WESTERN AREAS NL

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23 February 2006

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

Half Year & Second Quarter Reports - 31 December 2005

Dear Sir

Attached please find the Half Year and Second Quarter Reports for 31 December, 2005 together with the Management Discussion and Analysis & the CEO/CFO Certification as required in accordance with Canadian reporting requirements. The Half Year Report includes an Independence Declaration and a Review Opinion from the Company's Auditors.

Yours faithfully

Tim Manners
Company Secretary

WESTERN AREAS NL

ABN 68 091 049 357

SECOND QUARTER AND HALF YEAR REPORT

31 DECEMBER 2005

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CORPORATE DIRECTORY

Directors

Don Boyer
David Cooper
Julian Hanna
Terry Streeter
Robin Dunbar

Company Secretary

Timothy Manners

Auditors

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Perth WA 6000

Bankers

Commonwealth Bank of Australia
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Perth WA 6000

NM Rothschild & Sons (Australia) Ltd
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Perth WA 6000

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Stock Exchange

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

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161 Bay Street
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MANAGEMENT DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis of 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 of WSA and the financial information contained in this MD&A were prepared in accordance with Australian Equivalents to International Financial Reporting Standards ("AIFRS"), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Groups Interpretations and the Corporations Act 2001. The consolidated financial statements for the 6 months ended 31 December 2005 have been reviewed but are unaudited.

In addition to these Australian requirements further information has been included in the condensed financial statements for the six months ended 31 December 2005 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 22 February, 2006.

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 and forward looking statements whether as a result of new information or change in business circumstance.

Background

Western Areas NL ("WSA" or "the Company") is engaged in the acquisition, exploration and development of nickel sulphide deposits in established mineral provinces in Australia. The Company's principal asset is a 100% interest in the 90km long Forrestania Nickel Project, located 400km east of Perth, Western Australia.

WSA is a resources company with a market capitalisation of over A$280 million (~C$240M) at the date of this report. Over the past few years the Company has spent an average of A$1.0 million per month on exploration at the Forrestania Project. This has resulted in the discovery of three high grade nickel sulphide deposits in two years. The most significant deposits discovered to date are at Flying Fox where a total reserve of 1,157,500 tonnes at 5.6% nickel has been established (containing approximately 64,500 tonnes of nickel).

WSA is developing Stage 1 of the Flying Fox nickel mine with first production expected from the high grade T1 deposit by the end of calendar year 2006. A bankable feasibility is nearing completion for the Stage 2 expansion of the Flying Fox mine which involves developing the deeper, higher grade T5 deposit and the construction of a concentrate facility at Forrestania.

An ore tolling and concentrate sales agreement for the first 75,000 tonnes of contained nickel produced from Forrestania has been entered into with LionOre Australia (Nickel) Limited ("LionOre"), a wholly owned subsidiary of LionOre Mining International.

The Company is listed on both the Australian and Toronto Stock Exchanges and trades on both under the symbol "WSA".

MANAGEMENT DISCUSSION AND ANALYSIS

Quarterly Overview

Stage One Mine Development

Mine development at Flying Fox commenced just over 12 months ago. In this time, the 35m deep boxcut, 1.7km of underground development and significant underground and surface infrastructure have been completed. The mine is designed to service a long life operation and to extend at least to the depth of the T5 deposit. The decline has haulage capacity in excess of the 200,000 tpa ore production envisaged for T5.

In mid December, an inflow of water in the main decline coincident with a series of pump failures, power outages and electrical problems with the new jumbo drill rig resulted in below forecast rates of advance for the month. A number of actions have been taken to rectify the problem including plugging drill holes and installing backup equipment (pumps, a generator and a second jumbo) on site. In addition, three dewatering bores will be installed in the mine with the aim of providing surplus dewatering capacity, if required. The company considers that the mine is now well equipped to deal with anticipated future water inflow.

A drilling drive off the main decline was completed in mid January. Underground drilling will commence in February to infill and possibly extend the T1 North mineralisation adjacent to the decline path, up to 150m above the main T1 deposit. Previous intersections from surface drilling at T1 North include 1.0m @ 9.9% nickel, 1.7m @ 7.8% nickel and 3.8m @ 5.9% nickel (down hole widths). If this program is successful, potential exists to start production several months before production from the main T1 orebody.

Flying Fox - Exploration Update

The Company has set a goal for 2006 to attempt to increase the total mineral resources at Flying Fox from the current 73,800 tonnes of contained nickel to 100,000 tonnes of contained nickel. A number of areas have been identified for testing during the next 12 months:

- T4 – drilling is in progress to define a potential resource in the area of a recent drill hole FFD 168 W2 which intersected 13.7m @ 4.6% nickel (down hole width) hosted mainly by granite.
- T4 and T5 north of the dolerite dyke – A program of several planned drill holes is underway. The first drill hole in this area is expected to reach target depth at approximately 650m RL, in mid February.
- T5 South extensions – drilling is in progress to test above a recent drill hole FFD 163 W9/W1/W1/W1 which intersected two zones: 16.4m @ 5.9% nickel and 21.8m @ 6.0% nickel (down hole widths).
- T1 North – underground drilling planned to start in February to test an area of known, high grade mineralization with previous intersections including 1.7m @ 7.8% nickel (down hole width).
- T5 'Deeps' – widely spaced drilling will probably be carried out to test the potential for extensions below the limit of current drilling at T5, at about 1100m depth. T5 remains open at depth.

WSA has requested geological consultants Newexco to design a program to test for other Flying Fox type deposits below the horizontal T1 granite sill, up to 4 km north and south along strike from Flying Fox. (The majority of drilling conducted by previous explorers was terminated above the granite sill.)

MANAGEMENT DISCUSSION AND ANALYSIS

Flying Fox - Mineral Resource Update

Mineral Resources at Flying Fox now comprise:

Flying Fox Deposit	Category (JORC)	Tonnes	Nickel grade (Ni%)	Contained Ni (tonnes)
T1 *	Indicated Mineral Resource	285,900	5.9%	16,900
T1/T2	Inferred Mineral Resource	29,700	5.7%	1,700
T5 **	Indicated Mineral Resource	523,700	6.7%	35,000
T5 South **	Indicated Mineral Resource	213,800	8.5%	18,200
T5	Inferred Mineral Resource	115,800	6.5%	7,500

Notes: * Includes a Probable Ore Reserve of 314,500 tonnes at an average grade of 4.8% nickel.
** Includes a Probable Ore Reserve of 843,000 tonnes at an average grade of 5.9% nickel.

Forrestania Development & Feasibility Studies

Treatment Plant

On 11 January, WSA announced a decision to construct a nickel sulphide treatment plant at Cosmic Boy 20km south of Flying Fox, subject to environmental approvals and finance. The plant will be built on the site of Outokumpu's previous plant site and will benefit from significant existing infrastructure including roads, grid power, borefields, a fine ore bin and a large tailings storage dam. The intention is to have the 250,000 tonnes per annum plant commissioned by the end of 2006 to treat ore from T1.

Total capital cost for the plant construction including tailings disposal and a significant expansion of the Cosmic Boy village is estimated to be between $20 and $25 million. The company has already acquired many of the major components for the plant (flotation plant, filtration plant, ball mill and conveyor system) and has commenced discussions with financiers to fund the plant construction.

Stage Two Feasibility Study

As a result of recent drilling success at T5 South and the decision to build a nickel sulphide treatment plant at Cosmic Boy, the scope of the Stage Two feasibility study has been expanded to incorporate the high grade T5 South deposit into the T5 ore reserve. Results from the Stage Two feasibility study that were previously due in January are now expected to be released by the end of February.

MANAGEMENT DISCUSSION AND ANALYSIS

Selected Financial Information for the Quarter

Income Statement (Unaudited)

	Three Months Ended 31 December		Six Months Ended 31 December	
	2005 A$ 000's	2004 A$ 000's	2005 A$ 000's	2004 A$ 000's
Revenue	293	84	343	151
Finance costs	(18)	(15)	(32)	(59)
Exploration expenditure impairment loss	(1,480)	(619)	(1,480)	(619)
Employee benefit expenses	(293)	(269)	(574)	(841)
Administration expenses	(853)	(413)	(1,500)	(828)
Loss before income tax	2,351	1,232	(3,243)	(2,196)
Income tax benefit	501	282	1,002	564
Net loss attributable to members of the parent entity	**(1,850)**	**(950)**	**(2,241)**	**(1,632)**
Loss per Share	(1.45)	(0.84)	(1.79)	(1.49)
Diluted loss per share	(1.43)	(0.82)	(1.77)	(1.46)

Results for the six months ended 31 December 2005

Revenue has increased by $191,292 for the period due to the commencement of royalty payments from LionOre which relate to the Black Swan Nickel Project and increased interest revenue resulting from a higher average cash balance.

The half yearly review of exploration and development assets resulted in an impairment loss adjustment to selected exploration assets. The total value of the adjustment was A$1,479,800 and related to the Company's non-Forrestania projects.

WSA's growth as a company has seen administration expenses increase to A$1,499,529. The activities for the half year included the secondary listing on the Toronto Stock Exchange and increased corporate office support staff for the continuing development of the company from explorer to producer.

The income tax benefit of A$1,002,270 reflects the increased carry forward tax losses that have been generated as a result of the loss for the period and the ongoing exploration expenditure that is generally immediately deductible.

The loss after tax of the consolidated entity for the half-year ended 31 December 2005 was A$2,240,572 (2004: loss $1,632,189). The increased loss was due to higher administration costs as a direct result of the increased activity within the company, and an increase in the impairment loss of carry forward exploration expenditure on some of the company's regional tenements.

Results for the three months end 31 December 2005

Revenue for the quarter increased to A$292,605 due to the commencement of royalty payments from Lion Ore relating to the Black Swan Nickel Project. Royalties are forecast to continue at an average rate of A$75,000 per quarter.

MANAGEMENT DISCUSSION AND ANALYSIS

The half yearly review of exploration and development assets resulted in an impairment loss adjustment to selected exploration assets. The total value of the adjustment was A$1,446,826 and related to the Company's non-Forrestania projects.

Administration expenses totalled A$853,480. WSA's growth as a company, which includes the secondary listing on the Toronto Stock Exchange ("TSX") has seen costs increase during the quarter when compared with the same period last year.

The income tax benefit increased by A$219,356 resulting from the higher loss for the current quarter than compared with last year.

The loss after tax of the consolidated entity for the quarter ended 31 December 2005 was A$1,849,764 (2004: loss $950,463). The increased loss was due to higher administration costs as a direct result of the increased activity within the company, and an increase in the impairment loss of carry forward exploration expenditure on some of the company's regional tenements.

Balance Sheet (Unaudited)

	31 December 2005 A$ 000's	30 June 2005 A$ 000's
Assets		
Current Assets	21,980	3,602
Non Current Assets	79,340	56,439
Total Assets	101,320	60,041
Liabilities		
Current Liabilities	7,719	5,495
Non Current Liabilities	27,294	11,039
Total Liabilities	35,013	16,534
Net Assets	66,307	43,507
Equity		
Total Equity	66,307	43,507

Current assets have increased to A$21,980,050 primarily due to increased cash at bank that resulted from the initial public offering ("IPO") in December which occurred simultaneously with listing on the TSX. The funds from this placement have been partly consumed by payments for mine development, exploration activities and administration costs.

The increase in current assets compared with the prior year reflects the companies need for increased working capital to fund development of the Flying Fox mine and continue its exploration programs. The cash balance at the December 31 2005 was A$20,724,359.

Non current assets have increased by A$22,901,735 which predominantly resulted from A$10,298,519 spent on mine development for the Flying Fox mine, exploration & evaluation expenditure totalling A$7,461,203 and an investment in plant and equipment of A$3,914,093 for the period.

MANAGEMENT DISCUSSION AND ANALYSIS

Current liabilities have increased to A$7,719,473 resulting from increased creditors and accrued expenses at the end of the period due to higher levels of activity in mine development and exploration than at the end of June 2005.

Non current liabilities increased to A$27,294,152 as a result of the utilisation of the new finance facility arrangement with Commonwealth Bank of Australia ("Commbank") and NM Rothschild & Sons (Australia) Ltd ("RAL"). These longer term borrowings are funding the ongoing development of the Flying Fox mine.

Statement of Changes in Equity (Unaudited)

	Six months ended	
	31 December 2005 A$ 000's	31 December 2004 A$ 000's
Total Equity 1 July	43,507	24,982
Movement in issued capital	26,211	14,360
Movement in Reserves	(1,170)	413
Loss for the six months ended 31 December	(2,241)	(1,632)
Total Equity 31 December	66,307	38,123

Issued capital has increased due to the company listing on the Toronto Stock Exchange in December. This was done in conjunction with an IPO of approximately A$23 million.

The movement in reserves is due to a negative fair value adjustment of A$1,218,916 that related to the marked to market value of the company's hedge book (see Off Balance Sheet/Financial Instruments for a description of hedge commitments). All hedges are treated as cashflow hedges in line with AIFRS. The option equity reserve increased by A$48,484 which was the value of the share based payment expense for the period.

The loss for the six months ended 31 December increased by A$608,183 due to a higher impairment loss for carry forward exploration and evaluation assets and increased administration overhead costs due to the growth of the company.

Cashflow Statement (Unaudited)

	3 Months Ended 31 December		Six Months Ended 31 December	
	2005 A$ 000's	2004 A$ 000's	2005 A$ 000's	2004 A$ 000's
Net Cashflow from Operating	(1,052)	(562)	(2,055)	(1,001)
Net Cashflow from Investing	(11,019)	(6,515)	(22,079)	(11,305)
Net Cashflow from Financing	27,505	7,682	41,855	11,974
Net Cashflow	15,434	605	17,721	(332)
Cash at Bank	**20,724**	**4,141**	**20,724**	**4,141**

MANAGEMENT DISCUSSION AND ANALYSIS

Results for the six months ended 31 December 2005
Operating cash expenditure increased to A$2,055,278 primarily due to higher expenditure on administration, corporate and employee costs which have all increased in line with WSA's growth as a company.

Investing cashflows have increased to A$22,078,460 (Dec 2004 - A$11,305,397). This is mainly due to higher mine development and plant & equipment expenditure at the Flying Fox mine. The mine commenced in December 2004, therefore comparative expenditures are significantly lower.

Financing activities have increased by A$29,880,372 this is due to the Canadian IPO in December which provided over A$20 million in equity funds and increased net use of debt facilities for the development of the Flying Fox mine.

Results for the three months end 31 December 2005
Operating cash expenditure increased to A$1,051,909 primarily due to higher expenditure on administration, corporate and employee costs which have all increased in line with WSA's growth as a company.

Investing cashflows have increased by A$4,503,124 over the same period last year. This is mainly due to higher mine development and plant & equipment expenditure at the Flying Fox mine. The mine commenced in December 2004, therefore comparative expenditures are a lot lower. Exploration expenditure was A$3,916,251 for the quarter with the majority of the funds used for the purpose of extending the mineral resource at Flying Fox. Exploration expenditure is comparable with that of the same quarter last year.

Financing activities have increased in line with the net use of debt facilities for the development of the Flying Fox mine. The Canadian IPO in December also provided over A$20 million in equity funds.

Subsequent Events

Subsequent to the end of the half year ended 31 December 2005:

- The company advised on the 11 January 2006 the intention to construct a nickel sulphide concentrator plant at Forrestania. This is subject to receiving the relevant environmental approvals, and the successful negotiation of appropriate finance. The estimated capital cost for the plant acquisition, construction, village expansion and tailings disposal is estimated to be $20 to $25 million. This has not been bought to account at 31 December 2005.
- On the 14 of February 2006 the shareholders of Western Areas, in a general meeting, approved the issue of 1,064,155 shares to Jungle Creek Gold Mines Pty Ltd, an entity controlled by Mr T Streeter, and 175,000 share to Mr J Hanna. The shares were issued as part of the initial public offing in Canada and the listing on the TSX.

Statement of Operations by Segments

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

MANAGEMENT DISCUSSION AND ANALYSIS

Share Capital

	As at 22 February 2006
Outstanding Shares	138,088,523
Shares approved by shareholders awaiting allotment	1,239,155
Options issued but unexercised	2,805,000
Total	140,893,523

As part of the Canadian IPO in December 1,239,155 shares were allotted to directors of the company under the same conditions as the prospectus. This allotment required approval by the shareholders at a general meeting. This meeting occurred on 14 February 2006 and the necessary resolutions were passed. Once the funds are received from the parties involved the shares will be issued.

All the unexercised options are unlisted.

Finance Activities, Liquidity and Capital Resources

In July 2005, WSA obtained an A$37.2 million project finance facilities with the Commonwealth Bank of Australia ("Commbank") and NM Rothschild & Sons (Australia) Ltd ("RAL"). During the December quarter the Company drew down a further A$7.5 million against the Commbank portion of the facility.

The Company has the following financing facilities available to it:

	Amount available under the Facility (A$ millions)	Undrawn Portion of Facility (A$ millions)
Project Finance Facilities:		
- Commbank	A$18.2	A$ 5.6
- RAL	A$14.0	A$ 1.2
Total Primary Debt Facility	A$32.2	A$6.8
- Cost Overrun Facility(1)	A$4.0	A$ 4.0
- Performance Bond Facility(2)	A$1.0	A$ 0.3
Total Project Finance Facilities	A$37.2	A$11.1
Finance Lease Facility(3)	A$0.5	A$ 0.3
TOTAL	**A$37.7**	**A$11.4**

Notes:
(1) The Cost Overrun Facility is provided jointly by Commbank and RAL in equal shares.
(2) The Performance Bond Facility is provided solely by Commbank.
(3) The Finance Lease Facility is provided solely by Commbank.

As set forth in the table above, approximately A$26.1 million has been drawn from the total project finance facility of $37.2 million provided by Commbank and RAL. 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 Commbank and RAL and the Company being in compliance with the operational and financial covenants and warranties specified under the facility.

At 31 December, 2005 the Company had $22.0 million in cash & receivables with $7.7 million in creditors and accruals.

MANAGEMENT DISCUSSION AND ANALYSIS

Stage 2 Finance

Subject to the successful completion of the Stage 2 BFS at Flying Fox, the Company will be looking to establish additional debt facilities to fund the construction of the Forrestania plant and the mine development for the Flying Fox T5 deposit.

As at December 31, 2005, WSA's long term debt obligations are as follows :

Contractual Obligations (in A$'000)	Payments due by Period				
	Total	Less than 1	1 - 3 years	4 - 5 years	After 5 years
Long Term Debt(1)	32,200	-	32,200	-	-
Finance Leases(2)	230	80	150	-	-
Operating Leases(3)	138	113	25	-	-
Insurance Premium Funding	129	129	-	-	-
TOTAL	**32,697**	**322**	**32,375**	-	-

Notes:

(1) The above table is based on the contracted amortisation dates for both the Commbank and RAL facilities. The table does not include the Performance Bond facility or the Cost Overrun facility as these have no fixed repayment dates.
(2) Represents finance leases executed for light vehicles at the Forrestania Project.
(3) Represents rent at the Perth head office and Canadian Branch Office.

Related Party Transactions

There were no material related party transactions during the December 2005 quarter.

Off Balance Sheet Transactions/Financial Instruments

As at 31 December 2005, the Company has entered into forward sales agreements for 1,500 tonnes of nickel from the Flying Fox mine at an average price of US$13,063 per tonne for delivery in fiscal 2007 and 2008. The Company has also entered into US$/A$ forward exchange contracts to convert the US$ payments which are to be received in fiscal 2007 and 2008 under these nickel forward sales agreements. This effectively creates an A$ nickel hedge of anticipated revenues from 1,500 tonnes of nickel production in these two years. Details of these hedges are as follows:

	Fiscal Year 2007	Fiscal Year 2008	TOTAL
Nickel Tonnes Sold	1,000	500	**1,500**
US Price (US$/tonne)	13,088	13,015	**13,063**
US$ Value (US$'000)	13,088	6,507	**19,595**
US$ Currency Hedges (US$'000)	13,088	6,507	**19,595**
Exchange Rates	$0.7508	$0.7322	**$0.7445**
Effective Nickel Price (A$/tonne)	**17,430**	**17,776**	**17,545**

MANAGEMENT DISCUSSION AND ANALYSIS

Based on the current Mineral Reserve for Flying Fox T1, the above nickel hedging represents approximately 10% of 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 December 31, 2005 the mark to market value of the above forward contracts was a negative A$1.19 million (this valuation being based on a spot nickel price of US$6.06 per pound, or US$13,370.53 per tonne, and a US$/A$ exchange rate of 0.73195 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.

Subsequent to the end of December, the Company entered into hedging contracts for a further 775 tonnes of nickel with an effective AUD nickel price of A$18,186. These contracts mature between September 2007 and February 2008.

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 2005 that have materially affected, or are reasonably likely to material affect, the company's internal control over financial reporting.

Recent Changes in Accounting Policies

As at the 1 July 2005 WSA has transitioned to Australian Equivalents to International Financial Reporting Standards ("AIFRS"). The financial information presented in this MD&A and the consolidated interim financial statements have been prepared in compliance with AASB 1 First Time Adoption of AIFRS.

A description of any changes in the application of WSA's significant accounting policies is provided in Note 1 to the consolidated interim financial statements as well as a reconciliation of the changes that have affected the previous financial reports of the company.

Comparative information in the MD&A and financial statements have been restated to reflect the application of AIFRS as at transition date (1 July 2004). A reconciliation of the impact of the opening balance adjustments is including in the notes to the interim financial statements.

As a result of the adoption of AIFRS the company is no longer required to present a reconciliation of reported results to Canadian GAAP under Canadian securities law.

WESTERN AREAS NL

ABN 68 091 049 357

INTERIM FINANCIAL REPORT

FOR THE HALF YEAR ENDED 31 DECEMBER 2005

INTERIM FINANCIAL REPORT
DIRECTORS' REPORT

The directors submit the financial report of the consolidated entity for the half-year ended 31 December 2005. Unless noted, all amounts in this report refer to Australian dollars.

Directors

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

David Donald Boyer	(Non Executive Chairman)
Julian Philip Hanna	(Managing Director and Chief Executive Officer)
David Charles Cooper	(Non Executive Director)
Robin Dunbar	(Non Executive Director – appointed 9 December, 2005)
Terence James Streeter	(Non Executive Director)

Company Secretary

Tim Manners

Review of Operations

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

Auditor's Independence Declaration

The Auditor's Independence Declaration to the directors of Western Areas NL on page 42 forms part of the Director's Report for the half year ended 31 December 2005.

Adoption of Australian Equivalents to IFRS

This interim financial report has been prepared under Australian equivalents to IFRS. A reconciliation of the differences between the previous GAAP and Australian equivalents to IFRS has been included at Note 13 in the interim financial statements.

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.

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

Julian Hanna
Managing Director

Perth, 23 February 2006

CONSOLIDATED INCOME STATEMENT
FOR THE HALF YEAR ENDED 31 DECEMBER 2005

	Notes	Consolidated Entity	
		31 Dec 2005 $'000	**31 Dec 2004 $'000**
Revenue	2	343	151
Employee benefits expenses		(574)	(841)
Finance costs	3	(32)	(59)
Exploration expenditure – Impairment Loss	3	(1,480)	(619)
Administration expenses		(1,500)	(828)
Loss before income tax		(3,243)	(2,196)
Income tax benefit		1,002	564
Net loss attributable to members of the parent entity		**(2,241)**	**(1,632)**
Basic loss per share (cents per share)		(1.79)	(1.49)
Diluted loss per share (cents per share)		(1.77)	(1.46)

The accompanying notes form part of these financial statements.

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2005

	Notes	Consolidated Entity	
		31 Dec 2005 $'000	30 Jun 2005 $'000
Current Assets			
Cash and cash equivalents		20,724	3,003
Trade and other receivables		1,256	599
Total Current Assets		21,980	3,602
Non Current Assets			
Property, plant and equipment	5	8,356	4,587
Exploration & evaluation	6	42,783	36,709
Mine development	7	24,687	12,424
Deferred tax assets		3,514	2,512
Other		-	207
Total Non Current Assets		79,340	56,439
Total Assets		101,320	60,041
Current Liabilities			
Trade and other payables		6,469	5,340
Short term borrowings	8	209	64
Short term provisions		157	91
Other		884	-
Total Current Liabilities		7,719	5,495
Non Current Liabilities			
Long term borrowings	8	25,531	10,308
Long term provisions		575	555
Other		1,188	176
Total Non Current Liabilities		27,294	11,039
Total Liabilities		35,013	16,534
Net Assets		**66,307**	**43,507**
Equity			
Issued capital	12	75,536	49,325
Reserves		(491)	679
Accumulated losses		(8,738)	(6,497)
Total Equity		**66,307**	**43,507**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 31 DECEMBER 2005

	Issued Capital $'000	Prospectus Expenses $'000	Reserves $'000	Accumulated Losses $'000	Total Equity $'000
Total Equity at 1 July 2004	**(29,930)**	**1,762**	**(126)**	**3,312**	**(24,982)**
Shares issued during the year	(22,385)				(22,385)
Share issue expenses incurred		1,228			1,228
Share based payments expense			(522)		(522)
Cash flow hedge adjustment			(31)		(31)
Loss attributable to the members of the parent entity				3,185	3,185
Total Equity at 30 June 2005	**(52,315)**	**2,990**	**(679)**	**6,497**	**(43,507)**
Shares issued during the year	(28,487)				(28,487)
Share issues expenses incurred		2,276			2,276
Share based payments expense			(48)		(48)
Cash flow hedge adjustments			1,218		1,218
Loss attributable to the members of the parent entity				2,241	2,241
Total Equity at 31 December 2005	**(80,802)**	**5,266**	**491**	**8,738**	**(66,307)**

The accompanying notes form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT
FOR THE HALF YEAR ENDED 31 DECEMBER 2005

	Notes	Consolidated Entity	
		31 Dec 2005 $'000	**31 Dec 2004 $'000**
Cash Flows From Operating Activities			
Cash receipts in the course of operations		74	106
Cash payments to suppliers and employees		(1,787)	(1,171)
Interest received		214	90
Finance costs		(556)	(26)
Net Cash Used in Operating Activities		**(2,055)**	**(1,001)**
Cash Flows From Investing Activities			
Purchase of non-current assets		(3,950)	(958)
Receipt of performance bonds		-	146
Mine development expenditure		(9,782)	(2,892)
Exploration & evaluation activities		(8,347)	(7,601)
Net Cash Used In Investing Activities		**(22,079)**	**(11,305)**
Cash Flows From Financing Activities			
Proceeds from borrowings		25,381	-
Repayment of borrowings		(10,157)	-
Proceeds from issue of shares		28,487	13,197
Finance lease principal repayments		(31)	(5)
Borrowing costs		(433)	(40)
Payments for prospectus expenses		(2,276)	(1,178)
Share issue oversubscription		884	-
Net Cash From Financing Activities		**41,855**	**11,974**
Net increase / (decrease) in cash held		17,721	(332)
Cash as at 1 July		3,003	4,473
Cash as at 31 December		**20,724**	**4,141**

The accompanying notes form part of these financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2005

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", Urgent Issues Group Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

The half year 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 2005 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. Its controlled entities are wholly owned subsidiaries, incorporated and domiciled in Australia.

As this is the first interim financial report prepared under the Australian Equivalents to International Reporting Standards ("AIFRS") the accounting policies have not been applied consistently with the annual report at 30 June 2005. As such a summary of the material accounting policies adopted under AIFRS has been provided below. A reconciliation of equity and profit and loss between A-GAAP and AIFRS has been prepared at Note 13.

Accounting Policies

(a) Principles of Consolidation

A controlled entity is an entity controlled by Western Areas NL. Control exists where Western Areas NL has the capacity to dominate the decision-making in relation to the financial and operating policies of another entity so that the other entity operates with Western Areas NL to achieve the objectives of Western Areas NL.

All inter-company balances and transactions between entities in the consolidated entity have been eliminated on consolidation. The accounting policies of the subsidiaries have been changed where necessary to ensure consistency with the policies applied by the parent entity.

All consolidated entities have a 30 June financial year end.

(b) Revenue

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates and joint venture entities are accounted for in accordance with the equity method of accounting.

Royalty revenue is recognised in the income statement in the period in which it is expected to accrue and become receivable to the consolidated entity.

All revenue is stated net of the amount of goods and services tax (GST).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2005

Note 1: Basis of Preparation (cont)

(c) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in income in the period in which they are incurred.

(d) Property, Plant and Equipment

Each item of plant and equipment is carried at cost less, where applicable, any accumulated depreciation. The carrying amount of property, plant and equipment is reviewed annually by the directors to ensure it is not in excess of the recoverable amount from these assets (note 1(j)).

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight line basis over their useful lives to the consolidated entity commencing from the time the asset is held ready for use. The depreciation rates used for each major type of depreciable assets are:

Type of Fixed Asset	Depreciation Rate
Property	5-10%
Plant and equipment	20-27%
Motor vehicles	23%
Furniture and fittings	10-15%

Depreciation charged to assets that are used in the development of the Flying Fox mine is capitalised as part of the cost of mine development.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2005

Note 1: Basis of Preparation (cont)

(e) Exploration and Development Expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development and/or disposal of the area or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves.

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

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

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. Where it is determined that uncertainty exists as to the ability to recoup carry forward exploration, evaluation and development costs a impairment loss will be raised against the asset and charged against profit in the year that determination is made.

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 of the future costs discounted to present value. Any changes in the estimates for the costs are accounted 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.

(f) Income Tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2005

Note 1: Basis of Preparation (cont)

(f) Income Tax (cont)

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Western Areas NL and its wholly owned Australian subsidiaries have formed an income tax consolidated group under the Tax Consolidation Regime from 1 July 2002. Western Areas NL is responsible for recognising the current and deferred tax assets and liabilities for the tax consolidated group.

(g) 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 balance sheet 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.

(h) Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year together with entitlements arising from salaries and wages, annual leave and sick leave have been measured at their nominal amount. Employee benefits that are expected to be settled after one year have been discounted to the present value of the future expected cash outflow to be made for those benefits.

Contributions are made by the consolidated entity to employee superannuation funds and are charged as expenses when incurred.

The group operates an employee option plan, namely the "Western Areas Employee Share Option Incentive Scheme" (The **Scheme**). An expense is recognised in the income statement for the fair value of the options issued under the scheme, this is applied evenly over the granted options vesting period. The fair value of the options granted under the scheme is determined via applying Black-Scholes option pricing model.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2005

Note 1: Basis of Preparation (cont)

(i) 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 derivative that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

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

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

Cash Flow Hedge
The effective portion of changes in the fair value of derivatives that qualify as cash flow hedges are recognised in equity in the hedging reserve. The ineffective portion is recognised directly in the Income Statement.

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

(j) Impairment of Assets

Assets that have an indefinite life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognised for any carrying amount in excess of the recoverable amount. The recoverable amount is the higher of the value in use (discounted cash flow) or fair value less cost to sell.

(k) Leases

Leases of property, plant and equipment where the company substantially assumes all the risks and rewards of ownership are classified as finance leases.

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2005

Note 1: Basis of Preparation (cont)

(k) Leases (cont)

Leased assets are depreciated on a straight-line basis over their estimated useful lives where it is likely that the consolidated entity will obtain ownership of the asset or over the term of the lease.

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.

(l) Joint Ventures

The consolidated entity's share of the assets, liabilities, revenue and expenses of joint venture operations are included in the appropriate items of the consolidated income statement and balance sheet.

The consolidated entity's interests in joint venture entities are brought to account using the equity method of accounting in the consolidated financial statements. The parent entity's interests in joint venture entities are brought to account using the cost method.

(m) Comparative Figures

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures. Where appropriate the comparative data has been restated as part of the transition to AIFRS (see note 13).

(n) Rounding Amounts

The parent entity has applied the relief available to it under the ASIC Class Order 98/100 and accordingly, amounts in the financial report have been rounded to the nearest $1,000.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2005

	Notes	Consolidated Entity 2005 $'000	2004 $'000
Note 2: Revenue			
- Interest received		209	151
- Royalty received		134	-
Total other income		**343**	**151**

Note 3: Loss from Ordinary Activities

	Notes	2005 $'000	2004 $'000
The following expense items are relevant in explaining the financial performance for the interim period:			
- Depreciation of non-current assets		83	55
- Rental expenditure - operating leases		62	57
- Exploration & evaluation impairment loss		1,480	619
- Borrowing costs expensed:			
Interest expense – borrowings		894	58
Interest expense - finance leases		8	1
Other borrowing costs		452	40
Total borrowing costs		1,354	99
Less: interest expense capitalised	7	(889)	-
Less: borrowing costs capitalised		(433)	(40)
Total Borrowing Costs Expensed		32	59

Note 4: Dividends

No dividends have been declared or paid during this half year.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2005

Note 5: Property, Plant and Equipment

	Consolidated Entity 31 Dec 2005 $'000	Consolidated Entity 30 Jun 2005 $'000
Property – at cost	3,330	3,069
Accumulated depreciation	(115)	-
	3,215	3,069
Plant & equipment – at cost	5,143	1,488
Accumulated depreciation	(248)	(178)
	4,895	1,310
Plant & equipment under lease	296	245
Accumulated depreciation	(50)	(37)
	246	208
Total Property, Plant & Equipment - at Cost	8,769	4,802
Accumulated Depreciation	(413)	(215)
Total	**8,356**	**4,587**

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 HALF YEAR ENDED 31 DECEMBER 2005

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 half year:

	Consolidated Entity $'000
Property	
Written down value at the beginning of the year	3,069
- Additions	261
- Depreciation expense	(115)
Written down value at the end of the year	**3,215**
Plant & Equipment	
Written down value at the beginning of the year	1,310
- Additions	3,655
- Depreciation expense	(70)
Written down value at the end of the year	**4,895**
Plant & Equipment under Lease	
Written down value at the beginning of the year	208
- Additions	51
- Depreciation expense	(13)
Written down value at the end of the year	**246**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2005

	Notes	Consolidated Entity	
		31 Dec 2005 $'000	**30 Jun 2005 $'000**
Note 6: Exploration & Evaluation			
Exploration & Evaluation Expenditure.			
- At cost		45,729	38,175
- Impairment loss		(2,946)	(1,466)
Total Exploration and Evaluation		**42,783**	**36,709**

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 year	36,709
- Expenditure	7,462
- Tenement acquisition	92
- Impairment loss	(1,480)
Written down value at the end of the year	**42,783**

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2005

	Notes	Consolidated Entity	
		31 Dec 2005 $'000	**30 Jun 2005 $'000**
Note 7: Mine Development			
Development Expenditure			
- At cost		22,108	11,167
- Capitalised restoration costs		519	519
- Capitalised interest	7 (a)	1,096	207
- Capitalised borrowing costs		964	531
Total Mine Development		**24,687**	**12,424**

(a) The carrying value of development expenditure includes the associated interest costs on the project loan that have been incurred to 31 December 2005. 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 year	12,424
- Additions	10,941
- Capitalised interest	889
- Capitalised borrowing costs	433
Written down value at the end of the year	**24,687**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2005

	Notes	Consolidated Entity	
		31 Dec 2005 $'000	30 Jun 2005 $'000
Note 8: Borrowings			
Current			
Lease liability	8 (b)	80	64
Insurance premium funding		129	-
		209	**64**
Non Current			
Project loan	8 (a)	25,381	10,157
Lease liability	8 (b)	150	151
		25,531	**10,308**

(a) The project loan provided by LionOre Australia (Nickel) Ltd under the Forrestania Project Funding Agreement was repaid in full during the half year. This was replaced with a project funding facility from the Commonwealth Bank of Australia and NM Rothchild & Sons (Australia) Ltd.

(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%

Note 9: Contingent Liabilities

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

Note 10: Subsequent Events

Subsequent to the end of the half year ended 31 December 2005:

- The company advised on the 11 January 2006 the intention to construct a nickel sulphide concentrator plant at Forrestania. This is subject to receiving the relevant environmental approvals, and the successful negotiation of appropriate finance. The estimated capital cost for the plant acquisition, construction, village expansion and tailings disposal is estimated to be $20 to $25 million. This has not been bought to account at 31 December 2005.
- On the 14 of February 2006 the shareholders of Western Areas, in a general meeting, approved the issue of 1,064,155 shares to Jungle Creek Gold Mines Pty Ltd, an entity controlled by Mr T Streeter, and 175,000 shares to Mr J Hanna. The shares were issued as part of the initial public offering in Canada and the company's listing on the TSX.

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 HALF YEAR ENDED 31 DECEMBER 2005

Note 12: Contributed Equity

a) Issued capital

	31 Dec 2005 $'000	30 June 2005 $'000
Ordinary shares fully paid	75,536	49,325

b) Movements in issued capital

	31 December 2005	
	Number of Shares	$'000
Balance at beginning of the financial year	119,994,344	49,325
- Issued via share placements (i)	16,485,845	27,746
- Issued via option conversions (ii)	743,334	741
- Transaction costs relating to share issues	-	(2,276)
Balance at end of the financial year	**137,223,523**	**75,536**

	30 June 2005	
	Number of Shares	$'000
Balance at beginning of the financial year	102,466,518	28,168
- Issued via share placements	9,365,000	14,688
- Rights issue	5,223,326	4,962
- Issued to repay loan from related party	2,049,500	2,050
- Issued via option conversions	890,000	685
- Transaction costs relating to share issues	-	(1,228)
Balance at end of the financial year	**119,994,344**	**49,325**

Notes on movement in issued capital during the current financial year

(i) During the half the following share placement took place:

- In August 2005, 4,200,000 shares were issued at A$1.68 per share
- In December 2005, 5,985,300 were issued at A$1.70 per share and 6,300,545 were issued on the TSX at C$1.47.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2005

Note 12: Contributed Equity (Cont)

(ii) During the half the following options were exercised:

Date	-- Option Terms (Exercise Price & Maturity) -		Total ($)
	$0.40 March '06	$1.30 July '08	
2005:			
August 4		40,000	52,000
August 23		100,000	130,000
August 31		190,000	247,000
September 6		68,334	88,834
September 21		10,000	13,000
October 7		10,000	13,000
December 14		75,000	97,500
December 15	250,000		100,000
TOTAL	**250,000**	**493,334**	**741,334**

c) Share Options on Issue

The following options were outstanding at 31 December 2005:

	-- Option Terms (Exercise Price and Maturity) --			
	$0.40 Mar 06	$1.30 Jul 08	$2.30 Mar 06	TOTAL
Opening balance	2,100,000	1,468,000	1,000,000	4,568,000
Options issued	-	-	-	-
Options lapsed	-	-	-	-
Options exercised	(250,000)	(493,334)	-	(743,334)
Closing balance	**1,850,000**	**974,666**	**1,000,000**	**3,824,666**

All of the outstanding options vested upon date of granting except for the $1.30/Jul 2008 options. 1/3 of these 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.

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2005

Note 13: Explanation of Transition to Australian Equivalents to IFRS

(1) Reconciliation of equity reported under the previous AGAAP to equity reported under AIFRS

(a) At the date of transition to AIFRS: 1 July 2004

	Notes	Consolidated Entity		
		Previous AGAAP $'000	**Effect on Transition $'000**	**AIFRS $'000**
Current Assets				
Cash and cash equivalents		5,010	-	5,010
Trade and other receivables		525	-	525
Total Current Assets		5,535	-	5,535
Non Current Assets				
Property, plant and equipment		507	-	507
Exploration & evaluation		23,910	-	23,910
Mine development	i	-	519	519
Deferred tax asset	iv	-	1,385	1,385
Total Non Current Assets		24,417	1,904	26,321
Total Assets		29,952	1,904	31,856
Current Liabilities				
Trade and other payables		3,782	-	3,782
Short term borrowings		2,537	-	2,537
Short term provisions		36	-	36
Total Current Liabilities		6,355	-	6,355
Non Current Liabilities				
Long term provisions	i	-	519	519
Total Non Current Liabilities		-	519	519
Total Liabilities		6,355	519	6,874
Net Assets		**23,597**	**1,385**	**24,982**
Equity				
Issued capital		28,168		28,168
Reserves	ii	57	69	126
Accumulated losses	ii & iv	(4,628)	1,316	(3,312)
Total Equity		**23,597**	**1,385**	**24,982**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2005

Note 13: Explanation of Transition to Australian Equivalents to IFRS (Cont)

(1) Reconciliation of equity reported under the previous AGAAP to equity reported under AIFRS (Cont)

(b) At the end of the last half yearly reporting period under the previous AGAAP 31 December 2004

	Notes	Consolidated Entity		
		Previous AGAAP $'000	**Effect on Transition $'000**	**AIFRS $'000**
Current Assets				
Cash and cash equivalents		4,163		4,163
Trade and other receivables		473	-	473
Total Current Assets		4,636	-	4,636
Non Current Assets				
Property, plant and equipment		1,515	-	1,515
Exploration & evaluation		30,327	-	30,327
Mine development	i	3,464	519	3,983
Deferred tax asset	iv	-	1,949	1,949
Total Non Current Assets		35,306	2,468	37,774
Total Assets		39,942	2,468	42,410
Current Liabilities				
Trade and other payables		3,544	-	3,544
Short term borrowings		55	-	55
Short term provisions		63	-	63
Total Current Liabilities		3,662	-	3,662
Non Current Liabilities				
Long term borrowings		88	-	88
Long term provisions	i	-	537	537
Total Non Current Liabilities		88	537	625
Total Liabilities		3,750	537	4,287
Net Assets		36,192	1,931	38,123
Equity				
Issued capital		42,528	-	42,528
Reserves	ii	57	483	540
Accumulated losses	i, ii & iv	(6,393)	1,448	(4,945)
Total Equity		36,192	1,931	38,123

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2005

Note 13: Explanation of Transition to Australian Equivalents to IFRS (Cont)

(1) Reconciliation of equity reported under the previous AGAAP to equity reported under AIFRS (Cont)

(c) At the end of the last full year reporting period under the previous AGAAP 30 June 2005

	Notes	Consolidated Entity		
		Previous AGAAP $'000	**Effect on Transition $'000**	**AIFRS $'000**
Current Assets				
Cash and cash equivalents		3,003	-	3,003
Trade and other receivables		599	-	599
Total Current Assets		3,602	-	3,602
			-	
Non Current Assets			-	
Property, plant and equipment		4,587	-	4,587
Exploration & evaluation		36,709	-	36,709
Mine development	i	12,466	(42)	12,424
Deferred tax asset	iv	-	2512	2,512
Other	iii	685	(478)	207
Total Non Current Assets		54,447	1,992	56,439
Total Assets		58,049	1,992	60,041
Current Liabilities				
Trade and other payables		5,340	-	5,340
Short term borrowings		64	-	64
Short term provisions		91	-	91
Total Current Liabilities		5,495	-	5,495
Non Current Liabilities				
Long term borrowings		10,308	-	10,308
Long term provisions	i	561	(6)	555
Other	iii	685	(509)	176
Total Non Current Liabilities		11,554	(515)	11,039
Total Liabilities		17,049	(515)	16,534
Net Assets		**41,000**	**2,507**	**43,507**
Equity				
Issued capital		49,325	-	49,325
Reserves	ii	57	622	679
Accumulated losses	i, ii & iv	(8,382)	1,885	(6,497)
Total Equity		**41,000**	**2,507**	**43,507**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2005

Note 13: Explanation of Transition to Australian Equivalents to IFRS (Cont)

(2) Reconciliation of loss reported under the previous reported AGAAP to loss reported under AIFRS

(a) At the end of the last half yearly reporting period under the previous AGAAP 31 December 2004

	Notes	Consolidated Entity		
		Previous AGAAP $'000	**Effect on Transition $'000**	**AIFRS $'000**
Revenue		151	-	151
Employee benefits expenses	ii	(428)	(413)	(841)
Finance costs	i	(41)	(18)	(59)
Exploration expenditure – Impairment Loss		(619)	-	(619)
Administration expenses		(828)	-	(828)
Loss before income tax		(1,765)	(431)	(2,196)
Income tax benefit	iv	-	564	564
Net loss attributable to members of the parent entity		**(1,765)**	**133**	**(1,632)**
Basic loss per share (cents per share)		(1.57)		(1.49)
Diluted Loss per share (cents per share)		(1.54)		(1.46)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2005

Note 13: Explanation of Transition to Australian Equivalents to IFRS (Cont)

(2) Reconciliation of loss reported under the previous reported AGAAP to loss reported under AIFRS (Cont)

(b) At the end of the last full year reporting period under the previous AGAAP 30 June 2005

	Notes	Consolidated Entity		
		Previous AGAAP $'000	**Effect on Transition $'000**	**AIFRS $'000**
Revenue		302	-	302
Employee benefits expenses	ii	(927)	(522)	(1,449)
Finance costs	i	(49)	(36)	(85)
Exploration expenditure – Impairment Loss		(1,258)	-	(1,258)
Administration expenses		(1,822)	-	(1,822)
Loss before income tax		(3,754)	(558)	(4,312)
Income tax benefit	iv	-	1,127	1,127
Net loss attributable to members of the parent entity		**(3,754)**	**569**	**(3,185)**
Basic loss per share (cents per share)		(3.29)		(2.79)
Diluted Loss per share (cents per share)		(3.25)		(2.76)

(3) Reconciliation of cash flow statements reported

The adoption of AIFRS has not resulted in any material adjustments to the cashflow statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2005

Note 13: Explanation of Transition to Australian Equivalents to IFRS (Cont)

(4) Notes to the reconciliation of equity and profit and loss at 1 July 2004, 31 December 2004 and 30 June 2005

(i) *Restoration Provision*
Under AASB 137 "Provisions, Contingent Liabilities and Contingent Assets" from the 1 July 2004 the consolidated entity is required to recognise an upfront provision for rehabilitation on a present value basis for the liability expected at the end of the mine life. The present value discount is unwound over the life of the provision and recognised as a borrowing cost. The effect of this is:

1 July 2004
Under the previous AGAAP no provision for rehabilitation had been recognised. On transition there is an increase in non current provisions of $519,000, with a corresponding increase in mine development of $519,000.

31 December 2004
For the consolidated entity there is an increase in non current provisions of $537,000, offset by an increase in mine development of $519,000 and an increase in accumulated losses of $18,000.
Finance costs have increased by $18,000

30 June 2005
A provision for rehabilitation was recognised during the June half of $561,000 under AGAAP. Due to this recognition in June for the consolidated entity there is a decrease in non current provisions of $6,000, offset by a decrease in mine development of $42,000 and an increase in accumulated losses of $36,000.
Finance costs have increased by $36,000

(ii) *Share Based Payments*
Under AASB 2 "Share-Based Payments" from the 1 July 2004 the consolidated entity is required to recognise options that were issued to employees under the Western Areas employee option plan after the 7 November 2002 but that had not vested by 1 January 2005. The effect of this is:

1 July 2004
For the consolidated entity there is a decrease in retained earnings of $69,000 and a corresponding increase in reserves of $69,000.

31 December 2004
For the consolidated entity there is a decrease in retained earnings of $483,000 and a corresponding increase in reserves.
Employee benefits expense increased by $413,000.

30 June 2005
For the consolidated entity there is a decrease in retained earnings of $591,000 and a corresponding increase in reserves.
Employee benefits expense increased by $522,000.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2005

Note 13: Explanation of Transition to Australian Equivalents to IFRS (Cont)

(4) Notes to the reconciliation of equity and profit and loss at 1 July 2004, 31 December 2004 and 30 June 2005 (cont)

(iii) *Hedge Accounting*
Under AASB 132 "Financial Instruments: Disclosure and Presentation" and AASB 139 "Financial Instruments: Recognition and Measurement" for reporting periods that start after the 1 January 2005 the consolidated entity is required to recognise financial instruments at their fair value.
The consolidated entity has decided not to apply the exemption available under AASB 132 & AASB 139 and have restated the comparative data. The effect of this is:

1 July 2004
There is no effect to the 1 July 2004 accounts.

31 December 2004
There is no effect to the 31 December 2004 accounts.

30 June 2005
For the consolidated entity there is a decrease in the other non current assets of $478,000, a decrease in other non current liabilities of $509,000 and an increase in reserves of $31,000.

(iv) *Income Tax*
Under AASB 112 "Income Tax" the consolidated entity is required to account for income tax with the comprehensive balance sheet method. This standard allows a deferred tax asset to be recognised for deductible temporary differences and carry forward losses only when it is probable that future taxable amounts will be available to utilise those temporary differences and losses. The effect of this is:

1 July 2004
For the consolidated entity there is an increase in deferred tax assets of $1,385,000 and a corresponding decrease in accumulated losses.

31 December 2004
For the consolidated entity there is an increase in deferred tax assets of $1,949,000 and a corresponding decrease in accumulated losses.
Income Tax benefit has decreased by $564,000.

30 June 2005
For the consolidated entity there is an increase in deferred tax assets of $2,512,000 and a corresponding decrease in accumulated losses.
Income Tax benefit has decreased by $1,127,000.

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Western Areas NL, I state that:

1. In the opinion of the directors:

   (a) the financial statements and notes of the consolidated entity 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 31 December 2005 and of their performance for the half year ended on that date; and

      (ii) complying with Accounting Standard 134 "Interim Financial Reporting" and Corporations Regulations 2001; and

   (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

J Hanna
Director

Dated this 23rd. day of February 2006

Grant Thornton

Grant Thornton Western Australian Partnership
ABN 21 965 022 882
Chartered Accountants, Business Advisers and Consultants

AUDITOR'S INDEPENDENCE DECLARATION

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Western Areas NL for the half-year ended 31 December 2005, 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 review; and

(b) no contraventions of any applicable code of professional conduct in relation to the review.

GRANT THORNTON WESTERN AUSTRALIAN PARTNERSHIP

Sean McGurk

SEAN MCGURK
Partner

Dated 23 February 2006

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INDEPENDENT REVIEW REPORT
TO THE MEMBERS OF WESTERN AREAS NL

Scope

The half-year financial report and directors' responsibility

The half-year financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, notes to the financial statements and the directors' declaration for the consolidated entity, for the half-year ended 31 December 2005. The consolidated entity comprises both Western Areas NL (the company) and the entities it controlled during that half-year.

The directors of the company are responsible for the preparation and true and fair presentation of the half-year financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the half-year financial report.

Review approach

We conducted an independent review of the half-year financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the half-year financial report is not presented fairly in accordance with Accounting Standard AASB 134: *Interim Financial Reporting* and other mandatory professional reporting requirements in Australia and statutory requirements so as to present a view which is consistent with our understanding of the consolidated entity's financial position and performance as represented by the results of its operations and its cash flows, and in order for the company to lodge the half-year financial report with the Australian Securities & Investments Commission/Australian Stock Exchange Limited.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

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INDEPENDENT REVIEW REPORT
TO THE MEMBERS OF WESTERN AREAS NL (cont)

Independence

In conducting our review, we followed the applicable independence requirements of Australian professional and ethical pronouncements and the Corporations Act 2001.

In accordance with ASIC Class Order 05/83, we declare to the best of our knowledge and belief that the auditor's independence declaration has not changed as at the date of providing our review opinion.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Western Areas NL is not in accordance with:

(a) the Corporations Act 2001, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2005 and of its performance for the half-year ended on that date; and

  (ii) complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and

(b) other mandatory professional reporting requirements in Australia.

GRANT THORNTON WESTERN AUSTRALIAN PARTNERSHIP

Sean McGurk

SEAN MCGURK
Partner

Dated 23 February 2006

FORM 52-109F2 - Certification of Interim Filings

I, Timothy Manners, Chief Financial Officer of Western Areas NL, certify that:

1. I have reviewed the interim filings (as this term is defined in Multilateral Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*) of Western Areas NL. (the issuer) for the interim period ending 31 December, 2005;

2. Based on my knowledge, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings;

3. Based on my knowledge, the interim financial statements together with the other financial information included in the interim filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date and for the periods presented in the interim filings;

4. The issuer's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures for the issuer, and we have designed such disclosure controls and procedures, or caused them to be designed under our supervision, to provide reasonable assurance that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which the interim filings are being prepared.

Date: 23 February 2005

Timothy Manners
Chief Financial Officer

FORM 52-109F2 - Certification of Interim Filings

I, Julian Hanna, Managing Director of Western Areas NL, certify that:

1. I have reviewed the interim filings (as this term is defined in Multilateral Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*) of Western Areas NL. (the issuer) for the interim period ending 31 December, 2005;

2. Based on my knowledge, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings;

3. Based on my knowledge, the interim financial statements together with the other financial information included in the interim filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date and for the periods presented in the interim filings;

4. The issuer's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures for the issuer, and we have designed such disclosure controls and procedures, or caused them to be designed under our supervision, to provide reasonable assurance that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which the interim filings are being prepared.

Date: 23 February 2005

Julian Hanna
Managing Director