 'control'. Control exists when the reporting entity is exposed, or has the rights, to variable returns from its involvement with another entity and has the ability to affect those returns through its 'power' over that other entity. A reporting entity has power when it has rights that give it the current ability to direct the activities that significantly affect the investee's returns. The consolidated entity not only has to consider its holdings and rights but also the holdings and rights of other shareholders in order to determine whether it has the necessary power for consolidation purposes. This standard had no impact on the group results.

AASB 11 Joint Arrangements

The consolidated entity has applied AASB 11 from 1 July 2013. The standard defines which entities qualify as joint arrangements and removes the option to account for joint ventures using proportional consolidation. Joint ventures, where the parties to the agreement have the rights to the net assets are accounted for using the equity method. Joint operations, where the parties to the agreements have the rights to the assets and obligations for the liabilities, will account for its share of the assets, liabilities, revenues and expenses separately under the appropriate classifications. This standard had no impact on the group results.

AASB 12 Disclosure of Interests in Other Entities

The consolidated entity has applied AASB 12 from 1 July 2013. The standard contains the entire disclosure requirement associated with other entities, being subsidiaries, associates, joint arrangements (joint operations and joint ventures) and unconsolidated structured entities. The disclosure requirements have been significantly enhanced when compared to the disclosures previously located in AASB 127 'Consolidated and Separate Financial Statements', AASB 128 'Investments in Associates', AASB 131 'Interests in Joint Ventures' and Interpretation 112 'Consolidation – Special Purpose Entities'. This standard had no impact on the group results.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued...)

Adoption of new and revised Accounting Standards (Continued...)

AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13

The consolidated entity has applied AASB 13 and its consequential amendments from 1 July 2013. The standard provides a single robust measurement framework, with clear measurement objectives, for measuring fair value using the 'exit price' and provides guidance on measuring fair value when a market becomes less active. The 'highest and best use' approach is used to measure non-financial assets whereas liabilities are based on transfer value. The standard requires increased disclosures where fair value is used. This standard had no impact on the group results.

AASB 119 Employee Benefits (September 2011) and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)

The consolidated entity has applied AASB 119 and its consequential amendments from 1 July 2013. The standard eliminates the corridor approach for the deferral of gains and losses; streamlines the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring remeasurements to be presented in other comprehensive income; and enhances the disclosure requirements for defined benefit plans. The standard also changed the definition of short-term employee benefits, from 'due to' to 'expected to' be settled within 12 months. Annual leave that is not expected to be wholly settled within 12 months is now discounted allowing for expected salary levels in the future period when the leave is expected to be taken. This standard had no impact on the group results.

AASB 127 Separate Financial Statements (Revised), AASB 128 Investments in Associates and Joint Ventures (Reissued) and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards

The consolidated entity has applied AASB 127, AASB 128 and AASB 2011-7 from 1 July 2013. AASB 127 and AASB 128 have been modified to remove specific guidance that is now contained in AASB 10, AASB 11 and AASB 12 and AASB 2011-7 makes numerous consequential changes to a range of Australian Accounting Standards and Interpretations. AASB 128 has also been amended to include the application of the equity method to investments in joint ventures. This standard had no impact on the group results.

Early adoption of standards

The group has elected to apply AASB 9 Financial Instruments as issued in December 2010 and amended by AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) from 30 June 2014, because the new accounting policies provide more reliable and relevant information for users to assess the amounts, timing and uncertainty of future cash flows associated with relevant financial instruments.

The group has further adopted the revisions to AASB 9 in AASB 2013- 9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments from 30 June 2014. This includes the new hedging requirements contained in Chapter 6 which the group has adopted at that date for all prospective hedge relationships.

The adoption of this standard has no impact on the valuation of the Group's investments and therefore has no impact on the Group's net assets. The adoption of the revised AASB 9 did not affect the group's accounting for its financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have any such liabilities.

(a) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Western Areas Limited ('company' or 'parent entity') as at 30 June 2014 and the results of all subsidiaries for the year then ended. Western Areas Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued...)

(a) Principles of Consolidation (Continued...)

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the income statement and statement of comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

(b) 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.

(c) Foreign Currency Transactions and Balances

Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost, continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss can be directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued...)

(d) Revenue

Sale of Goods

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

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).

(e) 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.

(f) 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.

(g) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost as indicated less, where applicable, any accumulated depreciation and impairment losses.

Property

Land and buildings are carried at cost, less accumulated depreciation for buildings.

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(o) 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.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued...)

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

Depreciation

The depreciable amount of all property, plant and equipment is depreciated on a straight line basis over their useful lives or the estimated life of mine, if shorter. 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.

(h) Exploration and Evaluation Expenditure

Exploration and evaluation expenditures incurred are capitalised in respect of each identifiable area of interest. These costs are only capitalised for areas of interest where rights of tenure are current, 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.

(i) Mine Properties

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 expenditure transferred from the capitalised exploration and evaluation expenditure phase.

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(o).

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.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued...)

(j) Income Tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entity's which intend to settle simultaneously.

Western Areas Limited (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

(k) 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.

(l) Employee Benefits

Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. All other short-term employee benefit obligations are presented as payables.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued...)

(l) Employee Benefits (Continued...)

Other long-term employee benefits obligations

The liabilities for long service leave and annual leave that are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised as non-current liabilities and are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of government bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Share-based payments

The consolidated entity has provided benefits to its Key Management Personnel in the form of share-based payments, whereby services were rendered partly or wholly in exchange for shares or rights over shares. The Remuneration and Nomination Committee approved the grant of performance rights as incentives to attract Executives and to maintain their long term commitment to the Company. These benefits are awarded at the discretion of the Board, or following approval by shareholders (equity-settled transactions).

The costs of these equity-settled transactions are measured by reference to the fair value of the equity instruments at the date on which they are granted. The fair value of performance rights granted is determined using the Black Scholes Option Pricing Model ("BSM") that includes a Monte Carlo Simulation Model to value the Rights, further details of which are disclosed in Note 31.

The costs of these equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and / or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the equity instrument (vesting date).

At each subsequent reporting date until vesting, the cumulative charge to the income statement is the product of (i) the fair value at grant date of the award; (ii) the current best estimate of the number of equity instruments that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met and (iii) the expired portion of the vesting period.

The charge to the income statement for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding credit to equity.

Until an equity instrument has vested, any amounts recorded will be adjusted if more or fewer equity instruments vest than were originally anticipated to do so. Any equity instrument subject to a market condition is considered to vest irrespective of whether or not that market condition is fulfilled, provided that all other conditions are satisfied.

If the terms of an equity-settled award are modified, as a minimum, an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share based payment arrangement, or is otherwise beneficial to the recipient of the award, as measured at the date of modification.

If an equity-settled transaction is cancelled (other than a grant cancelled by forfeiture when the vesting conditions are not satisfied), it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new equity instrument is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new equity instrument are treated as if they were a modification of the original award, as described in the preceding paragraph.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued...)

(m) 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.

(n) 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:

a) the amount at which the financial asset or financial liability is measured at initial recognition;
b) less principal repayments;
c) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and
d) less any reduction for impairment.

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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued...)

(n) Financial Instruments (Continued...)

Financial assets at fair value through profit and loss

As from 1 July 2013 the group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value, and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. The group is required to reclassify all affected debt investments when and only when its business model for managing those assets changes.

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

A gain or loss on a debt investment that is subsequently measured at fair value and is not part of a hedging relationship is recognised in profit or loss and presented net in the income statement within other income or other expenses in the period in which it arises. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the financial asset is derecognised or impaired and through the amortisation process using the effective interest rate method.

The group subsequently measures all equity investments at fair value. Where the group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Dividends from such investments continue to be recognised in profit or loss as other revenue when the group's right to receive payments is established and as long as they represent a return on investment. This treatment has been selected as the equity investments in Mustang Minerals Inc, and Southern Cross Goldfields Limited, as these are deemed to be strategic equity investments.

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).

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.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued...)

(n) Financial Instruments (Continued...)

Derivative financial instruments (Continued...)

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

Cash flow hedges are used to cover the consolidated entity's exposure to variability in cash flows that is attributable to particular risk associated with a recognised asset or liability or a firm commitment which could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, whilst the ineffective portion is recognised in profit or loss. Amounts taken to equity are transferred out of equity and included in the measurement of the hedged transaction when the forecast transaction occurs.

Cash flow hedges are tested for effectiveness on a regular basis both retrospectively and prospectively to ensure that each hedge is highly effective and continues to be designated as a cash flow hedge. If the forecast transaction is no longer expected to occur, amounts recognised in equity are transferred to profit or loss.

If the hedging instrument is sold, terminated, expires, exercised without replacement or rollover, or if the hedge becomes ineffective and is no longer a designated hedge, amounts previously recognised in equity remain in equity until the forecast transaction occurs.

All Other Derivatives

Changes in the fair value of derivatives that do not qualify for hedge accounting are recognised in the Income Statement.

Adoption of AASB 9

The group applies the new hedge accounting rules of AASB 9 prospectively from 30 June 2014. The new rules replaces the 80-125% range for the hedge effectiveness testing with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship. Also, in regards to risk component it is designated as the hedged item, not only for financial items, but also for non-financial items, provided the risk component is separately identifiable and reliably measured. The time value of an option, the forward element of a forward contract and any foreign currency basis spread can be excluded from the hedging instrument and accounted for as costs of hedging. The financial instruments are recognised through assets and liabilities with mark to market movements in the instruments recognised through reserves for the effective portion of the hedge. The ineffective portion of the hedge is recognised through profit or loss.

This change did not have any impact on the group result.

(o) 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued...)

(o) Impairment of Assets (Continued...)

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 since the last impairment loss was recognised. 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.

(p) 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.

(q) Joint Arrangements

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

(r) 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.

(s) 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.

(t) 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.

(u) 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 value in use (VIU) approach.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued...)

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

Key estimates (Continued...)

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 and liabilities, due to changes in expected cash flows. Reserves are integral to the amount of depreciation, depletion and amortisation charged to the income statement and the calculation of inventory. The Group prepares reserve estimates in accordance with the JORC Code, guidelines prepared by the Joint Ore Reserves Committee of The Australian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia.

Key judgements

i) 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 life of the 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

(v) 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.

(w) Comparative figures

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

(x) Business Combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred for the acquisition is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued...)

(x) Business Combinations (Continued...)

For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquire is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

(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) 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 (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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued...)

(aa) 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.

(bb) 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.

(cc) New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2014. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities

The amendments are applicable to annual reporting periods beginning on or after 1 January 2014. The amendments add application guidance to address inconsistencies in the application of the offsetting criteria in AASB 132 'Financial Instruments: Presentation', by clarifying the meaning of 'currently has a legally enforceable right of set-off'; and clarifies that some gross settlement systems may be considered to be equivalent to net settlement. The impact of its adoption from 1 July 2014 is yet to be assessed by the consolidated entity.

AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets

These amendments are applicable to annual reporting periods beginning on or after 1 January 2014. The disclosure requirements of AASB 136 'Impairment of Assets' have been enhanced to require additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposals. Additionally, if measured using a present value technique, the discount rate is required to be disclosed. The adoption of these amendments from 1 July 2014 may increase the disclosures by the consolidated entity.

AASB 2013-4 Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting

These amendments are applicable to annual reporting periods beginning on or after 1 January 2014 and amends AASB 139 'Financial Instruments: Recognition and Measurement' to permit continuation of hedge accounting in circumstances where a derivative (designated as hedging instrument) is novated from one counter party to a central counterparty as a consequence of laws or regulations. The impact of its adoption from 1 July 2014 is yet to be assessed by the consolidated entity.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 2: OTHER INCOME	Consolidated Entity 2014 $'000	Consolidated Entity 2013 $'000
- Interest income	3,250	1,493
- Sundry income	-	344
- Income on sale of carbon credits	5,370	5,143
Total other income	**8,620**	**6,980**

NOTE 3: PROFIT BEFORE INCOME TAX	Notes	Consolidated Entity 2014 $'000	Consolidated Entity 2013 $'000
Profit before income tax includes the following specific expenses:			
- Administration and other expenses:			
Administration and other expenses – Western Areas		6,621	6,220
Administration and other expenses – FinnAust Mining		3,293	714
Total administration and other expenses		9,914	6,934
- Depreciation of property, plant and equipment	9	14,441	12,861
- Amortisation of mine development asset	12	69,038	70,225
- Rental expenditure relating to operating leases		1,210	1,270
- Realised derivative losses / (gains)		2,860	(2,978)
- Changes in fair value of derivatives		(521)	1,472
- Employee benefits expense			
Defined contribution superannuation expense		1,974	1,996
- Finance costs:			
Interest expense – borrowings		14,774	16,758
Provisions: unwinding of discount		764	298
Bond accretion expense		8,723	7,483
Interest expense – finance leases		30	15
Borrowing costs amortised		2,301	2,182
Total borrowing costs		**26,592**	**26,736**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 4: INCOME TAX	Notes	Consolidated Entity 2014 $'000	Consolidated Entity 2013 $'000
The components of the tax expense comprise:			
- Current tax		12,899	324
- Deferred tax	13	613	(30,590)
- R&D Tax offset		(887)	(5,547)
- Adjustment of current tax for prior periods		(316)	1,360
Income tax expense / (benefit)		**12,309**	**(34,453)**

The prima facie tax on the profit from ordinary activities before income tax at the statutory income tax rate to income tax expense at the groups' effective income tax rate is as follows:

	2014	2013
Prima facie tax on profit / (loss) before income tax at 30% (2013: 30%)	11,330	(38,567)
Adjusted for the tax effect of:		
- Changes in fair value of derivatives	(156)	442
- Share based payment expense	587	348
- Other non allowable items	37	7
- Share issue costs deductible	-	(200)
- Other temporary differences	(2,106)	1,272
- Convertible bond accretion expense	2,617	2,245
Tax Expense	**12,309**	**(34,453)**

NOTE 5: DIVIDENDS

	2014	2013
Dividends proposed		
A final, fully franked, dividend of 4 cents per share is proposed for the year ended 30 June 2014 (No final dividend for 2013). This has not been recognised in the 30 June 2014 financial year as it's a non-adjusting subsequent event.	**9,292**	**-**
Dividends paid		
No final dividends were paid for the year ended 30 June 2013 (2012: 6 cents).	**-**	**10,784**
Interim fully franked ordinary dividend of 1 cent (2013: 2 cents fully franked) per share	**2,323**	**3,937**
	2,323	**14,721**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

	Consolidated Entity	
	2014	2013
NOTE 6: TRADE AND OTHER RECEIVABLES	$'000	$'000
Trade debtors	29,942	14,372
Other debtors	398	1,582
GST refund due	-	1,150
Prepayments	921	1,506
	31,261	**18,610**

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

NOTE 7: INVENTORIES

Ore stockpiles – at cost	33,350	24,926
Nickel concentrate stockpiles – at cost	2,065	1,473
Consumables and spare parts – at cost	3,792	3,919
	39,207	**30,318**

NOTE 8: FINANCIAL ASSETS

Financial assets at fair value through other comprehensive income include the following classes of financial assets:

Non-current assets		
Listed securities:		
- Equity securities	1,263	1,120
	1,263	**1,120**

NOTE 9: PROPERTY, PLANT AND EQUIPMENT

	Consolidated Entity	
	2014	2013
	$'000	$'000
Property – at cost	41,061	40,925
Accumulated depreciation	(15,340)	(11,316)
	25,721	29,609
Plant & equipment – at cost	131,588	127,415
Accumulated depreciation	(55,586)	(45,290)
	76,002	82,125
Plant & equipment under lease	1,302	990
Accumulated depreciation	(735)	(614)
	567	376
Total property, plant & equipment – at cost	173,951	169,330
Accumulated Depreciation	(71,661)	(57,220)
Total	**102,290**	**112,110**

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 2014

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	
	2014	2013
	$'000	$'000
Property		
Written down value at the beginning of the year	29,609	16,390
- Additions / transfers	136	18,054
- Depreciation expense	(4,024)	(4,835)
Written down value at the end of the year	**25,721**	**29,609**
Plant & Equipment		
Written down value at the beginning of the year	82,125	90,463
- Additions / transfers	4,174	(405)
- Depreciation expense	(10,296)	(7,933)
Written down value at the end of the year	**76,003**	**82,125**
Plant & Equipment under Lease		
Written down value at the beginning of the year	376	258
- Additions	311	211
- Depreciation expense	(121)	(93)
Written down value at the end of the year	**566**	**376**

NOTE 10: INTANGIBLE ASSETS

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

	Consolidated Entity	
	2014	2013
NOTE 11: EXPLORATION & EVALUATION EXPENDITURE	$'000	$'000
Exploration & Evaluation Expenditure consists of:		
- At cost	49,278	204,786
- Transferred to mine development	-	(76,000)
- Accumulated impairment loss	(2,270)	(96,604)
Total Exploration and Evaluation Expenditure	**47,008**	**32,182**

Movement in carrying amount:

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

Exploration & Evaluation Expenditure

Written down value at the beginning of the year	32,182	133,282
- Expenditure incurred during the year	17,942	23,015
- Transferred to mine development	-	(30,000)
- Write-off	(846)	(17,073)
- Impairment charge	(2,270)	(77,042)
Written down value at the end of the year	**47,008**	**32,182**

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 2014, 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 $2.3 million;
- Exploration expenditure in relation to specific areas of interest that were impaired in the prior year have not lead to the discovery of commercially viable quantities of mineral resources and have therefore decided to write the impairment off, as such $77.0 million has been written off. A further $281k has been written off in the current financial year for exploration spent on these specific areas; and
- The Company's 68% held subsidiary, FinnAust Mining Plc, has written off $565k of exploration assets on areas where exploration licenses have expired and not been renewed.

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 subsequent development and exploitation or alternatively their sale.

	Consolidated Entity	
	2014	2013
NOTE 12: MINE PROPERTIES	$'000	$'000
Capitalised development expenditure consists of:		
- Mine development	140,847	180,041
- Acquisition of mining assets	59,796	59,796
- Exploration expenditure transfer	76,000	76,000
- Deferred mining expenditure	272,002	244,810
- Capitalised restoration costs	11,645	5,843
- Capitalised interest	11,175	11,175
- Accumulated impairment loss	-	(39,896)
- Accumulated amortisation	(365,031)	(295,993)
Total Mine Development	**206,434**	**241,776**

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	241,776	295,634
- Additions	27,894	34,673
- Exploration expenditure transfer	-	30,000
- Impairment charge	-	(39,896)
- Write-off	-	(8,410)
- Increase in restoration provision	5,802	-
- Amortisation charge for the year	(69,038)	(70,225)
Written down value at the end of the year	**206,434**	**241,776**

Write off of mine property expenditure

Management has reviewed the prior year impaired assets ($39.9M) and have concluded that the recoverable amount of each asset or group of assets within the Group's Cash Generating Unit (CGU) being the Forrestania Nickel Project was mainly related to prior years' exploration expenditure, transferred to mine development. The exploration related to areas where production has since been completed and as such, management has concluded that the ability to reverse such impairment charges in future periods no longer exists and accordingly has transferred these prior year impairments to write-off.

NOTE 13: DEFERRED TAX LIABILITIES

	Consolidated Entity	
	2014	2013
	$'000	$'000
The balance comprises temporary differences attributable to:		
(a) Liabilities		
- Exploration & evaluation expenditure	(27,929)	(24,120)
- Property, plant and equipment	(4,106)	(5,036)
- Other	(376)	(706)
	(32,411)	(29,862)
(b) Assets		
- Provisions	4,532	2,469
- Mine development	16,571	16,764
- Other	66	-
	21,169	19,233
Net deferred tax liabilities	**(11,242)**	**(10,629)**
(c) Reconciliation		
(i) *Gross movement* The overall movement in the deferred tax account is as follows:		
Opening balance	(10,629)	(41,219)
Credit / (Debit) to income statement	(613)	30,590
Closing balance	(11,242)	(10,629)
(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	(24,120)	(58,108)
Credit / (Debit) to income statement	(3,809)	33,988
Closing balance	(27,929)	(24,120)
Property, plant and equipment		
Opening balance	(5,036)	5,623
Credit / (Debit) to income statement	930	(10,659)
Closing balance	(4,106)	(5,036)
Other		
Opening balance	(706)	(773)
Credit to income statement	330	67
Closing balance	(376)	(706)

	Consolidated Entity	
	2014	2013
NOTE 13: DEFERRED TAX LIABILITIES (Continued...)	$'000	$'000
(iii) *Deferred tax assets* The movement in the deferred tax assets for each temporary difference during the year is as follows:		
Provisions		
Opening balance	2,469	1,829
Credit to income statement	2,063	640
Closing balance	4,532	2,469
Mine development		
Opening balance	16,764	9,966
Credit / (Debit) to income statement	(193)	6,798
Closing balance	16,571	16,764
Other		
Opening balance	-	244
Credit / (Debit) to income statement	66	(244)
Closing balance	66	-

NOTE 14: TRADE & OTHER PAYABLES

	2014	2013
Trade payables	1,503	8,670
Accrued expenses	22,781	20,728
Accrued interest on convertible bonds	7,034	7,513
	31,318	**36,911**

NOTE 15: BORROWINGS

		Consolidated Entity	
		2014	2013
		$'000	$'000
Current			
Corporate loan facility	15 (a)	-	-
Convertible bond	15 (b)	95,198	-
Lease liabilities	15 (c) & 21 (b)	214	104
		95,412	**104**
Non Current			
Convertible bonds	15 (b)	119,571	221,046
Convertible bond borrowing costs		(760)	(2,597)
Lease liabilities	15 (c) & 21(b)	328	275
Corporate loan facility borrowing cost		(1,604)	(1,809)
		117,535	**216,915**

(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 April 2014 the company executed a revised loan facility that extends the existing loan facility between ANZ and Western Areas Ltd. The facility is for $125M, is undrawn as at 30 June 2014 and remains in place until March 2017.

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

Mine properties	206,434	241,776
Property, plant & equipment	101,156	111,733
	307,590	**353,509**

(b) Convertible bonds

Current		
Convertible bond (Issued November 2010)	95,198	-
Non-current		
Convertible bond (Issued April 2010)	119,571	115,563
Convertible bond (Issued November 2010)	-	105,483
Total non-current	119,571	221,046
Total convertible bond borrowing	**214,769**	**221,046**

NOTE 15: BORROWINGS (Continued...)

(i) The convertible bond issued in November 2010 matured on 2 July 2014 and was paid off subsequent to the reporting period.

(ii) The convertible bond issued in April 2010 matures on 2 July 2015 and is convertible into fully paid ordinary shares at $6.32/share prior to maturity.

(iii) Interest is payable on the convertible bonds 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	
		2014	2013
		$'000	$'000
Current			
Employee Entitlements	16 (a)	**2,153**	**1,932**
Non Current			
Rehabilitation and restoration cost			
Opening balance		6,298	6,096
Additional provision raised		5,803	-
Unwinding of discount		764	297
Rehabilitation expenditure incurred during the period		(67)	(95)
Closing balance	16 (b)	**12,798**	**6,298**

(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 2014

NOTE 17: DERIVATIVE FINANCIAL INSTRUMENTS

		Consolidated Entity	
		2014	2013
		$'000	$'000
Current Assets			
Nickel collar options	29 (c)	10	663
		10	**663**
Current Liabilities			
Nickel collar options	29 (c)	746	1,906
		746	**1,906**

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 settlement, amounts included in the hedge reserve are transferred from equity and included in the income statement.

NOTE 18: ISSUED CAPITAL

	Consolidated Entity	
	2014	2013
Issued capital	$'000	$'000
232,310,014 fully paid ordinary shares (2013: 196,843,803)	**369,936**	**266,043**

Movements in issued capital

2014	Number of Shares	$'000
Balance at beginning of the financial year	196,843,803	266,043
- Issued via share placement	35,466,211	106,342
- Share issue expense	-	(2,449)
Balance at end of the financial year	**232,310,014**	**369,936**

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

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.

Share options and performance rights

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

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.

NOTE 19: EARNINGS PER SHARE

	Consolidated Entity	
	2014	2013
	$'000	$'000
Earnings / (Loss) used to calculate basic / diluted earnings per share	25,460	(94,105)

	2014 Number	2013 Number
Weighted average number of ordinary shares outstanding during the year used in calculating earnings per share	208,025,041	196,843,803
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive earnings per share	210,127,619	196,843,803

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 20: CASH FLOW INFORMATION

a) Reconciliation of the net profit after tax to net cash provided by operating activities

	Consolidated Entity	
	2014	2013
	$'000	$'000
Profit /(Loss) after income tax	25,460	(94,105)
Depreciation expense	14,441	12,861
Amortisation expense	71,339	72,407
Convertible bond accretion expense	8,723	7,483
Impairment / write-off expenses	3,116	142,421
Interest receivable	416	128
Others	(100)	1,406
Share based payment expense	1,956	1,159
Changes in fair value of derivatives	521	1,472
Change in Assets and Liabilities		
(Decrease) / increase in trade and other payables	(357)	(6,693)
Decrease / (increase) in inventories	(8,889)	11,802
Decrease / (increase) in trade and other receivables	(15,354)	6,986
(Decrease) / increase in interest payable	(478)	(4,340)
(Decrease) / increase in tax liabilities	9,864	(40,872)
Movement in non-controlling interest	6,372	-
Net cash provided by operating activities	**117,030**	**112,115**

b) Reconciliation of Cash and Cash Equivalents

	Consolidated Entity	
	2014	2013
	$'000	$'000
Cash and cash equivalents comprises :		
Cash on hand and at bank	**230,537**	**80,719**

The cash at bank on 30 June 2014 includes restricted cash of $7.0M (2013: $7.5M) interest on convertible bonds and $95.2M convertible bond repayment payable on 2 July 2014.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 20: CASH FLOW INFORMATION (Continued...)

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	6,318	3,682
	135,000	**6,318**	**128,682**

* 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 $311k (2013: $211k).

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	
	2014	2013
	$'000	$'000
- no later than 1 year	967	912
- later than 1 year and not later than 5 years	3,871	3,757
Lease expenditure contracted for at year end	4,838	4,669

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

NOTE 21: COMMITMENTS (Continued...)

b) Finance Lease Commitments

- no later than 1 year	214	104
- later than 1 year and not later than 5 years	328	275
Total Minimum Lease Payments	542	379
- future finance charges	48	37
Total Lease Liability	590	416
- current	236	134
- non current	354	282
	590	416

The finance lease commitments relate primarily to 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.

	Consolidated Entity	
	2014	2013
c) Capital Expenditure Commitments	$'000	$'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	4,595	4,866
- later than 1 year and not later than 5 years	20,422	19,468
Total Minimum Payments	25,017	24,334

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	
	2014	2013
	$'000	$'000
- Audit and review of financial statements	128	171
- Audit of Jobs and Competitiveness Program Assistance Application	7	7
Total minimum commitments	135	178

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

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. This equates to approximately 2 years of nickel shipments.

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 other than stated in this report after 30 June 2014 which has a material effect on the financial statements for the year ended 30 June 2014.

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.

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 2014

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) (Resigned 21 November 2013)
I Macliver	Chairman (Non-Executive) (Elevated to Chairman 21 November 2013)
J Hanna	Director (Non-Executive)
R Dunbar	Director (Non-Executive)
R Yeates	Director (Non-Executive)
C Readhead	Director (Non-Executive) (Appointed 26 June 2014)
D Lougher	Managing Director
D Southam	Executive Director
J Belladonna	Chief Financial Officer / Company Secretary
W Jones	General Manager Operations
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 2014.

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

	2014	2013
	$'000	$'000
Short term employee benefits	4,649	4,090
Share based payments	1,795	1,045
Post-employment benefits	207	220
	6,651	5,355

NOTE 28: INTERESTS IN JOINT ARRANGEMENTS

At balance date the consolidated entity has not entered into any joint ventures or joint operations.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 29: FINANCIAL RISK MANAGEMENT

Financial Risk Management Policies

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

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

Specific Financial Risk Exposures and Management

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

a) Credit Risk

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

The consolidated entity does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

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

	2014	2013
	$'000	$'000
Cash and cash equivalents	230,537	80,719
Trade and other receivables	31,261	18,610
Financial assets at fair value through other comprehensive income	1,263	1,120
Derivative financial instruments	10	663

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.

Financial assets at fair value through other comprehensive income

Credit risk on financial assets at fair value through other comprehensive income is minimised by undertaking transactions with recognised counterparties on recognised exchanges.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 29: FINANCIAL RISK MANAGEMENT (Continued...)

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.

Financial liability and financial asset maturity analysis

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

2014 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	230,537			**230,537**
Trade and Other Receivables	31,261			**31,2616**
Financial assets at fair value through other comprehensive income	-	-	1,263	**1,263**
Financial Assets – Derivative				
Nickel Collar Options (net settled)	10			**10**
	261,808	-	1,263	**263,071**
Financial Liabilities – Non Derivative				
Trade and Other Payables	31,318			**31,318**
Convertible Bonds	95,198	133,000		**228,198**
Lease Liabilities	214	328		**542**
Financial Liabilities – Derivative				
Nickel Collar Options (net settled)	746			**746**
	127,476	**133,328**	**-**	**260,804**
Net Financial Assets/(Liabilities)	**134,332**	**(133,328)**	**1,263**	**2,267**

NOTE 29: FINANCIAL RISK MANAGEMENT (Continued...)

b) Liquidity Risk (Continued...)

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 at fair value through other comprehensive income	-	-	1,120	**1,120**
Financial Assets – Derivative				
Nickel Collar Options (net settled)	663	-	-	**663**
	99,992	-	1,120	**101,112**
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)**	**1,120**	**(193,346)**

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:

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 29: FINANCIAL RISK MANAGEMENT (Continued...)

c) Market Risk (Continued...)

i) Interest Rate Risk (continued...)

2014 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	230,537	-	-	-	-	**230,537**	3.0%
Trade and Other Receivables	-	-	-	-	31,261	**31,261**	
Financial assets at fair value through other comprehensive income	-	-	-	-	1,263	**1,263**	
	230,537	-	-	-	32,524	**263,061**	
Financial Liabilities							
Trade and Other Payables	-	-	-	-	(31,318)	**(31,318)**	
Convertible bonds	-	(95,198)	(125,000)	-	-	**(220,198)**	6.4%
Lease liability	-	(214)	(328)	-	-	**(542)**	6.0%
	-	**(95,412)**	**(125,328)**	**-**	**(31,318)**	**(252,058)**	
Net Financial Assets/(Liabilities)	**230,537**	**(95,412)**	**(125,328)**	**-**	**1,206**	**11,003**	

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**	
Financial assets at fair value through other comprehensive income	-	-	-	-	1,120	**1,120**	
	80,719	-	-	-	19,730	**100,449**	
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)**	**-**	**(17,181)**	**(155,290)**	

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 2014

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 financial assets at fair value through other comprehensive income.

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% (2013 – increased by 10% / decreased by 10%) and foreign exchange rate increased by 5% / decrease by 5% (2013 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	
	30 June 2014	30 June 2013
	$'000	$'000
ASX	7	7
TSX	177	46

Comprehensive income would increase/decrease as a result of gains/losses on equity securities classified as financial assets at fair value through other comprehensive income. A decrease in the share price and exchange rate would result in a further decrease in fair value compared to cost.

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.

NOTE 29: FINANCIAL RISK MANAGEMENT (Continued...)

c) Market Risk (Continued...)

ii) Price Risk (continued...)

b) Commodity Price Risk (continued...)

The following table details the Consolidated Entity's sensitivity to a USD 500 / tonne 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.

	Profit	Equity
	$'000	$'000
Year Ended 30 June 2014		
+- $500 / tonne nickel	+/- 1,519	+/- 1,519

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

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 9 "Financial Instruments: Recognition and Measurement".

Additional information on nickel collar options and swaps open at 30 June 2014 is detailed in the table below:

	30 June 2014		30 June 2013	
	Collar Options	Swaps	Collar Options	Swaps
Nickel Tonnes	750	300	-	-
Average US Price ($/tonne)	-	17,400	-	-
USD Value ($'000)	-	5,220	-	-
US Price ($/tonne) Cap	17,750	-	-	-
USD Value ($'000)	13,313	-	-	-
US Price ($/tonne) Floor	23,650	-	-	-
USD Value ($'000)	17,738	-	-	-

NOTE 29: FINANCIAL RISK MANAGEMENT (Continued...)

c) Market Risk (Continued...)

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 2014		30 June 2013	
	Financial liabilities	Financial assets	Financial liabilities	Financial assets
US$ '000	-	59,107	-	16,754
Euros '000	-	-	-	200
UK Stirling	-	1,706	-	-

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.

	Profit	Equity
	$'000	$'000
Year Ended 30 June 2014		
+ 5% in $A/$US	(2,598)	(2,598)
- 5% in $A/$US	2,871	2,871

	Profit	Equity
	$'000	$'000
Year Ended 30 June 2013		
+ 5% in $A/$US	(2,690)	(2,690)
- 5% in $A/$US	2,973	2,973

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 29: FINANCIAL RISK MANAGEMENT (Continued...)

c) Market Risk (Continued...)

Foreign exchange collar options

The consolidated entity did not have any open foreign exchange collar options at 30 June 2014 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 9 "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	
	2014 $000	2013 $000	2014 $000	2013 $000
Buy AUD / Sell USD			Put Call	Put Call
Settlement				
- less than 6 months	-	40,000	-	1.000 - 0.920
- 6 months to 1 year	-	30,000	-	0.960 - 0.802

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 2014

NOTE 29: FINANCIAL RISK MANAGEMENT (Continued...)

d) Net fair values (Continued...)

		2014		2013	
		Carrying Amount $'000	Net Fair Value $'000	Carrying Amount $'000	Net Fair Value $'000
Financial Assets					
Cash and cash equivalents	(i)	230,537	230,537	80,719	80,719
Financial assets at fair value through other comprehensive income	(ii)	1,263	1,263	1,120	1,120
Derivative financial assets	(iii)	10	10	663	663
Loans and receivables	(i)	31,261	31,261	18,610	18,610
		263,071	263,071	101,112	101,112

		2014		2013	
		Carrying Amount $'000	Net Fair Value $'000	Carrying Amount $'000	Net Fair Value $'000
Financial Liabilities					
Trade and other payables	(i)	31,318	31,318	36,911	36,911
Convertible bonds	(iv)	214,769	220,198	218,449	235,198
Derivative financial liabilities	(iii)	746	746	1,906	1,906
Corporate loan facility	(iv)	-	-	-	-
Other liabilities	(i)	542	542	379	379
		247,375	252,804	257,645	274,394

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 2014

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				
2014	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Financial assets:				
Financial assets at fair value through other comprehensive income	1,263	-	-	1,263
Derivative financial instrument	-	10	-	10
Total financial assets	1,263	10	-	1,273
Financial liabilities				
Derivative financial instruments	-	746	-	746
2013				
Financial assets:				
Financial assets at fair value through other comprehensive income	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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 29: FINANCIAL RISK MANAGEMENT (Continued...)

d) Net fair values (Continued...)

Changes in accounting policies

The financial assets of the group have been reclassified as follows:

	Measurement category**		Carrying amount		
	Original (AASB 139)	New (AASB 9)	Original $'000*	New $'000*	Difference $'000
Current Financial Assets					
Cash and cash equivalents	Amortised cost	Amortised cost	80,719	80,719	-
Derivative financial assets	Amortised cost	Amortised cost	663	663	-
Loans and receivables	Amortised cost	Amortised cost	18,610	18,610	-
Non-Current Financial Assets					
Equity securities	Available for sale	FVTOCI	1,120	1,120	-

* Carrying amount as at 1 July 2013, being the date of initial application

** FVTOCI = investments in equity instruments designated as measured at fair value through other comprehensive income

Early adoption of AASB 9 had no impact on the group result for the year ended 30 June 2014.

NOTE 30: RELATED PARTY TRANSACTIONS

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

Mr Craig Readhead, a Non-Executive Director of the Company since 26 June 2014, is a partner of Allion Legal, a law firm that the Company engages from time to time for the provision of legal services and advice. All FY14 fees were negotiated at on an arms length basis. FY14 fees totalled $162,185.

NOTE 31: SHARE BASED PAYMENTS

	Consolidated Entity	
	2014	2013
(a) Expenses arising from share based transactions	$'000	$'000
Equity settled share options and performance rights granted during:		
Year ended 30 June 2014	525	537
Year ended 30 June 2013	1,068	622
Year ended 30 June 2012	363	-
Total expense recognised as employee costs	1,956	1,159

(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 a 3 year service condition to 30 June 2014 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 a 3 year service condition to 30 June 2015 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.

For grants made under the Long Term Incentive (LTI) plan during FY14, vesting will occur subject to the meeting of a 3 year service condition to 30 June 2016 and performance conditions as follows:

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

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

Relative TSR performance	Performance Vesting Outcomes
Less than 50^{th} percentile	0% vesting
At the 50^{th} percentile	50% vesting
Between 50^{th} and 75^{th} percentile	Pro-rata / progressive vesting from 50% - 100%
At or above 75^{th} percentile	100% vesting

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

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:

	2014	2013
Underlying share price	$2.35	$4.06
Exercise price of rights	Nil	Nil
Risk free rate	3.11%	2.40%
Volatility factor	45%	35% to 55%
Dividend yield	2.5%	4.0%
Effective life	3.0 years	3.0 years
Entitled number of employees	7	7

Performance Rights held by Key Management Personnel at 30 June 2014

	Balance at 1 July 2013	Granted as Remuneration	Exercise of Performance Rights	Expired / Lapsed / Cancelled	Balance at 30 June 2014	Performance Rights Vested
D Lougher	408,691	465,750	-	(37,470)	836,971	-
D Southam	273,254	196,530	-	(35,319)	434,465	-
C Wilkinson	117,449	56,110	-	(15,265)	158,294	-
G Marshall	106,773	51,010	-	(13,878)	143,905	-
J Belladonna	168,485	123,290	-	(21,191)	270,584	-
W Jones	83,476	65,920	-	-	149,396	-
TOTAL	**1,158,128**	**958,610**	**-**	**(123,123)**	**1,993,615**	**-**

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 / Cancelled	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**	**-**

NOTE 31: SHARE BASED PAYMENTS (Continued...)

(c) Option plans

There were no options outstanding as at 30 June 2014.

The movement in the various classes of options for the prior 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)	(1,900,000)
Closing balance	-	-	-

NOTE 32: RESERVES

(i) Share Based Payment reserve

The share based payment reserve records the items recognised as expenses on valuation of employee share options and performance rights.

(ii) Hedge reserve

The hedge reserve records revaluations of items designated as hedges.

(iii) Investment Revaluation reserve

The investment revaluation reserve records revaluations of financial assets at fair value through other comprehensive income.

(iv) Convertible Bond Reserve

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

(v) Foreign Exchange Reserve

The reserve is used to recognise exchange differences arising from translation of the financial statements of foreign operations to Australian dollars.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 33: INTERESTS IN SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following wholly-owned subsidiaries in accordance with the accounting policy described in Note 1:

Name	Country of Incorporation	Percentage of equity held	
		2014	2013
Western Platinum NL	Australia	100%	100 %
Australian Nickel Investments Pty Ltd	Australia	100%	100 %
Bioheap Ltd	Australia	100%	100%
Western Areas Nickel Pty Ltd	Australia	100%	100%

All the entities above 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.

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiary with non-controlling interests in accordance with the accounting policy described in Note 1:

Name	Country of Incorporation	Percentage of equity held	
		2014	2013
FinnAust Mining Plc	United Kingdom	68%	84%

Western Areas Limited ("WSA") entered into a transaction on 29 November 2013 with Centurion Resources Plc ("Centurion") that involved the following components:

1) WSA disposed its interest in FinnAust Mining Plc ("FinnAust") (an 84% held subsidiary of WSA) to Centurion in exchange for new shares to be issued by Centurion – Centurion is an AIM listed company.

2) The minority shareholders in FinnAust also disposed of their shareholding to Centurion on similar terms to those of WSA and were also issued shares in Centurion.

3) Centurion executes an additional equity placement to raise £3.4m with WSA subscribing for £1.8m of this placement.

4) Following the issue and take up of shares, WSA holds 68% of the issued share capital of Centurion Plc. Centurion Plc holds 100% of the share capital of FinnAust.

Centurion was subsequently renamed to FinnAust Mining Plc.

The acquisition of Centurion Resources has been treated as an asset acquisition.

The capital gain tax implication on the Centurion acquisition was nil.

NOTE 33: INTERESTS IN SUBSIDIARIES (Continued...)

Summarised financial information

Summarised financial information of the subsidiary with non-controlling interests that are material to the consolidated entity is set out below

	FinnAust Mining Plc	
	2014	2013
Summarised Statement of Financial Position	$'000	$'000
Current Assets	3,267	1,124
Non Current Assets	14,713	11,908
Total Assets	17,980	13,032
Current Liabilities	388	385
Non Current Liabilities	226	-
Total Liabilities	614	385
Net Assets	**17,366**	**12,647**
Summarised statement of profit or loss and other comprehensive income		
Revenue	-	-
Expenses	(4,324)	(744)
Loss before income tax	**(4,324)**	**(744)**
Income tax	-	-
Loss after income tax	**(4,324)**	**(744)**
Other comprehensive expenses	(621)	(4)
Total Comprehensive Income	**(4,945)**	**(748)**
Statement of cash flows		
Net cash from operating activities	(2,454)	(1,279)
Net cash used in investing activities	(1,391)	(3,748)
Net cash used in financing activities	6,748	3,501
Net increase/(decrease) in cash and cash equivalents	**2,903**	**(1,526)**
Other Financial Information		
Opening Balance	107	226
Loss attributable to non-controlling interests	(1,383)	(119)
Change in non-controlling interest	6,372	-
Accumulated non-controlling interests at the end of reporting period	**5,096**	**107**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

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.

	Parent Entity	
	2014	2013
Statement of Financial Position	$'000	$'000
Assets		
Current Assets	300,582	128,914
Non Current Assets	388,757	411,637
Total Assets	689,339	540,551
Liabilities		
Current Liabilities	138,678	44,955
Non Current Liabilities	154,279	233,842
Total Liabilities	292,957	278,797
Net Assets	**396,382**	**261,754**
Equity		
Issued capital	369,936	266,043
Reserves	43,413	41,277
Retained Earnings	(16,967)	(45,566)
Total Equity	**396,382**	**261,754**
Statement of Comprehensive Income		
Profit for the year	**30,924**	**(81,463)**
Total comprehensive income for the year	**31,103**	**(84,086)**

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 2014

NOTE 35: 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 54 to 108 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 2014 and of its performance, for the financial year ended on that date; and

(ii) complying with Australian Accounting Standards 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, Executive Director and Chief Financial Officer for the financial year ended 30 June 2014.

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

Managing Director

Dated this 25th day of August 2014

INDEPENDENT AUDITOR'S OPINION

Crowe Horwath™

INDEPENDENT AUDIT REPORT TO MEMBERS OF WESTERN AREAS LTD

We have audited the accompanying financial report of Western Areas Ltd, which comprises the consolidated statement of financial position as at 30 June 2014, 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 2014 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.

INDEPENDENT AUDITOR'S OPINION

Crowe Horwath

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 34 to 45 of the directors' report for the year ended 30 June 2014. 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.

Crowe Horwath Perth

CROWE HORWATH PERTH

CYRUS PATELL
Partner

Signed at Perth, this 25th day of August 2014

Crowe Horwath Perth is a member of Crowe Horwath International, a Swiss verein. Each member firm of Crowe Horwath is a separate and independent legal entity. Liability limited by a scheme approved under Professional Standards Legislation other than for the acts or omissions of financial services licensees.

TENEMENT LISTING
FOR THE YEAR ENDED 30 JUNE 2014

Name	Tenement No	Status	WSA Interest	Applicant / Holder
Forrestania	E74/00470	Granted	100%	Western Areas Ltd
	E74/00499	Granted	100%	Western Areas Ltd
	E77/01865	Granted	100%	Western Areas Ltd
	E77/02099	Granted	100%	Western Areas Ltd
	E77/02232	Pending	100%	Western Areas Ltd
	G70/00226	Granted	100%	Western Areas Ltd
	G70/00231	Granted	100%	Western Areas Ltd
	L70/00111	Granted	100%	Western Areas Ltd
	L74/00011	Granted	100%	Western Areas Ltd
	L74/00012	Granted	100%	Western Areas Ltd
	L74/00025	Granted	100%	Western Areas Ltd
	L74/00044	Granted	100%	Western Areas Ltd
	L77/00104	Granted	100%	Western Areas Ltd
	L77/00141	Granted	100%	Western Areas Ltd
	L77/00182	Granted	100%	Western Areas Ltd
	L77/00197	Granted	100%	Western Areas Ltd
	L77/00203	Granted	100%	Western Areas Ltd
	L77/00204	Granted	100%	Western Areas Ltd
	M74/00057	Granted	100%	Western Areas Ltd
	M74/00058	Granted	100%	Western Areas Ltd
	M74/00064	Granted	100%	Western Areas Ltd
	M74/00065	Granted	100%	Western Areas Ltd
	M74/00081	Granted	100%	Western Areas Ltd
	M74/00090	Granted	100%	Western Areas Ltd
	M74/00091	Granted	100%	Western Areas Ltd
	M74/00092	Granted	100%	Western Areas Ltd
	M77/00098	Granted	100%	Western Areas Ltd
	M77/00215	Granted	100%	Western Areas Ltd
	M77/00216	Granted	100%	Western Areas Ltd
	M77/00219	Granted	100%	Western Areas Ltd
	M77/00284	Granted	100%	Western Areas Ltd
	M77/00285	Granted	100%	Western Areas Ltd
	M77/00286	Granted	100%	Western Areas Ltd
	M77/00329	Granted	100%	Western Areas Ltd
	M77/00335	Granted	100%	Western Areas Ltd
	M77/00336	Granted	100%	Western Areas Ltd
	M77/00389	Granted	100%	Western Areas Ltd
	M77/00399	Granted	100%	Western Areas Ltd
	M77/00458	Granted	100%	Western Areas Ltd
	M77/00542	Granted	100%	Western Areas Ltd
	M77/00543	Granted	100%	Western Areas Ltd
	M77/00545	Granted	100%	Western Areas Ltd
	M77/00550	Granted	100%	Western Areas Ltd

TENEMENT LISTING (continued)
FOR THE YEAR ENDED 30 JUNE 2014

Name	Tenement No	Status	WSA Interest	Applicant / Holder
	M77/00568	Granted	100%	Western Areas Ltd
	M77/00574	Granted	100%	Western Areas Ltd
	M77/00582	Granted	100%	Western Areas Ltd
	M77/00583	Granted	100%	Western Areas Ltd
	M77/00584	Granted	100%	Western Areas Ltd
	M77/00585	Granted	100%	Western Areas Ltd
	M77/00586	Granted	100%	Western Areas Ltd
	M77/00587	Granted	100%	Western Areas Ltd
	M77/00588	Granted	100%	Western Areas Ltd
	M77/00589	Granted	100%	Western Areas Ltd
	M77/00911	Granted	100%	Western Areas Ltd
	M77/00912	Granted	100%	Western Areas Ltd
	E77/01086	Granted	100%	Western Areas Nickel Pty Ltd
	E77/01399	Granted	100%	Western Areas Nickel Pty Ltd
	E77/01400	Granted	100%	Western Areas Nickel Pty Ltd
	E77/01416	Granted	100%	Western Areas Nickel Pty Ltd
	E77/01436	Granted	100%	Western Areas Nickel Pty Ltd
	E77/01581	Granted	100%	Western Areas Nickel Pty Ltd
	M77/00099	Granted	100%	Western Areas Nickel Pty Ltd
	M77/00467	Granted	100%	Western Areas Nickel Pty Ltd
	M77/00468	Granted	100%	Western Areas Nickel Pty Ltd
	M77/00544	Granted	100%	Western Areas Nickel Pty Ltd
	M77/00324	Granted	100%	Western Areas Nickel Pty Ltd
	P77/03735	Granted	100%	Western Areas Nickel Pty Ltd
	P77/03736	Granted	100%	Western Areas Nickel Pty Ltd
	P77/03737	Granted	100%	Western Areas Nickel Pty Ltd
	P77/03738	Granted	100%	Western Areas Nickel Pty Ltd
	P77/03743	Granted	100%	Western Areas Nickel Pty Ltd
	P77/03748	Granted	100%	Western Areas Nickel Pty Ltd
	P77/03749	Granted	100%	Western Areas Nickel Pty Ltd
	P77/03750	Granted	100%	Western Areas Nickel Pty Ltd
	P77/03751	Granted	100%	Western Areas Nickel Pty Ltd
	P77/03752	Granted	100%	Western Areas Nickel Pty Ltd
	P77/03758	Granted	100%	Western Areas Nickel Pty Ltd
	P77/03836	Granted	100%	Western Areas Nickel Pty Ltd
	P77/03837	Granted	100%	Western Areas Nickel Pty Ltd
	P77/03838	Granted	100%	Western Areas Nickel Pty Ltd
	P77/03839	Granted	100%	Western Areas Nickel Pty Ltd
	P77/03840	Granted	100%	Western Areas Nickel Pty Ltd
	P77/03846	Granted	100%	Western Areas Nickel Pty Ltd
	P77/03847	Granted	100%	Western Areas Nickel Pty Ltd
	P77/03862	Granted	100%	Western Areas Nickel Pty Ltd
	P77/03865	Granted	100%	Western Areas Nickel Pty Ltd

TENEMENT LISTING (continued)

FOR THE YEAR ENDED 30 JUNE 2014

Name	Tenement No	Status	WSA Interest	Applicant / Holder
	P77/03929	Granted	100%	Western Areas Nickel Pty Ltd
	P77/04067	Granted	100%	Western Areas Nickel Pty Ltd
	P77/04184	Granted	100%	Western Areas Nickel Pty Ltd
Mt Gibb Great Western Exploration JV	E74/00305	Granted	70%	Great Western Exploration Ltd
	E74/00368	Granted	70%	Jindalee Resources Ltd/ Uran Ltd
	E74/00428	Granted	70%	Great Western Exploration Ltd
	E74/00446	Granted	70%	Great Western Exploration Ltd
	E77/01545	Granted	70%	Great Western Exploration Ltd
	E77/01546	Granted	70%	Great Western Exploration Ltd
Mt Alexander BHP JV	E29/00638	Granted	25%	BHP Billiton Nickel West Pty Ltd Western Areas Ltd
Koolyanobbing North Cliffs NR JV	E77/01307	Granted	100% Ni	Cliffs Asia Pacific Iron Ore Pty Ltd & Western Areas Ltd
	E77/01407	Granted	100% Ni	Western Areas Ltd
	P77/03807	Granted	100% Ni	Western Areas Ltd
Musgraves Traka Resources JV	E69/2032-I	Granted	30%	Traka Resources Limited & Polaris Metals Pty Ltd
	E69/2230	Granted	30%	Sammy Resources Pty Ltd
	E69/2253	Granted	30%	Rubicon Resources Limited
	E69/2618	Granted	30%	Traka Resources Limited
	E69/2747	Granted	30%	Traka Resources Limited & Amex Ltd
Lake King Swanoak Holdings JV	E70/02148	Granted	70% Ni rights	Swanoak Holdings Pty Ltd
	P70/01641	Granted	70% Ni rights	Swanoak Holdings Pty Ltd
	E70/04029	Granted	70% Ni rights	Western Areas & Swanoak Holdings Pty Ltd
	E70/04428	Granted	70% Ni rights	Western Areas & Swanoak Holdings Pty Ltd
	E70/04429	Granted	70% Ni rights	Western Areas & Swanoak Holdings Pty Ltd
	E70/04430	Granted	70% Ni rights	Western Areas & Swanoak Holdings Pty Ltd
	E74/00532	Granted	70% Ni rights	Western Areas & Swanoak Holdings Pty Ltd
	E74/00533	Granted	70% Ni rights	Western Areas & Swanoak Holdings Pty Ltd
Southern Cross Goldfields JV	E29/00564-I	Granted	70% Ni rights	Cliffs Asia Pacific Iron Ore Ltd
	E29/00593-I	Granted	70% Ni rights	Cliffs Asia Pacific Iron Ore Ltd
	E29/00653-I	Granted	70% Ni rights	Cliffs Asia Pacific Iron Ore Ltd
	E29/00655-I	Granted	70% Ni rights	Cliffs Asia Pacific Iron Ore Ltd
	E30/00331-I	Granted	70% Ni rights	Cliffs Asia Pacific Iron Ore Ltd
	E77/01117-I	Granted	70% Ni rights	Cliffs Asia Pacific Iron Ore Ltd
	E77/01164-I	Granted	70% Ni rights	Southern Cross Goldfields Ltd
	E77/01275-I	Granted	70% Ni rights	Polaris Metals Pty Ltd
	E77/01321-I	Granted	70% Ni rights	Cliffs Asia Pacific Iron Ore Ltd
	E77/01322-I	Granted	70% Ni rights	Cliffs Asia Pacific Iron Ore Ltd
	E77/01376-I	Granted	70% Ni rights	Polaris Metals Pty Ltd
	E77/01423	Granted	70% Ni rights	Southern Cross Goldfields Ltd International Petroleum Ltd
	E77/01459	Granted	70% Ni rights	Polaris Metals Pty Ltd
	E77/01474	Granted	70% Ni rights	Southern Cross Goldfields Ltd

TENEMENT LISTING (continued)
FOR THE YEAR ENDED 30 JUNE 2014

Name	Tenement No	Status	WSA Interest	Applicant / Holder
	E77/01477	Granted	70% Ni rights	Southern Cross Goldfields Ltd
	E77/01509	Granted	70% Ni rights	Southern Cross Goldfields Ltd
	E77/01630	Granted	70% Ni rights	Southern Cross Goldfields Ltd
	E77/01649-I	Granted	70% Ni rights	Southern Cross Goldfields Ltd
	E77/01650-I	Granted	70% Ni rights	Southern Cross Goldfields Ltd
	E77/01653-I	Granted	70% Ni rights	Southern Cross Goldfields Ltd
	E77/01654-I	Granted	70% Ni rights	Southern Cross Goldfields Ltd
	E77/01657-I	Granted	70% Ni rights	Southern Cross Goldfields Ltd
	E77/01658-I	Granted	70% Ni rights	Southern Cross Goldfields Ltd
	E77/01659-I	Granted	70% Ni rights	Southern Cross Goldfields Ltd
	E77/01699	Granted	70% Ni rights	Southern Cross Goldfields Ltd
	E77/01728-I	Granted	70% Ni rights	Southern Cross Goldfields Ltd
	E77/01741-I	Granted	70% Ni rights	Southern Cross Goldfields Ltd
	E77/01742	Granted	70% Ni rights	Southern Cross Goldfields Ltd
	E77/01766	Granted	70% Ni rights	Southern Cross Goldfields Ltd
	E77/01773	Granted	70% Ni rights	Southern Cross Goldfields Ltd
	E77/01775	Granted	70% Ni rights	Southern Cross Goldfields Ltd
	E77/01776	Granted	70% Ni rights	Southern Cross Goldfields Ltd
	E77/01803	Granted	70% Ni rights	Southern Cross Goldfields Ltd
	E77/01814	Granted	70% Ni rights	Southern Cross Goldfields Ltd
	E77/01817	Granted	70% Ni rights	Southern Cross Goldfields Ltd
	E77/01837	Granted	70% Ni rights	Southern Cross Goldfields Ltd
	E77/01879	Granted	70% Ni rights	Southern Cross Goldfields Ltd
	E77/01880	Granted	70% Ni rights	Southern Cross Goldfields Ltd
	E77/1462	Granted	70% Ni rights	Polaris Metals Pty Ltd
	E77/1893	Granted	70% Ni rights	Southern Cross Goldfields Ltd
	E77/1911	Granted	70% Ni rights	Southern Cross Goldfields Ltd
	E77/1965	Granted	70% Ni rights	Southern Cross Goldfields Ltd
	E77/1997	Granted	70% Ni rights	Southern Cross Goldfields Ltd
	E77/2018	Granted	70% Ni rights	Southern Cross Goldfields Ltd
	E77/2024	Granted	70% Ni rights	Southern Cross Goldfields Ltd
	E77/2025	Granted	70% Ni rights	Southern Cross Goldfields Ltd
	E77/2067	Granted	70% Ni rights	Southern Cross Goldfields Ltd
	E77/2141	Granted	70% Ni rights	Southern Cross Goldfields Ltd
	G77/00035	Granted	70% Ni rights	Southern Cross Goldfields Ltd
	L77/00221	Granted	70% Ni rights	Southern Cross Goldfields Ltd
	L77/00223	Granted	70% Ni rights	Southern Cross Goldfields Ltd
	M77/00166	Granted	70% Ni rights	Southern Cross Goldfields Ltd
	M77/00228	Granted	70% Ni rights	Southern Cross Goldfields Ltd
	M77/00394	Granted	70% Ni rights	Southern Cross Goldfields Ltd
	M77/00576	Granted	70% Ni rights	Southern Cross Goldfields Ltd
	M77/00581	Granted	70% Ni rights	Southern Cross Goldfields Ltd
	M77/00646	Granted	70% Ni rights	Southern Cross Goldfields Ltd

TENEMENT LISTING (continued)

FOR THE YEAR ENDED 30 JUNE 2014

Name	Tenement No	Status	WSA Interest	Applicant / Holder
	M77/00824	Granted	70% Ni rights	Cliffs Asia Pacific Iron Ore Pty Ltd
	M77/00931	Granted	70% Ni rights	Cliffs Asia Pacific Iron Ore Pty Ltd
	M77/00962	Granted	70% Ni rights	Cliffs Asia Pacific Iron Ore Pty Ltd
	M77/01025	Granted	70% Ni rights	Southern Cross Goldfields Ltd
	M77/01044	Granted	70% Ni rights	Southern Cross Goldfields Ltd
	M77/01064	Granted	70% Ni rights	Polaris Metals Pty Ltd
	M77/01090	Granted	70% Ni rights	Polaris Metals Pty Ltd
	M77/01102	Granted	70% Ni rights	Southern Cross Goldfields Ltd
	M77/01103	Granted	70% Ni rights	Polaris Metals Pty Ltd
	M77/01256	Granted	70% Ni rights	Southern Cross Goldfields Ltd
	P29/01922-I	Granted	70% Ni rights	Cliffs Asia Pacific Iron Ore Pty Ltd
	P29/01923-I	Granted	70% Ni rights	Cliffs Asia Pacific Iron Ore Pty Ltd
	P29/01926-I	Granted	70% Ni rights	Southern Cross Goldfields Ltd
	P29/01927-I	Granted	70% Ni rights	Southern Cross Goldfields Ltd
	P30/01011-I	Granted	70% Ni rights	Southern Cross Goldfields Ltd
	P77/03412	Granted	70% Ni rights	Southern Cross Goldfields Ltd
	P77/03414	Granted	70% Ni rights	Southern Cross Goldfields Ltd
	P77/03460	Granted	70% Ni rights	Southern Cross Goldfields Ltd
	P77/03461	Granted	70% Ni rights	Polaris Metals Pty Ltd
	P77/03462	Granted	70% Ni rights	Polaris Metals Pty Ltd
	P77/03552	Granted	70% Ni rights	Southern Cross Goldfields Ltd
	P77/03628	Granted	70% Ni rights	Southern Cross Goldfields Ltd
	P77/03629	Granted	70% Ni rights	Southern Cross Goldfields Ltd International Petroleum Ltd
	P77/03645	Granted	70% Ni rights	Southern Cross Goldfields Ltd International Petroleum Ltd
	P77/03801	Granted	70% Ni rights	Southern Cross Goldfields Ltd
	P77/03816	Granted	70% Ni rights	Southern Cross Goldfields Ltd
	P77/03817	Granted	70% Ni rights	Southern Cross Goldfields Ltd
	P77/03898	Granted	70% Ni rights	Southern Cross Goldfields Ltd
	P77/03899	Granted	70% Ni rights	Southern Cross Goldfields Ltd
	P77/03901	Granted	70% Ni rights	Southern Cross Goldfields Ltd
	P77/03903	Granted	70% Ni rights	Southern Cross Goldfields Ltd
	P77/03936	Granted	70% Ni rights	Southern Cross Goldfields Ltd
	P77/03967	Granted	70% Ni rights	Southern Cross Goldfields Ltd
	P77/03978	Granted	70% Ni rights	Southern Cross Goldfields Ltd
	P77/03979	Granted	70% Ni rights	Southern Cross Goldfields Ltd
	P77/03994	Granted	70% Ni rights	Southern Cross Goldfields Ltd
	P77/03996	Granted	70% Ni rights	Southern Cross Goldfields Ltd
	P77/03997	Granted	70% Ni rights	Southern Cross Goldfields Ltd
	P77/04022	Granted	70% Ni rights	Southern Cross Goldfields Ltd
	P77/04028	Granted	70% Ni rights	Southern Cross Goldfields Ltd
	P77/04029	Granted	70% Ni rights	Southern Cross Goldfields Ltd
	P77/04055	Granted	70% Ni rights	Southern Cross Goldfields Ltd

TENEMENT LISTING (continued)
FOR THE YEAR ENDED 30 JUNE 2014

Name	Tenement No	Status	WSA Interest	Applicant / Holder
	P77/4076	Granted	70% Ni rights	Southern Cross Goldfields Ltd
	P77/4077	Granted	70% Ni rights	Southern Cross Goldfields Ltd
	P77/4078	Granted	70% Ni rights	Southern Cross Goldfields Ltd
	P77/4101	Granted	70% Ni rights	Southern Cross Goldfields Ltd
	P77/4151	Granted	70% Ni rights	Southern Cross Goldfields Ltd
	P77/4170	Granted	70% Ni rights	Southern Cross Goldfields Ltd
	P77/4171	Granted	70% Ni rights	Southern Cross Goldfields Ltd
	P77/4179	Granted	70% Ni rights	Southern Cross Goldfields Ltd
	P77/4180	Granted	70% Ni rights	Southern Cross Goldfields Ltd
	P77/4181	Granted	70% Ni rights	Southern Cross Goldfields Ltd
	P77/4185	Granted	70% Ni rights	Southern Cross Goldfields Ltd
	P77/4193	Granted	70% Ni rights	Southern Cross Goldfields Ltd
	P77/4194	Granted	70% Ni rights	Southern Cross Goldfields Ltd
	P77/4195	Granted	70% Ni rights	Southern Cross Goldfields Ltd
	P77/4198	Granted	70% Ni rights	Southern Cross Goldfields Ltd
	P77/4204	Granted	70% Ni rights	Southern Cross Goldfields Ltd
	P77/4226	Granted	70% Ni rights	Southern Cross Goldfields Ltd
	P77/4227	Granted	70% Ni rights	Southern Cross Goldfields Ltd
	P77/4228	Granted	70% Ni rights	Southern Cross Goldfields Ltd
	P77/4229	Granted	70% Ni rights	Southern Cross Goldfields Ltd
	P77/4230	Granted	70% Ni rights	Southern Cross Goldfields Ltd
	P77/4231	Granted	70% Ni rights	Southern Cross Goldfields Ltd
	P77/4232	Granted	70% Ni rights	Southern Cross Goldfields Ltd
	P77/4233	Granted	70% Ni rights	Southern Cross Goldfields Ltd

SHAREHOLDER INFORMATION

The Shareholder Information set out below shows the position as at 31 August 2014.

A. DISTRIBUTION OF SHAREHOLDINGS

		Ordinary Shares*
i)	Distibution schedule of holdings	
	1 – 1,000	1,619
	1,001 – 5,000	1,745
	5,001 – 10,000	588
	10,001 – 100,000	659
	100,001 – over	97
	Total number of holders	4,708
ii)	Number of holders of less than a marketable parcel	322
iii)	Number of overseas holders	179
iv)	Percentage held by 20 largest holders	55.21%

* All ordinary shares carry one vote per share without restriction

B. LARGEST SECURITY HOLDERS

Names of the 20 largest holders of Ordinary Shares are listed below:

Name	No. of shares held	%
Jungle Creek Gold Mines Pty Ltd	16,789,858	7.2%
Schroder Investment Mgt	12,477,922	5.4%
Vinva Investment Mgt	11,433,125	4.9%
JCP Investment Partners	10,501,093	4.5%
Mr & Mrs Allan R Greenwell	9,153,448	3.9%
Antares Equities	7,861,666	3.4%
Acadian Asset Mgt	6,986,887	3.0%
BlackRock Investment Mgt	5,422,302	2.3%
Ausbil Investment Mgt	5,205,680	2.2%
NovaPort Capital	4,571,582	2.0%
Platinum Asset Mgt	4,506,061	1.9%
Dimensional Fund Advisors	4,429,267	1.9%
Tribeca Investment Partners	4,290,097	1.8%
Perpetual Investments	4,239,953	1.8%
Capital Research Global Investors	3,940,000	1.7%
Legg Mason Asset Mgt Australia	3,679,694	1.6%
Colonial First State - Growth Australian Equities	3,270,364	1.4%
JPMorgan Asset Mgt	3,252,710	1.4%
Eley Griffiths Group	3,239,387	1.4%
Celeste Funds Mgt	3,216,472	1.4%
Total	**128,467,568**	**55.21%**

C. SUBSTANTIAL SHAREHOLDERS

Name	No. of shares held	%
Jungle Creek Gold Mines Pty Ltd	16,789,858	7.2%
Schroder Investment Mgt	12,477,922	5.4%

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