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WESTERN AREAS NL

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18 February 2008

Companies Announcement Office
Australian Stock Exchange Ltd
Level 10, 20 Bond Street
Sydney NSW 2000

Half-Year Reports – 31 December 2007

Dear Sir/Madam

Please find attached the Appendix 4D and the audited Half-Year Report for the six months ended 31 December 2007.

Yours faithfully

Craig Oliver
Company Secretary

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WESTERN AREAS NL

February 18, 2008 **ASX & TSX: WSA**

APPENDIX 4D - HALF YEAR ENDED 31 DECEMBER 2008

Reporting Period

The reporting period is the half year ended 31 December 2007. The previous corresponding period is the 31 December 2006.

Results for announcement to the market

		% Change		Amount $'000
Revenue from ordinary activities	Up	1,360%	To	13,546
Profit/(loss) from ordinary activities after tax attributable to members of Western Areas NL	Down	182%	To	(15,369)
Net profit/(loss) after tax attributable to members of Western Areas NL	Down	182%	To	(15,369)

No dividend was paid or declared for the half year ended 31 December 2007.

Detailed commentary on the variation between the results for the period ended 31 December 2008 and the comparative period is provided in the Management Discussion & Analysis section of the half year report.

Net Tangible Asset Backing

The net tangible assets per security for the half year end 31 December 2007 was $0.79. (31 December 2006 $0.53)

Investments in Controlled Entities

There were no entities in which control was gained or lost during the period.

Wholly Owned Subsidiaries of Western Areas NL:

- Western Platinum NL
- Australian Nickel Investment Pty Ltd

WESTERN AREAS NL

Investments in Associates & Joint Ventures

Associates of Western Areas NL did not contribute to the result of the consolidated group for the half year ended 31 December 2007.

Associates of Western Areas NL:

- Mustang Minerals Inc. 18.15% (Canadian Entity)
- Polar Gold Pty Ltd 78% (Australian Entity)
- AOA Kola Mining 75% (Russian Entity)

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

Audit Review & Accounting Standards

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

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

Date: 18 February 2008

Craig Oliver

Finance Director & Company Secretary

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WESTERN AREAS NL

ABN 68 091 049 357

HALF YEAR REPORT

31 DECEMBER 2007

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TABLE OF CONTENTS

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Company Secretary
Craig Oliver

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MANAGEMENT DISCUSSION AND ANALYSIS

The following Management Discussion and Analysis of the Financial Condition and Results of Operations (“MD&A”) should be read in conjunction with the historical consolidated financial statements and press releases of WSA.

The consolidated financial statements are a general purpose financial report prepared in accordance with the Corporations Act 2001, AASB 134 “Interim Financial Reporting”, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board. The report does not include full disclosures of the type normally included in an annual report. It is recommended that this financial report be read in conjunction with the 30 June 2007 annual financial report and any other public announcements made by Western Areas NL during the year in accordance with continuous disclosure requirements arising under the Corporations Act 2001. The financial report covers Western Areas NL and its controlled entities (the “Consolidated Entity”). Western Areas NL is a listed public company, incorporated and domiciled in Australia. The accounting policies adopted are consistent with those of the previous financial year.

In addition to these Australian requirements further information has been included in the interim consolidated financial statements for the three months ended 31 December 2007 in order to comply with applicable Canadian security law, as the company is listed on the Toronto Stock Exchange.

The effective date of this report is 18 February, 2008.

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

Forward Looking Statements

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

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

Background

Western Areas is an Australian-based nickel sulphide explorer and producer listed on the ASX and TSX.
The Company’s core asset is the 100% owned Forrestania Nickel Project, located 400km east of Perth.

The primary discovery, Flying Fox, is one of the highest grade nickel deposits in the world. Total Mineral Resources comprise 1.5 million tonnes at an average grade of 6.2% nickel containing approx. 95,600 tonnes of nickel. The 2008 target is to increase mineral resources at Flying Fox to 150,000 tonnes of contained nickel.

Production is in progress from the two shallowest Flying Fox ore bodies, T Zero and T1. Production from these deposits is expected to reach 8,000 tonnes nickel in CY 2008. Production is scheduled to ramp up to 14,000 tpa nickel as the T4 and T5 deposits are brought into production at Flying Fox.

A full feasibility study is underway to bring a second mine into production at Diggers South. Permitting is well advanced and the target for a decision to mine is expected towards the end of the June 2008 quarter. A scoping study for a third mine at New Morning deposit is also in progress.

Recent discoveries include the Flying Fox T6 and T7 deposits in August 2007 and discovery of the high grade Spotted Quoll deposit in October 2007. In addition there have been significant nickel intersections outside the limits of previous drilling at Flying Fox T4.

The Company has increased its regional holdings in the Forrestania nickel province, now exploring seven nickel projects extending over 500km from the Sandstone JV in the north to the Lake King project in the South.

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MANAGEMENT DISCUSSION AND ANALYSIS

Western Areas has made major progress during the half towards achieving the Company's goal to become a mid tier nickel producer with target production of 30,000 to 40,000 tonnes nickel p.a. by 2011. Highlights towards achieving these goals are:

Exploration Highlight:

- Assays received on 31 January 2008 from Spotted Quoll drill hole WBD028 - **8.7m @ 11.4% nickel from 88.2m down hole depth. This result is considered very significant - it is the first intersection at Forrestania with all assays >10% nickel and it occurs at shallow depth.** Spotted Quoll remains open in all directions - two drill rigs are on site and a third is due to arrive in mid February.
- **High grade nickel sulphide intersected in a previously untested area of the Flying Fox T4 zone with intersections of 9.3m at 5.1% nickel and 6.5m at 6.5% nickel.** Drilling is still extending T4 well beyond the limits of previous drilling.
- **High grade nickel sulphide intersected in the Flying Fox T6 and T7 zones in the first two drill holes, with assays up to 9.8% nickel.** Drilling is in progress to test the T7 EM target, the largest of 5 conductors identified below the T5 ore body.

Flying Fox Highlights:

- T1 mining commenced on 19 November 2007. In the six weeks of first T1 production 8,614 tonnes at 4.19% Ni was mined. Invoiced production was 7,510t at 4.33% Ni with 91.5% metallurgical recovery. C1 cash costs per lb Ni in concentrate for T1 were A$3.38 in November and A$2.83 in December.

- Production from Flying Fox scheduled to target approximately 8,000 tonnes nickel in concentrate in CY 2008. Ore production is on track to ramp up to 20,000t/mth ore at average grade of over 4% nickel, early in the June quarter.

- T1 ramp up production will come from two large stope blocks up to 15m wide which contain a total >180,000 tonnes ore at 5.1% nickel containing 9,200t nickel. Mining of these stope blocks expected to start in March/April.

- The mine decline is at 480m depth and is expected to access T4 in December 2008. The initial study for a raise bored shaft to increase ore haulage capacity from deeper deposits in the mine is due for completion in the March quarter.

- Assuming decline access only (i.e. without haulage shaft) production is forecast to increase to 10,000 tpa nickel in CY 2009 and 12-14,000tpa nickel in CY 2010 with overlapping production from T1, T4 and T5 deposits.

- Western Areas hedge book was restructured in December quarter with only 740 tonnes of nickel remaining hedged. From the start of the June quarter all production will be sold at spot price coinciding with increased production from Flying Fox.

- Positive drilling results continue at Flying Fox where the target is a 50% increase in total mineral resources to 150,000t nickel by the end of 2008.

- Revised interpretation of Flying Fox highlights the excellent continuity of nickel sulphide over a wide area. Below T1, mineralisation now extends >700m vertical extent in a zone up to 600m wide to the limit of drilling.

- Flying Fox operations are already cash flow positive. Western Areas holds $A172M cash and a $A82M debt facility which is drawn to $A54M, more than required to fund all planned activities of the Company for 2008 and 2009.

Other Mine Developments:

- The Main components for Diggers South pre feasibility study are complete. The feasibility study is underway. Western Areas is currently seeking offtake terms for the sale of nickel concentrate to complete the commercial part of the study.

- Surface earthworks for the Stage One concentrator at Cosmic Boy are complete with construction due to start at the end of March 2008.

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MANAGEMENT DISCUSSION AND ANALYSIS

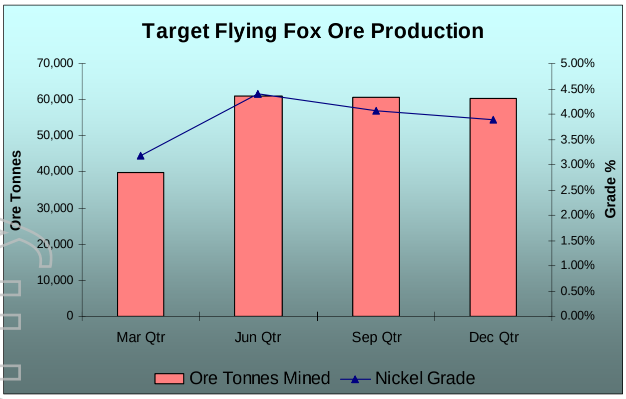

Figure 1: Target ore production 2008

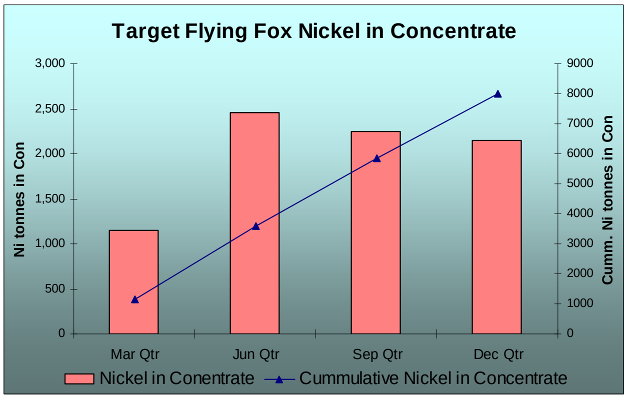

Figure 2: Target nickel production 2008

1. FLYING FOX MINE PRODUCTION

T1 mining commenced on 19 November 2007. In the six weeks of first T1 production 8,614 tonnes at 4.19% Ni was mined. Invoiced production was 7,510t at 4.33% Ni with 91.5% metallurgical recovery. C1 cash costs for T1 were A$3.38 in November and A$2.83 in December per lb in concentrate.

Production Statistics - Flying Fox

		Dec Qtr
Ore Tonnes Mined		
	T1	8,614
	Ni %	4.19%
	T Zero	14,404
	Ni %	2.19%
Total Ore Mined Flying Fox		23,018
	Ni %	2.94%
Ni Tonnes Mined		677
Ore Tonnes Invoiced		
	T1	7,510
	Ni %	4.33%
	Recovery	91.5%
	T Zero	14,203
	Ni %	2.12%
	Recovery	84.9%
Total Ore Invoiced		21,713
	Ni %	2.88%
	Ave. Recovery	88.3%
Ni Tonnes in Concentrate		553

Note. Grade and recovery estimates are subject to change until the final assay data is received in accordance with the OTCPA agreement.

Financial Statistics - Flying Fox

		Dec Qtr
T1 - Nickel in Concentrate		A$/lb
Mining Cost (*)	$/lb	2.09
Haulage	$/lb	0.18
Milling	$/lb	0.31
Admin	$/lb	0.46
C1 Cash Cost (Ni in Con / lb)	**$/lb**	3.04
Depreciation & Amortisation	$/lb	1.40
Royalty Costs	$/lb	0.52
C3 Total Cost (Ni in Con / lb)	**$/lb**	4.96

(*) Mining costs are net of waste deferrals

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MANAGEMENT DISCUSSION AND ANALYSIS

Stoping operations are ongoing in the T Zero ore body and in the top level of T1. Approximately 70,000 tonnes of ore has now been mined from the T Zero and T1 ore bodies and 65,000 tonnes have been milled at Norilsk's Lake Johnson concentrator. The main decline is advancing in the footwall sediments of the T1 deposit and is currently >480m below surface. Ground conditions remain excellent.

A recent detailed review of mine infrastructure and stoping methodology has resulted in a positive change in the ore production schedule. More ore will now be won from long - hole open stopes with two main stoping blocks (Figure 4) being the 955 stope (85,000t @ 5.13% Ni) and 945 stope (100,000t @ 4.89% Ni). Development to these stopes is in progress and first ore from this area of the mine is expected in March/April. The new mine plan will facilitate the increased production target of 20,000 tonnes ore per month (Figure 1).

The decline development is on target to reach the bottom of the T1 ore body by August 2008 with the T4/T5 decline expected to reach the top of T4 in December 2008. The hoisting shaft scoping study is well advanced with shaft designs and costs expected in March 2008.

Surface earthworks for the Cosmic Boy mill are complete and construction tenders from leading engineering firms are due to close in early February. Construction is due to start at the end of March with target date for commissioning Stage One of the plant being December 2008.

2. MINE SAFETY AND ENVIRONMENT

High mine safety standards are being maintained at Flying Fox with **270 LTI free days** reported to 31st December. This is a credit to everyone on site.

The village capacity has been increased to 300 rooms for the imminent construction of the Cosmic Boy plant and development of the Diggers South mine.

Western Areas employ's two OHS / ER Coordinator's on site. The 22 members of the OHS and ER teams have had a very productive quarter and conduct regular safety and mines rescue training. Comprehensive safety procedures have been put in place at the mine and in the village. Training includes First Aid, underground search and rescue, rope rescue, vehicle extrication, open circuit breathing apparatus, fire fighting and hazchem.

There were no significant environmental incidents reported during the December quarter for the Forrestania Nickel Project.

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3. MAJOR EXPLORATION DEVELOPMENTS

There were **three major exploration developments** during the half year:

a. Flying Fox

A recently revised interpretation of Flying Fox highlights the potential for continuous high grade massive and disseminated sulphide over a much larger area than previously considered (Figure 4).

Below the T1 ore body where mining is in progress, strong mineralisation appears to be continuous over more than 700m vertical extent from the top of T4 to the current limit of drilling at T7. If the area of mineralisation defined by Kagara Ltd is included with the area defined by Western Areas, Flying Fox increases in width from 350m (at the Outokumpu mine level) to at least 600m in width (at the T5 level). The increase in width at T5 coincides approximately with the base of the main flat lying granite intrusion. The potential for significant strike extensions below the granite intrusion remains effectively untested.

Drilling at Flying Fox during the December 2007 and March 2008 Quarters is focussed on the following areas:

- One underground drill rig is testing T1 north of the dolerite dyke. Drill hole FUG 156 intersected 18.6m (estimated true width 8m) of massive and stringer sulphides, mainly pyrite. This intersection is on the northern edge of T1 and is not expected to contain significant nickel grades.

- Two drill rigs are testing the northern and southern extremities of T4. Recent intersections include 1.4 metres of matrix sulphides in drill hole FFD190W3 adjacent to the dolerite dyke and 2.4 metres of matrix sulphides FFD193W3 on the southern limit of drilling at T4. An initial mineral resource at T4 is expected in the June quarter.

- One drill rig is testing the T6 and T7 deposits. The current drill hole (FFD136W4W1W3W1) is the final planned to be drilled from the west through the footwall sequence. The drill rig will then move to a new site to test the interpretation that T5 may extend a further 100m into the underlying T6 and T7 deposits. This program will then move to testing the centre of the large T7 EM conductor. All drilling at T7 to date has been on the southern margin of the T7 EM conductor (Figure 3).

Figure 3: T7 9.6m massive sulphide in T7 drill hole FFD 136 W4W1W2
- on the margin of the T7 EM conductor
[NB the good ground conditions]

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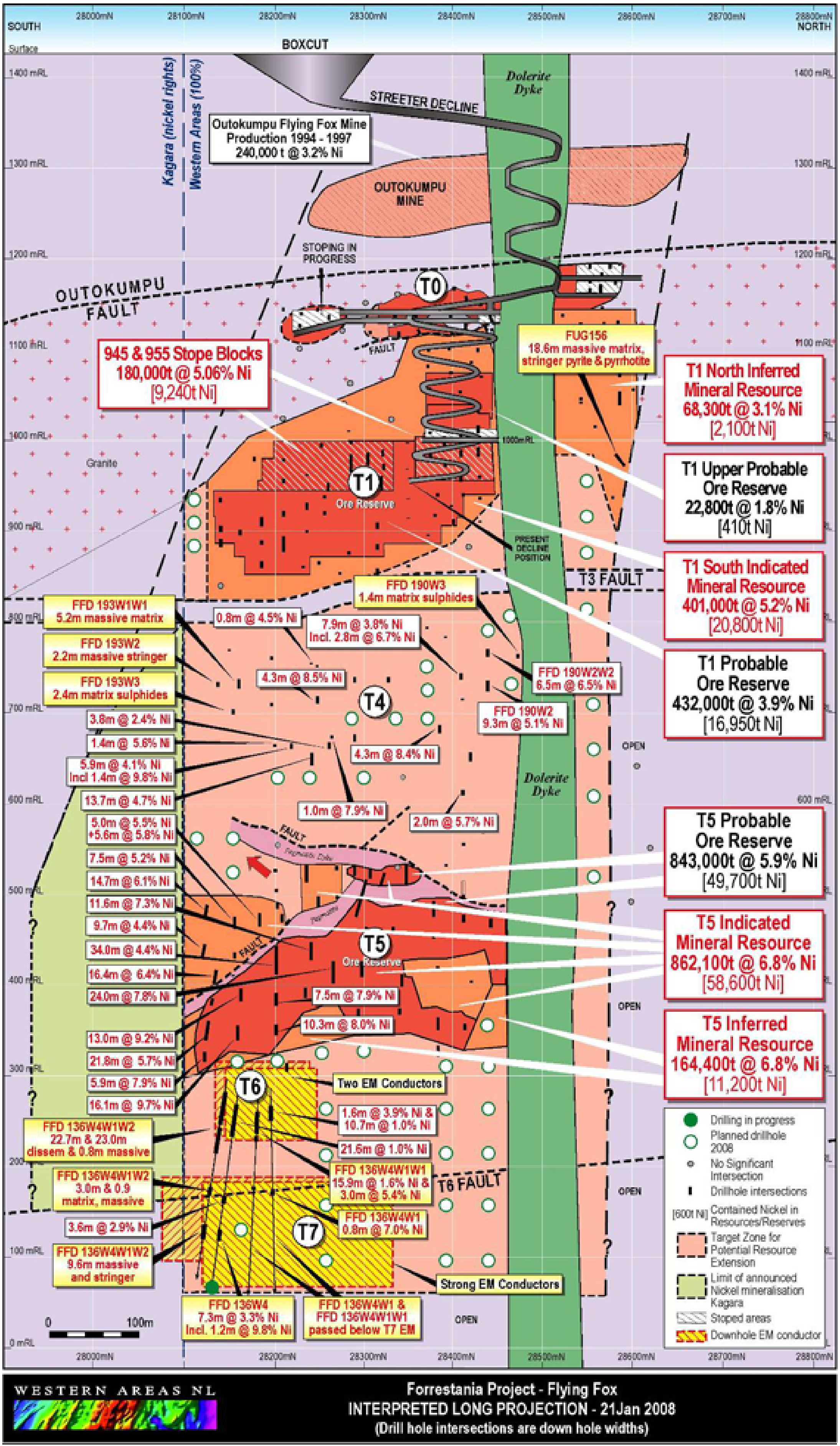

Figure 4: Long Projection of Flying Fox mine (note: drill hole intersections are down hole widths).

b. Spotted Quoll

Excellent drilling results are continuing at Spotted Quoll, located 6km south of Flying Fox along the same geological contact (Figure 5). Preliminary assay results have been received for a massive sulphide intersection in drill hole WBD 28, first announced on 21 January 2008. WBD 28 intersected **8.7m @ 11.4% nickel from 88.2m down hole depth with an estimated true width of 8m**. The assays are a 46% increase in the announced nickel grade estimates based on Niton analyses announced on 21 January.

The intersection in WBD 28 compares well with discovery intersections at Jubilee's Cosmos nickel mine, which included 8.3m @ 11.1% nickel and 20m @ 10.0% nickel and at Flying Fox which included 6.6m @ 7.9% nickel and 21.4m @ 7.8% nickel. Cosmos was mined by both openpit and underground methods. Potential may exist to develop an open pit mine at Spotted Quoll.

Spotted Quoll also highlights the excellent potential for additional nickel discoveries below the flat lying granite intrusions which extend at least 7km from Flying Fox to Willy Willy (Figure 5). These granite intrusions probably continue within Western Areas tenements along the 25km long Western Nickel Belt from the Beautiful Sunday deposit at the northern end to the Arrowhead prospect at the southern end.

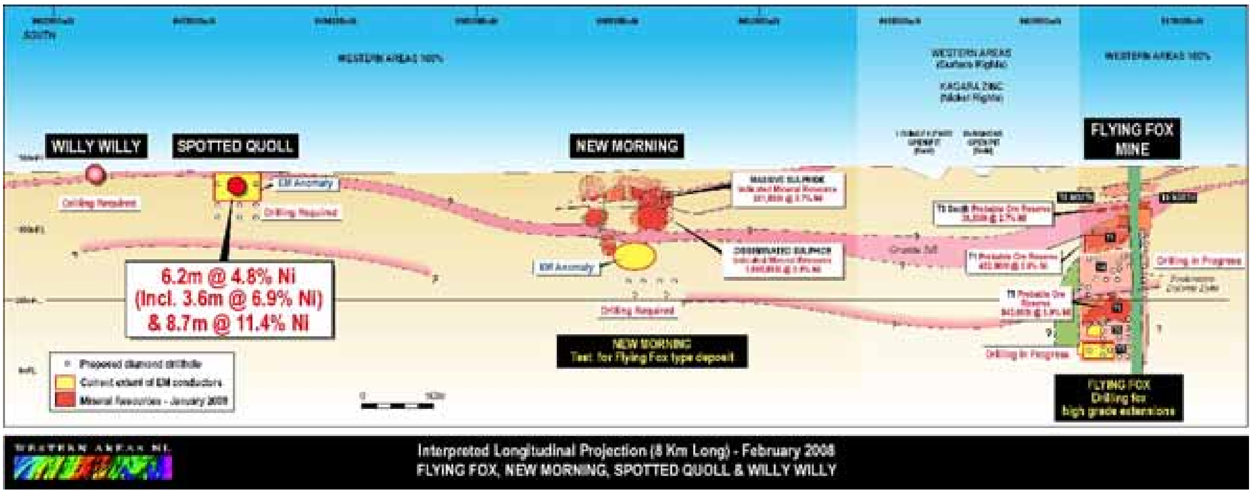

Figure 5: 8km long Interpreted Long section extending from Flying Fox to Willy Willy prospect

11 of the 12 drill holes completed to date at Spotted Quoll have intersected high grade nickel sulphides. The 12th drill hole WBD 29 intersected a minor fault offsetting the mineralisation. Down hole EM has confirmed a strong conductor extends below WBD 29 and drilling is currently testing this area (Figure 7).

Two drill rigs are on site defining a mineral resource at Spotted Quoll to 200m depth and a third drill rig due to start mid February to test below 200m.

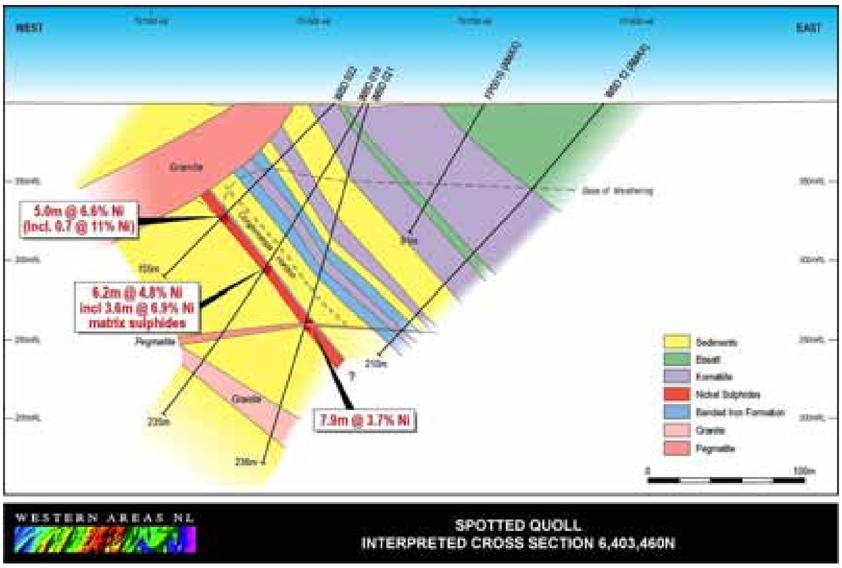

Figure 6: Interpreted Cross Section (initial drill hole traverse) at Spotted Quoll

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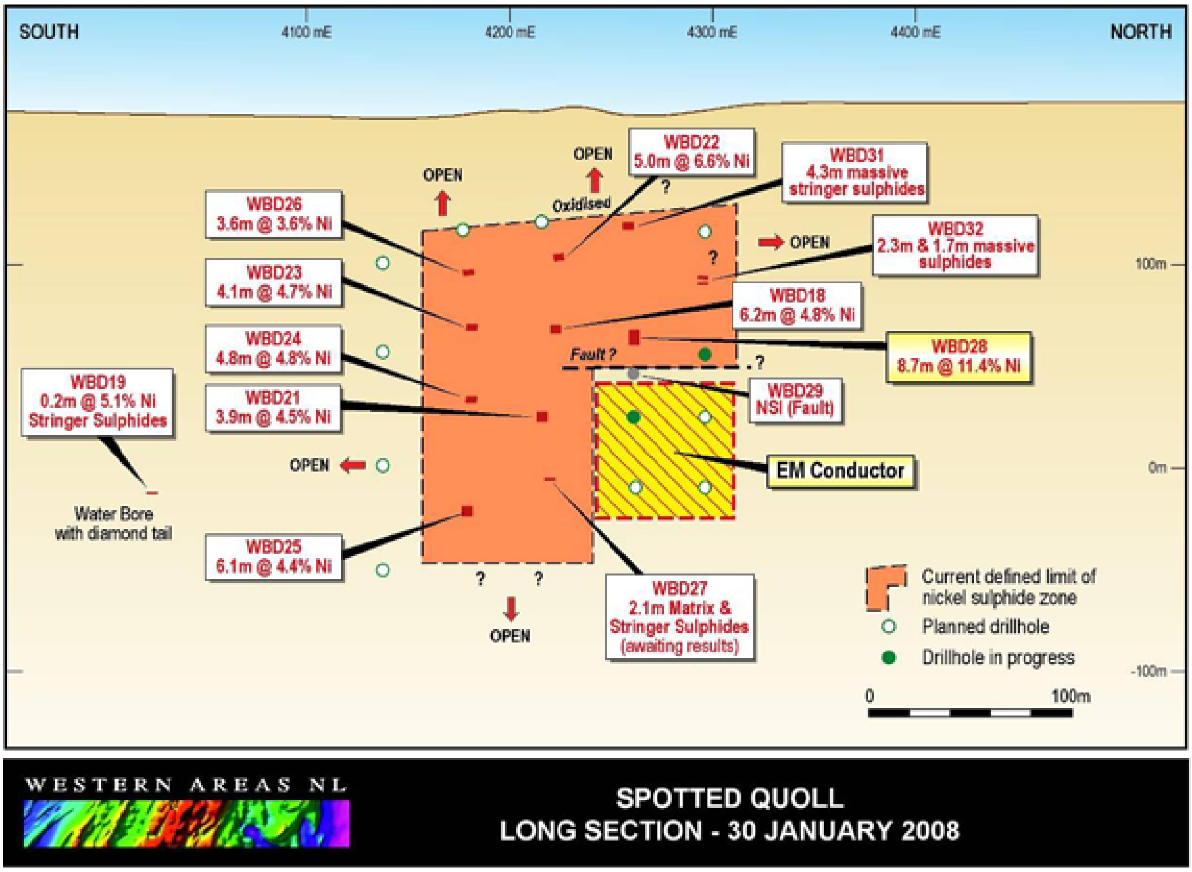

Figure 7: Interpreted Long section (inclined section) showing all current drill holes at Spotted Quoll

c. New Regional Nickel Projects

Western Areas has made substantial progress towards consolidating its nickel interests in the nickel province which the Company interprets to extend >500km from Sandstone to Ravensthorpe (Figure 8). Two main transactions have been negotiated during the half year:

Sandstone Joint Venture

In November 2007, Western Areas announced an agreement to explore a large area of nickel prospective tenements in the Sandstone greenstone belt in a JV with Troy Resources NL. Western Areas can earn a 70% interest in nickel and related metals in a project with minimal previous nickel exploration. Field work is underway on this exciting project and the Company looks forward to reporting early results.

Southern Cross Goldfields Ltd

Western Areas has restructured the Bullfinch North Joint Venture with Polaris Metals NL. Western Areas has transferred its interests at Bullfinch to Polaris related company, Southern Cross Goldfields Ltd (SXG) for one million shares and five million 20 cent options. Western Areas has also committed to purchase five million shares in SXG through SXG's imminent IPO listing.

Assuming the listing of SXG is successful and WSA exercises its options, Western Areas should become the largest shareholder in SXG. SXG has extensive tenement holdings in the central part of the regional nickel province which extends north from Forrestania (Figure 8). Western Areas looks forward to being associated with SXG and assisting them with their nickel exploration projects.

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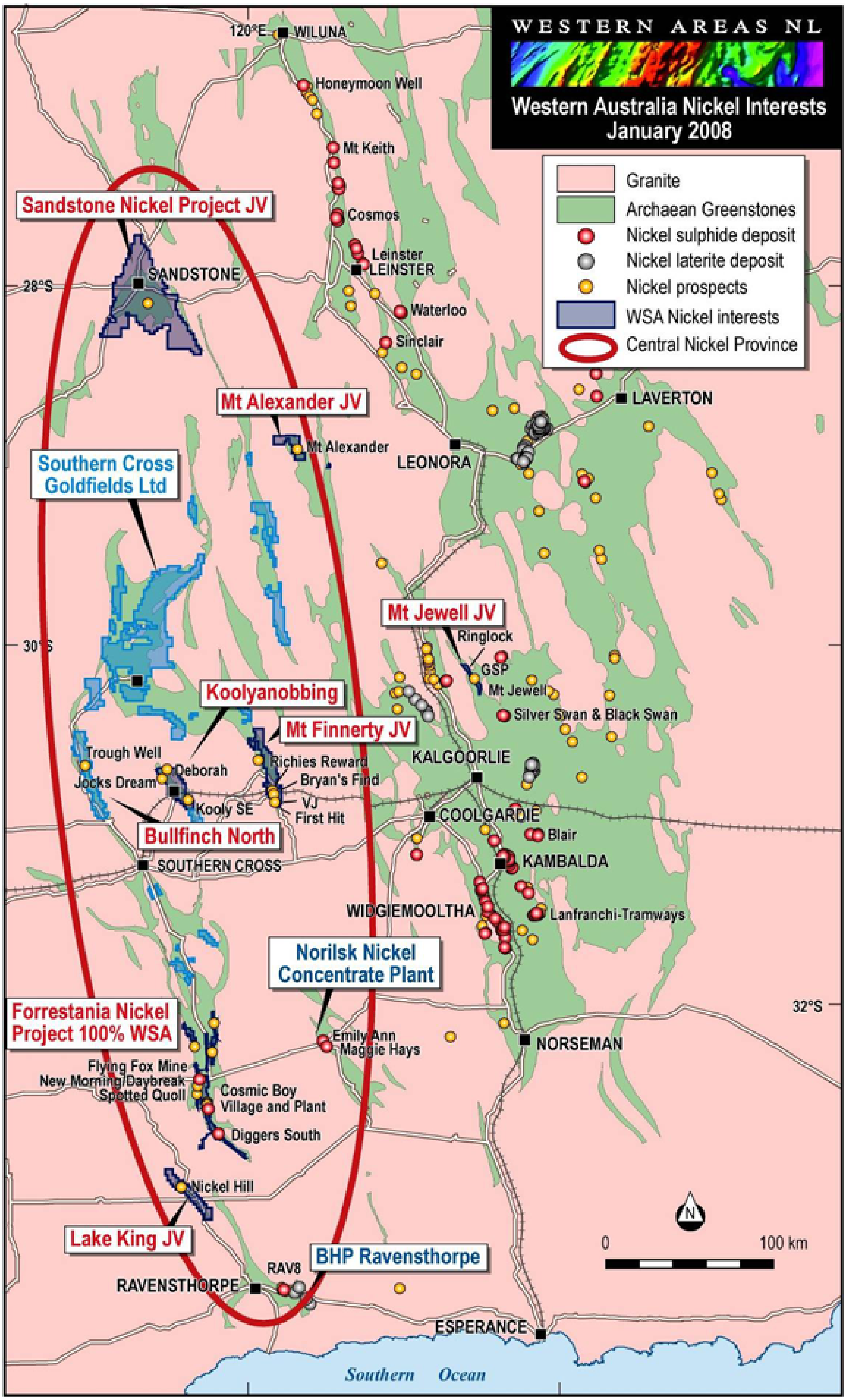

Figure 8: Regional Nickel Province showing Western Areas projects, joint ventures and other interests.

4. WESTERN AREAS REGIONAL EXPLORATION PROJECTS

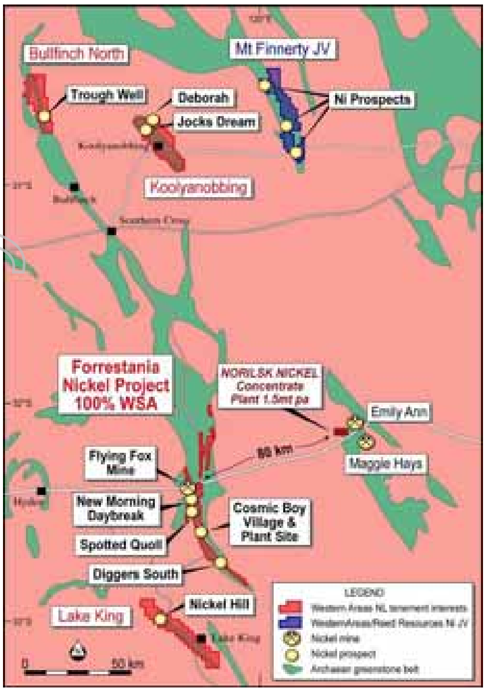

Figure 9: WSA Regional Projects

Western Areas continues to consolidate its position in the Forrestania region with six other projects including:

- Forrestania
- Koolyanobbing
- Mt Finnerty (Reed JV)
- Lake King
- Mt Alexander (BHP JV)
- Sandstone (Troy JV)

The Company believes this area provides the opportunity to develop another world class Nickel province in Western Australia.

Active exploration proposals are in progress at all of these projects and results are expected to be released in the March quarter 2008.

5. CANADIAN NICKEL PROJECTS AND INTERESTS

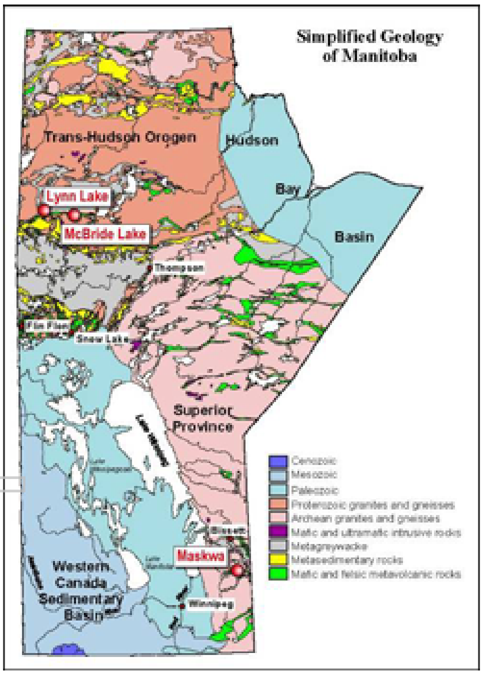

Figure 10: Manitoba Canada

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There were further advances in Western Areas' strategy to develop quality nickel assets in Canada.

The key requirements for acquiring Canadian assets are that they must be advanced projects with well established infrastructure and have the potential to be brought into production within two years.

Currently, Western Areas has three projects in Canada all in the State of Manitoba.

- Lynn Lake – historically Canada's 3rd largest Nickel province – 10 Nickel and Zinc targets – Drilling is underway
- McBride Lake – Zinc project – 70km east of Lynn Lake. Access is being established for drilling
- Mustang Minerals Corp. (Mustang) – acquired ~18% of company – completing prefeasibility on Maskwa Nickel project. Three other nickel, copper and PGM projects.

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Lynn Lake Project - Manitoba (WSA option to acquire 100%)

The Company has an Option Agreement to acquire 100% interest in a strategic holding of mining claims at one of Canada's premier nickel, copper and cobalt mining camps, Lynn Lake.

The agreement also includes a group of claims which cover a significant Volcanogenic Massive Sulphide ("VMS") zinc rich deposit (8.8% zinc) at McBride Lake, 70km east of Lynn Lake.

Between 1953 and 1976, Sherritt-Gordon Mines Limited operated several mines before closing at a time of low nickel prices. Sherritt-Gordon mined approximately 22 million tons of ore at an average grade of 1% nickel and 0.5% copper, producing approximately 166,100 tonnes nickel, 94,800 tonnes copper and 1,700 tonnes cobalt.

The Lynn Lake claims cover the highest grade mine in the area, the 'EL' mine, which produced approximately 1.0 million tons ore grading 3.3% nickel and 1.1% copper plus high grade cobalt to 270m depth. The potential for extensions to the EL mine is one of Western Areas' priorities.

Four diamond drill holes have been completed below the EL mine. All drill holes intersected up to 50m downhole width of disseminated and stringer sulphides and assays will be announced in the March quarter 2008.

6. SELECTED FINANCIAL INFORMATION FOR THE QUARTER

Income Statement

	Three Months Ended 31 December		Six Months Ended 31 December	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Sales	9,719	996	13,546	996
Cost of sales	(7,354)	(858)	(13,162)	(858)
Gross (Loss)/Profit	2,365	138	384	138
Other income	3,938	597	7,623	696
Employee benefit expenses	(643)	(919)	(1,246)	(918)
Share Based Payments	(1,388)	(392)	(2,074)	(519)
Finance costs	(4,524)	(43)	(8,951)	(50)
Administration expenses	(1,640)	(343)	(2,671)	(1,666)
Impairment loss on Non-current Assets	(666)	(1,523)	(661)	(1,523)
Derivative loss	(15,961)	(9,604)	(25,555)	(9,604)
Unrealised movement in the market value of derivatives	2,583	-	7,316	-
Operating loss before income tax	(15,936)	(12,089)	(25,835)	(13,446)
Income tax benefit	5,282	4,192	10,466	5,039
Loss for the period	**(10,654)**	**(7,897)**	**(15,369)**	**(8,407)**
Loss per Share (cents per share)	(6.05)	(4.96)	(9.22)	(5.63)
Diluted loss per share (cents per share)	(6.05)	(4.96)	(9.22)	(5.63)

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MANAGEMENT DISCUSSION AND ANALYSIS

<u>Results for the six months ended 31 December 2007</u>

Nickel Sales revenue was significantly higher at $13,546 due to the continuing ramp up of production from the Flying Fox mine. Gross profit for the six months ended, while higher, was affected by the finalisation of sales invoices from the prior year in line with the terms of the offtake agreement.

Other Income for the period has increased by $6.9m due to higher interest revenues that resulted from a higher average cash balance. This is predominantly due to the highly successful convertible bond issue in June 2007.

Share based payments have increase from the same period in the prior year due to a greater number of employee and director options that are required to be expensed under AIFRS. The increase in employee benefits is a result of the increase in staff at Western Areas and in line with the growth and development of the company.

Finance costs increased by $8.9m primarily resulting from interest payments relating to the convertible bond.

The increased derivative loss resulted from the normal settlement of expired hedge contracts and the retirement of 649 tonnes $25.6m. These were partly offset by a reversal of Marked to Market losses that were recognised in the prior periods $7.3m. As at 31 December 2007 only 749 tonnes nickel remained hedged.

<u>Results for the three months ended 31 December 2007</u>

Nickel sales increased significantly this quarter as the mining of the high grade Flying Fox T1 ore body commenced in November 2007.

Improved gross profit, in both whole dollar $2.4m and revenue percentage terms, is due to the commencement of ore mining in the high grade T1 ore body and increased overall production from the mine. As the mine heads towards target production of ~20kt+ per month, unit production costs are expected to fall enhancing gross profit further.

The impairment write down of $666k was mostly related to the regional exploration projects.

During the quarter hedge contracts for a total of 614 tonnes nickel were retired and a further 300 tonnes nickel were settled on maturity. This resulted in a derivative loss of $15.9m for the period. These were partly offset by a positive adjustment in the Marked to Market position of the hedge book valued at $2.6m.

Balance Sheet

	31 December 2007 $'000	30 June 2007 $'000
<u>Assets</u>		
Current Assets	186,056	244,532
Non Current Assets	219,389	175,091
Total Assets	405,445	419,623
<u>Liabilities</u>		
Current Liabilities	38,792	67,285
Non Current Liabilities	234,440	244,974
Total Liabilities	273,232	312,259
Net Assets	132,213	107,364
<u>Equity</u>		
Total Equity	132,213	107,364

Current assets have decreased by $58.5m primarily due to lower cash levels as expenditure increased in exploration and payment for the retirement of 614 tonnes nickel of hedge contracts.

Non current assets for the six months ended 31 December 2007 have increased by $44.3m to $219.4m which predominantly resulted from net expenditure of $17m incurred on mine development for the Flying Fox mine, net exploration & evaluation costs totalling $9.8m and a net investment in plant and equipment of $4.6m for the period. Western Areas' increased its investment in Mustang Minerals to 18.15% via the exercise of 4,570,401 warrants for ordinary shares at a cost of $2.3m. The increase in the deferred tax asset from $7.7m to $18.1m also attributed to the increase in non-current assets.

Current liabilities have decreased to $38.8m. This is attributable to the settlement of Base Metal hedging contracts to the value of $46m during the period and an increase in Trade and Other payables of $6m.

Non current liabilities increased to $234.4m. This increase is mainly attributable to utilisation of the Companies finance facilities.

Statement of Changes in Equity

	Six months ended	
	31 December 2007 $'000	31 December 2006 $'000
Total Equity 1 July	107,364	53,098
Movement in issued capital	513	69,228
Movement in Reserves	39,705	(26,538)
Loss for the six months ended 31 December	(15,369)	(8,400)
Total Equity 31 December	132,213	87,388

The increase in issued capital is a result of approximately 211,000 options being converted at various prices during the six months ended.

The movement in reserves is due to a favourable net fair value adjustment that related to the unrealised loss on the marked to market value of the company's hedge book as well as early payment of hedge contracts (see Off Balance Sheet/Financial Instruments for a description of hedge commitments). All hedges that comply with the standard for hedge accounting are treated as cashflow hedges in line with AIFRS. The movement in this balance was also related to the fair value revaluation of WSA's investment in Mustang Minerals. The option equity reserve increased by $2m which was the value of the share based payment expense for the period.

The loss for the six months ended 31 December 2007 increased to $15.4m Please refer Profit and Loss commentary for details of Profit and Loss movements.

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MANAGEMENT DISCUSSION AND ANALYSIS

Cashflow Statement

	Three Months Ended 31 Dec		Six Months Ended 31 Dec	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
Net Cashflow from Operating	(24,096)	(12,316)	(33,274)	(13,030)
Net Cashflow from Investing	(11,309)	(19,787)	(26,452)	(31,374)
Net Cashflow from Financing	125	50,600	86	64,558
Net Cashflow	(35,280)	18,497	(59,640)	20,154
Cash at Bank	**177,363**	**22,650**	**177,363**	**22,650**

<u>Results for the six months ended 31 December 2007</u>

Operating cash expenditure of negative $33m was higher than the same period in the previous year due to the retirement and settlement of hedge contracts during the period with a value of $25.5m. The increased revenue from ore production was offset by increased finance costs relating to interest payments.

Investing cashflows have decreased by $4.9m in the current six months. This is due to project delays in purchasing of non-current assets related to Forrestania.

Financing activities have significantly decreased due to the Company not completing any equity capital rising during the quarter, compared to the comparison period last year.

<u>Results for the three months ended 31 December 2007</u>

Operating cash expenditure of $11.6m was higher than the same period in the previous year primarily due to the settlement of hedge contracts during the period with a value of $15.9m. Administration and employee costs have also increased in line with the company's growth.

Investing cashflows have decreased to $11.5m from the same period last year. This is due to project delays in purchasing of non-current assets related to Forrestania.

Subsequent Events

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

Statement of Operations by Segments

The Consolidated Entity operated predominantly in the mineral mining and exploration industry in Australia.

Share Capital

	As at 15 February 2008
Outstanding Shares	166,671,316
Options issued but unexercised	9,922,167
Total	176,593,483

All the unexercised options are unlisted.

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MANAGEMENT DISCUSSION AND ANALYSIS

Finance Activities, Liquidity and Capital Resources

The Company has the following financing facilities available to it:

	Amount available under the Facility ($ millions)	Undrawn Portion of Facility ($ millions)
Primary ANZ Bank Finance Facilities:		
- Cash advance facility	70.0	16.3
- Cost over run facility	10.0	10.0
- Feasibility & Resource Drilling	10.0	10.0
Total Primary Debt Facility	90.0	36.3
- Performance Bond Facility	2.0	0.9
Total Corporate Finance Facilities	92.0	37.2
TOTAL	**92.0**	**37.2**

As set forth in the table above, approximately $53.6m has been drawn from the total corporate finance facility of $90.0m provided by ANZ. Access to the remaining portion of the facility is conditional upon the Company operating the Flying Fox mine in accordance with development plans approved by the aforementioned banking institution and the Company being in compliance with the operational and financial covenants and warranties specified under the facility.

At 31 December 2007 the Company had $177.3m in cash and receivables with $13.6m in creditors and accruals.

As at 31 December 2007 Western Areas long term debt obligations are as follows:

Contractual Obligations (in $'000)	Payments due by Period				
	Total	Less than 1	1 - 3 years	4 - 5 years	After 5 years
Long Term Debt[1]	90,000	12,200	38,800	39,000	-
Convertible Bond	225,000	-	-	225,000	-
Finance Leases[2]	98	48	50	-	-
Operating Leases[3]	449	207	242	-	-
TOTAL	**315,547**	**12,455**	**39,092**	**264,000**	**-**

Notes:

(1) The above table is based on the contracted amortisation dates for the ANZ facilities assuming they are fully drawn before repayments are scheduled to commence. The table does not include the Performance Bond facility as this has no fixed repayment date.
(2) Represents finance leases for light vehicles at the Forrestania Project and other miscellaneous office equipment.
(3) Represents rental payments for miscellaneous office equipment and rent of the Perth Corporate office and Canadian Branch office.

Related Party Transactions

There were no material related party transactions during the December 2007 half year.

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Off Balance Sheet Transactions/Financial Instruments

In 2005 the company entered into forward sales agreements for tonnes of nickel from the Flying Fox mine. At 31 December 2007 739 tonnes remain hedged at an average price of US$5.10 per pound for delivery in fiscal year 2008. The Company has also entered into US$/A$ forward exchange contracts to convert the US$ payments which are to be received in fiscal year 2008 under these nickel forward sales agreements. This effectively creates an A$ nickel hedge of anticipated revenues from 739 tonnes of nickel production in this year. Details of these hedges are as follows:

	Fiscal Year 2008
Nickel Tonnes Sold	739
US Price (US$/tonne)	11,245
US$ Value (US$'000)	8,309
US$ Currency Hedges (US$'000)	8,309
Exchange Rates	$0.7368
Effective Nickel Price (A$/tonne)	**11,277**

Based on the current Mineral Reserve for the Flying Fox mine, the above nickel hedging represents less than 1% of the contained nickel. The Company's policy is to monitor the state of the global nickel market and the forward prices that are obtainable. The Company aims to achieve an appropriate balance between price and currency risk management strategies whilst maintaining exposure to the spot nickel market.

As at 31 December 2007 the marked to market value of the above forward contracts was a negative $10.7 million (this valuation being based on a spot nickel price of US$11.80 per pound, or US$26,010 per tonne, and a US$/A$ exchange rate of 0.8818, which were the then current spot price and exchange rate).

None of the hedging contracts shown above are subject to margin calls. If the Company fails to deliver the required product - being nickel or US Currency - on the maturity date of each contract then it will need to renegotiate or close out and settle the relevant contract. This will result in either a cash gain or loss to the Company depending upon the market price of nickel or the US$/A$ exchange rate at that point in time.

The Company has not entered into any other financial contracts or instruments such as derivatives transactions or forward sales, or other instruments and has no other long-term commitments outstanding.

Significant Accounting Estimates

Management is required to make various estimates and judgements in determining the reported amounts of assets and liabilities, revenues and expenses for each period presented and in the disclosure of commitments and contingencies. The significant areas where management uses estimates and judgments in preparing the consolidated financial statements are the determination of carrying values and impaired values of exploration assets.

Internal Controls

The company has made no change to its internal controls over financial reporting since 30 June 2007 that have materially affected, or are reasonably likely to materially affect, the company's internal control over financial reporting.

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WESTERN AREAS NL

ABN 68 091 049 357

INTERIM FINANCIAL REPORT

FOR THE SIX MONTHS ENDED 31 DECEMBER 2007

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INTERIM FINANCIAL REPORT
DIRECTORS' REPORT

The directors submit the financial report of the consolidated entity for the six months ended 31 December 2007. Unless noted, all amounts in this report refer to Australian dollars.

Directors

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

Terence Streeter	(Non Executive Chairman – appointed as Chairman 20 August 2007)
David Cooper	(Non Executive Director – resigned as Chairman 20 August 2007)
Julian Hanna	(Managing Director and Chief Executive Officer)
Robin Dunbar	(Non Executive Director)
Craig Oliver	(Finance Director)

Company Secretary

Craig Oliver

Review of Operations

Please refer to the management discussion and analysis for a detailed review of operations.

Rounding of Amounts

The amounts contained in this report and in the half year financial report have been rounded to the nearest $1,000 (where rounding is applicable) under the option available to the company under ASIC Class Order 98/0100. The company is an entity to which the Class Order applies.

Auditors Independence Declaration

A copy of the Auditors Independence Declaration as required under section 307C of the Corporations Act 2001 is set out on page 24.

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

Julian Hanna
Managing Director

Perth, 18 February 2008

AUDITORS INDEPENDENT DECLARATION

WHK Horwath

AUDITOR'S INDEPENDENCE DECLARATION

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Western Areas NL for the half-year ended 31 December 2007, 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.

WHK HORWATH PERTH AUDIT PARTNERSHIP

CYRUS PATELL
Principal

Perth, WA

Dated 18th day of February 2008

Total Financial Solutions

Horwath Horwath refers to Horwath International Association, a Swiss verein. Each member of the Association is a separate and independent legal entity.

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CONSOLIDATED INCOME STATEMENT
For The Six Months Ended 31 December 2007

	Notes	Consolidated Entity Six months ended 31 December 2007 $'000	2006 $'000
Sales	2	13,546	996
Cost of sales		(13,162)	(858)
Gross profit		384	138
Other revenue	2	7,623	696
Employee benefits expenses		(1,246)	(918)
Share Based Payments		(2,074)	(519)
Finance costs	3	(8,951)	(50)
Administration expenses	3	(2,671)	(1,666)
Impairment of non-current assets		(661)	(1,523)
Realised derivative losses	3	(25,555)	(9,604)
Unrealised movement in market value of derivatives		7,316	-
Operating earnings/(loss) before income tax		(25,835)	(13,446)
Income tax benefit		10,466	5,039
Earnings / (Loss) for the period		**(15,369)**	**(8,407)**
Basic loss per share (cents per share)		(9.22)	(5.63)
Diluted loss per share (cents per share)		(9.22)	(5.63)

The accompanying notes form part of these financial statements.

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CONSOLIDATED BALANCE SHEET
As At 31 December 2007

	Notes	Consolidated Entity 31 Dec 2007 $'000	Consolidated Entity 30 Jun 2007 $'000
Current Assets			
Cash and cash equivalents		177,363	237,003
Trade and other receivables		5,280	4,249
Inventories		1,670	509
Other current assets		1,743	2,771
Total Current Assets		186,056	244,532
Non-Current Assets			
Property, plant & equipment	5	26,704	22,912
Exploration & evaluation	6	66,403	57,212
Mine development	7	97,057	78,455
Deferred tax assets		18,140	7,674
Other financial assets		11,085	8,838
Total Non-Current Assets		219,389	175,091
Total Assets		405,445	419,623
Current Liabilities			
Trade and other payables		13,733	7,573
Short term borrowings	8	12,248	940
Short term provisions		365	236
Other financial liabilities		12,446	58,536
Total Current Liabilities		38,792	67,285
Non-Current Liabilities			
Long term borrowings	8	233,270	243,841
Long term provisions		1,170	1,133
Total Non-Current Liabilities		234,440	244,974
Total Liabilities		273,232	312,259
Net Assets		**132,213**	**107,364**
Equity			
Issued capital	12	149,252	148,739
Reserves		21,776	(17,929)
Accumulated losses		(38,815)	(23,446)
Total Equity		**132,213**	**107,364**

The accompanying notes form part of these financial statements

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For The Six Months Ended 31 December 2007

	Issued Capital $'000	Prospectus Expenses $'000	Option Reserve $'000	Hedge Reserve $'000	Investment Reserve $'000	Convertible Note Reserve $'000	Accumulated Losses $'000	Minority Interest	Total Equity $'000
Total Equity at 1 July 2006	**83,776**	**(5,265)**	**1,085**	**(15,165)**	**-**	**-**	**(11,333)**		**53,098**
Shares issued during the year	72,193								72,193
Share issue expenses incurred		(2,965)							(2,965)
Share based payments expense			519						519
Cash flow hedge adjustment				(27,057)					(27,057)
Loss attributable to the members of the parent entity							(8,407)	7	(8,400)
Total Equity at 31 December 2006	**155,969**	**(8,230)**	**1,604**	**(42,222)**			**(19,740)**	**7**	**(87,388)**
Total Equity at 1 July 2007	**157,044**	**(8,305)**	**2,030**	**(48,933)**	**5,327**	**23,647**	**(23,446)**	**-**	**107,364**
Shares issued during the year	513								513
Share issue expenses incurred									
Share based payments expense			2,074						2,074
Cash flow hedge adjustments				37,747					37,747
Movements in the market value of investments					(116)				(116)
Loss attributable to the members of the parent entity							(15,369)		(15,369)
Total Equity at 31 December 2007	**157,557**	**(8,305)**	**4,104**	**(11,186)**	**5,211**	**23,647**	**(38,815)**	-	**132,213**

The accompanying notes form part of these financial statements.

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CONSOLIDATED CASH FLOW STATEMENT
For The Six Months Ended 31 December 2007

	Six Months Ended 31 December 2007 $'000	Six Months Ended 31 December 2006 $'000
Cash Flows From Operating Activities		
Cash receipts in the course of operations	12,609	356
Cash payments to suppliers & employees	(14,649)	(12,026)
Royalties paid	(1,114)	-
Interest received	6,615	449
Finance costs	(11,438)	(1,809)
Other receipts	258	-
Derivative settlement	(25,555)	-
Net Cash Used in Operating Activities	**(33,274)**	**(13,030)**
Cash Flows From Investing Activities		
Purchase of non-current assets	(4,567)	(9,028)
Mine development expenditure	(11,737)	(12,448)
Exploration & evaluation activities	(7,787)	(6,285)
Acquisition of subsidiaries	-	(202)
Investment in other entities	(2,361)	(3,411)
Net Cash Used in Investing Activities	**(26,452)**	**(31,374)**
Cash Flows From Financing Activities		
Proceeds from borrowings	1,048	71,631
Repayment of borrowings	(819)	(73,682)
Proceeds from employee option conversion	514	-
Proceeds from issue of shares	-	72,157
Finance lease principal repayments	(72)	(44)
Borrowing costs	(585)	(2,539)
Payments for share issue costs	-	(2,965)
Net Cash From Financing Activities	**86**	**64,558**
Net increase / (decrease) in cash held	(59,640)	20,154
Cash at beginning of financial period	237,003	2,496
Cash as at 31 December	**177,363**	**22,650**

The accompanying notes form part of these financial statements.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For The Six Months Ended 31 December 2007

Note 1: Basis of Preparation

The half year consolidated financial statements are a general purpose financial report prepared in accordance with the Corporations Act 2001, AASB 134 "Interim Financial Reporting", Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

The report does not include full disclosures of the type normally included in an annual report. It is recommended that this financial report be read in conjunction with the 30 June 2007 annual financial report and any other public announcements made by Western Areas NL during the half year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

The financial report covers the Consolidated Entity of Western Areas NL and its controlled entities (the "Consolidated Entity"). Western Areas NL is a listed public company, incorporated and domiciled in Australia.

The accounting policies have been consistently applied by the entities in the consolidated group and are consistent with those in the June 2007 financial report.

The half-year report does not include full disclosures of the type normally included in an annual financial report.

Reporting Basis and Conventions

This half year report has been prepared on an accrual basis and is based on historical cost modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

	Consolidated Entity	
	31 Dec 2007 $'000	**31 Dec 2006 $'000**
Note 2: Revenue		
- Sales	16,850	996
- Quotation period adjustment	(3,304)	-
- Interest received	7,270	398
- Royalty received	-	466
- Other	353	-
- Profit / (Loss) on sale of asset	-	(168)
Total Income	**21,169**	**1,692**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For The Six Months Ended 31 December 2007

Note 3: Loss from Ordinary Activities

	Consolidated Entity	
	31 Dec 2007 $'000	**31 Dec 2006 $'000**
The following expense items are relevant in explaining the financial performance for the interim period:		
- Depreciation of non-current assets	771	354
Depreciation deferred to capital	(486)	(310)
Depreciation included in Consolidated Income Statement	285	44
- Amortisation	1,013	171
- Rental expenditure - operating leases	105	67
- Impairment of non-current assets	661	1,523
- Realised hedge losses	25,555	9,604
- Finance costs expensed:		
Interest expense – borrowings	11,219	1,839
Interest expense - finance leases	5	8
Other financing costs	400	2,538
Total financing costs	11,624	4,385
Less: interest expense capitalised	(2,273)	(1,797)
Less: borrowing costs capitalised	(400)	(2,538)
Total Financing Costs Expensed	8,951	50

Note 4: Dividends

No dividends have been declared or paid during this six months ended.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For The Six Months Ended 31 December 2007

Note 5: Property, Plant and Equipment

	Consolidated Entity	
	31 Dec 2007 $'000	**30 Jun 2007 $'000**
Property – at cost	5,925	5,759
Accumulated depreciation	(451)	(308)
	5,474	5,451
Plant & equipment – at cost	22,732	18,335
Accumulated depreciation	(1,702)	(1,102)
	21,030	17,233
Plant & equipment under lease	377	377
Accumulated depreciation	(177)	(149)
	200	228
Total Property, Plant & Equipment - at Cost	29,034	24,471
Accumulated Depreciation	(2,330)	(1,559)
Total	**26,704**	**22,912**

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 AND FORMING PART OF THE FINANCIAL STATEMENTS
For The Six Months Ended 31 December 2007

Note 5: Property, Plant and Equipment (Cont)

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 period:

	Consolidated Entity $'000
Property	
Written down value at the beginning of the period	5,451
- Additions	166
- Depreciation expense	(143)
Written down value at the end of the half year	**5,474**
Plant & Equipment	
Written down value at the beginning of the period	17,233
- Additions	4,397
- Depreciation expense	(600)
Written down value at the end of the half year	**21,030**
Plant & Equipment under Lease	
Written down value at the beginning of the period	228
- Additions	-
- Depreciation expense	(28)
Written down value at the end of the half year	**200**

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For The Six Months Ended 31 December 2007

	Consolidated Entity	
	31 Dec 2007 $'000	**30 Jun 2007 $'000**
Note 6: Exploration & Evaluation		
Exploration & Evaluation Expenditure.		
- At cost	71,093	61,290
- Impairment loss	(4,690)	(4,078)
Total Exploration and Evaluation	**66,403**	**57,212**

Movement in carrying amount:

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

	Consolidated Entity $'000
Exploration & Evaluation Expenditure	
Written down value at the beginning of the period	57,212
- Expenditure	9,852
- Impairment write off	(49)
- Impairment provision	(612)
Written down value at the end of the period	**66,403**

Carry Forward Exploration & Evaluation Expenditure

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

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For The Six Months Ended 31 December 2007

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	Notes	Consolidated Entity 31 Dec 2007 $'000	Consolidated Entity 30 Jun 2007 $'000
Note 7: Mine Development			
Development Expenditure			
- Mine development		53,321	50,850
- Deferred mining expenditure		29,783	15,312
- Capitalised restoration costs		918	918
- Capitalised interest	7 (a)	8,218	5,945
- Capitalised borrowing costs		6,371	5,971
- Amortisation		(1,554)	(541)
Total Mine Development		**97,057**	**78,455**

(a) The carrying value of development expenditure includes the associated interest costs on the project loan that have been incurred to 31 December 2007. Capitalised interest will be amortised over the reserves of the Flying Fox project.

Movement in carrying amount:

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

	Consolidated Entity $'000
Development Expenditure	
Written down value at the beginning of the period	78,455
- Additions	16,942
- Capitalised interest	2,273
- Capitalised borrowing costs	400
- Amortisation	(1,013)
Written down value at the end of the period	**97,057**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For The Six Months Ended 31 December 2007

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Note 8: Borrowings		31 Dec 2007 $'000	30 Jun 2007 $'000
Current			
Lease liability	8 (b)	48	121
Corporate loan facility		12,200	819
		12,248	**940**
Non-Current			
Corporate loan facility	8 (a)	41,493	52,645
Convertible bond		200,250	200,250
Convertible bond borrowing costs		(8,523)	(9,104)
Lease liability	8 (b)	50	50
		233,270	**243,841**

(a) Loan facilities are provided by ANZ banking group.

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

Project loan		
Mine development	53,321	50,309
Property, plant & equipment	26,504	21,948
	79,825	**72,257**

The terms of the project facility are typical of normal commercial borrowing contracts.

(b) The lease liability is secured over the assets under the lease. The finance leases have an average term of 4 years and an average implicit discount rate of 7.38%. Refer note 5 for the carrying value of the assets under lease.

Note 9: Contingent Liabilities

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

Note 10: Subsequent Events

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

Note 11: Statement of Operations by Segments

The Consolidated Entity operated predominantly in the mineral exploration industry in Australia.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For The Six Months Ended 31 December 2007

Note 12: Contributed Equity

a) **Issued capital**

	31 Dec 2007 $'000	30 June 2007 $'000
Ordinary shares fully paid	**149,252**	**148,739**

b) **Movements in issued capital**

	31 December 2007	
	Number of Shares	$'000
Balance at beginning of the financial period	166,451,345	148,739
- Rights placements (i)	(15,279)	-
- Issued via option conversions	211,000	513
Balance at end of the financial period	**166,647,066**	**149,252**

	30 June 2007	
	Number of Shares	$'000
Balance at beginning of the financial year	140,397,678	78,511
- Issued via share placements	8,000,000	26,366
- Rights issue	17,550,834	45,592
- Issued via option conversions	502,833	1,310
- Transaction costs relating to share issues	-	(3,040)
Balance at end of the financial year	**166,451,345**	**148,739**

Notes on movement in issued capital during the current financial year

i). Represents an adjustment to the reported number of outstanding shares that was not reflected after the rights issue that took place in October 2006. This was not a cancellation of issued shares.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For The Six Months Ended 31 December 2007

Note 12: Contributed Equity (Cont)

Notes on movement in issued capital during the current financial period

(i) During the six months ended 31 December 2007 the following options were exercised:

Date	-- Option Terms (Exercise Price & Maturity) --		Total ($)
	$1.30 July '08	$2.75 May '09	
2007			
July 18		10,000	27,500
August 30	10,000		13,000
September 13	6,000	20,000	62,800
September 28		30,000	82,500
October 22		3,000	8,250
October 25	30,000		39,000
November 20		20,000	55,000
December 6		82,000	225,500
TOTAL	**46,000**	**165,000**	**513,550**

c) Share Options on Issue

The following options were outstanding at 31 December 2007:

	-- Option Terms (Exercise Price and Maturity) --							
	Employee $1.30 Jul 08	Directors $3.20 May 09	Employee $2.75 May 09	Warrants CAD$4.00 Dec 09	Employee $7.50 June 10	Directors $7.50 June 10	Newexco $7.50 Jan 11	**TOTAL**
Opening balance	264,000	1,600,000	2,606,667	1,862,500	1,460,000	-	-	7,793,167
Options issued	-	-	-	-		2,000,000	500,000	2,500,000
Options cancelled	-	-	(60,000)	-	(100,000)	-	-	(160,000)
Options exercised	(46,000)	-	(165,000)	-		-	-	(211,000)
Closing balance	**218,000**	**1,600,000**	**2,381,667**	**1,862,500**	**1,360,000**	**2,000,000**	**500,000**	**9,922,167**

All of the outstanding options vest on the following terms; 1/3 vest on the grant date itself, a further 1/3 12 months after the grant date and the final 1/3 24 months after the grant date, with the exception of directors options that vest immediately.

d) Terms and Conditions of Contributed Equity

Ordinary shares

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

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

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INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS

WHK Horwath

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

We have audited the accompanying financial report of Western Areas NL and its controlled entities (the consolidated entity), which comprises the balance sheet as at 31 December 2007, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the directors of Western Areas NL on 18 February 2008, would be in the same terms if provided to the directors as at the date of this auditor's report.

Auditor's Opinion

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

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and of its performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.

WHK HORWATH PERTH AUDIT PARTNERSHIP

CYRUS PATELL
Principal

Perth, WA
Dated this 18th day of February 2008

Total Financial Solutions

Horwath *Horwath refers to Horwath International Association, a Swiss verein. Each member of the Association is a separate and independent legal entity.*

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DIRECTORS' DECLARATION

The directors of the company declare that:

1) The financial statements and notes, as set out on pages 23 to 37:
   (i) give a true and fair view of the economic entity's financial position as at 31 December 2007 and of its performance for the half year ended on that date; and
   (ii) comply with Accounting Standard AASB 134 "Interim Financial Reporting" and Corporations Regulations 2001; and
2) In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

On behalf of the Board

Julian Hanna
Director

Dated 18 February 2008