



January 5, 2012

ASX &amp; TSX: WSA

## News Release

## SIGNIFICANT INCREASE IN THE MINERAL RESOURCE AT SPOTTED QUOLL INCLUDING INITIAL ESTIMATE FOR STAGE 2

The Board of Western Areas is pleased to announce an update of the Mineral Resource at Spotted Quoll, including the first resource estimate for the Stage 2 area (figure 1). The revised Mineral Resource for Spotted Quoll now comprises a total **3,055,000 tonnes at an average grade of 5.9% nickel for 179,000 tonnes contained nickel**.

This represents an **increase of 78% in reported contained nickel metal** compared to the figures last reported in the September 2011 Quarterly Report.

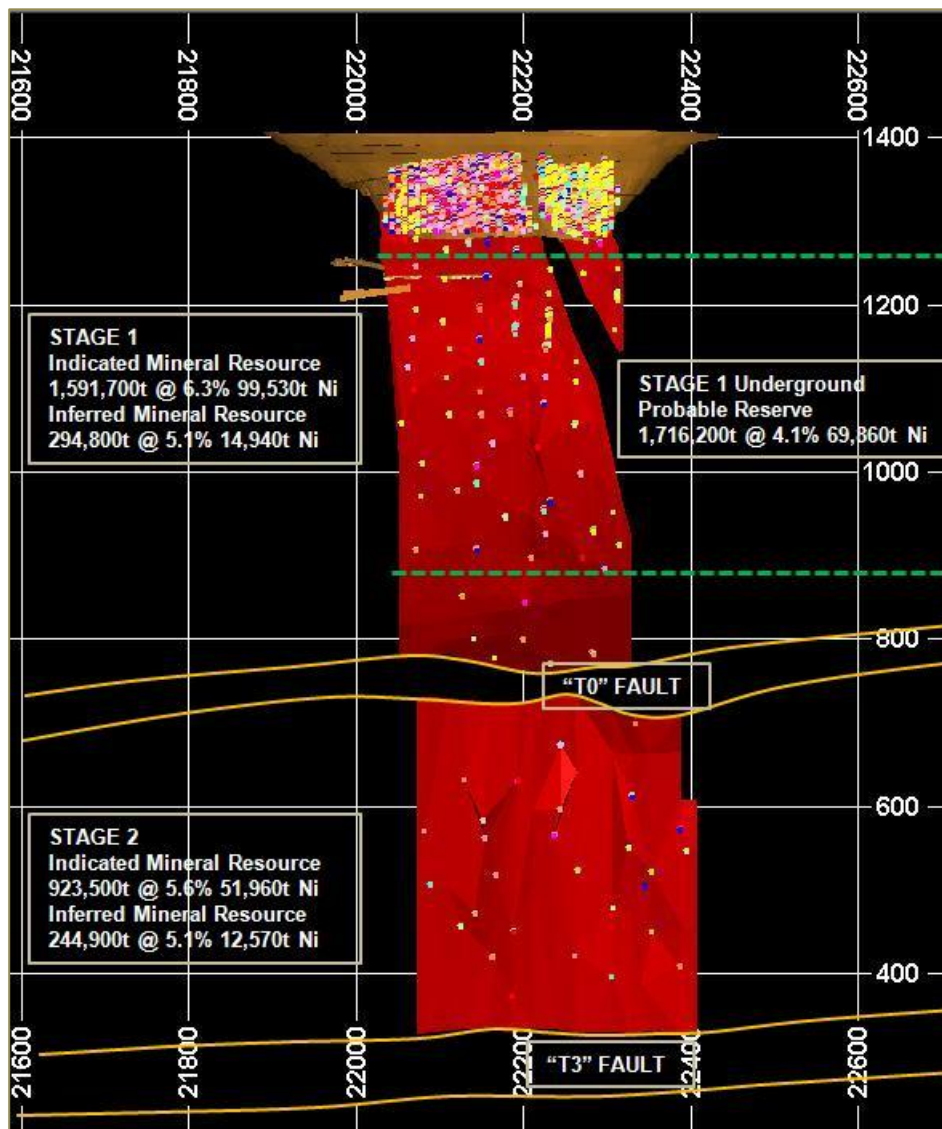


Figure 1: Long Projection Spotted Quoll showing revised Mineral Resource

Surface diamond drilling completed during the past 24 months has defined a substantial Mineral Resource for the Stage 2 target area (between 630 and 1050 metres below surface);

with an Indicated Mineral Resource of 923,500 tonnes at 5.6% Ni for 51,960 tonnes contained nickel, and an Inferred Mineral Resource of 244,900 tonnes @ 5.1% Ni for 12,570 tonnes contained nickel. This has exceeded the initial target for this area of 40,000-60,000 tonnes contained nickel.

In addition, drilling has also further defined the Stage 1 underground area; with increased contained nickel defined.

Operations Director Mr Dan Lougher said “This resource upgrade clearly demonstrates the world class nature of the Spotted Quoll deposit and positions the recently commenced Spotted Quoll underground mine for a substantial increase in mine life.”

Mr Lougher added, “Further work will now be conducted to convert this resource into a Probable Reserve. This will include optimisation of the production schedule with the aim of increasing the annual nickel output from the mine. This could also potentially lead to a mill upgrade.”

### Mineral Resource Estimate

The previous mineral resource estimate for Spotted Quoll was released in January 2009. It comprised a total of 2,021,600 tonnes at an average grade of 6.2% nickel for 125,460 tonnes contained nickel.

The revised mineral resource estimate for Spotted Quoll comprises a total of 3,054,900 tonnes at an average grade of 5.9% nickel containing 179,000 tonnes nickel (Table 1). 85% is in the Indicated Mineral Resource category. Further drilling is ongoing within the Inferred Mineral Resource areas.

<i>Table 1: Mineral Resource Statement 31 December 2011</i>									
<i>Spotted Quoll Deposit above lower cut-off of 0% Ni</i>									
	Measured			Indicated			Inferred		
	Tonnes	Ni (%)	Ni (t)	Tonnes	Ni (%)	Ni (t)	Tonnes	Ni (%)	Ni (t)
<b>STAGE 1</b>	-	-	-	1,591,700	6.3	99,530	294,800	5.1	14,940
<b>STAGE 2</b>	-	-	-	923,500	5.6	51,960	244,900	5.1	12,570
<b>TOTAL</b>	-	-	-	<b>2,515,200</b>	<b>6.0</b>	<b>151,490</b>	<b>539,700</b>	<b>5.1</b>	<b>27,510</b>

**Mineral Resource Parameters:** The Mineral Resource estimate was completed by Mr John Haywood who is a member of AusIMM and a full-time employee of Western Areas NL. Matrix to disseminated sulphide mineralisation was modelled as 3D solids, and a block model was created using “Datamine Studio” software, filling the solids with cells and sub-cells; with Ni estimated by Ordinary Kriging. A lower cut-off was not applied to reported tonnage and grade due to very small percentage of material below 2% Ni. The mineralisation at Spotted Quoll exhibits good continuity of grade and width within defined Domains.

Item	Details	Comments
Cells Size	25m (X) by 20m (Y) by 10m (Z)	Sub-celled to match solids
Interpolation Method	Ordinary Kriging	Validated by ID2 estimate
Search Radii	Variable by domain	Nominal 80m by 80m by 40m Variable by Domain
Nominal Drill hole spacing	7.5m by 7.5m varying to 80m by 80m Majority <=40m x 40m	Open pit mining near completion and showed positive reconciliation. Initial underground ore development commenced.

Diamond drillhole collar surveys used differential GPS; downhole surveys used a gyroscopic instrument or Deviflex tool; a comprehensive density database was utilised; there is high assay confidence with systematic QA/QC procedures; a validated acQuire database. An alternate inverse distance squared estimate was made to validate the ordinary kriged resource. A validation of drillholes against block model grades was made. Open pit development has taken place validating the mineralisation interpretations, with ore processing validating mineralisation grades.

-ENDS-

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**DISCLAIMER AND QA-QC STATEMENT:**

Mr Adrian Black from geological consultants Newexco Services Pty Ltd (“Newexco”) and Mr John Haywood of Western Areas are responsible for the verification and quality assurance of the Company’s exploration data and analytical results from the Forrestania Nickel Project in respect of the Spotted Quoll Deposit. Diamond drill hole collar surveys used differential GPS, downhole surveys employed a north seeking gyroscopic instrument, Maxibor or Deviflex tool; 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 and blanks are routinely inserted in the sample stream for quality control, and 10% of samples are also submitted to an Umpire Laboratory for checks.

The information within this report as it relates to mineral resources and mine development activities is based on information compiled by Mr John Haywood and Mr Julian Hanna of Western Areas NL. Mr Haywood and Mr Hanna are members of AusIMM and are full time employees of the Company. Mr Haywood and Mr Hanna 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 and Mr Hanna 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. These include: “This resource upgrade clearly demonstrates the world class nature of the Spotted Quoll deposit and positions the recently commenced Spotted Quoll underground mine for a substantial increase in mine life” and “This will include optimisation of the production schedule with the aim of increasing the annual nickel output from the mine. This could also potentially lead to a mill upgrade.”

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.

This announcement does not include reference to all available information on the Company or the Forrestania Nickel Project and should not be used in isolation as a basis to invest in Western Areas. Any potential investors should refer to Western Area’s 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.