WESTERN AREAS NL

Activities Report



For the period ending 31st December 2011

Western Areas is an Australian-based nickel miner listed on the ASX and TSX. 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 25,000 tonnes pa 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 Flying Fox T4 and T5 ore bodies where significant mine development is already in place.

Mining is also in progress in the high grade Spotted Quoll mine 6km south of Flying Fox. Total Ore Reserves at Spotted Quoll comprise 1.76 Mt at average grade of 4.1% nickel containing approx. 71,730 nickel tonnes. The total Mineral Resource at Spotted Quoll now stands at 3.05 Mt at an average grade of 5.9% containing 179,000 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 proposed Cosmic Boy and Diggers South mines, located 20km and 40km south of Flying Fox.

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 1.0M tpa ore.

Western Areas has offtake agreements with BHP Billiton for 12,000tpa nickel in concentrate, and with Jinchuan for a total 15,000t 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 & TSX code: WSA
Shares on issue: 180m shares, 7.4m options. **Market capitalisation:** Approx A$1.0Bn @ $5.60 per share.

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Record Mine Production and major increase in Mineral Resources

The December Q was another outstanding period with record production at low cash costs from the Flying Fox and Spotted Quoll mines. Combined production from these mines was **8,572 tonnes of nickel in ore** confirming the high quality of these assets. Nickel sales were substantially higher quarter on quarter and we expect this to continue to improve into the March Q 2012. Following a competitive tender process, Western Areas entered into a new agreement to sell 15,000 tonnes of nickel in concentrate over a 12 month period to Jinchuan Group, China's largest nickel smelting and refining company.

During the quarter, first ore was produced from the Spotted Quoll underground mine which will replace open pit production during the March Q. In addition, drilling below the Stage One underground mine has resulted in a **78% increase in contained nickel in total mineral resources at Spotted Quoll**. Total contained nickel estimated in high grade mineral resources at Spotted Quoll has now been revised to 179,000 tonnes nickel. This excellent result is well above the Company's expectations and confirms the exceptional continuity of the deposit which remains open at depth and along strike.

On 7th November, Managing Director Mr Julian Hanna announced he will be stepping down at the end of January, 12 years after the Company was founded. Mr Hanna will become a non executive director of the Company and part time consultant to assist in developing Western Areas' substantial base metal assets in Finland. On 3rd January, the Company announced that following a rigorous and competitive process to find a suitable candidate, Western Areas' Operations Director Mr Dan Lougher was appointed as the new Managing Director of the Company effective 1 February 2012. Mr Lougher has been with Western Areas for almost six years and has considerable executive experience in mining and project development.

December Q 2011 Highlights

1. **Combined mine production was 8,572 tonnes (18.9M lbs) nickel at an average grade of 4.8% nickel**. This is a record for the Forrestania Project to date.
2. Flying Fox mine production (excluding Lounge Lizard) was **100,647 tonnes of ore mined at 4.9% nickel for 4,920 tonnes (10.8M lbs) contained nickel.**
3. Production from the Tim King Pit at Spotted Quoll was **71,406 tonnes of ore mined at 4.8% nickel for 3,455 tonnes (7.6M lbs) contained nickel.**
4. **138,360 ore tonnes were milled to produce 6,632 tonnes (14.6M lbs) nickel in concentrate**. Average plant recovery was 92%.
5. **Average cash cost** (before smelting/refining charges) was **US$2.18/lb nickel**, well below long term guidance of US$2.50/lb, despite the impact of a strong AUD.
6. Total **nickel sales during the September Q were 44,679 tonnes of nickel concentrate** containing approximately **6,479** tonnes **(14.3M lbs)** nickel.
7. **Mineral Resources at the Spotted Quoll mine increased 78%** to a total 3,054,900 tonnes at an average grade of 5.9% nickel, containing 179,000 tonnes nickel.
8. Scoping studies are reviewing **potential to increase production at Spotted Quoll up to 15,000tpa nickel** and increase capacity of the nickel concentrator.
9. **Major exploration drilling programs are underway** or planned in March Q at Forrestania, regional Western Australia, East Bull Lake in Canada and in Finland.
10. **FinnAust Mining (WSA 79%) acquired historic Hammaslahti copper/zinc mine** and expanded holdings for Gabbro hosted nickel/copper deposits in Finland.

1. MINE SAFETY AND ENVIRONMENT

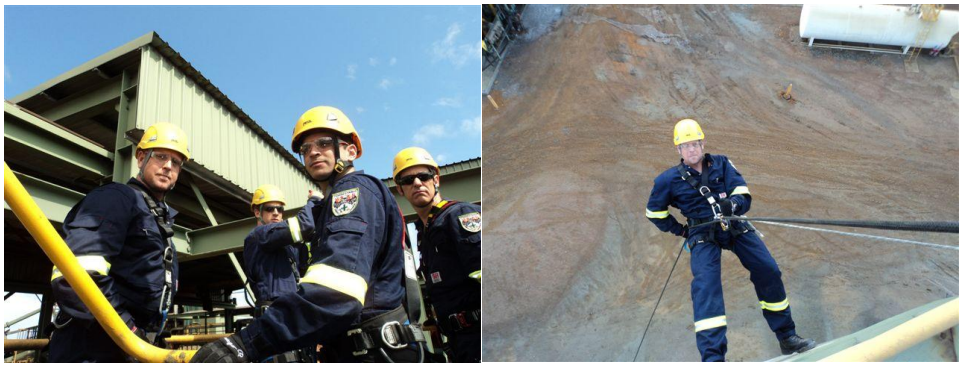
Safety

The Forrestania Operations had no Lost Time Injuries (LTI) during the December Q. However, five Medical Treatment Injuries and twenty minor injuries were reported. The LTI Frequency Rate is down to 3.1 which is below the nickel industry average of 3.2. The Flying Fox operation continues to have the lowest LTI rate with over 433 days LTI free.

Development of a competencies and compliances matrix was commenced, in order to identify employee training needs. Safety training plans are being developed to increase safety awareness across the Forrestania site.

SPOT GPS transmitters are now being used by the environmental and coreyard personnel while working in remote locations. This allows online tracking with GPS coordinates, and preprogrammed routine and emergency messages. Search and Rescue exercises are being run in conjunction with the ERT.

Training of the Emergency Response team has included underground Search and Rescue and team building exercises. Six personnel completed the 5 day Closed Circuit breathing apparatus (BG4) training in October. An aerodrome emergency drill was successfully conducted, simulating an aircraft incident with multiple injured persons.



Emergency response team members training

Environment

Western Areas continued to operate within all statutory regulations and licence conditions during the reporting period with no significant environmental incidents recorded.

During the quarter several of our water extraction licences at Forrestania have been consolidated, enabling a more efficient management of our environmental commitments and reporting obligations.

A focus during the reporting period has seen commencement of a review of mine closure planning of our Forrestania operations in line with recent best practice guidelines. The revised closure plans will provide a detailed analysis of potential mine closure planning risks and costs, enabling the company to maintain our high environmental standards throughout the long life of the mines and associated infrastructure at Forrestania.

Western Areas extended sponsorship of the Eastern Wheatbelt Declared Species Group for a further 3 years in December. This funding allows the EWDSG to continue to employ a local dogger in the area to undertake feral animal control. This is part of our ongoing commitment to reduce both the economic and biodiversity impacts of feral animals in the Eastern Wheatbelt region.

Environmental staff inspecting dewatering infrastructure

2. MINE AND MILL PRODUCTION AND CASH COSTS

Tonnes Mined		2010/2011 Mar Qtr	2010/2011 Jun Qtr	2011/2012 Sep Qtr	2011/2012 Dec Qtr	FYTD Total
Flying Fox						
Ore Tonnes Mined	Tn's	77,205	88,873	95,647	100,647	196,294
Grade	Ni %	5.4%	4.8%	4.5%	4.9%	4.7%
Ni Tonnes Mined	Tn's	4,132	4,236	4,258	4,920	9,178
Spotted Quoll - Tim King Pit						
Ore Tonnes Mined	Tn's	53,819	69,133	59,955	71,406	131,361
Grade	Ni %	6.1%	6.3%	5.7%	4.8%	5.2%
Ni Tonnes Mined	Tn's	3,268	4,325	3,400	3,455	6,855
Spotted Quoll - Underground						
Ore Tonnes Mined	Tn's	-	-	-	5,996	5,996
Grade	Ni %	0.0%	0.0%	0.0%	3.3%	3.3%
Ni Tonnes Mined	Tn's	-	-	-	197	197
Total - Ore Tonnes Mined	Tn's	131,024	158,006	155,602	178,049	333,651
Grade	Ni %	5.6%	5.4%	4.9%	4.8%	4.9%
Total Ni Tonnes Mined	**Tn's**	**7,400**	**8,561**	**7,658**	**8,572**	**16,230**

Tonnes Milled and Sold		Mar Qtr	Jun Qtr	Sep Qtr	Dec Qtr	Total
Ore Processed	Tns	126,383	138,513	134,413	138,360	272,773
Grade	%	5.4%	5.3%	5.1%	5.2%	5.1%
Ave. Recovery	%	92%	93%	93%	92%	93%
Ni Tonnes in Concentrate	**Tns**	**6,226**	**6,783**	**6,413**	**6,632**	**13,045**
Ni Tonnes in Concentrate Sold	Tns	6,813	6,497	4,751	6,479	11,230
Ni Tonnes in Ore Sold	Tns	119	830	357	-	357
Total Nickel Sold	**Tns**	**6,932**	**7,327**	**5,108**	**6,479**	**11,587**

Stockpiles				Sep Qtr	Dec Qtr	
Ore	Tns	91,599	97,334	109,969	146,109	
Grade	%	4.8%	5.1%	4.8%	4.5%	
Concentrate	Tns	7,047	8,653	19,903	19,375	
Grade	%	14.0%	14.1%	14.3%	14.1%	
Contained Ni in Stockpiles	**Tns**	**5,418**	**6,169**	**8,132**	**9,300**	

Financial Statistics		Mar Qtr	Jun Qtr	Sep Qtr	Dec Qtr	Total
Group Production Cost/lb						
Mining Cost (*)	*A$/lb*	1.66	1.72	1.60	1.54	1.57
Haulage	*A$/lb*	0.09	0.08	0.09	0.09	0.09
Milling	*A$/lb*	0.33	0.39	0.35	0.35	0.35
Admin	*A$/lb*	0.17	0.14	0.18	0.19	0.18
By Product Credits	*A$/lb*	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)
Cash Cost Ni in Con (***)	***A$/lb***	**2.23**	**2.31**	**2.20**	**2.15**	**2.17**
Cash Cost Ni in Con/lb (***)	***US$/lb (**)***	**2.24**	**2.45**	***2.29***	***2.18***	***2.23***
Exchange Rate US$ / A$		**1.00**	**1.06**	***1.05***	***1.01***	***1.03***

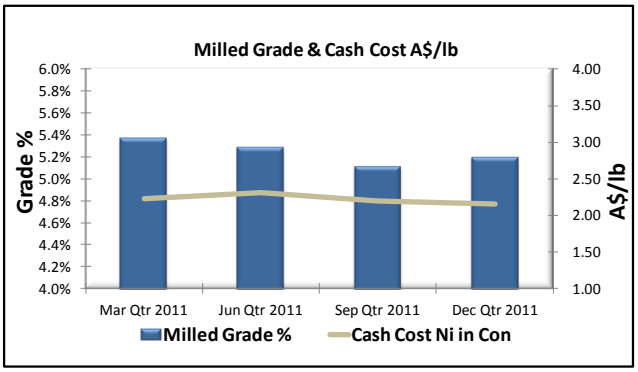
(*) Mining Costs are net of deferred waste costs and inventory stockpile movements

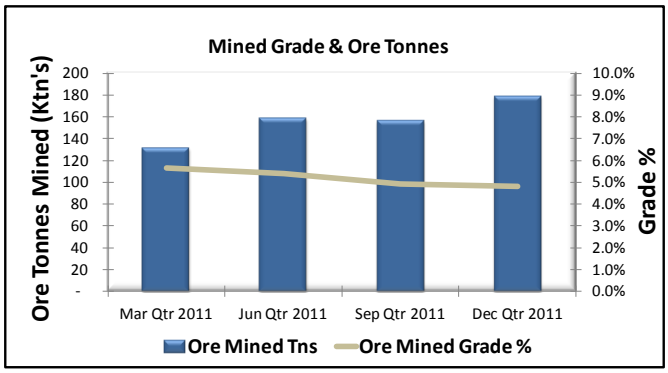
(**) US$ FX for Relevant Quarter is RBA ave daily rate (Dec Qtr = A$1:US$1.01)

(***) 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.

Note. All reported numbers in this table exclude Lounge Lizard.





Flying Fox – Underground Mine

Flying Fox mine had its best December Q with a total of 100,647 tonnes of ore mined at an average grade of 4.9% for 4,920 tonnes of nickel. Ore production split from different deposits at Flying Fox for the December Q was as follows; T1: 5,277 tonnes; T4: 8,720 tonnes and T5: 86,650 tonnes. Ore production was 5% higher than the September Q due to a smooth transition from development to production ore streams in the T5 orebody.

Long hole production continued in the 900 level at T1 and also at the 709, 640, 585 and 540 levels in T4. The 335 level T5 stope was successfully brought into production in late November and supplied the majority of high grade ore throughout December.

Spotted Quoll – Tim King Open Pit

A total of 71,406 tonnes of ore at a grade of 4.8% for 3,455 tonnes of nickel was mined from the Tim King pit during the December Q.

The open pit advanced 12.5 vertical metres for a total movement of 0.19 million bank cubic metres ("bcm") mined. The Tim King pit reached 125 vertical metres from the surface during the quarter with a final design depth of 140 vertical metres to be achieved in the March Q 2012.

At the end of the quarter there were 62,542 tonnes of transitional ore at an average grade of 4.6% nickel containing 2,878 nickel tonnes stockpiled on the Spotted Quoll mine ore pad.

Spotted Quoll Open Pit Looking North

Spotted Quoll – Underground Mine

A major milestone was achieved during the December Q with first ore being delivered from the 1230 ore drive in November 2 months ahead of schedule. Ore drive development has progressed well through December, and ore mining to date stands at 5,996t of ore at 3.3%. The decline has advanced sufficiently to allow development of the 1215 and 1200 ore accesses during the next quarter ensuring continuity of development ore and production of ore.

High grade massive ore in the 1230 ore drive

Cosmic Boy Nickel Concentrator

138,360 tonnes of ore at 5.2% nickel was milled for the December Q with the Cosmic Boy concentrator producing 44,047 tonnes of concentrate grading 15.1% nickel for 6,632 nickel tonnes. Concentrator metallurgical recovery averaged 92.4% with 99% plant availability which is an excellent result.

An additional 11,159 tonnes of ore at a grade of 4.3% nickel from the Lounge Lizard (LL) agreement was also milled during the December Q, bringing the combined milled tonnage to 149,519 tonnes.

At the end of the quarter, 146,500 tonnes of ore at an average grade of 4.5% nickel containing over 6,510 tonnes nickel was stockpiled at site awaiting treatment at Cosmic Boy. This planned outcome represents over two months of mill feed, enabling an optimal mill blend, and ensuring full mill capacity afterdepletion of the Tim King Pit in February.

The Life of Mine plan is being reviewed in line with the resource update from Spotted Quoll underground such that a decision on a potential concentrator upgrade can be made during 2012.

Cash Costs

The cash cost of nickel in concentrate (excluding smelter/refinery charges and royalties) produced during the December Q was **US$2.18/lb** nickel, being a US$0.11/lb improvement on the September Q. This was an outstanding result by the team and reflects the company's strong focus on costs.

3. NICKEL SALES

Delivery of concentrate from Cosmic Boy to BHP Billiton's smelter at Kambalda and Jinchuan's smelter in China continued during the December Q. A total of 44,679 tonnes of concentrate was delivered containing 6,479 tonnes of nickel metal.

The concentrate stockpile at Cosmic Boy now stands at 15,797 tonnes at a grade of 14.1% nickel containing 2,220 tonnes of nickel metal. An additional 3,578 tonnes of concentrate containing 517 tonnes of nickel metal was stored at the Port of Esperance ready for shipment to China in January.

The first Jinchuan offtake contract is scheduled to be completed in the March Q 2012. During the December Q a second offtake contract was signed with Jinchuan for an additional 15,000t of nickel metal. This is expected to be delivered by the March Q 2013.

4. FORRESTANIA MINE DEVELOPMENT AND INFRASTRUCTURE

Flying Fox Mine Development

The main decline has now advanced to a depth of 1,115m and will continue to be developed into the next quarter (Figure 1). A successful transition occurred during the quarter that will now see the majority of ore sourced from production stopes rather than development headings.

The 334 RL diamond drill drive cuddy continues to be utilised as an optimal position to delineate potential extensions to the lower T5 and T6/T7 ore zones. A secondary diamond mobile carrier rig is being utilised within footwall drives in the T5 levels to improve orebody definition for stoping purposes.

During the quarter the fresh air primary ventilation shaft was successfully commissioned by connecting both the surface and underground legs at the 795 level. This has immediately resulted in significant improvements to both quantity and quality of primary ventilation being delivered to all working headings.

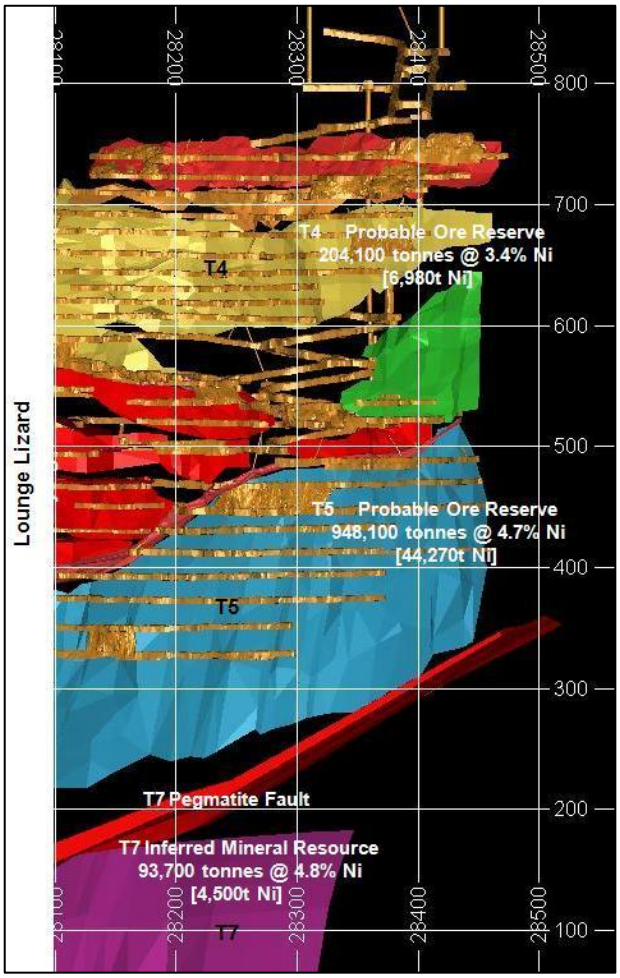


Figure 1: Long Projection of Flying Fox T4 to T7 Areas

Spotted Quoll – Underground Mine

Development of the Hanna Decline at Spotted Quoll advanced strongly in the December Q, with 291m advance in the decline and 807m total jumbo development achieved. The Decline has reached the 1201 RL or 200m below the surface (Figure 2).

Surface infrastructure works have also progressed well in the December Q, with the mains power upgrade completed and commissioned. In addition the mine commissioned two 1MVA Cummins generators to back up the mains power infrastructure.

The site for the paste fill plant has been cleared and the 160m long bore hole to transport the paste underground was completed. A concrete pad was poured and pumps sourced for the 1280 primary pump chamber to be located underground.

The first of the 4m diameter ventilation rises were completed with no issues. Development of the underground main magazine is complete, with fitting out to occur over the coming months. Ground conditions are also improving as the Decline extends deeper below surface.

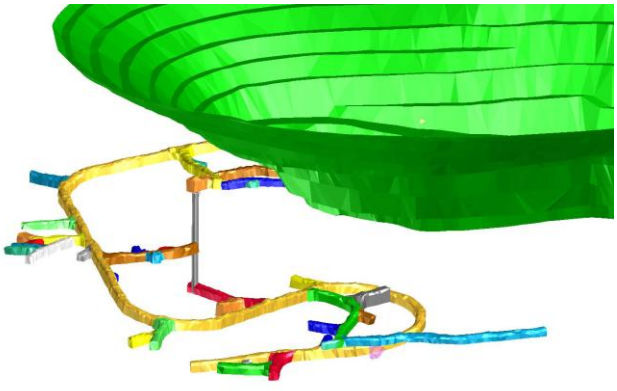


Figure 2: Spotted Quoll underground mine development

Mossco Farm Evaporation Ponds

The dewatering pumping system to Mossco Farm was commissioned during the December Q at its maximum flow rate of 155 l/s from the Cosmic Boy pump station. The system is working well within design specifications with the current flow rate of 55 l/s on average from the Forrestania mines dewatering network.

Aerial photo of the Mossco Farm evaporation ponds

5. FORRESTANIA MINERAL RESOURCES AND ORE RESERVES

Flying Fox

Underground diamond drilling continued during the quarter to test the area between the lower T5 and upper T7 zone. Drilling has now confirmed a major pegmatite hosted mineralized zone within the previously interpreted T6 position.

Numerous mineralised intercepts have now been returned from this pegmatite currently over a tested strike length of approximately 150m along strike by 50m easting (Table 1). Further mineralised intercepts have been obtained below the current T5 Mineral Resource limits and above the pegmatite fault. Drilling is ongoing, with the aim of infilling and extending the defined mineralised zones in order to undertake a future Mineral Resource upgrade.

BHID	FROM	TO	INTERVAL (m)	TRUE WIDTH (m)	NICKEL GRADE (%)	LODE	COMMENT
FUG673	147.8	151.6	3.8	2.2	**2.8**	T5 Lower	
FUG673	269.8	277.3	7.5	3.4	**3.4**	T7 Pegmatite	
FUG673	334.6	337.3	2.7	1.4	**5.5**	T7	
FUG674	304.4	311.8	7.4	3.1		T7 Pegmatite	Assays Pending
FUG675	303.7	306.4	2.7	1.6		T7 Pegmatite	Assays Pending
FUG675	326	328.3	2.3	1.4		T7	Assays Pending
FUG676	366.6	370.7	4.1	2.6		T7	Assays Pending
FUG687	139.3	145.2	5.9	3.8	**7.6**	T5 Lower	
FUG687	291.8	308.4	16.6	7.9	**4.6**	T7 Pegmatite	
FUG688	171.6	180.9	9.3	5.0	**5.5**	T5 Lower	
FUG688	210.7	216.5	5.8	3.1	**8.0**	T7 Pegmatite	
FUG688	380.1	383.6	3.5	1.7	**5.4**	T7	
FUG691	166.0	175.0	9.0	5.5	**8.9**	T5 Lower	
FUG692	179.6	181.2	1.6	1.2	**15.2**	T5 Lower	
FUG692	233.2	268.3	35.1	14.0	**8.8**	T7 Pegmatite	
FUG695	151.8	153.1	1.3	0.9	**5.5**	T5 Lower	
FUG695	269.6	289.9	20.3	3.9	**3.7**	T7 Pegmatite	
FUG695	384.2	387.6	3.4	2.5	**4.4**	T7	
FUG696	221.7	225.0	3.3	1.3	**4.5**	T7 Pegmatite	
FUG699	194.0	203.2	9.2	3.8	**6.9**	T7 Pegmatite	
FUG709	308.4	317.4	9.0	4.0		T7 Pegmatite	Assays Pending
FUG709	348.4	356.1	7.7	4.5		T7	Assays Pending
FUG710	340.3	343.4	3.1	2.1		T7 Pegmatite	Assays Pending

Table 1: Drillhole Intersections Flying Fox T7 Pegmatite Programme

Spotted Quoll

A revised Mineral Resource for Spotted Quoll, including the first estimate for the Stage 2 area, was released on 5th January, 2012. The total 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** (Figure 3).

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.

This revised Mineral Resource represents an **increase of 78% in reported contained nickel metal** compared to the figures last reported in the September 2011 Quarterly Report allowing for mine depletion from the Tim King open pit mine. The new resource positions the recently commenced Spotted Quoll underground mine with the potential for a substantial increase in mine life.

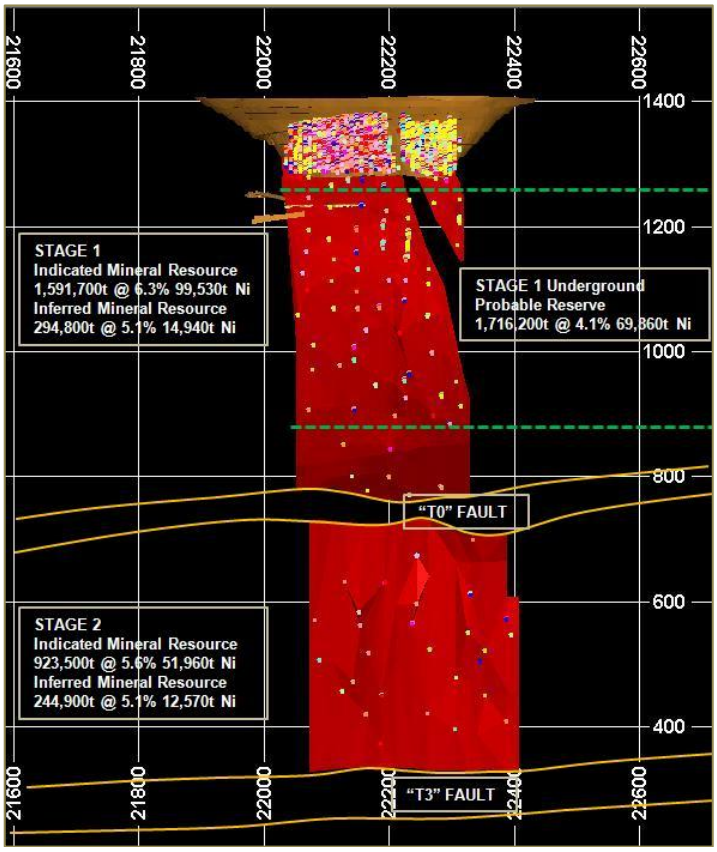


Figure 3: Long Projection Spotted Quoll showing revised Mineral Resource

Surface diamond drilling completed during the past 24 months has defined a substantial Mineral Resource for the Stage 2 target area, 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.

Table 1: Mineral Resource Statement 31 December 2011

Spotted Quoll Deposit above lower cut-off of 0% Ni

	Measured			Indicated			Inferred		
	Tonnes	Ni (%)	Ni (t)	Tonnes	Ni (%)	Ni (t)	Tonnes	Ni (%)	Ni (t)
STAGE 1	-	-	-	1,591,700	6.3	99,530	294,800	5.1	14,940
STAGE 2	-	-	-	923,500	5.6	51,960	244,900	5.1	12,570
TOTAL	**-**	**-**	**-**	**2,515,200**	**6.0**	**151,490**	**539,700**	**5.1**	**27,510**

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.

6. BIOHEAP

During the December Q the new BioHeap™ laboratory facility located at CSIRO Waterford was officially opened by Western Areas' Managing Director, Mr Julian Hanna. The facility now enables the BioHeap team to conduct a variety of Bio-leaching testwork for external and internal clients at a modern, well appointed premises.

Julian Hanna cutting the ribbon at the official opening of the BioHeap Laboratory

A review of possible treatment options for low grade deposits at Forrestania will continue during the early part of 2012. Several low grade deposits have been identified within the Forrestania tenements and will be drilled for testwork samples in the second half of the FY11/12.

The technical review by Bateman on the downstream processing options for a potential BioHeap operation at FinnAust's Rautavaara project is complete and will form part of the documentation provided for the competent persons report, as part of the proposed FinnAust listing process.

A review of the research and development opportunities for the BioHeap™ technology, with the aim of broadening its application is progressing. The Company is considering a number of options to expand this 100% owned business both in Australia and offshore. Discussions have commenced with several external parties interested in conducting BioHeap test work at the new facility.

7. OTHER FORRESTANIA EXPLORATION

Exploration drilling during the December Q included evaluating potential deeper extensions to the Flying Fox and Spotted Quoll deposits (see above), as well as testing for extensions to existing resources (Diggers South) and drilling a number of prospect areas to identify new resources. These latter areas included the Mt Gibb joint venture (35km south east of Cosmic Boy), Hatters Hill and South Iron Cap (12km south of Cosmic Boy).

Diggers South

The extension drilling program at Diggers South continued during the December Q with one surface drill rig. Three drill holes were completed and one wedge is in progress targeting extensions of the Diggers South mineralisation. The majority of Diggers South mineralisation dips to the west. One drill hole and the current wedge, drilled to the west, have confirmed the apparent steep east dipping character of the stratigraphy in the southern portion of Diggers South. DHEM (Down Hole Electromagnetics) will be undertaken in these holes and is expected to be used to target the down plunge prospective stratigraphy which hosts the existing resource (approximately 3Mt @ 1.5% Ni).

Other Forrestania Projects

At the Mt Gibb joint venture Western Areas completed an 11 drill hole diamond drilling program testing a series of surface EM anomalies in the project area.

Encouragingly, two of the drill holes intersected narrow massive sulphide veins. MGD002 intersected 1.1m at 2.6% Ni from 133.9m depth with the nickel mineralisation remobilised into a sheared footwall basalt host. HCD001 intersected 0.3m at 0.9%Ni from 249.8m and 0.2m at 1.8% Ni from 250.9m depth with nickel mineralisation associated with a contact position but hosted within banded iron formation. However, subsequent drill holes beneath these intersections failed to intersect significant nickel sulphides. Downhole EM surveys will be carried out in all the drill holes to identify conductors in the area.

Drilling also continued at a number of prospects in the southern part of the Forrestania area, including the Hatters Hill area and DHEM was completed on drill holes at South Iron Cap (12km south of Cosmic Boy). For the March Q exploration drilling is proposed to continue at Mt Gibb and Diggers South, and will recommence at New Morning and the area between New Morning and Spotted Quoll.

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.

Sandstone Joint Venture (WSA earning 70% interest in nickel rights)

The Sandstone JV covers a large area (approximately 25km by 15km) of what is considered to be a highly prospective ultramafic sequence which has had minimal previous exploration for nickel (Figure 4).

Exploration during the December Q involved the continuation of the surface induced polarisation (IP) and EM surveys over interpreted ultramafic units that are considered prospective for nickel sulphides, and diamond drilling of the geophysical targets. The geophysical surveys identified IP anomalies in the Albatross and Comet areas, and a number of EM anomalies in the Rapide and Cirrus areas, proximal to known nickel sulphide mineralisation.

Four diamond drill holes have been drilled to date to test the geophysical targets, with all four intersecting non-nickeliferous sulphides. The drill holes were successful in identifying the sources of anomalism, which indicates that the geophysical surveys have been effective in screening the area for nickel deposits. Further drilling and testing of the remaining EM targets will commence during the March Q.

Additionally, Western Areas NL has been granted government co-funding (up to $150,000) to complete a number of stratigraphic drill holes to test the geological hypotheses that the prospective stratigraphic contact for nickel may be located at depth, below the central zone of the Sandstone Belt.

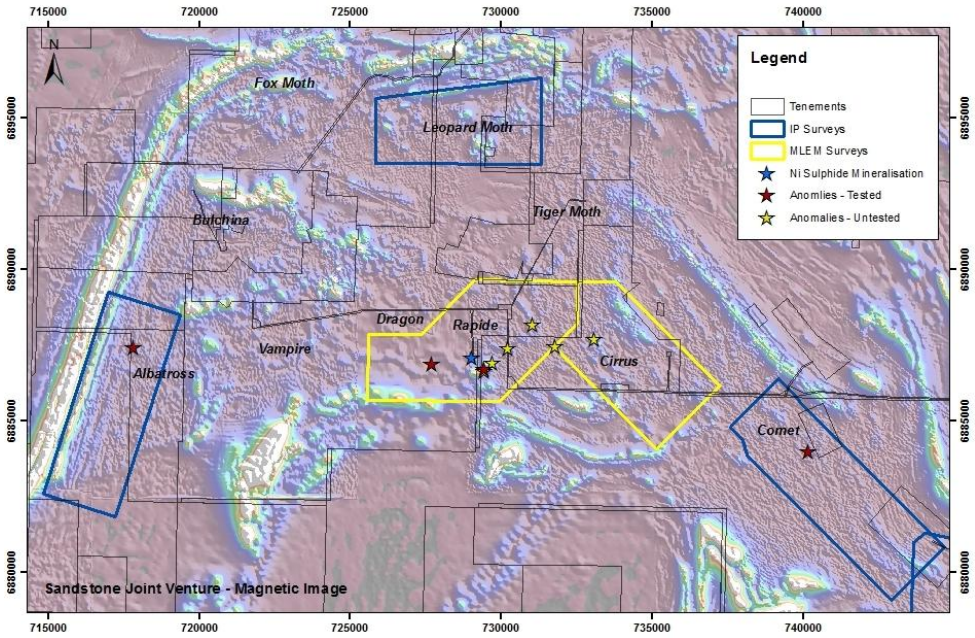


Figure 4: Sandstone magnetic image showing recently defined and tested geophysical anomalies

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

Exploration has been initiated within the Southern Cross Goldfields Nickel Joint Venture during the December Q. The historical work was mostly focused in the Bullfinch North area, where numerous nickel sulphide targets were identified, including the discovery of the Trough Well Nickel Prospect. Drilling at the Trough Well confirmed multiple zones of nickel sulphides over a strike length of 800m, including a more recent intersection of 20m at 0.62% Ni including 4m at 1.41% Ni. Early interpretations suggested the mineralisation occurs in a Kambalda style setting, however the latest interpretation indicates a similar structural setting, and geometry to the Forrestania type nickel deposits.

Exploration activities commenced during December include a moving loop electromagnetic (MLEM) survey and diamond drilling, both of which are continuing during the March Q (Figure 5). The aim of the MLEM survey is to generate targets and identify bedrock conductors that may represent further high grade nickel sulphides, particularly over and around the known nickel mineralisation. The initial results are encouraging with a number of anomalies associated with known nickel sulphide mineralisation and others where there is no previous work.

Drilling commenced at Trough Well during December with the first drill hole targeted below the known mineralisation at Trough Well. The drill hole (currently at 138m) is expected to test the nickel potential at depth, provide further geological data and to image the mineralisation with down-hole EM.

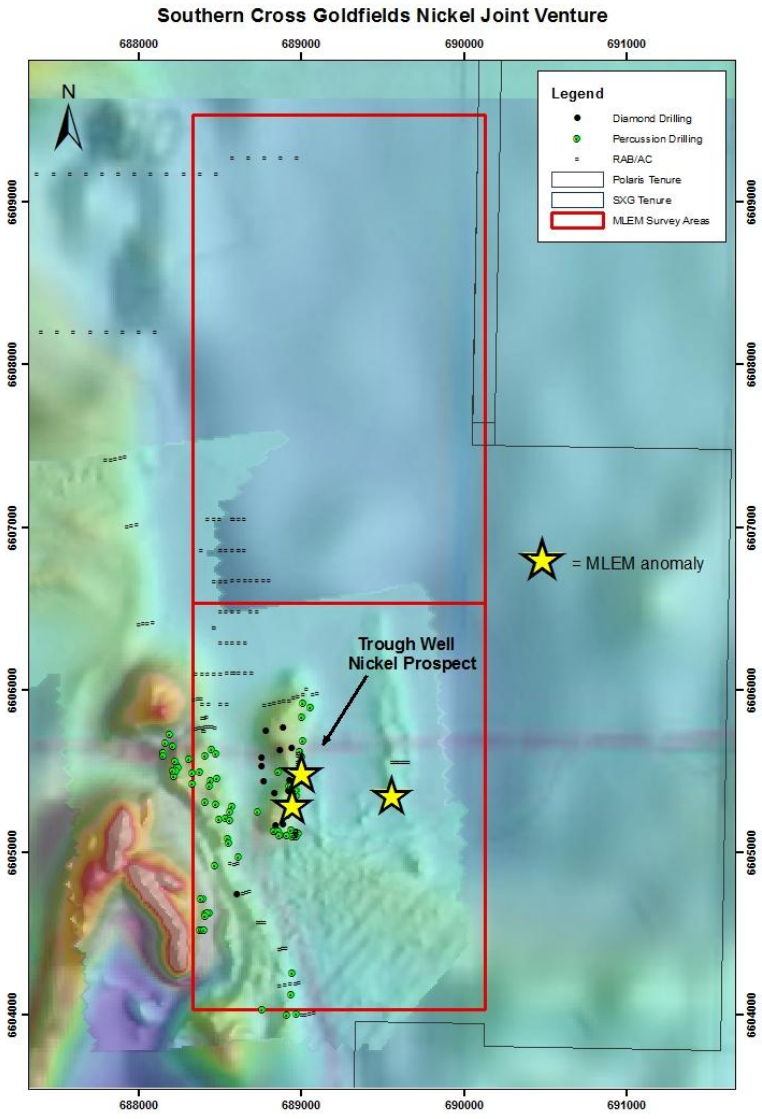


Figure 5: Bullfinch North magnetic image showing historical drilling and recently defined geophysical anomalies

9. FINNAUST MINING Plc (WSA 79%)

Western Areas considers the central Finnish region may represent a major metal province with potential to host multiple base metal deposits (Figure 6).

FinnAust's main exploration targets are 'Outokumpu Type' massive sulphide deposits, gabbro hosted nickel / copper sulphide deposits and VMS deposits. The historic Outokumpu mine produced a total of approximately 42 million tonnes of ore at an average grade of 3.1% copper, 1.0% zinc, 0.2% cobalt and 0.1% nickel between 1913 and 1988. FinnAust has tenements in the immediate area of the Outokumpu mine and potential extensions to the west of Outokumpu at Kortekaarre and Kuusjarvi.

FinnAust has also acquired substantial land holdings covering areas considered prospective for gabbro hosted nickel / copper sulphide deposits of the major "Sakatti Type', recently discovered in northern Finland by Anglo American. These projects include the Tormala Project (100km west of Outokumpu) where previous work identified significant nickel / copper intersections and the Enonkoski and Joutseno projects where numerous coincident magnetic/EM targets have been identified for geophysical surveys and drilling within large, interpreted Gabbro intrusions.

Production in the northern Kainuu Schist Belt is dominated by the large Talvivaara open pit mine (owned by Talvivaara Mining Plc) which is using a bacterial leaching technology (similar to BioHeap™) to extract nickel, zinc, copper and cobalt from low grade sulphide mineralisation in a black schist ore host.

Western Areas has conducted shallow drilling of a number of targets in the Kainuu Schist Belt and confirmed several widespread occurrences of 'Talvivaara Type' sulphide mineralisation on FinnAust projects. The aim of the current drilling program is to identify potential areas with wide zones of sulphide mineralisation, then conduct resource drilling with the objective to define significant mineral resources at shallow depth.

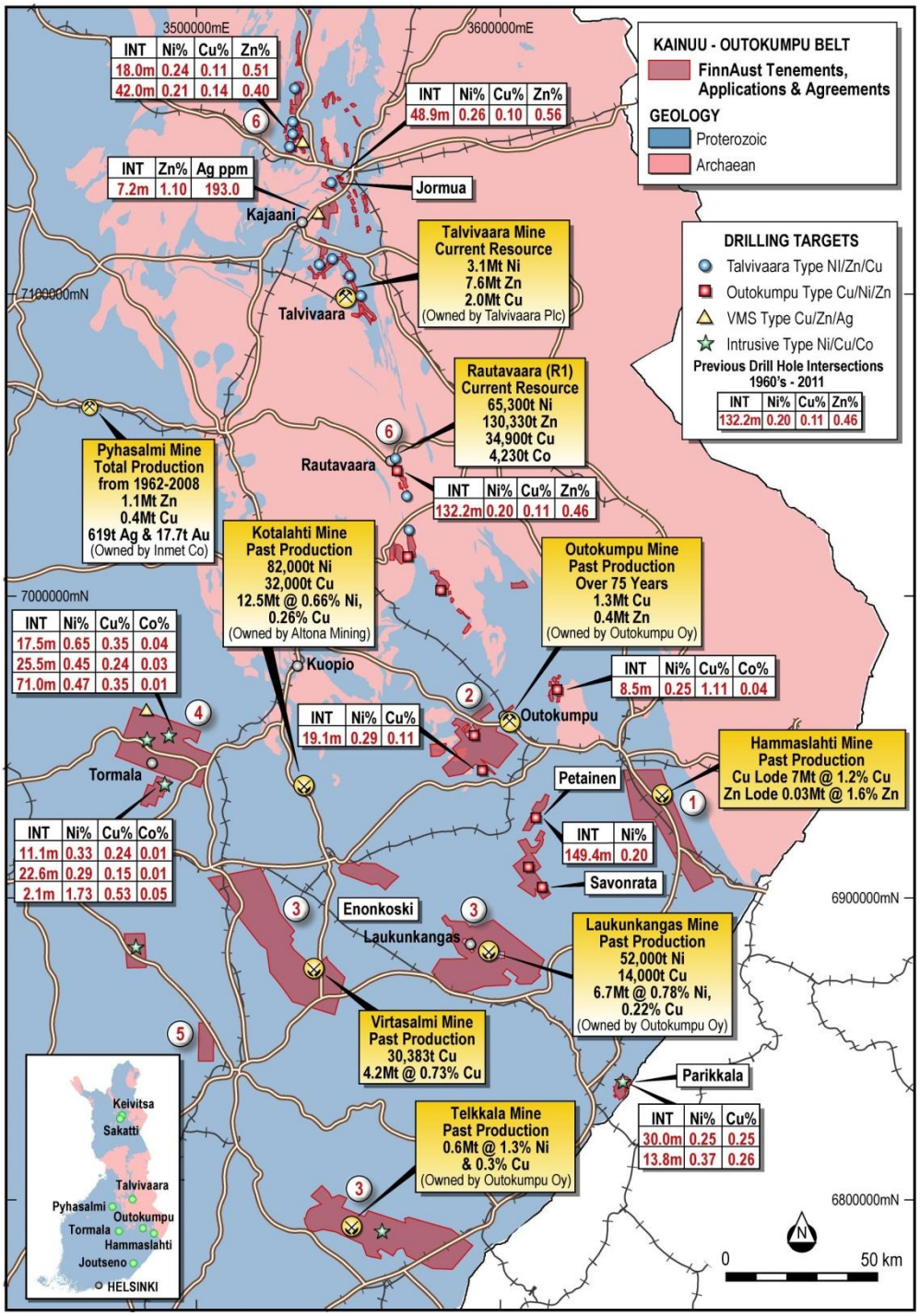


Figure 6: showing FinnAust Mining holdings in Finland and location of mines and major mineral occurrences

Current Drilling Program

Drilling during the December Q was concentrated at the Paltamo Project, 120 km northwest of FinnAust's Rautavarra R1 deposit. Widely spaced drilling has provided highly anomalous results from the Paltamo P5 prospect within significant widths (150m to 200m wide) of mineralised sulphidic black schist (Figure 7). The drilling has defined two styles of mineralisation at P5. These are:

- upper Zinc/Nickel/Copper zone up to 192m downhole width
- lower Manganese/Zinc zone (to 4.5% Mn) up to 80m downhole width.

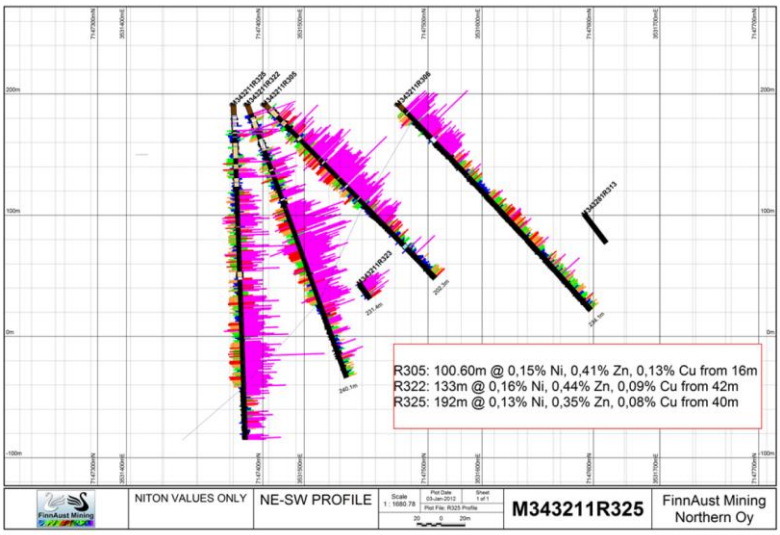


Figure 7: Drill section showing thick Ni and Zn mineralized Blackschist intersections at P5, Paltimo

Laboratory results for holes R305 and R322 show a significant upgrade on the Niton values (Laboratory results for holes R325 are not yet available). They are R305 103m @ 0.22%NI, 0.42% Zn, 0.12% Cu (from 15m depth) R322 168.4m @ 0.21% Ni, 0.40% Zn, 0.1% Cu (from 8.6m) including 85m @ 0.29% Ni, 0.6% Zn, 0.14% Cu

FinnAust has recently acquired 100% interest in the Hammaslahti mine deposit and a significant land package covering strike extensions of the prospective volcanic stratigraphy.

At Hammaslahti, Outokumpu Oy mined a total of 7 Mt of ore at 1.16% Cu, 1.55% Zn, 0.52% Cu, 0.59 ppm Au, 5.2 ppm Ag between 1973 and 1986. Three distinct, mineable Cu (±Zn) lodes and one Zn lode was identified. Production ceased in 1986 and the area has received very little exploration attention since.

Most significantly, a coarse volcanoclastic breccia with sulphidic clasts, containing some copper (up to 3% Cu in Niton readings) was located in a newly exposed railroad cut at Tikkala, 13km south of the Hammaslahti mine area. These rocks are typically found close to possible vent areas and can be associated with significant base metal mineralisation.

Compilation of the historic data is underway and identification of drill targets including the testing for the depth extensions to the Hammaslahti mine is expected to be completed in the March Q.

10. CANADIAN EXPLORATION

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

During the December Q 2011, Western Areas completed follow up ground based geophysical surveys (fixed loop electromagnetic - FLEM) over three areas within the 20km long East Bull lake mafic intrusive complex, 80km west of Sudbury in Ontario. These areas included Parisien Lake, Bullfrog and Lodge North. Previous surface sampling and drilling around the margins of the two main intrusions has intersected significant, sulphide hosted nickel, copper and PGM mineralisation at shallow depth, including at Parisien Lake and Bullfrog.

Preliminary interpretation of the FLEM data has identified several anomalous responses at Parisien Lake and Bullfrog (Figure 8). Drilling is required to test the source of these responses, as well as those identified from the ZTEM survey (refer to September Q 2011 report), and determine if they are associated with sulphide mineralization. A diamond core drilling program is planned to commence in the March Q once conditions permit.

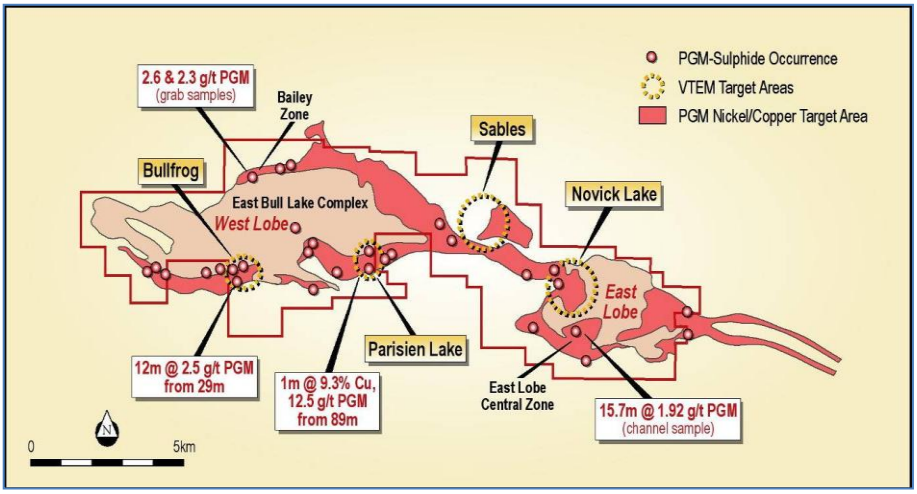


Figure 8: Simplified geology of East Bull Lake intrusion showing and locations of known copper/nickel sulphide and PGM mineralisation based on surface samples and drilling

11. CORPORATE AND FINANCING

Cash Balance and Working Capital

At 31 December 2011, Western Areas had an unaudited A$161M in cash (September Q A$206M) and nickel sales receivables valued at A$16.0M (subject to nickel sales price revaluations). Total cash plus nickel sales receivables is valued at A$177M (September Q A$223M). There were two significant cash outflows for the quarter outside of normal operations and capital expenditure requirements:

1. Final dividend payment - $27m
2. Outokumpu Royalty close-out - $18m ($3m GST is to be refunded during January 2012)

Whilst nickel in concentrate stockpiles marginally declined in line with operational planning, nickel in ore stockpiles increased. The ore stockpile movement will allow for consistent mill feed production during the March and June quarters as the Spotted Quoll deposit transitions from open pit to underground operations

Total stockpiles contained 9,300t of nickel (September Q 8,132t nickel) at a historical cost of A$44.2M.

Dividends

The Company is currently finalising its half year financial results and will announce its dividend intentions during February.

Debt Facilities

The ANZ Loan Facility has been renegotiated, documented and executed on an improved basis for the Company. The key terms of the new facility agreement include a funding limit of $125m available for broad corporate purposes, maturity at 31 March 2014 at what the Company believes is a very competitive interest margin. The revised facility also includes a performance bond facility and hedging lines. The revised larger facility adds extra flexibility into the Company's funding options while maintaining the simplicity of a single bank structure. The facility continues to remain undrawn as at the date of this report.

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 nickel hedge book consisted of zero cost collars with an average floor price of US$10.07/lb with upside participation to US$13.09/lb. The company believes this is a prudent approach to secure future profitability and cashflow while providing 75% exposure to the spot nickel price. Details of hedges as at 31 December 2011 are as follows:

Hedging Details	Fiscal 2012
Nickel Hedging Collar Style Options	
Ni Tonnes Sold	1,500
US$ Price / Tonne Call	28,861
US$ Price / Tonne Put	22,190

There were no US$ hedges in place at the end of the Quarter and the Company has not entered into any new commodity hedges this quarter given the nickel price has remained below US$10/lb. The Company continues to monitor the nickel price for opportunities to secure floor pricing for nickel sales.

The hedging contracts listed above are not subject to margin calls.

Convertible Bonds

The Company has on issue 3 tranches of convertible bonds with a staggered maturity profile as follows:

- CB1 - A$105.5M due in July 2012 with a 8.0% coupon (convert strike price of A$7.73)
- CB2 - A$125.0M due in July 2015 with a 6.4% coupon (convert strike price of A$6.46)
- CB3 - A$110.2M due in July 2014 with a 6.4% coupon (convert strike price of A$7.53)

Western Areas remains committed and on track to retire CB1 at maturity on 1 July 2012. All of Western Areas Convertible Bonds are quoted on the Singapore Stock Exchange.

Appointment of a new Managing Director

On 3 January 2012 the Board of Western Areas announced that Mr Dan Lougher had been appointed as the new Managing Director of the Company, effective from 1st February.

Mr Lougher was considered by the Board Nomination Committee to be the most suitable person to lead Western Areas to the next stage of growth from its current position as a significant nickel producer. Mr Lougher has worked for Western Areas for the past six years in the key roles of General Manager Operations, Executive Director Operations and has over 30 years experience in the mining industry.

Mr Lougher holds a Master of Science in Engineering, from the University of the Witwatersrand and a Bachelor of Science (Honours) in Mining Geology from the University of Leicester.

Mr Dan Lougher and Chairman Terry Streeter
THE WEST AUSTRALIAN ©

Mr Lougher replaces current Managing Director Mr Julian Hanna who is standing down after 12 years as Managing Director of Western Areas. Mr Hanna has been with Western Areas since it was incorporated in December 1999 before listing as a public company in Australia in July 2000 and in Canada in December 2005. In the past 12 years the Company has grown to become one of Australia's largest and lowest cost nickel miners with substantial sales of high quality nickel concentrates to BHP Billiton in Australia and Jinchuan Group in China.

Mr Hanna will remain as a non executive Director of Western Areas, Chairman of Western Areas' subsidiary FinnAust Mining Plc and part time consultant to the Company. The Board has agreed that the bonus payable in the event of a takeover (contained within Mr Hanna's 2011 executive contract) will continue in effect until 31 December 2012, reflecting Mr Hanna's contribution to building up the substantial asset base of Western Areas over 12 years

-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 Tim Peters, Mr Dan Lougher and Mr Julian Hanna of Western Areas NL. Mr Haywood, Mr Lougher and Mr Hanna are members of AusIMM and are full time employees of the Company. Mr Peters is a member of AusIMM and is a consultant to Western Areas. Mr Haywood, Mr Peters, Mr Lougher 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, Mr Peters, Mr Lougher 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 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 "Scoping studies are reviewing potential to increase production at Spotted Quoll up to 15,000tpa nickel and increase capacity of the nickel concentrator", and "The 334 RL diamond drill drive cuddy continues to be utilised as an optimal position to delineate potential extensions to the lower T5 and T6/T7 ore zones".

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.

Western Areas NL Ore Reserve / Mineral Resource Table - 31December 2011

Deposit	Tonnes	Grade Ni%	Ni Tns	JORC Classification
Ore Reserves				
1. Flying Fox Area				
T1 South	-	**0.0**	-	Probable Ore Reserve
T4	204,100	**3.4**	6,980	Probable Ore Reserve
T5	948,100	**4.7**	44,270	Probable Ore Reserve
2. Spotted Quoll	43,700	**4.3**	1,870	Probable Ore Reserve
	1,716,200	**4.1**	69,860	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	**5,021,100**	**3.1**	**153,780**	**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	224,900	**4.9**	11,020	Indicated Mineral Resource
	23,200	**3.9**	920	Inferred Mineral Resource
T5 Massive Zone	837,700	**6.0**	49,960	Indicated Mineral Resource
	24,500	**4.5**	1,110	Inferred Mineral Resource
T5 Disseminated Zone	197,200	**0.9**	1,590	Indicated Mineral Resource
	357,800	**1.0**	3,460	Inferred Mineral Resource
T6	-	**0.0**	-	Inferred Mineral Resource
T7	93,700	**4.8**	4,500	Inferred Mineral Resource
Total Flying Fox	**1,917,900**	**4.1**	**79,370**	
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	2,515,200	**6.0**	151,490	Indicated Mineral Resource
	539,700	**5.1**	27,510	Inferred Mineral Resource
Total Spotted Quoll	**3,054,900**	**5.9**	**179,000**	
Beautiful Sunday	480,000	1.4	6,720	Indicated Mineral Resource
TOTAL WESTERN BELT	**7,596,700**	**3.9**	**295,790**	
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	**18,000,800**	**2.2**	**404,310**	