



October 13, 2011

ASX & TSX: WSA

News Release

CLARIFICATION : LOUNGE LIZARD NICKEL DEPOSIT

Kagara Ltd ("Kagara") has recently announced it is conducting a sale of the Lounge Lizard deposit ("Lounge Lizard") adjacent to Western Areas' 100% owned Flying Fox mine. Kagara has announced it has appointed Goldman Sachs and Partners Australia Pty Ltd to conduct a sale process for its Forrestania nickel assets, including the nickel rights to Lounge Lizard.

Western Areas has noted ongoing media speculation that Western Areas is likely to bid for the nickel rights to Lounge Lizard. Media articles have included a number of statements speculating on the potential value of a transaction for Lounge Lizard, if this was to occur.

In light of this media speculation, the Board of Western Areas wishes to clarify that it does not intend to participate in the announced current sale process of Kagara's nickel assets. Western Areas retains a right of pre-emption to match any offers from third parties for the nickel rights to Lounge Lizard.

In addition, the Board notes the following:

- Western Areas has an existing agreement with Kagara (the Lounge Lizard Project Agreement) announced by Western Areas and Kagara on 11th May 2009. Under the key terms of this agreement, Western Areas mines and processes approximately 50,000tpa ore from Lounge Lizard. Kagara has paid Western Areas a \$20 million fee for access to Western Areas' Flying Fox mine infrastructure for this production rate.
- Western Areas manages all aspects of mine development, mining and processing of ore from Lounge Lizard. Concentrate is produced from Lounge Lizard ore at the Forrestania nickel concentrate plant and is sold into Western Areas' offtake contracts.
- The current agreement provides Western Areas with an election to increase the rate of production from Lounge Lizard in units of 25,000tpa ore, if agreed to by Kagara. In the event production is increased, Kagara would pay additional access fees. At this stage, Western Areas is not proposing to change the existing production rate of 50,000tpa ore from Lounge Lizard given the current production profile from Flying Fox.
- For the 12 months to 30 June 2011, Western Areas mined 48,628 tonnes ore at an average grade of 3.6% nickel for 1,753 tonnes nickel from Lounge Lizard (KZL June Q 2011 Activities Report). For the same period, Western Areas mined 347,648 tonnes ore at an average grade of 4.7% nickel for 16,190 tonnes nickel from Flying Fox.
- Regardless of the outcome of any potential sale process of Lounge Lizard to a third party, the Lounge Lizard Project Agreement with Western Areas will continue. This agreement has already generated significant payments to Western Areas to date.

-ENDS-

FORWARD LOOKING STATEMENT:

This release contains certain forward-looking statements. These forward-looking statements include: "the Board of Western Areas wishes to clarify that it does not intend to participate in the current announced sale process of Kagara's nickel assets", and "Western Areas is not proposing to change the existing production rate of 50,000tpa ore from Lounge Lizard" and "the Lounge Lizard Project Agreement with Western Areas will continue". 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.

DISCLAIMER:

This announcement does not include reference to all available information on the Forrestania Nickel Project , or Flying Fox, or the Lounge Lizard Project Agreement 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.

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