



20th August 2012

ASX & TSX: WSA

News Release

WESTERN AREAS RECORDS SOLID PROFITS AND DECLARES FINAL DIVIDEND

Highlights:

- ✓ EBITDA of A\$186.6m for the financial year ending 30 June 2012 (FY12);
- ✓ Net Profit After Tax (NPAT) of A\$40.2m for FY12, from revenues of A\$330.7m;
- ✓ Cashflow from operations of A\$159.3m;
- ✓ Partially franked final dividend of 6c per share, taking the annual dividend to 11c per share;
- ✓ Excellent unit cash costs of A\$2.43/lb (nickel in concentrate), retaining the company's standing in the lowest quartile of global nickel production costs;
- ✓ Mine production of 31,102t of nickel in ore;
- ✓ Purchase of Kagara Limited (KZL) nickel assets including the high grade Lounge Lizard deposit;
- ✓ Substantial increase in reserves at Spotted Quoll to 131kt of nickel; and
- ✓ Discovery of the new Sunrise Deposit between Flying Fox & Spotted Quoll.

The Board of Western Areas is pleased to announce net profit after tax (NPAT) of \$40.2m for FY12 which includes a \$3.6m one-off acquisition cost (mainly WA stamp duty on the purchase of KZL nickel assets). The largest impact on profitability for the year was the weakness in the realised nickel price from an average US\$11.38/lb for FY11 to US\$8.06/lb in FY12, accompanied by continued strength in the Australian dollar.

Key Metrics

Full Year Highlights (\$'000)	FY 2011	FY 2012
Mine Production (tonnes Ni)	32,222	31,102
Mill Production (tonnes Ni)	25,663	25,641
Recovery	91%	92%
Sales Volume (tonnes Ni)	27,498	26,637
Cash Costs (US\$/lb)	2.11	2.50
Cash Costs (A\$/lb)	2.12	2.43
Exchange Rate USD/ AUD	0.99	1.03
Nickel Price (US\$/tn)	25,089	17,791
EBITDA ('000)	312,018	186,583
EBIT ('000)	231,991	94,902
NPAT ('000)	134,973	40,181
Cashflow from Operations ('000)	276,235	159,253
Net Cashflow ('000)	143,580	(43,446)
Cash at Bank	208,948	165,502
Dividend (cents)	25.0	11.0



The Company, despite the challenging environment, has remained profitable throughout the nickel price cycle and is pleased to announce a final partially franked (30%) dividend of 6c per share¹. As a result the total dividend payout for FY12 will total 11c, being a return of 49% of NPAT to shareholders for the year. Western Areas' Managing Director, Mr Dan Lougher, said "he was pleased to report a continued strong profit performance and the payment of a final dividend, particularly against the backdrop of a significant fall in the nickel price. Western Areas remains profitable at current prices, albeit with reduced profit for FY12 despite an exceptional performance on every other operational front."

"Maintaining a reputation for delivery is important to us and the results for the second half of the financial year demonstrate the hard work from all people involved at Western Areas. We've managed all the aspects under our control extremely well including safety, costs, production, sales and logistics," commented Mr Lougher.

He added, "Operationally we have seen the eighth straight quarter of consistent, on budget production as well as producing close to A\$160m in cashflow from our operations. The strong cashflow generation resulted in the retiring of a A\$105.5m convertible bond on 2 July 2012."

Dividend Payment

The Board has declared a final partially franked (30%) dividend of 6c per share. The Board is pleased to be able to return a significant percentage of NPAT to shareholders in the form of dividends, whilst also achieving significant investment in future revenue generating items such as the purchase of KZL's nickel assets, the development of Spotted Quoll underground mine and the payout of the Outokumpu Royalty.

Key dates for the interim dividend will be:

- Record Date, 21 September 2012
- Payment date, 12 October 2012

Nickel Market

Western Areas has noted widely published reports that current nickel prices are estimated to be at the marginal cost of production for most producers.

Western Areas believes there is potential for significant upside to the nickel price in the coming quarters, particularly from the impact of Indonesian export bans on nickel laterites as Chinese stockpiles of this product are run down. The Company expects to potentially see other sources of supply withdrawn from the market at current pricing.

Western Areas is very well situated to capitalise on any future upswing in nickel pricing. A global shortage of high quality nickel concentrate supply, such as the Western Areas' product, would also assist the company's ability to continue to secure favourable off-take terms.

¹ 30% of the 6c per share dividend will be franked to the current corporate tax rate (i.e. 1.8c will carry franking credits)



Activities over next twelve months

The Forrestania Nickel Project remains Western Areas' core project and will be its primary focus in pursuing the Company's growth path, including the allocation of the bulk of FY13 exploration budget. Western Areas believes that the Forrestania Nickel Project has the potential to host a series of nickel deposits of significant tenor, as exemplified by the recent Sunrise discovery. The Company views the Forrestania nickel belt as one of the most prospective nickel provinces in Australia having already delivered two of the highest grade nickel mines in the world only 6km apart. Utilising the Company's existing production infrastructure, exploration success at Forrestania should lead to either expanded production or significantly longer productive life for the project.

Other projects within the Western Areas portfolio will be carefully assessed on their ability to contribute to shareholder value and the expenditure required to advance the projects.

Production for FY13 is expected to be in the order of 26,000 tonnes of nickel in ore, with recoveries from ore into concentrate averaging 90% through the Cosmic Boy plant.

With both Spotted Quoll and Flying Fox running on underground production for the full year, the company is still targeting production cash costs of nickel in concentrate of less than A\$3.00/lb.

Further to the successful Lounge Lizard acquisition during FY12, the Company will remain active in looking for opportunities in the junior resources sector where Western areas can participate and add value for shareholders.

In meeting growth objectives, Western Areas will focus on the following:

1. Increasing mineral resources at Flying Fox (including Lounge Lizard);
2. Final decision on the expansion of the Mill to match an increased Spotted Quoll production rate;
3. Focus our exploration spend on the Forrestania asset base, including the new discovery at Sunrise;
4. Complete a new short term offtake contract following the forecasted completion of the second Jinchuan contract in March 2013; and
5. Continued disciplined fiscal management of controllable costs to maintain Western Areas position as the lowest cost producer in Australia.

-ENDS-

For further details, please contact:

Dan Lougher
Managing Director – Western Areas NL
Telephone +61 8 9334 7777
Email: dlougher@westernareas.com.au

David Southam
Executive Director – Western Areas NL
Telephone +61 8 9334 7777
Email: dsoutham@westernareas.com.au

Shane Murphy
FTI Consulting
Telephone +61 8 9386 1233 / 0420 945 291
Email: shane.murphy@fticonsulting.com

**DISCLAIMER AND COMPETENT PERSON STATEMENT:**

The information within this report as it relates to geological and drilling data is based on information compiled by Mr Daniel Lougher and Mr Charles Wilkinson of Western Areas NL. Mr Lougher and Wilkinson are members of AusIMM and are a full time employee of the Company. Mr Lougher and Mr Wilkinson 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 Lougher and Mr Wilkinson 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. Examples of forward-looking statements used in this release include: "Western Areas remains profitable at current prices", and, "Western Areas believes there is potential for significant upside to the nickel price in the coming quarters", and, "A global shortage of high quality nickel concentrate supply, such as the Western Areas' product, would also assist the company's ability to continue to secure favourable off-take terms", and, "the Forrestania Nickel Project has the potential to host a series of nickel deposits of significant tenor", and, "The Company views the Forrestania nickel belt as one of the most prospective nickel provinces in Australia", and, "Production for FY13 is expected to be in the order of 26,000 tonnes of nickel in ore, with recoveries from ore into concentrate averaging 90% through the Cosmic Boy plant.", and, "the company is still targeting production cash costs of nickel in concentrate of less than A\$3.00/lb". 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.

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.