WESTERN AREAS NL

February 15, 2010 **ASX & TSX: WSA**

APPENDIX 4D - HALF YEAR ENDED 31 DECEMBER 2009

Reporting Period

The reporting period is the half year ended 31 December 2009. The previous corresponding period is 31 December 2008.

Results for announcement to the market

		% Change		Amount $'000
Revenue from ordinary activities	Up	209%	To	85,531
Profit/(loss) from ordinary activities after tax attributable to members of Western Areas NL	Up	186%	To	10,675
Net profit/(loss) after tax attributable to members of Western Areas NL	Up	186%	To	10,675

No dividend was paid or declared during the half year ended 31 December 2009. An announcement will follow with regards to dividends for the 31 December 2009 period.

The Company had gross profit from operations of $16.8m (2008 $4.3m). The Group Net Profit after Tax was $10.7m (2008 negative $12.3m). Nickel Sales revenue was significantly higher at $85.5m due to the continuing ramp up of production from the Flying Fox mine and a more favorable average nickel price.

Net Tangible Asset Backing

The net tangible assets per security for the half year end 31 December 2009 was $0.63. (31 December 2008 $0.54)

Investments in Controlled Entities

During the period the Company did not lose control over any entities and gained control over one entity, Pacific Ore Australia Pty Ltd.

Wholly Owned Subsidiaries of Western Areas NL:

- Western Platinum NL
- Australian Nickel Investment Pty Ltd
- Pacific Ore Australia Pty Ltd

Investments in Associates & Joint Ventures

Associates of Western Areas NL did not contribute to the result of the consolidated group for the half year ended 31 December 2009.

Associates of Western Areas NL:

- Mustang Minerals Inc. 18.15% (Canadian Entity)
- Polar Gold Pty Ltd 78% (Australian Entity)

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

Audit Review & Accounting Standards

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

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

Date: 15 February 2010

Craig Oliver

Finance Director & Company Secretary

WESTERN AREAS NL

ABN 68 091 049 357

AUDITED INTERIM FINANCIAL REPORT

FOR THE SIX MONTHS ENDED
31 DECEMBER 2009

TABLE OF CONTENTS

CORPORATE DIRECTORY

Directors
Terry Streeter (Chairman)
David Cooper
Robin Dunbar
Julian Hanna
Craig Oliver
Daniel Lougher
Richard Yates

Joint Company Secretaries
Craig Oliver
Joseph Belladonna

Auditors
WHK Horwath
256 St Georges Terrace
Perth WA 6000

Bankers
ANZ Banking Group Limited
77 St Georges Terrace
Perth WA 6000

Share Registry

Australia
Computer Share Investor Services Pty Ltd
Level 2, 45 St Georges Terrace
Perth WA 6000

Canada
Computer Share Investor Services INC
100 University Ave, Suite 800
Toronto Ontario M5J 2Y1

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

Solicitors
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West Perth WA 6005

Registered Office
Suite 3, Level 1
11 Ventnor Avenue
West Perth WA 6005
Phone (08) 9334 7777
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Branch Office
65 Queen Street West
Suite 1105
Toronto Ontario M5H 2M5

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

DIRECTORS' REPORT

The directors submit the financial report of the consolidated entity for the six months ended 31 December 2009.

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 2009 annual financial report and any other public announcements made by Western Areas NL during the year in accordance with continuous disclosure requirements arising under the Corporations Act 2001. The financial report covers Western Areas NL and its controlled entities (the "Consolidated Entity"). Western Areas NL is a listed public company, incorporated and domiciled in Australia. The accounting policies adopted are consistent with those of the previous financial year.

The effective date of this report is 15 February 2010.

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

Forward Looking Statements
The following Directors report may contain forward-looking statements that involve numerous risks and uncertainties. Actual results of the Company could differ materially from those discussed in such forward-looking statements as a result of the risks and uncertainties inherent in the business.

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

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
David Cooper	Non Executive Director
Robin Dunbar	Non Executive Director
Richard J Yeates	Non Executive Director (Appointed 1 October 2009)
Julian Hanna	Managing Director and Chief Executive Officer
Craig Oliver	Finance Director
Dan Lougher	Director of Operations

Company Secretaries
Craig Oliver, Joseph Belladonna

Review of Operations

Major mine development was completed at Flying Fox to enable Western Areas to meet the rapid production ramp up scheduled over the next six months. With the focus on development during December quarter, ore tonnes and grade were marginally lower than the September quarter which is reflected in increased cash costs. However numerous high grade ore sources are now accessible at the T1, T4 and T5 deposits which is expected to result in cash costs returning to the target $2.50/lb nickel by mid 2010.

In addition, the Flying Fox mine decline has reached the top of the large T5 deposit where the first ore drive is already producing significant volumes of high grade ore. Production from Flying Fox is expected to increase from the target average 730t nickel per month in March quarter 2010 to 1,000t nickel per month in June quarter 2010 which will provide a platform for higher nickel production going forward. Nickel sales were also strong in the half year and the majority of the backlog of concentrate stockpiles has now been sold to BHP Billiton.

At the Spotted Quoll mine, the Tim King pit is ahead of forecast with approximately 1.5 million bcm of waste removed since mining commenced in the December quarter. First high grade ore is expected to be intersected in the open pit in April with a scheduled average production rate of 400t nickel per month in June quarter 2010 increasing to 1,100 per month in September quarter 2010.

There were very encouraging exploration results up to the date of this report not only at Forrestania but also from other joint venture projects in Western Australia and Finland.

OPERATIONAL HIGHLIGHTS

1. 5,874 tonnes nickel in concentrate sold at average price of US$7.71/lb nickel. Cash production costs were US$3.06/lb nickel before smelting and refining costs with a rolling 12 month average cash production cost of US$2.54 in concentrate.
2. Production was in line with guidance at 125,049 tonnes processed at 3.4% Ni with 90% recovery. Contained nickel in stockpiles comprised approximately 770 tonnes nickel at the end of the half.
3. Mine development has now reached the Lewinsky Lode at the top of the T5 orebody which has a current Probable Ore Reserve of >1.0Mt @ 5.6% nickel.
4. Record drill hole intersection of 78.0m @ 9.3% nickel within the T5 ore body at Flying Fox demonstrates the exceptional continuity of the massive sulphide.
5. Mine development of the Tim King Pit at Spotted Quoll is ahead of schedule. The open pit contains 19,900 tonnes nickel at an average grade of 5.1% Ni.
6. The ore reserve and feasibility study for the proposed 10 year underground mine at Spotted Quoll is targeted for completion in mid 2010.
7. Drilling 400m below the current Spotted Quoll underground resource (2.0Mt @ 6.2% Ni for 125,500t Ni) intersected 3.5m @ 6.4% Ni confirming potential for significant extensions.
8. Stage Two upgrade at Cosmic Boy nickel concentrator is expected to improve metallurgical recoveries and double the capacity of the plant by June 2010.
9. Widely spaced RC drilling at the Sandstone joint venture 450km north of Forrestania intersected anomalous nickel sulphides over several intervals.
10. Initial drilling at the R1 target at Rautavaara in the Finland joint venture has intersected wide zones (up to 109m) of sulphide mineralisation.
11. High safety and environmental standards maintained on the Forrestania site. One LTI (Lost Time Injury) was reported at Forrestania during the half.

FLYING FOX MINE and COSMIC BOY MILL PRODUCTION

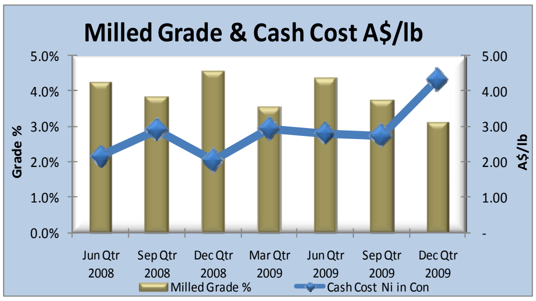
Production Statistics - Flying Fox

			Mar Qtr	Jun Qtr	Sep Qtr	Dec Qtr	Rolling 12 MonthTotal
Flying Fox - Ore Tonnes Mined		Tn's	*77,501*	*59,098*	*54,150*	53,618	244,367
		Ni %	*3.7%*	*4.3%*	*3.7%*	3.3%	3.8%
Ni Tonnes Mined		**Tn's**	***2,833***	***2,570***	***2,015***	**1,776**	**9,193**
Flying Fox - Ni Tonnes Produced							
Total	Ore Processed	Tns	*58,802*	*62,447*	*60,064*	64,985	246,298
	Ni %	%	*3.5%*	*4.4%*	*3.8%*	3.1%	3.7%
	Ave. Recovery	%	*87%*	*90%*	*91%*	88%	89%
Ni Tonnes in Concentrate		**Tns**	***1,805***	***2,435***	***2,066***	**1,791**	**8,097**
Note. Grade and recovery estimates are subject to change until the final assay data is received in accordance with the Offtake agreements.							
Ni Tonnes in Concentrate Sold		**Tns**	**899**	**888**	**2,783**	**3,091**	**7,661**
Stockpiles							
	Concentrate	Tns			11,070	1,382	
	Grade	%			15.1%	13.2%	
	Ore	Tns			28,823	17,456	
	Grade	%			2.9%	3.4%	
Contained Ni in Stockpiles		**Tns**			**2,517**	**773**	

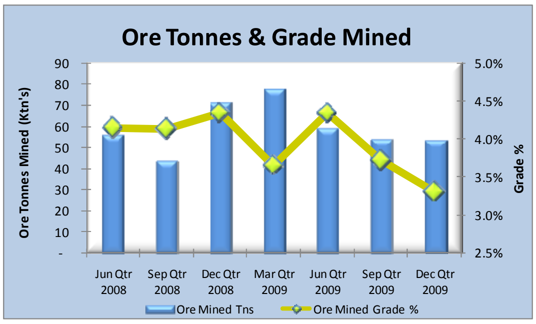
Financial Statistics - Flying Fox

		Mar Qtr	Jun Qtr	Sep Qtr	Dec Qtr	Total
Group Production Cost/lb						
Mining Cost (*)	*A$/lb*	*1.92*	*2.02*	1.76	3.30	2.21
Haulage	*A$/lb*	*0.26*	*0.11*	0.12	0.14	0.15
Milling	*A$/lb*	*0.52*	*0.54*	0.77	0.96	0.69
Admin	*A$/lb*	*0.25*	*0.15*	0.22	0.16	0.19
By Product Credits	*A$/lb*	*(0.02)*	*(0.01)*	(0.12)	(0.21)	(0.08)
Cash Cost Ni in Con (***)	***A$/lb***	***2.93***	***2.81***	**2.74**	**4.34**	**3.16**
Cash Cost Ni in Con/lb (***)	***US$/lb (**)***	***1.98***	***2.14***	***2.29***	***3.95***	***2.54***
Exchange Rate US$ / A$		***0.68***	***0.76***	***0.83***	***0.91***	***0.81***

(*) Mining Costs are net of deferred waste costs and inventory stockpile movements
(**) US$ FX for Relevant Quarter is RBA ave daily rate (Dec Qtr = A$1:US$0.9107)
(***) Payable terms are not disclosed due to confidentiality conditions of the offtake agreements.
Cash costs exclude royalties.



Quarterly cash cost and mined A$/lb nickel



Quarterly ore tonnes and grade mined

On behalf of the Board

Julian Hanna
Director

Dated 15 February 2010

CONSOLIDATED INCOME STATEMENT
For The Six Months Ended 31 December 2009

	Notes	Consolidated Entity Six months ended 31 December 2009 $'000	2008 $'000
Sales		85,531	40,792
Cost of sales	3	(68,696)	(36,442)
Gross profit		16,835	4,350
Other income	2	21,810	3,570
Finance costs	3	(14,837)	(11,906)
Administration expenses		(2,088)	(2,637)
Employee benefits expenses		(2,029)	(1,879)
Foreign exchange adjustments		(13)	(3,432)
Share based payments		(1,920)	(3,717)
Unrealised movement in market value of derivatives		(871)	264
Impairment of non-current assets		-	(882)
Profit / (Loss) before income tax		16,887	(16,269)
Income tax (expense) / benefit		(6,212)	3,927
Profit / (Loss) for the period		**10,675**	**(12,342)**
Earnings per share			
Basic earnings / (loss) per share (cents per share)		**6.0**	**(7.4)**
Diluted earnings / (loss) per share (cents per share)		**5.6**	**(7.4)**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For The Six Months Ended 31 December 2009

	Notes	**Consolidated Entity**	
		Six months ended 31 December	
		2009 $'000	**2008 $'000**
Profit / (Loss) for the period		10,675	(12,342)
Other comprehensive income			
Net loss on mark to market valuation of hedging instruments		(1,560)	-
Net loss on revaluation of investments		(617)	(5,329)
Convertible note reserve		-	(440)
Total comprehensive income / (loss) for the period		**8,498**	**(18,111)**

CONSOLIDATED BALANCE SHEET
As At 31 December 2009

	Notes	Consolidated Entity 31 Dec 2009 $'000	Consolidated Entity 30 Jun 2009 $'000
Current Assets			
Cash and cash equivalents		90,667	80,210
Trade and other receivables		24,646	28,873
Inventories		10,287	29,577
Other financial assets		-	956
Total Current Assets		125,600	139,616
Non-Current Assets			
Property, plant & equipment	6	96,151	81,713
Exploration & evaluation	7	87,006	80,059
Mine development	8	162,424	141,511
Deferred tax assets		26,662	32,874
Other financial assets		2,777	2,825
Total Non-Current Assets		375,020	338,982
Total Assets		500,620	478,598
Current Liabilities			
Trade and other payables		45,921	43,328
Short term borrowings	9	2,563	2,553
Other financial liabilities		1,397	-
Short term provisions		804	868
Total Current Liabilities		50,685	46,749
Non-Current Liabilities			
Long term borrowings	9	293,734	289,885
Long term provisions		4,784	4,682
Total Non-Current Liabilities		298,518	294,567
Total Liabilities		349,203	341,316
Net Assets		**151,417**	**137,282**
Equity			
Issued capital	12	202,609	198,892
Reserves		51,658	51,915
Accumulated losses		(102,850)	(113,525)
Total Equity		**151,417**	**137,282**

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For The Six Months Ended 31 December 2009

	Issued Capital $'000	Prospectus Expenses $'000	Option Reserve $'000	Hedge Reserve $'000	Investment Reserve $'000	Convertible Note Reserve $'000	Accumulated Losses $'000	Total Equity $'000
Total Equity at 1 July 2008	**161,392**	**(8,305)**	**5,931**	**-**	**(39)**	**45,178**	**(78,353)**	**125,804**
Shares issued during the year	1,513							1,513
Share based payments expense			3,717					3,717
Total comprehensive loss for the period				-	(5,329)	(440)	(12,342)	(18,111)
Total Equity at 31 December 2008	**162,905**	**(8,305)**	**9,648**	**-**	**(5,368)**	**44,738**	**(90,695)**	**112,923**
Total Equity at 1 July 2009	**209,060**	**(10,168)**	**10,854**	**576**	**(4,254)**	**44,739**	**(113,525)**	**137,282**
Shares issued during the year	3,773							3,773
Share issue expense		(56)						(56)
Share based payments expense			1,920					1,920
Total comprehensive income for the period				(1,560)	(617)	-	10,675	8,498
Total Equity at 31 December 2009	**212,833**	**(10,224)**	**12,774**	**(984)**	**(4,871)**	**44,739**	**(102,850)**	**151,417**

The accompanying notes form part of these financial statements

CONSOLIDATED CASH FLOW STATEMENT
For The Six Months Ended 31 December 2009

	Six Months Ended 31 December 2009 $'000	2008 $'000
Cash Flows From Operating Activities		
Cash receipts in the course of operations	72,188	42,868
Cash payments to suppliers & employees	(28,179)	(27,054)
Royalties paid	(3,050)	(3,125)
Interest received	1,318	3,727
Finance costs	(11,011)	(12,947)
Other receipts	19,761	367
Derivative settlement	(670)	-
Net Cash Received from Operating Activities	**50,357**	**3,836**
Cash Flows From Investing Activities		
Purchase of Plant & Infrastructure	(9,098)	(37,846)
Profit from sale of Investments	318	-
Mine development expenditure	(23,794)	(27,796)
Exploration & evaluation activities	(10,297)	(24,397)
Investment in other entities	(570)	-
Net Cash Used in Investing Activities	**(43,441)**	**(90,039)**
Cash Flows From Financing Activities		
Proceeds from borrowings	-	8,307
Proceeds from option conversion	3,773	1,513
Capital raising costs	(56)	-
Finance leases	(36)	153
Borrowing costs	(140)	(164)
Convertible bond purchases	-	(3,780)
Net Cash From Financing Activities	**3,541**	**6,029**
Net increase / (decrease) in cash held	10,457	(80,174)
Cash at beginning of financial period	80,210	144,710
Cash as at 31 December	**90,667**	**64,536**

Included in the 31 December 2009 cash and cash equivalents is $16M (December 2008: Nil), which is restricted for use in development and exploration at the Company's Forrestania Projects**.**

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 2009

Note 1: Basis of Preparation

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards, including 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 2009 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 of Western Areas NL as a consolidated entity complies with Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements comply with all International Financial Reporting Standards (IFRS).

The accounting policies have been consistently applied by the entities in the consolidated group and are consistent with those in the June 2009 financial report except for the adoption of the following new and revised Accounting Standards.

Accounting Standards not Previously Applied

The Group has adopted the following new and revised Australian Accounting Standards issued by the AASB which are mandatory to apply to the current interim period. Disclosures required by these Standards that are deemed material have been included in this financial report on the basis that they represent a significant change in information from that previously made available.

Presentation of Financial Statements

AASB 101 prescribes the contents and structure of the financial statements. Changes reflected in this financial report include:

- the replacement of Income Statement with Statement of Comprehensive Income. Items of income and expense not recognised in profit or loss are now disclosed as components of ‘other comprehensive income’. In this regard, such items are no longer reflected as equity movements in the Statement of Changes in Equity;
- the adoption of the separate income approach to the presentation of the Statement of Comprehensive Income and
- presentation of a third Statement of Financial Position as at the beginning of a comparative financial year where relevant amounts have been affected by a retrospective change in accounting policy or material reclassification of items.

Operating Segments

From 1 January 2009, operating segments are identified and segment information disclosed on the basis of internal reports that are regularly provided to, or reviewed by, the group’s chief operating decision maker which, for the Group, is the board of directors..

As a result of the adoption of the revised AASB 8, certain cash generating units have been redefined having regard to the requirements in AASB 136: Impairment of Assets.

Business Combinations and Consolidation Procedures

- Revised AASB 3 is applicable prospectively from 1 July 2008. Changes introduced by this Standard, or as a consequence of amendments to other Standards relating to business combinations which are expected to affect the Group, include the following:
- All business combinations, including those involving entities under common control, are accounted for by applying the acquisition method which prohibits the recognition of contingent liabilities of the acquiree at acquisition date that do not meet the definition of a liability. Costs incurred that relate to the business combination are expensed instead of comprising part of the goodwill acquired on consolidation. Changes in the fair value of contingent consideration payable are not regarded as measurement period adjustments and are recognised through profit or loss unless the change relates to circumstances which existed at acquisition date.
- Unrecognised deferred tax assets of the acquiree may be subsequently realised within 12 months of acquisition date on the basis of facts and circumstances existing at acquisition date with a consequential reduction in goodwill. All other deferred tax assets subsequently recognised are accounted for through profit or loss.
- The proportionate interest in losses attributable to non-controlling interests is assigned to non-controlling interests irrespective of whether this results in a deficit balance. Previously, losses causing a deficit to non-controlling interests were allocated to the parent entity.
- Where control of a subsidiary is lost, the balance of the remaining investment account shall be remeasured to fair value at the date that control is lost.

Reporting Basis and Conventions

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

Note 2: Other Income

	Consolidated Entity 31 Dec 2009 $'000	Consolidated Entity 31 Dec 2008 $'000
- Infrastructure access fee	20,000	-
- Interest received	1,490	3,169
- Profit on disposal of asset	318	(558)
- Other income	2	959
Total Other Income	**21,810**	**3,570**

The infrastructure access fee is a non refundable payment by Kagara Ltd to gain access to the infrastructure at the Forrestania nickel project under the terms of the Lounge Lizard Project Agreement.

The infrastructure access fee payable by Kagara Ltd in accordance with the Heads of Agreement had been reflected as unearned income in the 30 June 2009 financial statements as the terms of the Heads of Agreement had not been finalised by the time the 30 June 2009 financial statements were authorised for issue. The terms of the agreement were finalised on 31 December 2009 as reflected in the Lounge Lizard Project Agreement and in accordance with this agreement, the $20 million infrastructure access fee has now been reflected as income in the 31 December 2009 interim financial statements.

Note 3: Profit from Ordinary Activities

	Consolidated Entity 31 Dec 2009 $'000	Consolidated Entity 31 Dec 2008 $'000
The following expense items are relevant in explaining the financial performance for the interim period:		
- Cost of Sales		
Changes in inventories of finished goods and work in progress	20,434	(1,937)
Raw materials and consumables used	32,709	19,171
Amortisation of mine development assets	12,419	18,114
Depreciation	3,134	1,094
	68,835	36,442
- Depreciation of non-current assets	3,150	1,094
- Convertible bond borrowing costs amortised	934	899
- Rental expenditure – operating leases	187	181
- Finance costs expensed:		
Interest expense – borrowings	12,421	10,966
Bond accretion expense	2,405	1,953
Interest expense - finance leases	6	3
Other financing costs	424	172
Total financing costs	15,256	13,094
Less: interest expense capitalised	(279)	(1,057)
Less: borrowing costs capitalised	(140)	(131)
Total Financing Costs Expensed	14,837	11,906

Note 4: Dividends

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

Note 5: 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 2009

Note 6: Property, Plant and Equipment

	Consolidated Entity 31 Dec 2009 $'000	Consolidated Entity 30 Jun 2009 $'000
Property – at cost	19,249	19,249
Accumulated depreciation	(2,309)	(1,584)
	16,940	17,665
Plant & equipment – at cost	86,005	68,463
Accumulated depreciation	(7,102)	(4,714)
	78,903	63,749
Plant & equipment under lease	601	555
Accumulated depreciation	(293)	(256)
	308	299
Total Property, Plant & Equipment - at Cost	105,855	88,267
Accumulated Depreciation	(9,704)	(6,554)
Total	**96,151**	**81,713**

Assets Pledged as Security
The property, plant and equipment are assets over which a mortgage has been granted as security over 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.

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current period:

	Consolidated Entity 31 Dec 2009 $'000	Consolidated Entity 30 Jun 2009 $'000
Property		
Written down value at the beginning of the period	17,665	8,370
- Additions	-	10,208
- Depreciation expense	(725)	(913)
Written down value at the end of the half	**16,940**	**17,665**
Plant & Equipment		
Written down value at the beginning of the period	63,749	30,372
- Additions	17,542	35,685
- Depreciation expense	(2,388)	(2,308)
Written down value at the end of the half	**78,903**	**63,749**
Plant & Equipment under Lease		
Written down value at the beginning of the period	299	173
- Additions	46	178
- Depreciation expense	(37)	(52)
Written down value at the end of the half	**308**	**299**

	Consolidated Entity 31 Dec 2009 $'000	30 Jun 2009 $'000
Note 7: Exploration & Evaluation		
Exploration & Evaluation Expenditure.		
- At cost	114,607	107,660
- Transferred to mine development	(20,000)	(20,000)
- Transferred from mine development	7,336	7,336
- Impairment loss write off	(14,937)	(14,937)
Total Exploration and Evaluation	**87,006**	**80,059**

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 31 Dec 2009 $'000	30 Jun 2009 $'000
Exploration & Evaluation Expenditure		
Written down value at the beginning of the period	80,059	54,587
- Expenditure incurred during the period	6,947	23,006
- Transferred from mine development	-	7,336
- Impairment loss	-	(4,870)
Written down value at the end of the period	**87,006**	**80,059**

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.

	Consolidated Entity 31 Dec 2009 $'000	30 Jun 2009 $'000
Note 8: Mine Development		
Development Expenditure		
- Mine development	89,937	73,540
- Exploration transferred to mine development	20,000	20,000
- Feasibility expenditure transferred to exploration	(7,336)	(7,336)
- Deferred mining expenditure	106,955	90,299
- Capitalised restoration costs	4,307	4,307
- Capitalised interest	11,011	10,732
- Accumulated amortisation	(62,450)	(50,031)
Total Mine Development	**162,424**	**141,511**

Movement in carrying amount:

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

Note 8: Mine Development (Cont)

	Consolidated Entity	
	31 Dec 2009 $'000	**30 Jun 2009 $'000**
Development Expenditure		
Written down value at the beginning of the period	141,511	130,148
- Additions	33,053	50,126
- Feasibility expenditure transferred to exploration	-	(7,336)
- Increase in restoration cost provision	-	3,389
- Capitalised interest	279	-
- Amortisation charge for the period	(12,419)	(34,816)
Written down value at the end of the period	**162,424**	**141,511**

Note 9: Borrowings	**31 Dec 2009 $'000**	**30 Jun 2009 $'000**
Current		
Lease liability	63	53
Corporate loan facility	2,500	2,500
	2,563	**2,553**
Non-Current		
Corporate loan facility	57,500	57,500
Corporate loan facility borrowing cost	(502)	(1,007)
Convertible bond	196,450	194,040
Convertible bond borrowing costs	(4,825)	(5,759)
BHP loan facility	45,000	45,000
Lease liability	111	111
	293,734	**289,885**

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

Corporate facility		
Mine development	162,426	131,985
Property, plant & Equipment	95,843	81,414
	258,269	**213,399**

The Corporate Loan facility is available for broad company purposes as agreed between the ANZ Bank and Western Areas, the facility is repayable by 30 June 2012. The BHP Loan Facility is restricted for use in development and exploration at the Company's Forrestania Projects, the facility is repayable between July 2012 and July 2015. Interest is payable on the principal amount outstanding at the end of the relevant funding period. The interest rates are variable and set at a margin above the relevant base rate.

(b) The lease liability is secured over the assets under the lease. The finance leases have an average term of 4 years and an average implicit discount rate of 7.38%. Refer to note 6 for the carrying value of the assets under lease.

Note 10: Subsequent Events

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

Note 11: Statement of Operations by Segments

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 a result, the financial information presented in the income statements and balance sheet is the same as that presented to chief operating decision maker.

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted

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

Comparative information

This is the first reporting period in which AASB 8: Operating Segments has been adopted. Comparative information has been stated to conform to the requirements of the Standard.

Note 12: Contributed Equity

a) **Issued capital**

	31 Dec 2009 $'000	30 June 2009 $'000
Ordinary shares fully paid	**202,609**	**198,892**

b) **Movements in issued capital**

	31 December 2009	
	Number of Shares	**$'000**
Balance at beginning of the financial period	178,826,649	198,892
- Issued via option conversions (i)	909,250	3,773
- Transaction cost relating to share issue	-	(56)
Balance at end of the financial period	**179,735,899**	**202,609**

	30 June 2009	
	Number of Shares	**$'000**
Balance at beginning of the financial year	167,710,649	153,087
- Issued via share placements	7,020,000	36,447
- Issued via option conversions	4,096,000	11,221
- Transaction cost relating to share issue	-	(1,863)
Balance at end of the financial year	**178,826,649**	**198,892**

For The Six Months Ended 31 December 2009

Note 12: Contributed Equity (Cont)

Capital management

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

Notes on movement in issued capital during the current financial period

(i) During the six months ended 31 December 2009 the following options were exercised:

Date	- Option Terms (Exercise Price & Maturity) - CAD$4.00 Dec '09
2009	
3 Jul	87,875
22 Jul	66,548
6 Aug	67,305
10 Sep	54,430
30 Sep	242,593
20 Nov	2,130,989
11 Dec	1,123,750
	3,773,490

c) Share Options on Issue

The movement in the various classes of options for the sis months ended 31 December 2009 were as follows:

	-- Option Terms (Exercise Price and Maturity) --									
	Warrants CAD$4.00 Dec 09	Employee $7.50 June 10	Director $7.50 June 10	Employee $7.50 Jan 11	Employee $15.00 May 11	Employee $17.00 May 11	Director $17.00 May 11	Director $7.50 Nov 12	Employee $7.25 Sep 12	**TOTAL**
Opening balance	**909,250**	**1,190,000**	**2,000,000**	**500,000**	**1,790,000**	**400,000**	**2,400,000**	**-**	**-**	**9,189,250**
Options issued								600,000	1,950,000	2,550,000
Options cancelled										
Options exercised	(909,250)									(909,250)
Closing balance	**-**	**1,190,000**	**2,000,000**	**500,000**	**1,790,000**	**400,000**	**2,400,000**	**600,000**	**1,950,000**	**10,830,000**

Of the outstanding options, the $7.50 en $15.00 employee options vest on the following terms; 1/3 vest on the grant date itself, a further 1/3 12 months after the grant date and the final 1/3 24 months after the grant date, while the terms for $7.50 employee options are ½ vest 24 months after the grant date and ½ vest 36 months after the grant date. The $7.50, June 2010, and $17.00 directors' options vest immediately, while the $7.50, November 2012 directors' options, ½ vest in 24 months after the grant date and ½ vest 36 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.

AUDITORS INDEPENDENCE DECLARATION

WHK Horwath

AUDITOR'S INDEPENDENCE DECLARATION

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Western Areas NL for the half-year ended 31 December 2009, I declare that, to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

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

WHK HORWATH PERTH AUDIT PARTNERSHIP

CYRUS PATELL
Principal

Perth, WA

Dated this 15th day of February 2010

Member Horwath International
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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS

WHK Horwath

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

We have audited the accompanying financial report of Western Areas NL and its controlled entities (the consolidated entity), which comprises the balance sheet as at 31 December 2009, and the income statement, the statement of comprehensive income, statement of changes in equity and cash flow statement for the half-year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Independence

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

Auditor's Opinion

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

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and

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

WHK HORWATH PERTH AUDIT PARTNERSHIP

CYRUS PATELL
Principal

Perth, WA
Dated this 15th day of February 2010

Total Financial Solutions

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WHK Horwath Perth Audit Partnership ABN 96 844 819 235
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Horwath

DIRECTORS' DECLARATION

The directors of the company declare that:

1) The financial statements and notes, as set out on pages 6 to 17:

   (i) give a true and fair view of the economic entity's financial position as at 31 December 2009 and of its performance for the half year ended on that date; and

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

2) In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

On behalf of the Board

Julian Hanna
Director

Dated 15 February 2010

WESTERN AREAS NL

ABN 68 091 049 357

MANAGEMENT DISCUSSION & ANALYSIS

31 DECEMBER 2009

MANAGEMENT DISCUSSION AND ANALYSIS

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

The consolidated financial statements are a general purpose financial report prepared in accordance with the Corporations Act 2001, AASB 134 "Interim Financial Reporting", Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board. The report does not include full disclosures of the type normally included in an annual report. It is recommended that this financial report be read in conjunction with the 30 June 2009 annual financial report and any other public announcements made by Western Areas NL during the year in accordance with continuous disclosure requirements arising under the Corporations Act 2001. The financial report covers Western Areas NL and its controlled entities (the "Consolidated Entity"). Western Areas NL is a listed public company, incorporated and domiciled in Australia. The accounting policies adopted are consistent with those of the previous financial year.

In addition to these Australian requirements further information has been included in the interim consolidated financial statements for the six months ended 31 December 2009 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 15 February 2010.

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

Forward Looking Statements

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

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

Background

Western Areas is an Australian-based nickel sulphide explorer and producer listed on the ASX and TSX. The main asset is the 100% owned Forrestania Nickel Project, 400km east of Perth. Western Areas is targeting combined annual production from the Flying Fox and Spotted Quoll mines of 25,000t nickel by 2011. Western Areas is a very active nickel explorer with advanced projects in Western Australia, Canada and Finland.

Mining is in progress at the Flying Fox T1 and T4 ore bodies where mine production for the 12 months to 30 June 2009 exceeded the target of 10,000 tpa nickel. Production is scheduled to ramp up to 14,000 tpa nickel in 2011.

Development of a second nickel mine at Spotted Quoll 6km south of Flying Fox has commenced. Total Mineral Resources comprise 2.0Mt at an average grade of 6.2% nickel containing approx. 125,460t nickel. First production is targeted in April 2010. Deeper drilling has intersected high grade nickel up to 400m below the mineral resource at Spotted Quoll.

Flying Fox and Spotted Quoll are expected to be two of the lowest cost nickel mines in the world. In addition, preliminary surface development work has been completed on the planned Cosmic Boy and Diggers South mines.

The Cosmic Boy nickel concentrator in the centre of the Forrestania project was officially opened on 24 March 2009 by the Western Australian Minister for Mines and Petroleum. The Stage One plant is fully operational and a Stage Two expansion to double the capacity of the plant to 550,000 tonnes per annum ore by end June quarter 2010 is in progress.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

Major mine development was completed at Flying Fox to enable Western Areas to meet the rapid production ramp up scheduled over the next six months. With the focus on development during the December quarter, ore tonnes and grade were marginally lower than the September quarter which is reflected in increased cash costs. However numerous high grade ore sources are now accessible at the T1, T4 and T5 deposits which is expected to result in cash costs returning to the target $2.50/lb nickel by mid 2010.

In addition, the Flying Fox mine decline has reached the top of the large T5 deposit where the first ore drive is already producing significant volumes of high grade ore. Production from Flying Fox is expected to increase from the target average 730t nickel per month in March quarter 2010 to 1,000t nickel per month in June quarter 2010 which will provide a platform for higher nickel production going forward. Nickel sales were also strong in the half year and the majority of the backlog of concentrate stockpiles has now been sold to BHP Billiton.

At the Spotted Quoll mine, the Tim King pit is ahead of forecast with approximately 1.5 million bcm of waste removed since mining commenced in the December quarter. First high grade ore is expected to be intersected in the open pit in April with a scheduled average production rate of 400t nickel per month in June quarter 2010 increasing to 1,100 per month in September quarter 2010.

There were very encouraging exploration results up to the date of this report not only at Forrestania but also from other joint venture projects in Western Australia and Finland.

Highlights

1. 5,874 tonnes nickel in concentrate sold at average price of US$7.71/lb nickel. Cash production costs were US$3.06/lb nickel before smelting and refining costs with a rolling 12 month average cash production cost of US$2.54 in conc.
2. Production was in line with guidance at 125,049 tonnes processed at 3.4% Ni with 90% recovery. Contained nickel in stockpiles comprised approximately 770 tonnes nickel at the end of the half.
3. Mine development has now reached the Lewinsky Lode at the top of the T5 orebody which has a current Probable Ore Reserve of >1.0Mt @ 5.6% nickel.
4. Record drill hole intersection of 78.0m @ 9.3% nickel within the T5 ore body at Flying Fox demonstrates the exceptional continuity of the massive sulphide.
5. Mine development of the Tim King Pit at Spotted Quoll is ahead of schedule. The open pit contains 19,900 tonnes nickel at an average grade of 5.1% Ni.
6. The ore reserve and feasibility study for the proposed 10 year underground mine at Spotted Quoll is targeted for completion in mid 2010.
7. Drilling 400m below the current Spotted Quoll underground resource (2.0Mt @ 6.2% Ni for 125,500t Ni) intersected 3.5m @ 6.4% Ni confirming potential for significant extensions.
8. Stage Two upgrade at Cosmic Boy nickel concentrator is expected to improve metallurgical recoveries and double the capacity of the plant by June 2010.
9. Widely spaced RC drilling at the Sandstone joint venture 450km north of Forrestania intersected anomalous nickel sulphides over several intervals.
10. Initial drilling at the R1 target at Rautavaara in the Finland joint venture has intersected wide zones (up to 129m) of sulphide mineralisation.
11. High safety and environmental standards maintained on Forrestania site. One LTI (Lost Time Injury) was reported at Forrestania during the half.

FLYING FOX MINE and COSMIC BOY MILL PRODUCTION

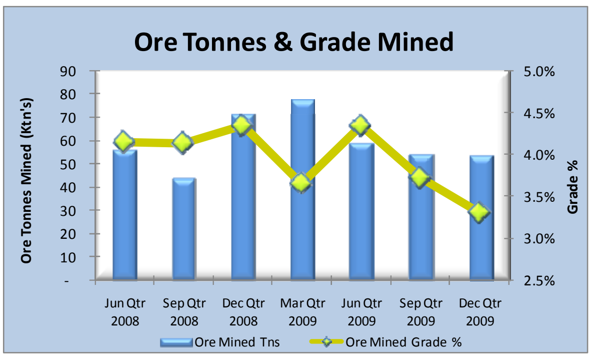
Production Statistics - Flying Fox

			Mar Qtr	Jun Qtr	Sep Qtr	Dec Qtr	Rolling 12 MonthTotal
Flying Fox - Ore Tonnes Mined		Tn's	77,501	59,098	54,150	53,618	244,367
		Ni %	3.7%	4.3%	3.7%	3.3%	3.8%
Ni Tonnes Mined		**Tn's**	**2,833**	**2,570**	**2,015**	**1,776**	**9,193**
Flying Fox - Ni Tonnes Produced							
Total	Ore Processed	Tns	58,802	62,447	60,064	64,985	246,298
	Ni %	%	3.5%	4.4%	3.8%	3.1%	3.7%
	Ave. Recovery	%	87%	90%	91%	88%	89%
Ni Tonnes in Concentrate		**Tns**	**1,805**	**2,435**	**2,066**	**1,791**	**8,097**
Note. Grade and recovery estimates are subject to change until the final assay data is received in accordance w ith the Offtake agreements.							
Ni Tonnes in Concentrate Sold		**Tns**	**899**	**888**	**2,783**	**3,091**	**7,661**
Stockpiles							
	Concentrate	Tns			11,070	1,382	
	Grade	%			15.1%	13.2%	
	Ore	Tns			28,823	17,456	
	Grade	%			2.9%	3.4%	
Contained Ni in Stockpiles		**Tns**			**2,517**	**773**	

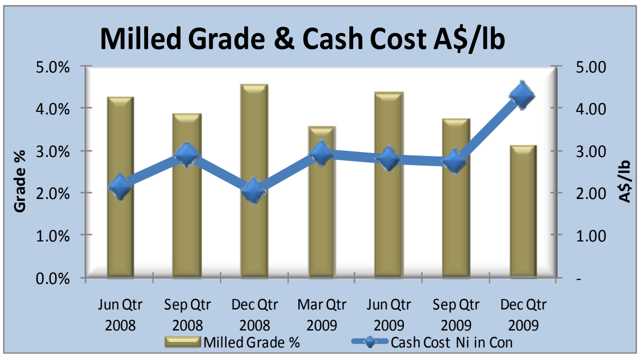
Financial Statistics - Flying Fox

		Mar Qtr	Jun Qtr	Sep Qtr	Dec Qtr	Total
Group Production Cost/lb						
Mining Cost (*)	A$/lb	1.92	2.02	1.76	3.30	2.21
Haulage	A$/lb	0.26	0.11	0.12	0.14	0.15
Milling	A$/lb	0.52	0.54	0.77	0.96	0.69
Admin	A$/lb	0.25	0.15	0.22	0.16	0.19
By Product Credits	A$/lb	(0.02)	(0.01)	(0.12)	(0.21)	(0.08)
Cash Cost Ni in Con (***)	**A$/lb**	**2.93**	**2.81**	**2.74**	**4.34**	**3.16**
Cash Cost Ni in Con/lb (***)	***US$/lb (**)***	***1.98***	***2.14***	***2.29***	***3.95***	***2.54***
Exchange Rate US$ / A$		***0.68***	***0.76***	***0.83***	***0.91***	***0.81***

(*) Mining Costs are net of deferred waste costs and inventory stockpile movements
(**) US$ FX for Relevant Quarter is RBA ave daily rate (Dec Qtr = A$1:US$0.9107)
(***) Payable terms are not disclosed due to confidentiality conditions of the offtake agreements.
Cash costs exclude royalties.



Quarterly ore tonnes and grade mined



Quarterly cash cost and mined A$/lb nickel

CORPORATE AND FINANCING

Income Statement

	Three Months Ended 31 December		Six Months Ended 31 December	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Sales	43,798	21,169	85,531	40,792
Cost of sales	(39,562)	(20,231)	(68,696)	(36,442)
Gross (Loss)/Profit	4,236	938	16,835	4,350
Other income	21,167	647	21,810	3,570
Finance costs	(7,927)	(4,417)	(14,837)	(9,953)
Administration expenses	(1,429)	(1,583)	(2,088)	(4,590)
Employee benefit expenses	(1,013)	(850)	(2,029)	(1,879)
Foreign exchange gains / (losses)	1,095	(3,432)	(13)	(3,432)
Share Based Payments	(1,339)	(607)	(1,920)	(3,717)
Derivative loss	(871)	264	(871)	264
Impairment loss on Non-current Assets	-	(882)	-	(882)
Profit / (Loss) before income tax	13,919	(9,922)	16,887	(16,269)
Income tax (expense) / benefit	(4,872)	1,660	(6,212)	3,927
Profit / (Loss) for the period	**9,047**	**(8,262)**	**10,675**	**(12,342)**

Results for the six months ended 31 December 2009

Nickel Sales revenue was a record high at $85,5m with the sale of 5,874 tonnes of nickel in concentrate sold at an average price of US$8.36/lb compared to 4,144 nickel in concentrate tonnes sold in the comparative period at an average of US6.51/lb. Gross profit for the six months ended was higher as a result of a higher nickel price.

Other Income for the period has increased by $18.2m mainly due to a $20m infrastructure access fee received.

Share based payments have decreased from the same period in the prior year due to less options being issued as well as a lower share price being used as the base of valuing the options issued.

Finance costs increased by $4.9m primarily resulting from increased average borrowings.

Foreign exchange adjustments were lower due to the stabilisation of the Australian dollar to the US Dollar.

Results for the three months ended 31 December 2009

Nickel sales increased this quarter due to an increase of 518 nickel tones sold over the comparative period at a higher average nickel price.

Improved gross profit can be attributed to a higher nickel price and an increase in nickel tones sold while production costs were marginally higher than the comparative quarter.

There were no impairment write downs for the period.

Foreign exchange gains for the quarter resulted from hedging contract market value measurements.

Balance Sheet

	31 December 2009 $'000	30 June 2009 $'000
Assets		
Current Assets	125,600	139,616
Non Current Assets	375,020	338,982
Total Assets	500,620	478,598
Liabilities		
Current Liabilities	50,685	46,749
Non Current Liabilities	298,518	294,567
Total Liabilities	349,203	341,316
Net Assets	151,417	137,282
Equity		
Total Equity	151,417	137,282

Current assets have decreased by $14.0m primarily due to a $19.3m decrease in inventory levels due to increased sale of nickel in concentrate and a decrease in accounts receivable, while cash on hand has increased by $10.4m since 30 June 2009.

Non current assets for the six months ended 31 December 2009 have increased by $36.0m to $375m which predominantly resulted from net expenditure of $20.4m incurred on mine development for the Flying Fox and Spotted Quoll mines, net exploration & evaluation costs totalling $7.0m and a net investment in plant and equipment of $14.4m for the period. The deferred tax asset decreased by $6.2m as a result of a six month profit recorded.

Current liabilities have increased by $3.9m to $50.7m. This is attributable to the settlement of Base Metal hedging contracts to the value of $1.4m during the period and an increase in Trade and Other payables of $2.6m.

The increase in non current liabilities to $298.5m can be attributed to the bond accretion expense on the convertible bond.

Statement of Changes in Equity

	Six months ended 31 December 2009 $'000	31 December 2008 $'000
Total Equity 1 July	137,282	125,804
Movement in issued capital	3,717	1,513
Share based payments	1,920	3,717
Total comprehensive income for the six months ended 31 December	8,498	(18,111)
Total Equity 31 December	151,417	112,923

The increase in issued capital is a result of approximately 909,250 Canadian warrants being converted at CAD$4.00 during the six months ended.

The comprehensive income for the six months ended 31 December 2009 was $8.5m. Please refer Profit and Loss commentary for details of Profit and Loss movements.

Cashflow Statement

	Three Months Ended 31 Dec		Six Months Ended 31 Dec	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Net Cashflow from Operating Activities	26,842	7,335	50,357	3,836
Net Cashflow from Investing Activities	(29,371)	(49,362)	(43,441)	(90,039)
Net Cashflow from Financing Activities	3,265	7,588	3,541	6,029
Net Cashflow	736	(34,439)	10,457	(80,174)
Cash at Bank	**90,667**	**64,539**	**90,667**	**64,536**

Results for the six months ended 31 December 2009

Operating cashflow of $50.4m was significantly higher than the same period in the previous year due to increased sales revenue of 44.7m as well as the receipt of the $20.0m infrastructure access fee, while cost of sales increased by $32.2m.

Investing cashflows have decreased by $46.6m in the current six months. This is due to the stage 1 construction of the Cosmic Boy Concentrator being mainly completed in the comparative period as well as a more measured approach to explorations expenditure.

Financing activities have decreased due to the Company not completing any equity capital rising during the half.

Results for the three months ended 31 December 2009

Operating cashflow of $26.8m was higher than the same period in the previous year primarily due to the increase in nickel concentrate tonnes sold and a higher average nickel price.

Investing cashflows have decreased to $29.4m from the same period last year. This is due to the construction of the Cosmic Boy Concentrator being mainly completed in the comparative period as well as a downscale on explorations expenditure.

Subsequent Events

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

Statement of Operations by Segments

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 a result, the financial information presented in the income statements and balance sheet is the same as that presented to the chief operating decision maker.

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted

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

Comparative information

This is the first reporting period in which AASB 8: Operating Segments has been adopted. Comparative information has been stated to conform to the requirements of the Standard.

Share Capital

	As at 15 February 2010
Outstanding Shares	179,735,899
Options issued but unexercised	10,830,000
Total	190,565,899

All the unexercised options are unlisted.

Finance Activities, Liquidity and Capital Resources

The Company has the following financing facilities available to it:

	Amount available under the Facility ($ millions)	Undrawn Portion of Facility ($ millions)
- Cash advance facility - ANZ	80.0	20.0
- Cash advance facility - BHP	45.0	0.0
- Security bond facility - ANZ	10.0	5.8
TOTAL	**135.0**	**25.8**

As set forth in the table above, approximately $105.0m has been drawn from the total corporate finance facility of $135.0m provided by ANZ and BHP.

At 31 December 2009 the Company had $115.3m in cash and receivables with $45.9m in creditors and accruals.

As at 31 December 2009 Western Areas long term debt obligations are as follows:

Contractual Obligations (in $'000)	Payments due by Period			
	Total	Less than 1 year	1 - 5 years	After 5 years
Long Term Debt[(1)]	105,000	2,500	102,500	-
Convertible Bond	208,500	-	208,500	
Finance Leases[(2)]	174	63	111	-
Operating Leases[(3)]	262	177	85	-
TOTAL	**313,936**	**2,740**	**311,196**	**-**

Notes:

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

Related Party Transactions

There were no material related party transactions during the December 2009 half year.

Critical Accounting Estimates and Balances

The directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

Key estimates

(i). *Impairment*
The Group assesses impairment at each reporting date by evaluating conditions and events specific to the Group that may be indicative of impairment triggers. Recoverable amounts for the mine development asset is reassessed using the value-in-use calculations which incorporate various assumptions and estimates.

Key judgements

(i). *Exploration and evaluation expenditure*

The Group capitalised expenditure relating to exploration and evaluation where it is considered likely to be recoverable or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. While there are certain areas of interest from which no reserves have been extracted, the directors are of the continued belief that such expenditure should not be written off since exploration, evaluation and feasibility studies in such areas are ongoing. Such capitalised expenditure is carried at reporting date at $87.0m

Internal Controls

The company has made no change to its internal controls over financial reporting since 30 June 2009 that have materially affected, or are reasonably likely to materially affect, the company's internal control over financial reporting.

Debt Facilities, Cash Balance and Working Capital

At 31 December 2009 Western Areas had A$90.7m in cash plus receivables valued at A$24.6m from nickel sales (cash plus debtors A$115.3m). The A$80.0m ANZ loan Facility remains drawn to A$60.0m and the BHP facility fully drawn to A$45.0m.

With record nickel sales for the six months, the working capital in stockpiles of both ore and concentrate has decreased by A$20.4m to A$8.2m.

Hedging

As at balance sheet date, Western Areas had foreign exchange put options for US$10.0m (US$5.0m for 31 March and US$2.5m for 30 June and 30 September 2010 quarters) with an average strike price of $0.9040. and US$7.5m in Option Collars with a $0.8290 floor and $0.9000 cap. Base metal hedging consists of 800tns of Nickel at an average of US$7.94, for delivery during January through March 2010.

Western Areas continues to secure further short dated (3-6 months) currency and nickel price hedging representing less than 25% of forecast revenue.

Bond and Share Buyback

On 2 July 2007 Western Areas issued a A$225.0m, 8%, 5 Year Convertible Bond at a 45% premium due in July 2012. The Bonds are quoted on the Singapore Stock Exchange. Please refer to the Western Areas release dated 29 June 2007 for the Bond Conditions.

The Company has in the past purchased and cancelled Bonds on market. During the half no Bonds were purchased. There remain 838 Bonds outstanding with the principal amount of A$208.5m. The Board continues to monitor and assess capital management strategies to add value for shareholders.