

WESTERN AREAS LTD



ABN 68 091 049 357

AUDITED INTERIM FINANCIAL REPORT

**FOR THE SIX MONTHS ENDED
31 DECEMBER 2012**

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CORPORATE DIRECTORY

Directors

Terry Streeter (Chairman)
Robin Dunbar
Julian Hanna
David Southam
Daniel Lougher
Richard Yeates
Ian Macliver

Company Secretary

Joseph Belladonna

Auditors

Crowe Horwath Perth
Level 6
256 St Georges Terrace
Perth WA 6000

Bankers

ANZ Banking Group Limited
77 St Georges Terrace
Perth WA 6000

Share Registry

Australia

Computershare Investor Services Pty Ltd
Level 2, 45 St Georges Terrace
Perth WA 6000

Stock Exchange

Australian Stock Exchange
Code : WSA

Registered Office

Level 2
2 Kings Park Road
West Perth WA 6005
Phone (08) 9334 7777
Fax (08) 9486 7866

Solicitors

Allion Legal
Level 2, 50 Kings Park Road
West Perth WA 6005

Treasury Advisers

Oakvale Capital Ltd
Level 3, 50 Colin Street
West Perth WA 6005

Risk Advisors

CKA Risk Solutions Pty Ltd
Level 4, 88 William Street
Perth WA 6000

INTERIM FINANCIAL REPORT**DIRECTORS' REPORT**

The directors submit the financial report of the consolidated entity for the six months ended 31 December 2012.

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 2012 annual financial report and any other public announcements made by Western Areas Ltd during the year in accordance with continuous disclosure requirements arising under the Corporations Act 2001. The financial report covers Western Areas Ltd and its controlled entities (the "Consolidated Entity"). Western Areas Ltd is a listed public company, incorporated and domiciled in Australia. The accounting policies adopted are consistent with those of the previous financial year.

The effective date of this report is 22 February 2013.

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

Auditor's Declaration

The lead auditor's independence declaration under s307C of the Corporations Act 2001 is set out on page 14 for the half-year ended 31 December 2012.

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
Daniel Lougher	Managing Director and CEO
David Southam	Executive Director
Robin Dunbar	Non Executive Director
Richard Yeates	Non Executive Director
Ian Macliver	Non Executive Director
Julian Hanna	Non Executive Director

Company Secretary

Joseph Belladonna

REVIEW OF OPERATIONS

The December half was another strong operational period with the continued ramp up of the Spotted Quoll underground mine, continued steady state operation at Flying Fox all coupled with an excellent safety and environmental performance.

The Lost Time Injury frequency rate now stands at 0.78 which is an outstanding achievement. Total combined mine production for the half was 14,461 tonnes of nickel in ore at an average grade of 5.0%, with Spotted Quoll underground achieving its highest quarterly tonnage of 2,577 nickel tonnes in ore during the December quarter.

Total nickel in concentrate produced from the mill for the half year totalled 13,673 nickel tonnes at a cash cost of A\$2.69/lb which is 10% lower than full year guidance of <A\$3.00/lb. Concentrate sales were strong with 13,752 tonnes of nickel sold. The second Jinchuan contract was completed ahead of schedule in January and following a very competitive tender process, new offtake terms to extend the Jinchuan contract were agreed. The new agreement increased payability on nickel sales.

An updated Probable Ore Reserve estimate was completed for Flying Fox, incorporating the Lounge Lizard deposit. This has resulted in an increased ore reserve number of 72,200 nickel tonnes.

December Half 2012 Highlights:

1. Excellent safety performance with Lost Time Injury frequency rate (LTIFR) at 0.78.
2. Combined mine production of 14,461 tonnes (31.9M lbs) nickel at an average grade of 5.0% nickel.
3. Flying Fox mine production was 192,064 tonnes of ore mined at 5.0% for 9,509 tonnes (21.0M lbs) contained nickel, on target to meet full year forecast.
4. Spotted Quoll underground mine production was 94,488 ore tonnes at 5.2% for 4,952 tonnes (10.9M lbs) of contained nickel.
5. Total nickel sales comprised 94,509 tonnes of concentrate containing 13,752 tonnes (30.3M lbs) nickel.
6. Average cash cost (before smelting/refining charges) of nickel in concentrate was A\$2.69/lb, below the A\$3/lb guidance.
7. Completed underground drilling at Flying Fox has confirmed the quality of the high grade Lounge Lizard deposit. An updated Probable Ore Reserve estimate of 1.78 Mt at a grade of 4.0% nickel for 72,200 nickel tonnes.
8. Equity placement for A\$50M was successfully completed at A\$3.80 per share, representing a 5.9% discount to the 5 day VWAP prior to announcement. A parallel a Share Purchase Plan (SPP) to raise up to A\$15M was also completed in January 2013. Closing heavily oversubscribed the SPP was well supported by the existing Western Areas shareholders.
9. The US\$15M second and final instalment was made for the Outokumpu Royalty payout in December.
10. The FY2012 final dividend was paid in October at 6 cents per share, partly franked, for A\$10.8M.
11. During the quarter Western Areas received the Premier's Award for Excellence and the Western Australian Minerals and Energy Export Award.
12. The company has changed from a NL to a Ltd type as approved at the November'12 AGM.

On behalf of the Board



Daniel Lougher
Director

Dated 22 February 2013

CONSOLIDATED INCOME STATEMENT
For The Six Months Ended 31 December 2012

	Notes	Six months ended 31 December	
		2012 \$'000	2011 \$'000
Sales		158,963	149,106
Cost of sales		(130,019)	(95,745)
Gross profit		28,944	53,361
Other income		805	5,095
Finance costs		(13,671)	(18,086)
Administration expenses		(3,520)	(3,533)
Employee benefits expenses		(3,926)	(4,496)
Foreign exchange gain		1,140	1,081
Share based payments		(394)	(173)
Unrealised movement in market value of derivatives		(719)	(1,351)
Realised movement in market value of derivatives		1,049	2,909
Impairment of exploration expenditure	8	(5,946)	(79)
Profit before income tax		3,762	34,728
Income tax expense		(1,645)	(10,626)
Profit for the period		2,117	24,102
Earnings per share			
Basic earnings per share (cents per share)		1.1	13.4
Diluted earnings per share (cents per share)		1.1	13.4

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For The Six Months Ended 31 December 2012

	Six months ended 31 December	
	2012 \$'000	2011 \$'000
Profit for the period	2,117	24,102
Other comprehensive income, net of tax		
Net profit on mark to market valuation of hedging instruments	(143)	5,090
Net loss on revaluation of available for sale financial assets	(803)	(2,444)
Exchange differences on translation of foreign controlled entities	148	(336)
Total comprehensive income for the period	1,319	26,412
Profit attributable to:		
Members of the parent entity	2,132	24,205
Non controlling interest	(15)	(103)
	2,117	24,102
Comprehensive income attributable to:		
Members of the parent entity	1,334	26,515
Non controlling interest	(15)	(103)
	1,319	26,412

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As At 31 December 2012

	Notes	31 Dec 2012 \$'000	30 Jun 2012 \$'000
Current Assets			
Cash and cash equivalents		85,846	165,502
Trade and other receivables		26,276	25,360
Inventories		41,699	42,121
Other financial assets		827	1,973
Current tax asset		516	-
Total Current Assets		155,164	234,956
Non-Current Assets			
Property, plant & equipment		114,413	107,111
Intangible asset		525	525
Exploration & evaluation expenditure		140,051	133,282
Mine development		272,104	295,634
Other financial assets		2,657	3,460
Total Non-Current Assets		529,750	540,012
Total Assets		684,914	774,968
Current Liabilities			
Trade and other payables		43,820	66,444
Short term borrowings	6	45,073	150,392
Short term provisions		1,396	1,374
Current tax liabilities		-	10,606
Other financial liabilities		-	284
Total Current Liabilities		90,289	229,100
Non-Current Liabilities			
Long term borrowings	6	212,544	208,688
Long term provisions		6,233	6,096
Deferred tax liabilities		46,519	41,219
Total Non-Current Liabilities		265,296	256,003
Total Liabilities		355,585	485,103
Net Assets		329,329	289,865
Equity			
Issued capital		251,146	202,611
Reserves		43,203	75,739
Accumulated profit		34,769	11,289
Parent Entity Interest		329,118	289,639
Non Controlling Interest		211	226
Total Equity		329,329	289,865

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For The Six Months Ended 31 December 2012

	Issued Capital	Capital Raising Expenses	Option Reserve	Hedge Reserve	Investment Reserve	Convertible Note Reserve	Foreign Exchange Reserve	Accumulated Profit	Sub-Total	Non-Controlling Interest	Total Equity	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Total Equity at 1 July 2011	212,833	(10,222)	16,159		-	(2,695)	65,090	10	6,937	288,112	346	288,458
Comprehensive Income												
Profit for the period								24,205	24,205	(103)		24,102
Other comprehensive income for the period				5,090	(2,444)		(336)		2,310			2,310
Total comprehensive income for the period				5,090	(2,444)		(336)	24,205	26,515	(103)		26,412
Transactions with owners , in their capacity as owners, and other transfers												
Share based payments expense			173						173			173
Dividends paid								(26,962)	(26,962)			(26,962)
Total Equity at 31 December 2011	212,833	(10,222)	16,332	5,090	(5,139)	65,090	(326)	4,180	287,838	243		288,081
Total Equity at 1 July 2012	212,833	(10,222)	17,041	970	(6,765)	65,090	(597)	11,289	289,639	226		289,865
Comprehensive Income												
Profit for the period								2,132	2,132	(15)		2,117
Other comprehensive income for the period				(143)	(803)		148		(798)			(798)
Total comprehensive income for the period				(143)	(803)		148	2,132	1,334	(15)		1,319
Transactions with owners												
Share based payments expense			394						394			394
Shares issued during the year	50,000								50,000			50,000
Share issue expense		(1,465)							(1,465)			(1,465)
Dividends paid								(10,784)	(10,784)			(10,784)
Total transactions with owners	50,000	(1,465)	394					(10,784)	38,145			38,145
Other transactions												
Transfer of convertible note reserve on repayment						(32,132)		32,132				-
Total Equity at 31 December 2012	262,833	(11,687)	17,435	827	(7,568)	32,958	(449)	34,769	329,118	211		329,329

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS
For The Six Months Ended 31 December 2012

	Six Months Ended 31 December	
	2012 \$'000	2011 \$'000
Cash Flows From Operating Activities		
Receipts from customers	157,745	152,416
Payments to suppliers & employees	(85,630)	(73,317)
Royalties paid	(6,577)	(10,035)
Interest received	839	4,442
Finance costs	(12,712)	(11,780)
Other receipts	263	160
Realisation on settlement of derivatives	1,616	2,526
Income tax paid	(7,468)	-
Net Cash Provided by Operating Activities	48,076	64,412
Cash Flows From Investing Activities		
Purchase of property, plant & equipment	(14,333)	(8,087)
Rental deposit	20	-
Payment of termination of royalty agreement	(14,317)	(14,926)
Mine development expenditure	(15,475)	(38,506)
Exploration & evaluation expenditure	(15,092)	(23,430)
Purchase of available for sale financial assets	-	(274)
Net Cash Used in Investing Activities	(59,197)	(85,223)
Cash Flows From Financing Activities		
Proceeds from issue of shares	50,000	-
Transaction costs for issue of shares	(1,463)	-
Finance lease repayments	(33)	(34)
Borrowing costs paid	(755)	(285)
Dividends paid	(10,784)	(26,962)
Repayment of convertible bond	(105,500)	-
Net Cash Used In Financing Activities	(68,535)	(27,281)
Net decrease in cash and cash equivalents	(79,656)	(48,092)
Cash and cash equivalents at beginning of financial period	165,502	208,948
Cash and cash equivalents at the end of the financial period	85,846	160,856

The accompanying notes form part of these financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For The Six Months Ended 31 December 2012

Note 1: Statement of compliance and Basis of preparation

Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 Interim Financial Reporting. The half-year report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report and any public announcements made during the half year.

Basis of preparation

The consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets. All amounts are presented in Australian dollars, unless otherwise noted.

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

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2012 annual financial report for the financial year ended 30 June 2012, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The adoption of all the new and revised Standards and Interpretations has not resulted in any changes to the Company's accounting policies and has no effect on the amounts reported for the current or prior periods.

Note 2: Dividends

	Consolidated Entity	
	Six Months Ended	
	31 December	
	2012	2011
	\$'000	\$'000
Dividends paid		
Final 30% partially franked and 70% unfranked ordinary dividend of 6 cents per share for the 2012 year (2011: 5 cents unfranked)	10,784	26,962
Dividends proposed		
On 21 February 2013, the directors declared a fully franked interim dividend of 2 cents per share (2012: 5 cents unfranked) to the holders of fully paid ordinary shares in respect of the half year ended 31 December 2012, to be paid on 5 April 2013. This dividend has not been included as a liability in the financial statements.	3,937	8,987

Note 3: Contingent Liabilities

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For The Six Months Ended 31 December 2012

Note 4: Subsequent Events

In January 2013, the company repaid the \$45 million drawn down on the corporate loan facility. The corporate loan facility amounted to \$65 million (undrawn) after the repayment in January 2013.

Other than the matters noted above, there are no events or circumstances that have arisen since the half year ended 31 December 2012 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 5: Statement of Operations by Segments**Identification of reportable segment**

The Group identifies its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Group operates primarily in nickel mining and exploration in Australia and exploration in Finland. The financial information in relation to the operations in Finland is not reported separately to the chief operating decision maker and as a result, the financial information presented in the income statement, statement of comprehensive income and statement of financial position is the same as that presented to chief operating decision maker.

Basis of accounting for purposes of reporting by operating segments*Accounting policies adopted*

Unless stated otherwise, all amounts reported to the Board of Directors as the chief operating decision maker are in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

Note 6: Borrowings**Current**

	31 December 2012 \$'000	30 June 2012 \$'000
Lease liability	73	48
Corporate loan facility	45,000	45,000
Convertible bond	-	105,500
Convertible bond borrowing costs	-	(156)
	45,073	150,392

Non-Current

Convertible bonds	217,218	213,563
Convertible bond borrowing costs	(3,482)	(4,367)
Corporate loan facility borrowing cost	(1,373)	(695)
Lease liability	181	187
	212,544	208,688

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For The Six Months Ended 31 December 2012

Note 7: Issued Capital

a) Issued Capital	31 December	30 June
	2012	2012
	\$'000	\$'000
192,893,794 fully paid ordinary shares (Jun 2012: 179,735,899)	251,146	202,611
<hr/>		
b) Movement in issued capital		
Opening Balance	202,611	202,611
Shares issued during the period	50,000	-
Cost of issue of shares	(1,465)	-
	251,146	202,611
<hr/>		

Note 8: Impairment of Exploration Expenditure

The 2012 impairment of exploration expenditure is due to Western Areas Ltd electing to exit from the Sandstone Nickel Joint Venture in November 2012.

AUDITORS INDEPENDENCE DECLARATION



AUDITOR'S INDEPENDENCE DECLARATION

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Western Areas Ltd for the half-year ended 31 December 2012, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink that reads "Crowe Horwath Perth".

CROWE HORWATH PERTH

A handwritten signature in black ink that reads "Sean McGurk".

SEAN MCGURK
Partner

Signed at Perth, 22 February 2013

INDEPENDENT AUDITOR'S REPORT**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF WESTERN AREAS LTD****Report on the Financial Report**

We have audited the accompanying interim financial report of Western Areas Ltd which comprises the consolidated statement of financial position as at 31 December 2012, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' declaration of the consolidated entity comprising the company and the entities it controlled at the 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 of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

INDEPENDENT AUDITOR'S REPORT (Continued...)



Opinion

In our opinion, the financial report of Western Areas Ltd 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 2012 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.

A handwritten signature in black ink that reads "Crowe Horwath Perth".

CROWE HORWATH PERTH

A handwritten signature in black ink that reads "Sean McGurk".

SEAN MCGURK
Partner

Signed at Perth, 22 February 2013

DIRECTORS' DECLARATION

The directors of the Company declare that:

- 1) The financial statements and notes, as set out on pages 6 to 13 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 2012 and of its performance for the half year ended on that date; and
 - (ii) complying with Accounting Standard AASB 134 "Interim Financial Reporting;
- 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



Daniel Lougher
Director

Dated 22 February 2013