

Activity Report

For the period ending 31st December 2012

Western Areas is an Australian-based nickel miner listed on the ASX. The main asset is the 100% owned Forrestania Nickel Project, 400km east of Perth. Western Areas is Australia's third largest nickel miner producing approx 25,000tpa nickel in ore from the Flying Fox and Spotted Quoll mines. Western Areas is an active nickel explorer in Western Australia, Canada and Finland.

Mining is in progress at the Flying Fox and the Spotted Quoll underground mines where significant development is already in place. The total Mineral Resource at Spotted Quoll now stands at 2.9 Mt at an average grade of 5.9% containing 172,400 nickel tonnes. Total Ore Reserves at Spotted Quoll comprise 3.0 Mt at average grade of 4.2% nickel containing approx. 126,135 nickel tonnes.

The total Mineral Resource at Flying Fox now stands at 1.8 Mt at an average grade of 5.7% containing 100,286 nickel tonnes. Total Ore Reserves at Flying Fox comprise 1.8 Mt at average grade of 4.0% nickel containing approx 72,000 nickel tonnes.

Flying Fox and Spotted Quoll are two of the lowest cost nickel mines in the world. Significant infrastructure work has also been completed on the potential Diggers South mine, located 20km south of Cosmic Boy Concentrator.

The Cosmic Boy concentrator has capacity for 550,000 tpa ore which equates to production capacity of about 25,000 tpa nickel in concentrate. The plant is designed for a future potential upgrade to 750,000 tpa ore.

Western Areas has offtake agreements with BHP Billiton for 12,000 tpa nickel in concentrate, and with Jinchuan for a total 15,000 tpa nickel in concentrate.

The Board remains focused on the core business of low cost, long life nickel production, new nickel discoveries and on generating returns to shareholders.

ASX code: WSA

Shares on issue:

192m shares

Market capitalisation:

Approx A\$865M @ \$4.50 per share.

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SPOTTED QUOLL RECORD PRODUCTION and FLYING FOX RESERVE UPGRADE

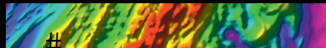
The December Q was another strong period with record production from the Spotted Quoll underground mine coupled with an excellent safety performance. The **Lost Time Injury frequency rate now stands at 0.78** which is an outstanding achievement. Total combined mine production for the quarter was **6,957 tonnes of nickel in ore at an average grade of 4.9%**, with Spotted Quoll achieving its highest quarterly tonnage of 2,577 nickel tonnes in ore. In addition, Flying Fox produced 4,380 nickel tonnes in ore. Both mines are now well positioned to exceed their combined year-end target of 26,000 tonnes of nickel in ore.

Total nickel in concentrate produced from the mill was **6,722 nickel tonnes** at a **unit cash cost of A\$2.89/lb** which brings the **half year total to 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. December Q concentrate sales were strong with 6,829 tonnes of nickel sold. The second Jinchuan contract will be completed ahead of schedule in January and following a very competitive tender process, a new offtake contract will be awarded early in the March Q.

An updated Probable Ore Reserve estimate was completed for Flying Fox, incorporating the Lounge Lizard deposit. This has resulted in a 49% increase over the September Q ore reserve numbers to 72,200 nickel tonnes.

December Q 2012 Highlights:

1. Excellent safety performance with **Lost Time Injury frequency rate (LTIFR) at 0.78**.
2. **Combined mine production of 6,957 tonnes (15.3M lbs) nickel** at an average grade of **4.9% nickel**.
3. Flying Fox mine production was **89,846 tonnes of ore mined at 4.9% for 4,380 tonnes (9.7M lbs) contained nickel**, on target to meet full year forecast.
4. Spotted Quoll underground mine production was **50,907 ore tonnes at 5.1% for 2,577 tonnes (5.7M lbs) of contained nickel**, setting a new quarterly production record.
5. Total **nickel sales during the September Q comprised 48,364 tonnes of concentrate containing 6,829 tonnes (15.1M lbs) nickel**.
6. **Average cash cost** (before smelting/refining charges) of nickel in concentrate was **A\$2.89/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. **Total cash plus nickel sales receivables valued at A\$108M**, being a net increase of A\$29m for the quarter.
9. **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 the announcement. A parallel Share Purchase Plan (SPP) was also announced to raise up to A\$15M which is scheduled to complete in January 2013.
10. The **US\$15M second and final instalment was made for the Outokumpu Royalty** payout in December and the FY2012 final dividend was paid in October at 6 cents per share 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.



1. MINE SAFETY AND ENVIRONMENT

Safety

Forrestania Nickel Operations (FNO) continued their excellent safety performance during the December Q, with no lost time injuries (LTI) and only two medical treated injuries recorded. The Lost Time Injury Frequency Rate (LTIFR) now stands at 0.78 which is a credit to all personnel at the site. At the end of the December Q, the Flying Fox mine had recorded 804 LTI free days with Spotted Quoll at 493 days and the Cosmic Boy Concentrator at 590 LTI free days.

An aerodrome emergency drill was conducted in October that involved onsite Emergency Response Coordinators and 14 Emergency Response Team (ERT) members as well as observers from Skippers Aviation, local Police and FESA members. A mock evacuation of the Cosmic Boy Village (CBV) was also conducted in December with all residents reporting to the single muster point close to the CBV sports arena.

Onsite training conducted for the quarter included an underground BG4 breathing apparatus and rescue training course (six ERT members) and over 80 personnel received portable fire extinguisher training.



Emergency Response Coordinators conducting portable fire extinguisher training

Environment

Western Areas continued to operate within all statutory regulations and licence conditions during the quarter. One minor environmental incident was reported to the DEC which involved a tailings pipe line split resulting in a minor tailings spill into a previously rehabilitated section of the tailings storage facility (TSF). All material was contained within the Cosmic Boy TSF and the affected area was immediately remediated.



Environmental staff monitoring ground water levels near Cosmic Boy TSF



Community Support

Western Areas has been involved as a principal financial sponsor and stakeholder in the development of a conservation action planning framework for the section of the Great Western Woodland where the Forrestania Operations are situated.

Research Sponsorship

Western Areas continued to support biodiversity conservation programs during the quarter with a focus on the FNO endangered species such as the Carnaby's Black Cockatoo and the Chuditch.

Sustainability Performance

During the quarter Western Areas continued with development of our initial energy efficiency opportunities assessment plan. Site workshops are planned for early 2013 to discuss opportunities and options to reduce the Western Areas' FNO carbon footprint.

2. MINE AND MILL PRODUCTION & CASH COSTS

Tonnes Mined		2011/2012		2012/2013		HY
		Mar Qtr	Jun Qtr	Sep Qtr	Dec Qtr	Total
Flying Fox						
Ore Tonnes Mined	Tn's	81,143	96,289	102,218	89,846	192,064
Grade	Ni %	5.3%	5.3%	5.0%	4.9%	5.0%
Ni Tonnes Mined	Tn's	4,278	5,097	5,129	4,380	9,509
Spotted Quoll - Tim King Pit						
Ore Tonnes Mined	Tn's	57,204	-	-	-	-
Grade	Ni %	4.0%	0.0%	0.0%	0.0%	
Ni Tonnes Mined	Tn's	2,280	-	-	-	-
Spotted Quoll - Underground						
Ore Tonnes Mined	Tn's	23,261	42,574	43,581	50,907	94,488
Grade	Ni %	4.5%	5.1%	5.4%	5.1%	5.2%
Ni Tonnes Mined	Tn's	1,044	2,173	2,375	2,577	4,952
Total - Ore Tonnes Mined	Tn's	161,608	138,863	145,799	140,753	286,552
Grade	Ni %	4.7%	5.2%	5.1%	4.9%	5.0%
Total Ni Tonnes Mined	Tn's	7,603	7,270	7,504	6,957	14,461

Flying Fox

Production

In line with the mine plan, December Q Flying Fox production was 89,846 ore tonnes at an average grade of 4.9% for 4,380 tonnes of contained nickel. Production ore tonnes were sourced from the following areas of the mine; T4: 31%, T5: 38% and Lounge Lizard: 31%.

Single boom jumbo ore development continued at the 730, 515, 410, 385, 345 and 335 levels. Air-leg development and flatback / benching continued at the 750, 490, 460, 455, 410, 385, 370 and 335 levels mostly at the northern and southern ends of the orebody where the orebody narrows and requires a different mining method.

Longhole stope production was mainly from the 345 and 370 levels with smaller stopes mined at the 720, 700, 655 and 460 levels. Stope backfill programs using a combination of unconsolidated rockfill and strategically located cemented-rockfill were completed as required during the quarter.



Mine Development

As planned the Streeter Decline was not progressed for the December Q with the two boom jumbo returning early in the March Q. The mine achieved 313m of total lateral development which included 145 equivalent metres advance from a combination of flatback stoping and benching.

The Lounge Lizard 300 drill cuddy platform diamond drilling program was completed in mid December with the mobile carrier rig used for grade control drilling in the T5 orebody.

The 525 explosives magazine was completed at the end of October with the 395 pump station commissioned in November. The new mine offices and change-room were also completed and in use by the end of the quarter. Work continued on the surface wash down facility with commissioning expected early in the March Q.

Spotted Quoll

Production

December Q production at Spotted Quoll was 50,907 ore tonnes at an average grade of 5.1% for 2,577 tonnes of contained nickel. Ore was sourced from a combination of jumbo development and longhole stoping.

The paste fill plant was successfully commissioned in October with subsequent underground stope pours at the 1185 P1, 1185 P2, and 1200 P3 stopes during the quarter.

Mine Development

The Hanna Decline was advanced 253m with total jumbo development of 968m for the December Q. The decline has reached the 1055 level, which is 345m below surface.

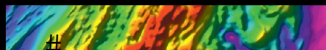
A 25kL process water tank was installed in the 1230 level to recycle clean dewatering water and a 1.5MW sub-station was installed at the 1110 level during the quarter.

Cosmic Boy Nickel Concentrator

Tonnes Milled and Sold		Mar Qtr	Jun Qtr	Sep Qtr	Dec Qtr	Total
Ore Processed	Tns	131,748	143,148	142,795	151,855	294,650
Grade	%	5.1%	4.9%	5.3%	4.9%	5.1%
Ave. Recovery	%	93%	90%	92%	90%	91%
Ni Tonnes in Concentrate	Tns	6,276	6,320	6,951	6,722	13,673
Ni Tonnes in Concentrate Sold	Tns	8,154	6,888	6,923	6,829	13,752
Total Nickel Sold	Tns	8,154	6,888	6,923	6,829	13,752

151,855 tonnes of ore at an average grade of 4.9% nickel were treated for the December Q with the Cosmic Boy concentrator producing 46,805 tonnes of concentrate grading 14.4% nickel for 6,722 nickel tonnes. Concentrator metallurgical recovery averaged 90% with 98.5% plant availability.

Stockpiles		Mar Qtr	Jun Qtr	Sep Qtr	Dec Qtr
Ore	Tns	175,971	177,678	179,968	168,866
Grade	%	4.2%	4.4%	4.2%	4.3%
Concentrate	Tns	11,346	7,243	7,118	5,872
Grade	%	14.3%	14.3%	14.3%	14.2%
Contained Ni in Stockpiles	Tns	9,013	8,586	8,625	8,074



At the end of the December Q, 168,866 tonnes of ore at an average grade of 4.3% nickel containing over 7,237 tonnes of nickel was stockpiled at site awaiting treatment at Cosmic Boy. The current stockpile represents over three months of mill feed and enables the selection of an optimal mill feed blend.



Cosmic Boy Mill Shift Supervisor Peter Ord at the Flotation cells

Cash Costs

Financial Statistics		Mar Qtr	Jun Qtr	Sep Qtr	Dec Qtr	Total
Group Production Cost/lb						
Mining Cost (*)	A\$/lb	1.86	2.25	1.82	2.27	2.04
Haulage	A\$/lb	0.09	0.09	0.09	0.05	0.07
Milling	A\$/lb	0.37	0.41	0.40	0.41	0.41
Admin	A\$/lb	0.19	0.17	0.20	0.17	0.19
By Product Credits	A\$/lb	(0.03)	(0.02)	(0.02)	(0.02)	(0.02)
Cash Cost Ni in Con (***)	A\$/lb	2.48	2.90	2.49	2.89	2.69
Cash Cost Ni in Con/lb (***)	US\$/lb (**)	2.62	2.93	2.59	3.00	2.79
Exchange Rate US\$ / A\$		1.06	1.01	1.04	1.04	1.04

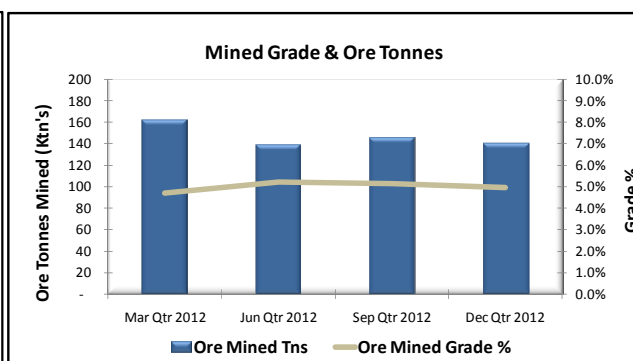
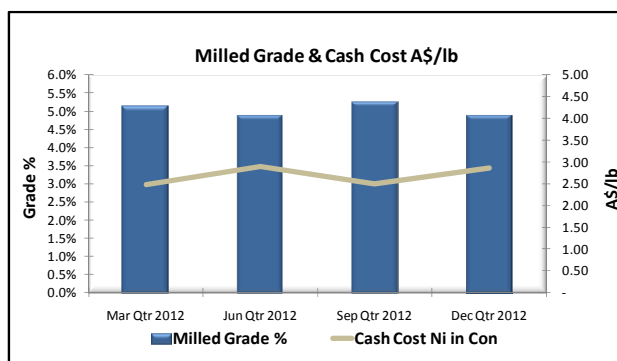
(*) Mining Costs are net of deferred waste costs and inventory stockpile movements

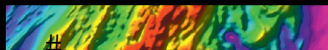
(**) US\$ FX for Relevant Quarter is RBA ave daily rate (Dec Qtr = A\$1:US\$1.04)

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

Cash costs exclude royalties.

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





The cash cost of nickel in concentrate (excluding smelter/refining charges and royalties) produced during the December Q was **A\$2.89/lb** nickel, being ahead of guidance of <A\$3.00/lb. The slight increase in unit costs, from the exceptionally low September Q, reflects a number of factors but primarily the following:

1. Concentrate production impacting on unit costs - a reduction in the mill grade from 5.3% to 4.9% nickel, combined with marginally lower recoveries at 90%, lifted the unit costs on a per pound basis. These were partially offset by an increase in mill throughput.
2. Mine production costs were higher at Flying Fox than last quarter (but still below budget) reflecting the mine scheduling changes required for the areas of Flying Fox being mined in the current quarter.

Pleasingly there was a near 50% reduction in haulage costs reflecting the first quarterly impact of the new haulage road from the mines to the mill.

3. NICKEL SALES

Delivery of concentrate from Cosmic Boy to BHP Billiton's operations at Kambalda and Jinchuan's smelter in China continued during the December Q. A total of 48,364 tonnes of concentrate was delivered containing 6,829 tonnes of nickel.

The concentrate stockpile at Cosmic Boy Mill now stands at 5,164 tonnes at a grade of 14.2% nickel containing 733 tonnes of nickel metal. The balance of concentrate stockpiles sit at the Esperance Port. Total concentrate stockpiles decreased by 551 contained nickel tonnes from the previous quarter.

The second offtake agreement with Jinchuan for 15,000 tonnes of nickel is on track for completion ahead of scheduled in January 2013. The tender process for the uncommitted nickel concentrates commenced during the December Q. A decision on the award of this tender will be made early in the March Q.

During the quarter Western Areas received the Premier's Award for Excellence and the Western Australian Minerals and Energy Export Award. These awards acknowledge the innovation and success of Western Areas achievements in developing the export market.



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Dan Lougher receiving the Premier's Award from Hon Simon O'Brien, Minister for Finance, Commerce and Small Business

4. INFRASTRUCTURE

Internal Haul Road

The 16km internal haul road between the two mines and the Cosmic Boy Mill was opened on 12th October. The 110mm diameter potable water pipeline buried along the internal haul road corridor was commissioned in late October to replace the more expensive potable water truck haulage. This pipeline delivers potable water from the mill's reverse osmosis plants to a holding tank at the Spotted Quoll offices and from there is transferred via a pre-existing 63mm diameter buried pipeline to the Flying Fox mine site.



5. FORRESTANIA MINERAL RESOURCES AND ORE RESERVES

Flying Fox

Underground grade control and resource extension drilling of the Flying Fox and Lounge Lizard deposits continued throughout the December Q. This drilling coupled with ore development continues to confirm the high grade of the Lounge Lizard and T5 deposits. Selected assays received during the December Q, are shown in Table 1.

Diamond drill hole LUG031 is the most southerly drill hole completed to date in the T5 deposit and the encouraging results demonstrates potential for extending the current mineralisation to the south.

BHID	Interval (m)	Mean Ni %	From (m)
LUG026	5.9	3.4	418.2
LUG015	0.5	4.4	446.5
LUG032	3.0	3.6	239.2
LUG031	6.5	3.5	216.6

Table 1: Selected intercepts from drilling undertaken on the Flying Fox deposit during the December Q

An extensive underground drilling program is currently being planned to test the deeper and southern extension of the T5 and T7 ore positions. Commencement of the drilling program is scheduled during the March Q when the decline is expected to reach the desired level for the drilling platform.

The Mineral Resource Statement which is included in the table at the end of this report takes into account depletion for mining during the quarter. Outstanding assay results will be added to the database and an updated estimate will be undertaken during the March Q.

An updated Probable Ore Reserve was estimated for the Flying Fox deposit during the quarter. This represents an increase of 49% on the published Ore Reserve at the end of the September Q. The updated reserve estimate is provided in Table 2 below:

Mineral Reserve Category	Proven			Probable			Total		
	Tonnes	Ni (%)	Ni tonnes)	Tonnes	Ni (%)	Ni (tonnes)	Tonnes	Ni (%)	Ni (tonnes)
WSA (T4+T5)	-	-	-	932,000	4.4	40,500	932,000	4.4	40,500
LL (T4+T5)	-	-	-	853,800	3.7	31,730	853,800	3.7	31,730
TOTAL	-	-	-	1,785,800	4.0	72,200	1,785,800	4.0	72,200

Table 2: Flying Fox Ore Reserve Statement as at 31st December 2012

The revised Flying Fox Ore Reserve estimate represents an average 82% resource to reserve conversion rate (nickel tonnes).



Ore Reserve Parameters: The following parameters were used to estimate the Flying Fox Probable Ore Reserve.

Criteria	Explanation
<i>Mineral Resource estimate</i>	The Flying Fox Underground Ore Reserve was based on the geological interpretation and model produced by John Haywood and Andre Wulfse, i.e. previous and incumbent Western Areas Geology Manager as of December 2012
<i>Ore Reserves Estimate</i>	The calculation of the Flying Fox Underground Ore Reserves has been carried out by Marco Orunesu Preiata (WSA Planning Geotechnical Manager), Shannon Peet (WSA Mining Manager), Wyn Jones (WSA General Manager Operations).
<i>Study Status</i>	Life-of-Mine (LOM) design and schedule
<i>Cut-off Parameters & assumptions</i>	An overall cut off of 1.5% Ni was used with a minimum mining width of 2.8m for narrow vein stoping and 3.5m for conventional longhole stoping
<i>Mining Factors or assumptions</i>	<p>The conceptual mine design was based on the AVOCA method with a small portion of room and pillar. Unplanned factors for stoping are 98% mining recovery for narrow vein and longhole stoping, 70% mining recovery for sill pillars and 1% pillar loss factor for unplanned pillars.</p> <p>Unplanned dilution; 0.5m hangingwall and 0.25m footwall.</p> <p>No dilution factors and 100% mine recovery have been applied to all development.</p> <p>15 to 19m level spacing (floor to floor) has been used for conventional long hole stoping and 9m level spacing for narrow vein mining.</p> <p>Dilution at nil % Ni and 2,8 t/m³</p>
<i>Classification</i>	Both Indicated and Inferred ore categories have been used to produce this LOM design. Only Indicated Resource has been converted to Probable Ore Reserve. In the Life of Mine schedule the ratio between Indicated and total of Indicated plus Inferred Ore Categories (nickel tonnes) is 99% for WSA (T4+T5) and 89% LL (T4+T5)



A longitudinal section of the Flying Fox deposit showing the current Mineral Resource Estimate summary is shown in Figure1.

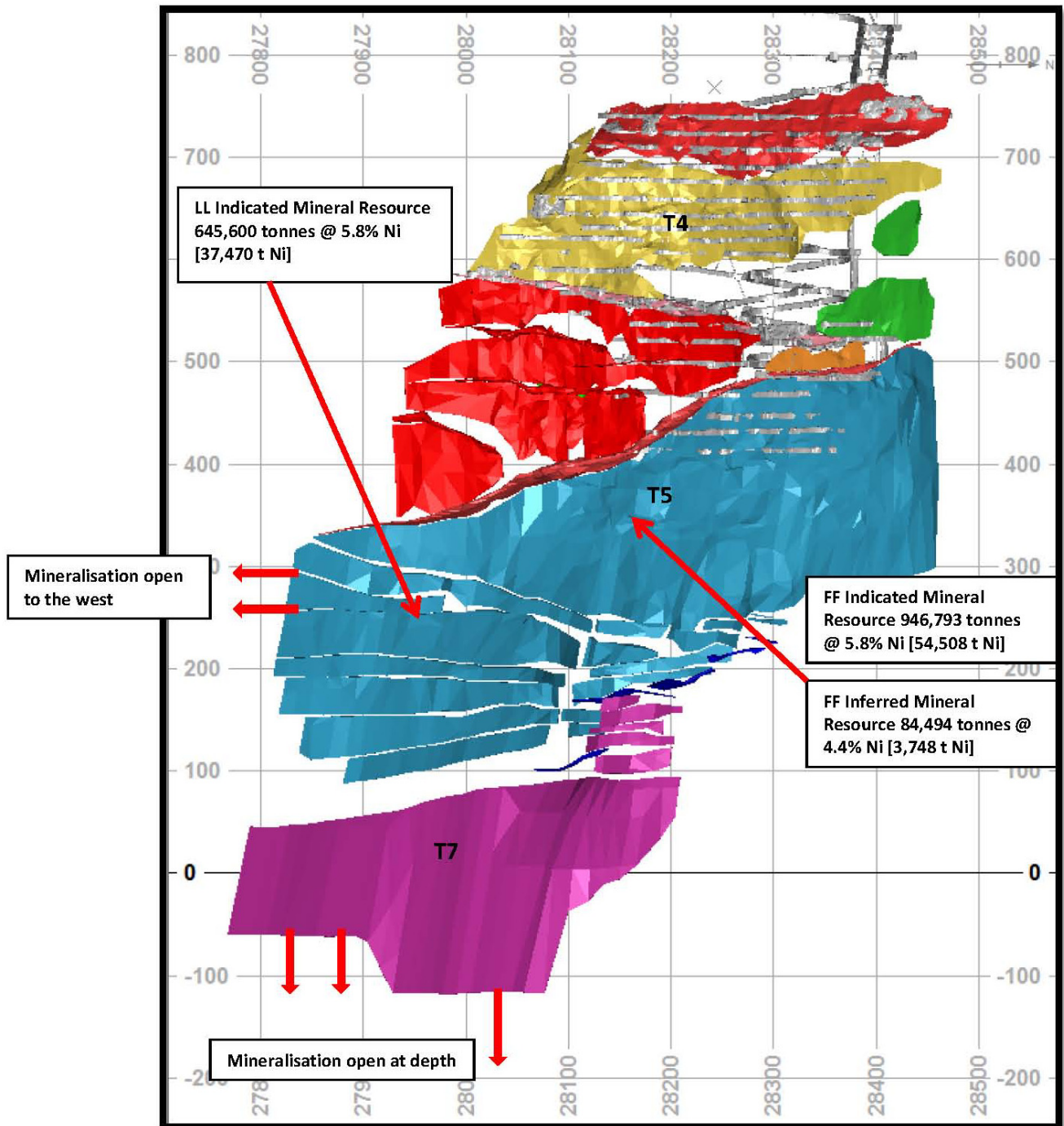
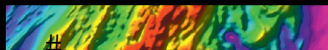


Figure 1: Longitudinal Section of the Flying Fox deposit (Looking West)



Spotted Quoll

The surface diamond drilling program (targeting inferred resource areas) was completed during the quarter and an updated Mineral Resource estimate is planned once all the assay results are received at the end of January 2013. The drilling results received thus far have confirmed the robustness of the deposit. A number of significant assay results were received during the quarter including those summarised in Table 3.

BHID	Interval (m)	Ni %	From (m)
WBD197	1.50	2.2	611.60
WBD189	3.80	6.4	617.60
WBD199	0.71	5.4	595.23
WBD188	2.87	7.1	609.89
WBD195	3.52	5.6	613.28
WBD194	3.43	6.3	620.20

Table 3: A summary of significant intersections for the Spotted Quoll deposit

An independent structural study of the Spotted Quoll deposit was completed during the quarter which has enhanced the company's understanding of the deposit. A 3D view of the Spotted Quoll deposit and mine design is shown in Figure 2.

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An updated Mineral Resource / Reserve table for the Forrestania area is shown at the back of this report.

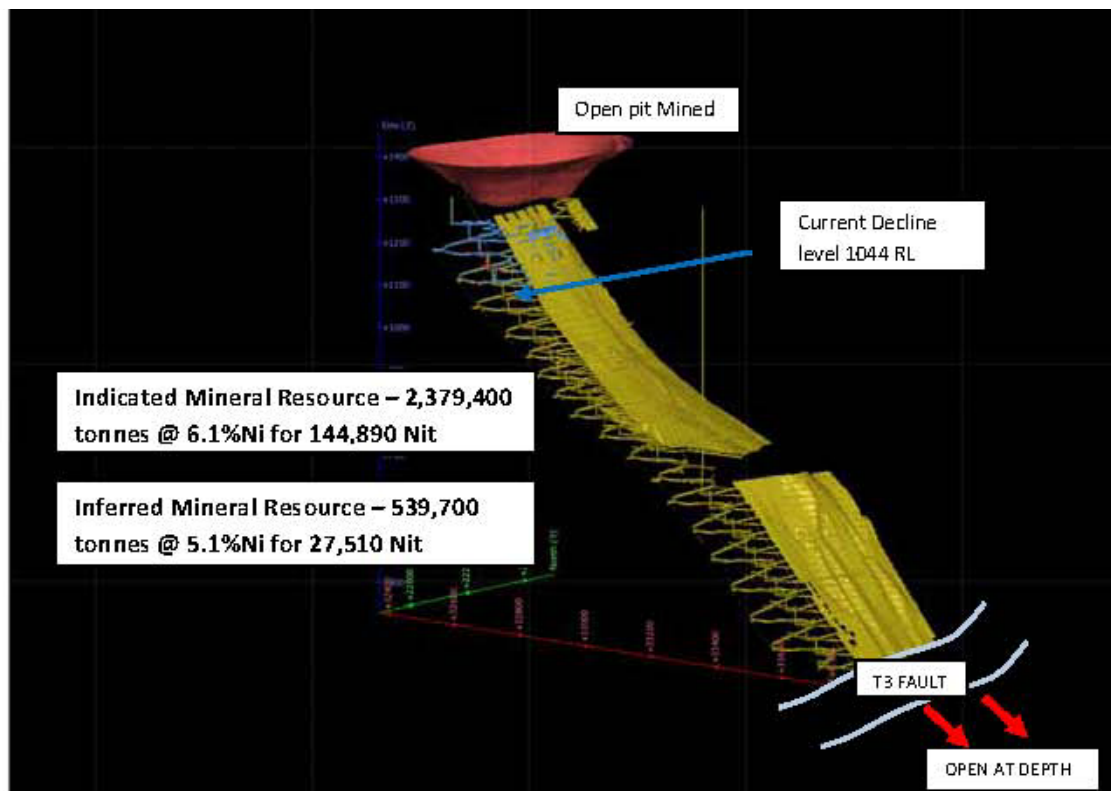
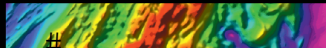


Figure 2: 3D View of Spotted Quoll deposit and planned development (Looking North)



6. BIOHEAP

During the December Q, test work continued on a third party ore samples to determine their amenability to bacterial leaching. One of the third party test work programs has been expanded into a major project that will see the work continuing into 2013.

Test work on a process stream from the Cosmic Boy Concentrator has been completed and is waiting on final assays, due in the March Q. This work has the possibility of expanding the technology for use in existing process concentrators.

As a result of the marketing efforts to date, proposals were prepared for a number of other third parties during the quarter to investigate bacterial amenability of a range of ores. A number of approaches were also made to BioHeap by engineering firms seeking to better understand the BioHeap technology for consideration in process selection for various engineering studies.

The research program that started in the previous quarter has continued. The program is enabling a better understanding of the microbial properties of some of the BioHeap cultures that operate at extreme condition. The research work will strengthen BioHeap's current intellectual property portfolio and expand the application of the technology.

7. FORRESTANIA EXPLORATION

Exploration drilling during the December Q included evaluating potential extensions to the Sunrise and New Morning deposits, as well as drilling a number of targets including Boojum, Crazy Chameleon, Hatters Hill Central and T15 prospects, (Figure 5).

Sunrise

Further drilling was undertaken to define the mineralisation discovered at Sunrise, 300m south east of the high grade New Morning deposit, (Figure 3).

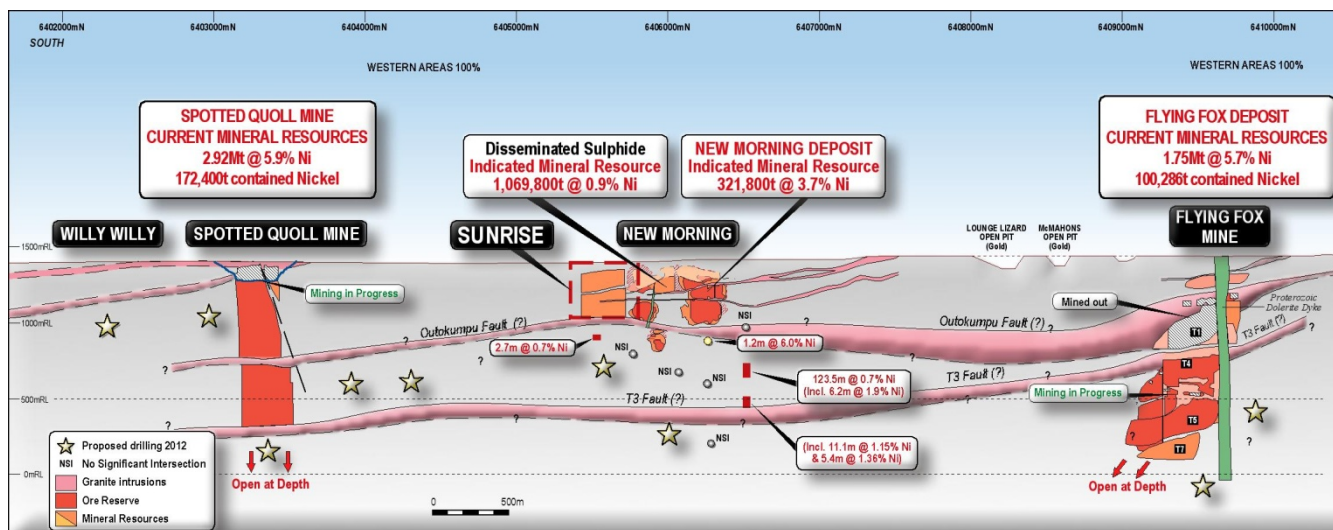


Figure 3: Interpreted Long Projection of the Western Belt footwall contact extending 6km from Spotted Quoll to Flying Fox

Fifteen diamond core holes were drilled during the quarter at Sunrise, testing the upper and southern portions of the mineralisation as well as infilling between previously drilled sections (Figure 4). This also included the higher grade core to the mineralisation. Assay results have been returned from the two stronger mineralised holes drilled previously on traverse 6405713N, with NMD160 returning 7.2m @ 1.4% Ni (including 2.4m @ 2.8% Ni) from 266.5m and NMD162 returning 9m @ 2.4% Ni (including 3.9m @ 4.11% Ni) from 187.1m. Other assay results are presented in Figure 4.

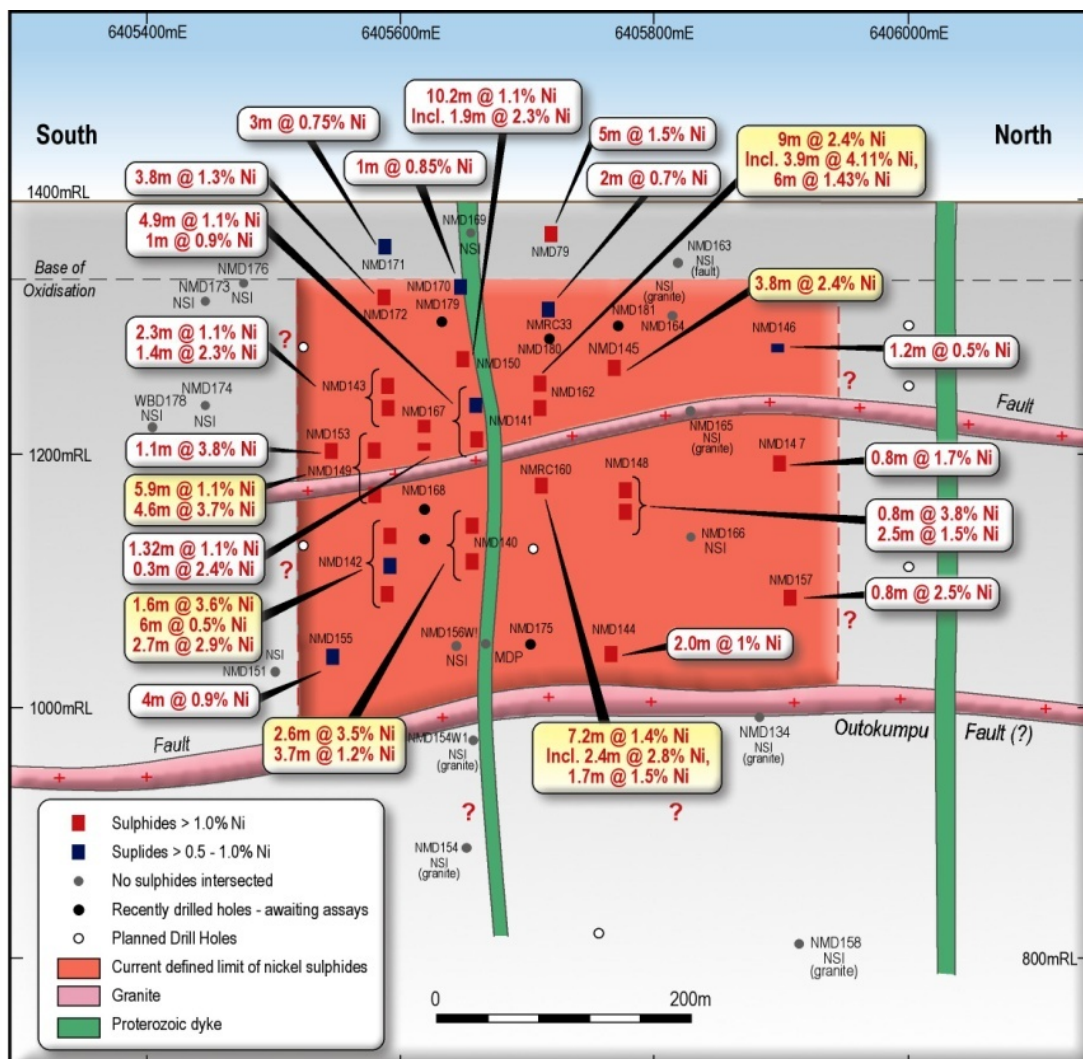


Figure 4: Interpreted Long Section of Sunrise mineralisation showing drilling at Sunrise

All the drilling during the quarter tested the Sunrise mineralisation above the Outokumpu Fault. Infill drilling within the higher grade core to the mineralisation, some 200m by 180m centered on 6405640N, showed that there are structural complexities to this zone, though it is still mineralised (assays are still awaited for one of the holes).

Drilling to test the upper extensions of the mineralisation shows the mineralisation does extend towards the surface, albeit of a weaker tenor, although this is complicated by the presence of a Proterozoic dyke where drilled on 6405640N.

Once all assay results are received a resource estimate will be undertaken during the March Q. Further testing of the character and continuity of the mineralisation, including testing the shallower near surface and deeper (below the Outokumpu Fault) portions of the mineralisation will be planned after this assessment.

As a consequence of the discovery of the Sunrise mineralisation in the hanging wall stratigraphy a systematic review of this horizon within the approximately 25km long strike length of the Western Ultramafic Belt has commenced. Early indications are this horizon has received very little exploration in the past although a number of intercepts have occurred whilst deeper drilling was conducted at Flying Fox and Spotted Quoll.

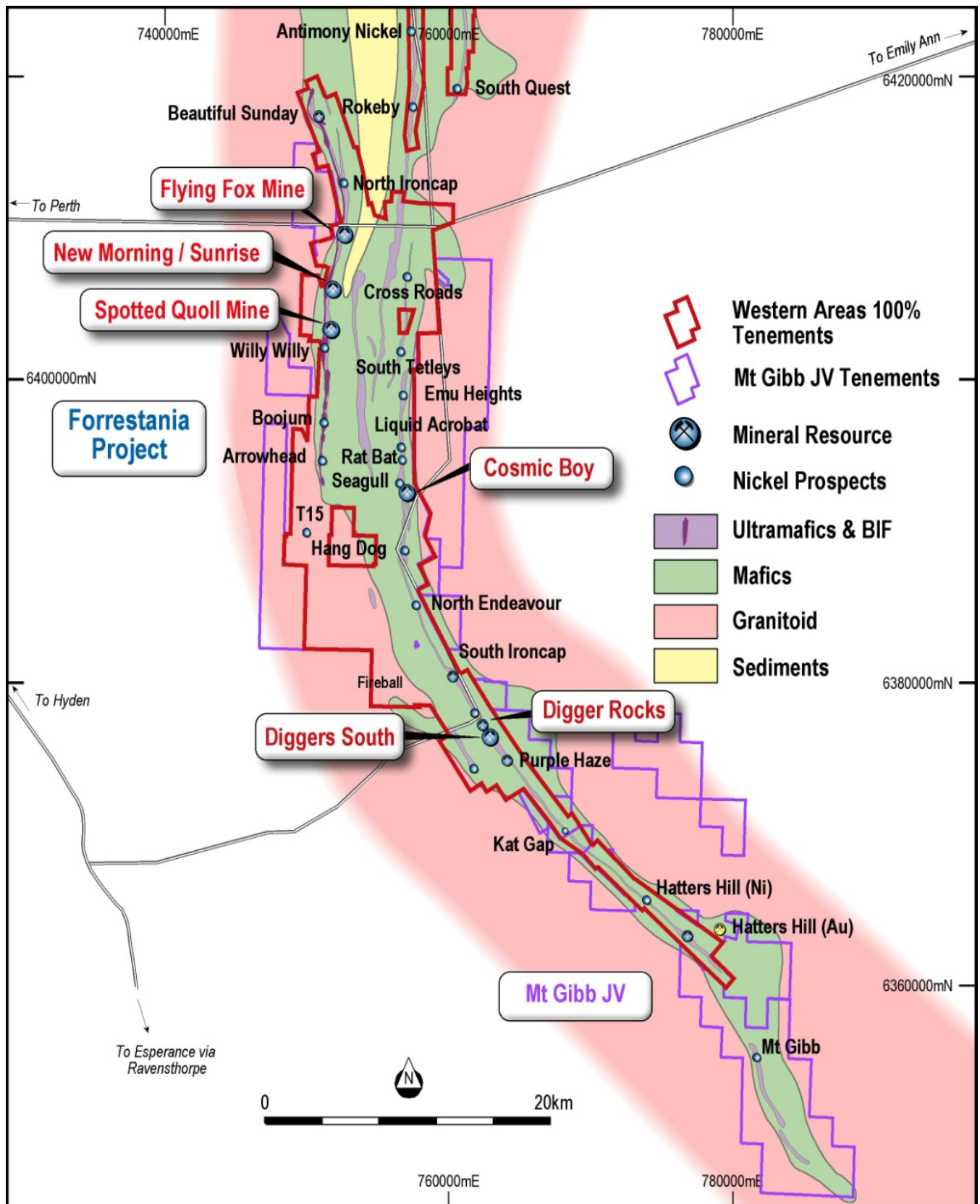
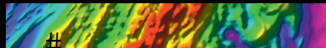


Figure 5: Plan showing Forrestania tenements; mines and key prospects



New Morning

An assessment of the potential for further high grade mineralisation within the New Morning system highlighted the untested area below the T3 fault (akin to the position of the T5 ore body at Flying Fox). Testing for extensions of the New Morning mineralisation below the T3 fault commenced during the December Q (Figure 3). The first hole NMD161W1 intersected the mineralised contact (albeit weak) at 1320m, much further west than anticipated.

Following a review of the results of NMD 161 (and W1), particularly in light of the fact of hitting the contact (T5 panel) much further west than anticipated, a hole is being drilled some 200m to the south, which is planned to intersect the interpreted southerly plunge of the New Morning mineralisation, corresponding to an interpreted embayment in the footwall.

Two holes (NMD152 and NMD159) drilled previously in the upper portion of the New Morning mineralisation both intersected strongly oxidized sulphides within the mineralised interval. NMD152 returned 1.42m @ 1.5% Ni and NMD159 intersected 5.45m @ 1.9% Ni from 46.6m, 13.86m @ 1.0% Ni from 84.9m and 3.65m @ 1.7% Ni from 104.9m including 2.12m @ 2.6% Ni from 105.1m.

Other Forrestania Projects

As part of an ongoing prospectivity review and assessment of the Western Ultramafic Belt (WUB), which contains the Flying Fox, New Morning and Spotted Quoll deposits, a number of drill targets were generated and drill testing of these commenced during the December Q. These targets include the Spotted Quoll South, C2, Boojum, Arrowhead and Arrowhead South targets, with one of the targets, Boojum, completed to date (BD052 for 330.7m). Testing of these targets will continue through the March Q.

Exploration activities, including drilling, were also undertaken at a number of prospects outside the WUB in the Forrestania area, including at Crazy Chameleon (7.5km south south west of Cosmic Boy), Hatters Central on the Mt Gibb Joint Venture (38km south east of Cosmic Boy) and T15 (7km west of Cosmic Boy).

March Q exploration drilling is proposed to continue at New Morning and Sunrise, WUB targets, Beautiful Sunday, Lounge Lizard, Purple Haze and Mt Gibb.

8. AUSTRALIAN REGIONAL EXPLORATION

Western Areas' extensive regional nickel interests in Western Australia include joint venture projects which extend over 500km in the central part of the Yilgarn Craton. These projects host several significant nickel sulphide discoveries outside Forrestania.

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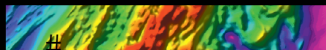
Southern Cross Goldfields Nickel Joint Venture (WSA 70% interest)

Exploration activities within the Southern Cross Goldfields Nickel Joint Venture during the December Q included target generation and program planning within the Southern Cross and Marda areas.

The target generation activities continued to focus on the northern leases of the JV, and included further interpretation of the existing datasets. JV partner (with 30% of the nickel rights), Southern Cross Goldfields Ltd, recently performed a series of large scale auger surveys in the Marda and Evanston areas. While the surveys were primarily targeting gold mineralisation, the samples were also assayed for nickel and copper providing WSA with additional geochemical datasets as it works towards identifying the focus areas for nickel exploration during 2013.

Field activities began during the December Q in the Lady Agnes area north of Bullfinch. Further geochemical testing is planned along the interpreted basal contact of a large, high MgO, cumulate ultramafic where anomalous coincident nickel (up to 1%) and copper (275ppm) were returned from previous rock chip sampling.

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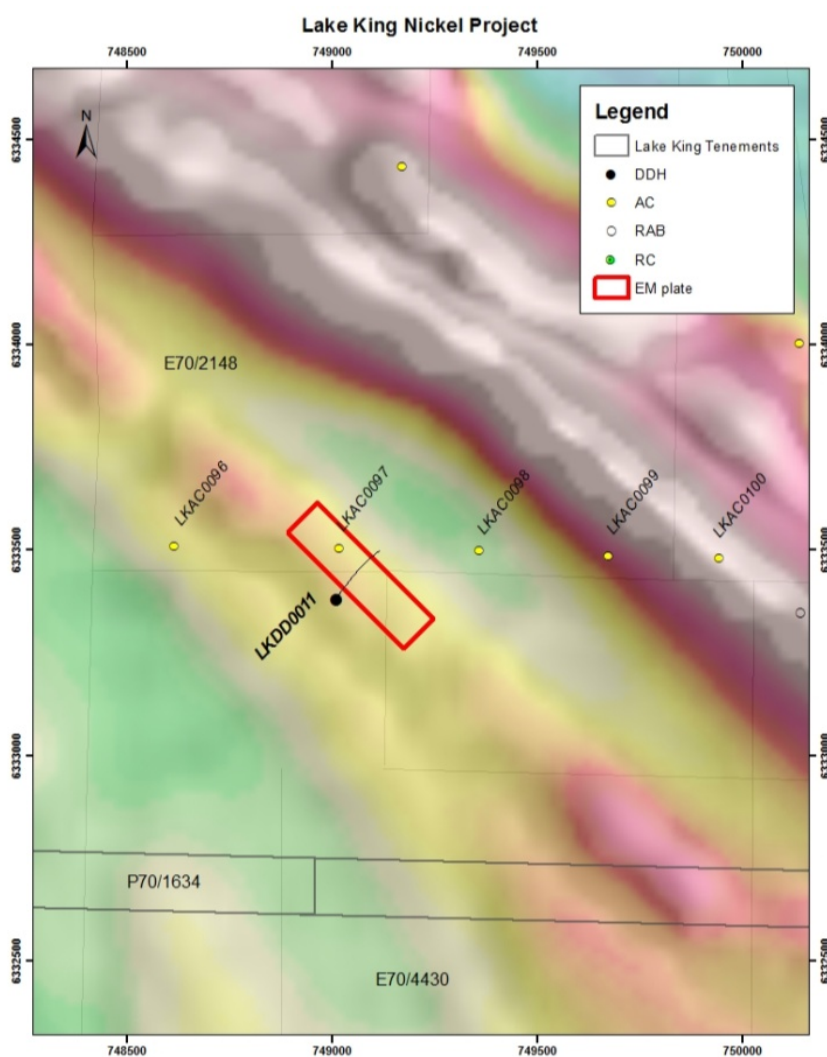
Lake King Nickel Joint Venture (WSA 75% interest)

Exploration continued on the Lake King project during the December Q, focusing on a potential new nickel sulphide prospect. Work included surface moving loop electro-magnetics (MLEM) and diamond drilling.

A MLEM survey was completed in and around the magnetic trend associated with the previously reported drill-hole LKAC097 (3m @ 0.87% Ni, 267ppm Cu and 28ppb PGEs from 32m with 2m @ 1.9% Ni, 841ppm Cu (NITON portable XRF)). A discrete relatively short strike length (modelled dimensions of 300m x 300m) EM conductor was located below drill hole LKAC097.

Drilling (LKDD011) was recently completed to test the modelled conductor but failed to intersect any conductive rocks that may explain the EM anomaly. However, the hole did encounter large volumes of high MgO cumulate ultramafic rocks. The drill hole will be surveyed with down-hole geophysics (DHEM) to help refine and constrain the EM modelling and to allow follow-up drilling early in the March Q.

The confirmation of high MgO cumulate ultramafics in the southern part of the tenure (approx 17km south-east of the known mineralisation at Nickel Hill) increases the prospectivity of this area as there has been no other previous exploration.



Drilling and modelled MLEM conductor overlaying magnetics (RTP)

Coordinate system GDA 1994 MGA Z50

Figure 6: Location of drill holes LKAC097 and LKDD011, overlaying high resolution airborne magnetics (TMI)



Koolyanobbing Nickel Project (WSA 100%)

An eleven hole RC drilling program (for 2,963m) was completed that successfully tested the extents of the nickel mineralisation around the known prospects and a number of MLEM anomalies in the northern part of the tenure.

As part of the latest phase of exploration two RC holes, KNRC024/25 (total of 519m) were drilled at the Pavarotti Prospect. The holes targeted the potential down dip extension and thickening of nickel sulphide mineralisation intersected in historical drilling (incl. 0.2m @ 1.75% Ni and 760ppm Cu).

KNRC025 intersected the interpreted basal contact in what appears to be an overturned sequence. No mineralisation was encountered, however a subsequent DHEM survey, identified an off-hole conductor which is coincident with the basal contact and the historical nickel sulphide mineralisation intersected. The EM anomaly extends to the south and below the current drilling and is open up to 1km along strike.

Exploration work in the next quarter will focus on testing the EM target at the Pavarotti Prospect and reviewing the Jocks Dream mineralisation in the light of the latest EM data.

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9. FINNAUST MINING Plc (WSA 83.3%)

FinnAust is exploring a number of base metal projects in south-eastern Finland. Western Areas considers this region represents a highly prospective metal province based on favourable geology, widespread past mining activity and numerous base metal occurrences. FinnAust is exploring for high grade copper and nickel/copper deposits using a combination of innovative geophysical techniques, high quality data compilation and deeper drilling in areas of previous mines.

Following a strategic review in Finland during the December Q, a decision was made to focus the 2013 drilling program on two key projects, the Outokumpu Copper Project and Hammaslahti VMS Project, 50km E of Outokumpu (Figure 7). Both have substantial past mine production, potential for significant new discoveries and well established infrastructure. FinnAust has a dominant position in both projects holding approximately 30km of the 40km long Outokumpu copper belt, plus the 45km Hammaslahti belt.

Excellent progress was made during the December Q compiling and integrating data from FinnAust's 2012 ZTEM survey with other geophysical data (EM, magnetics, gravity), drilling and geochemical data. This has provided a new interpretation of the potential of the Outokumpu and Hammaslahti projects where the last major phase of exploration was conducted in the 1980's.

Drilling for 'Outokumpu Type' deposits will be the main priority in 2013. Total past production plus current mineral resources at Outokumpu (excluding Hammaslahti) is approximately 42 million tonnes @ 3.1% Cu, 1.0% Zn, 0.2% Co and 0.1% Ni. Copper grades mined at Outokumpu over approximately 70 years are generally far higher than those at other comparable global long life copper mining camps.

Several high priority drilling targets have been identified at Outokumpu and Hammaslahti, with the first stage of the 2013 drilling program due to start in late January. The two main objectives are to:

- Test high priority conductive targets (ZTEM and EM anomalies) for base metal sulphides
- Test for potential extensions and repetitions to known copper deposits (eg Hammaslahti)

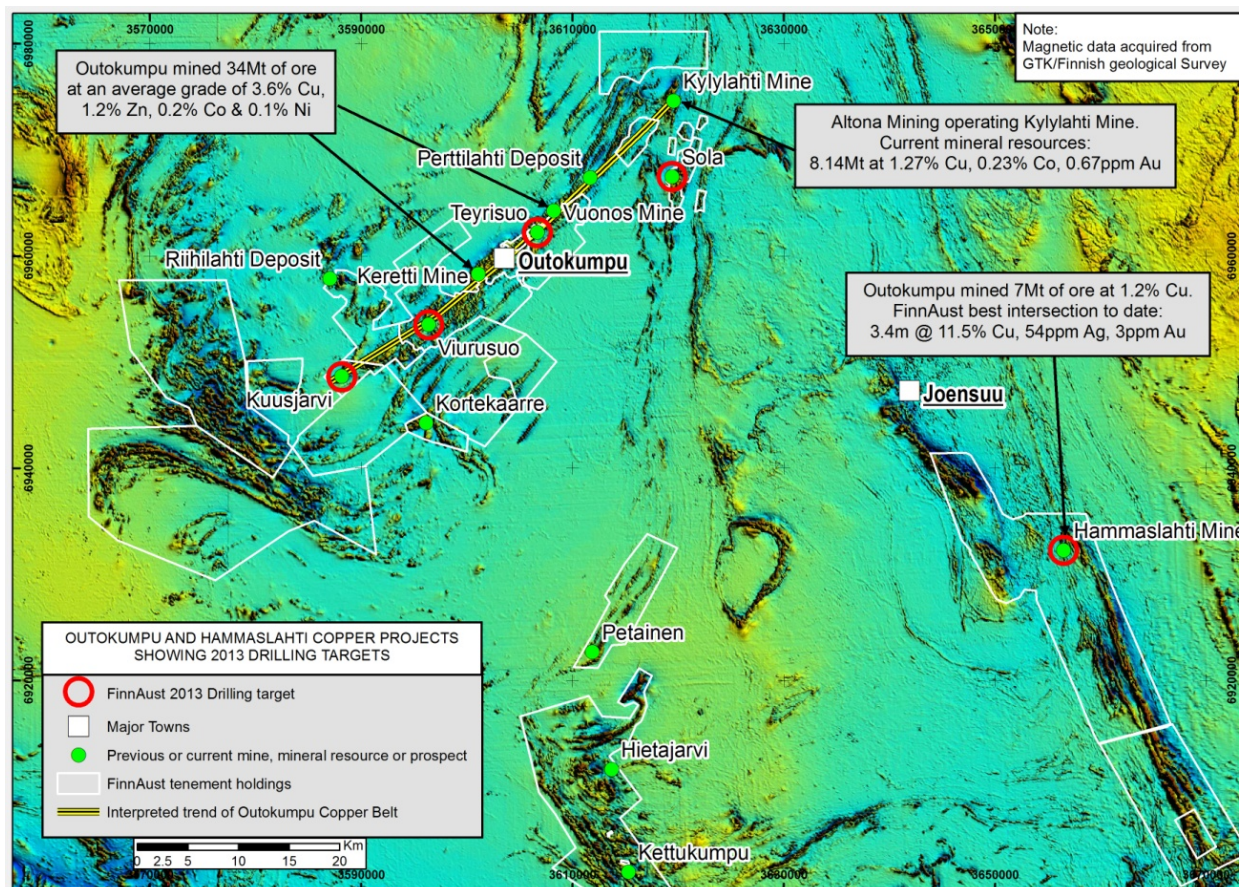
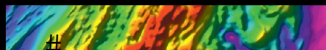


Figure 7: Magnetic image showing the Outokumpu Copper Project and Hammaslahti VMS Project

Outokumpu (FinnAust 100%)

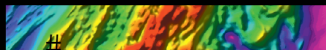
Drilling in the March Q is planned to commence at the Kuusjarvi target at the western end of the Outokumpu belt. This target is located along the interpreted keel of a syncline and is based on a strong geophysical response from magnetic, gravity, EM and ZTEM data. There is no known drilling along the ~4km long target which is covered by a shallow lake. Drill rig access is being prepared via an ice road.

The second target is at Teyrisuo in the centre of the Outokumpu belt, between the historic Keretti and Vuonos mines. These two mines produced approximately 34 million tonnes ore at an average grade of 3.6% copper with significant zinc, cobalt and nickel credits. The initial drill hole will test a strong ZTEM conductor associated with a gravity anomaly at ~500m depth, below the limit of previous drilling.

Hammaslahti (FinnAust 100%)

Depending on results from Outokumpu, drilling is expected to commence at Hammaslahti in the June Q. Drilling will follow up a high grade intersection announced in the September Q 2012 Activities Report (3.4m @ 11.5% copper, 54.4ppm silver and 3.0ppm gold from 546.1m down hole depth in DDH R303 DT7) located down plunge from the Hammaslahti mine. Drilling is also planned to test a strong ZTEM conductor interpreted to occur in a favorable structural setting 2km east of the mine.

Western Areas will fund the first stage of the 2013 drilling program and increase its interest in FinnAust to 84.1%. Preliminary discussions have also been held with a number of investment funds and companies which have shown interest in co-funding the ongoing drilling program to earn equity in FinnAust.



10. CANADIAN EXPLORATION

East Bull Lake Project - Ontario (WSA earning 65%)

During the December Q an assessment was commenced to determine the effectiveness of the exploration completed to date. This work will be used both in resolving the prospectivity of the project and establishing future work requirements. It is expected the assessment work will be completed during the March Q.

11. CORPORATE AND FINANCING

Equity Raising, Cash Balance and Working Capital

During the quarter Western Areas completed an institutional equity raising of A\$50M at \$3.80 per share which represented a 5.9% discount to the 5 day VWAP prior to the announcement. The raising was oversubscribed. At the same time, a Share Purchase Plan was announced to raise up to A\$15M also priced at \$3.80 per share and this is expected to be completed during January 2013.

The purpose of the raisings was to provide greater balance sheet flexibility to continue pursuing attractive organic growth opportunities in the nickel-rich Forrestania region. These opportunities include the potential expansion of the Cosmic Boy concentrator capacity to 750,000 tonnes per annum, further delineation of the Sunrise and New Morning deposits and additional decline development at Spotted Quoll. Proceeds from the equity raising will be ultimately used to repay the \$A45M ANZ loan facility which was utilised to assist in the acquisition of Kagara Ltd's nickel assets including the high grade Lounge Lizard deposit.

At 31 December 2012, Western Areas had total cash plus nickel sales receivables of A\$108.2M (September Q, A\$79M). This comprises unaudited A\$85.5M in cash (September Q, A\$50M) and nickel sales receivables valued at A\$22.7M (subject to nickel sales price revaluations).

Major items impacting the cash balance this quarter outside of normal operations were:

- Equity placement inflow - A\$50M (before costs)
- Payout of the second and final instalment of the Outokumpu Royalty - US\$15M
- Payment of income tax in the Company's history - A\$6.6M
- Payment of the FY2012 final dividend of 6 cents per share – A\$10.8M

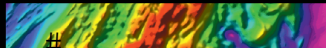
Total stockpiles contained 8,074t of nickel (September Q 8,625t nickel) at a historical cost of A\$38.7M.

Debt Facilities

The Company announced on 4 December 2012 that it had refreshed the previous amortising loan facility with ANZ Bank. Western Areas now has a committed, fixed capacity of A\$65M which will be fully available for drawdown by the Company for corporate purposes. At 31 December, this facility remains drawn to A\$45M which will be repaid during the March Q using the proceeds from the equity raising.

The new facility is considered as an intermediate step that expires in March 2014. ANZ Bank and Western Areas have commenced negotiating on a larger, longer dated facility that is expected to extend beyond the maturity of the July 2014 convertible bond of A\$110.2M and is expected to eliminate any refinancing risk associated with that bond.

A similar strategy with ANZ Bank was put in place for the expiry of the July 2012 (A\$105.5M) bonds. Ultimately the Company was able to repay the July 2012 bonds out of generated free cashflow and this also remains a very real option for the July 2014 bonds. However, having these arrangements in place with ANZ will provide Western Areas with balance sheet flexibility and committed debt cover.



Hedging

The Company manages nickel price risk with a combination of short term quotation period (QP) hedging and a set limit of medium term nickel hedging. The policy allows the use of forward sales, bought options and collar style options.

- QP hedging is used to manage the risk of price fluctuations for nickel already shipped to offtake partners that is yet to have its nickel price finalised.
- Medium term hedging is used to manage the risk of nickel price fluctuations with a maximum 25% of expected nickel sales per month hedged out for a maximum of 12 months.

At quarter's end the hedge book consisted of US\$ zero cost collars with an average call price of US\$1.0073 with participation down to US\$0.9032 and QP nickel hedging using flat forwards at an average price of US\$8.10/lb.

Details of hedges as at 31 December 2012 are as follows:

Hedging Details	Fiscal 2013
FX Hedging - Collar Style Options	
FX US\$ Sold	20,000,000
US\$ Price Call	1.0073
US\$ Price Put	0.9031
Nickel Hedging Forward Sales	
Ni Tonnes Sold	300
US\$ Price / Tonne	17,850

The Company continues to monitor the nickel price for opportunities to secure suitable floor pricing for nickel sales. The hedging contracts listed above are not subject to margin calls.

Convertible Bonds

As at 31 December the Company had 2 tranches of convertible bonds with longer term staggered maturities as follows:

- July 2014 Convertible Bond - A\$110.2M with a 6.4% coupon (convert strike price of A\$7.47)
- July 2015 Convertible Bond - A\$125.0M with a 6.4% coupon (convert strike price of A\$6.41)

Western Areas' Convertible Bonds are quoted on the Singapore Stock Exchange.

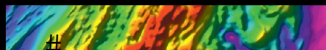
As discussed, ANZ Bank and Western Areas have commenced working on a large, long dated facility that is expected to extend beyond the maturity of the July 2014 convertible bond of A\$110.2M and is expected to eliminate any refinancing risk associated with those bonds.

-ENDS-

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QA-QC STATEMENT:

Mr Adrian Black from geological consultants Newexco Services Pty Ltd ("Newexco") and Mr Charles Wilkinson from Western Areas are responsible for the verification and quality assurance of the Company's exploration data and analytical results from the Forrestania Nickel Project. Surface diamond drill hole collar surveys used differential GPS, downhole surveys employed a north seeking gyroscopic instrument together with a comprehensive density database; high assay confidence with systematic QA/QC procedures; and validated database. Samples of quarter core from the drill holes described in this release are prepared and analysed by ALS Chemex Ltd laboratory in Perth for nickel, copper, cobalt and other elements. Core samples are crushed and pulverised to 90% passing 75 microns then analysed for nickel by ore grade determination using the ALS OG-62 method. Assays standards are routinely inserted in the sample stream by Newexco for quality control.

The information within this report as it relates to mineral resources, ore reserves and mine development activities is based on information compiled by Mr John Haywood, Mr Andre Wulfse and Mr Dan Lougher of Western Areas Ltd. Mr Haywood, Mr Wulfse and Mr Lougher are members of AusIMM and are full time employees of the Company. Mr Haywood, Mr Wulfse and Mr Lougher have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as Competent Persons as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.' Mr Haywood, Mr Wulfse and Mr Lougher consent to the inclusion in the report of the matters based on the information in the form and context in which it appears.

FORWARD LOOKING STATEMENT:

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

Examples of forward looking statements used in this report include "Flying Fox produced 4,380 nickel tonnes in ore. Both mines are now well positioned to exceed their combined year-end target of 26,000 tonnes of nickel in ore.", and "ANZ Bank and Western Areas have commenced negotiating on a larger, longer dated facility that is expected to extend beyond the maturity of the July 2014 convertible bond of A\$110.2M and is expected to eliminate any refinancing risk associated with that bond", and "The confirmation of high MgO cumulate ultramafics in the southern part of the tenure (approx 17km south-east of the known mineralisation at Nickel Hill) increases the prospectivity of this area as there has been no other previous exploration".

This announcement does not include reference to all available information on the Company or the Forrestania Nickel Project or the Regional Nickel Projects of FinnAust Mining Plc and should not be used in isolation as a basis to invest in Western Areas. Potential investors should refer to Western Areas' other public releases and statutory reports and consult their professional advisers before considering investing in the Company.

For Purposes of Clause 3.4 (e) in Canadian instrument 43-101, the Company warrants that Mineral Resources which are not Mineral Reserves do not have demonstrated economic viability.

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Western Areas NL Ore Reserve / Mineral Resource Table - 31st December 2012

Deposit	Tonnes	Grade Ni%	Ni Tns	JORC Classification
Ore Reserves				
1. Flying Fox Area	1,785,800	4.0	72,200	Probable Ore Reserve
2. Spotted Quoll	2,994,256	4.2	126,135	Probable Ore Reserve
3. Diggers Area				
Digger South	2,016,000	1.4	28,950	Probable Ore Reserve
Digger Rocks	93,000	2.0	1,850	Probable Ore Reserve
TOTAL WESTERN AREAS ORE RESERVES	6,889,056	3.3	229,135	Probable Ore Reserve
Mineral Resources				
1. Flying Fox Area				
T1 South	65,600	3.9	2,580	Indicated Mineral Resource
	35,200	4.9	1,720	Inferred Mineral Resource
T1 North	45,400	4.2	1,900	Indicated Mineral Resource
	12,700	4.8	610	Inferred Mineral Resource
T4 FF	161,500	5.1	8,200	Indicated Mineral Resource
	14,680	3.9	580	Inferred Mineral Resource
T5 FF Massive Zone	613,700	6.3	38,560	Indicated Mineral Resource
	12,400	4.3	540	Inferred Mineral Resource
LL Massive Zone	645,600	5.8	37,470	Indicated Mineral Resource
	82,100	5.6	4,560	Inferred Mineral Resource
T7 FF	60,593	5.4	3,268	Indicated Mineral Resource
	9,514	3.1	298	Inferred Mineral Resource
Total High Grade FF- LL	1,758,987	5.7	100,286	
T5 FF Disseminated Zone	197,200	0.9	1,590	Indicated Mineral Resource
	357,800	1.0	3,460	Inferred Mineral Resource
T5 LL Disseminated Zone	4,428,000	0.8	36,000	Indicated Mineral Resource
Total Disseminated FF - LL	4,983,000	0.8	41,050	
Total Flying Fox - Lounge Lizard	6,741,987	2.1	141,336	
New Morning / Daybreak				
Massive Zone	321,800	3.7	12,010	Indicated Mineral Resource
	93,100	3.5	3,260	Inferred Mineral Resource
Disseminated Zone	1,069,800	0.9	9,650	Indicated Mineral Resource
	659,200	0.9	5,780	Inferred Mineral Resource
Total New Morning / Daybreak	2,143,900	1.4	30,700	
Spotted Quoll	2,379,400	6.1	144,890	Indicated Mineral Resource
	539,700	5.1	27,510	Inferred Mineral Resource
Total Spotted Quoll	2,919,100	5.9	172,400	
Beautiful Sunday	480,000	1.4	6,720	Indicated Mineral Resource
TOTAL WESTERN BELT	12,284,987	2.9	351,156	
2. Cosmic Boy Area				
Cosmic Boy	180,900	2.8	5,050	Indicated Mineral Resource
Seagull	195,000	2.0	3,900	Indicated Mineral Resource
TOTAL COSMIC BOY AREA	375,900	2.4	8,950	
3. Diggers Area				
Diggers South - Core	3,000,000	1.5	44,700	Indicated Mineral Resource
Diggers South - Halo	4,800,000	0.7	35,600	Indicated Mineral Resource
Digger Rocks - Core	54,900	3.7	2,030	Indicated Mineral Resource
Digger Rocks - Core	172,300	1.1	1,850	Inferred Mineral Resource
Digger Rocks - Halo	1,441,000	0.7	10,350	Inferred Mineral Resource
Purple Haze	560,000	0.9	5,040	Indicated Mineral Resource
TOTAL DIGGERS AREA	10,028,200	1.0	99,570	
TOTAL WESTERN AREAS RESOURCES	22,689,087	2.0	459,676	