WESTERN AREAS NL

ABN 68 091 049 357

Activity Report

For the period ending 30th June 2012

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. The total Mineral Resource at Spotted Quoll now stands at 2.99 Mt at an average grade of 5.9% containing 174,510 nickel tonnes.

Total Ore Reserves at Spotted Quoll comprise 3.05 Mt at average grade of 4.2% nickel containing approx. 128,860 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 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 15,000t 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$734M @ $4.10 per share.

Level 2, 2 Kings Park Road
West Perth, 6005
WESTERN AUSTRALIA
Telephone: +61 8 9334 7777
Facsimile: +61 8 9486 7866
www.westernareas.com.au

RECORD FLYING FOX MINE PRODUCTION and SPOTTED QUOLL RESERVE UPGRADE

The June Q was another strong operational period for the company with total mine production of **7,270 tonnes of nickel in ore at an average grade of 5.2%.** Flying Fox mine produced a record 5,097 nickel tonnes in ore for the quarter and a record 18,553 nickel tonnes for the full year confirming the high quality of this asset. Spotted Quoll underground mine production also continued to ramp up to forecast volumes. Financial Year 2012 total mine production was 31,102 tonnes of nickel in ore.

Total nickel in concentrate from the mill was 6,320 nickel tonnes, bringing the full year production to 25,641 nickel tonnes. Another stronger quarter of concentrate sales resulted in a full year of 26,280 tonnes of nickel being sold into the two offtake contracts (27,884 tonnes when including Kagara sales).

In June, the Spotted Quoll Probable Ore Reserve was increased to **3.1M tonnes of ore at 4.2% nickel for 131,360 tonnes of nickel.** This represents an increase of 94% in reported contained nickel metal compared to the figures reported in the March Q and confirms the Spotted Quoll underground mine as a robust, long life high grade operation.

On 19 July, the company announced further significant intersections of nickel sulphides at the recently named Sunrise discovery. These results are considered highly significant as they demonstrate the presence of high grade sulphide mineralisation at these previously untested stratigraphic horizons.

June Q 2012 Highlights

1. **Combined mine production was 7,270 tonnes (16.0M lbs) nickel** at an average grade of 5.2% nickel. FY12 total was 31,102 tonnes of nickel in ore.
2. Record Flying Fox mine production was **96,289 tonnes of ore mined at 5.3% for 5,097 tonnes (11.2M lbs) contained nickel.**
3. Spotted Quoll underground mine production was **42,574 ore tonnes at 5.1% for 2,173 tonnes (4.8M lbs) of contained nickel.**
4. Total **nickel sales during the June Q were 43,053 tonnes of concentrate containing 6,888 tonnes (15.2M lbs)** nickel bringing the full year sales to 26,280 nickel tonnes (excluding Kagara).
5. **Average cash cost** (before smelting/refining charges) of nickel in concentrate was **A$2.90/lb**, following a 100% switch to underground mining at Spotted Quoll. Full year **cash cost** was in line with forecast at **A$2.43/lb.**
6. **At 30 June 2012, Western Areas had an unaudited A$165M in cash** (March Q, A$156M) and nickel sales receivables valued at A$23M (subject to nickel sales price revaluations).
7. On 2 July 2012, the **$105.5m convertible bond was repaid**, delivering on the company's commitment to retire this debt
8. On the 7 June 2012 an updated Probable Ore Reserve for the Spotted Quoll underground was announced with ore tonnes increasing to **3,095,500 tonnes at an average grade of 4.2% nickel** containing approximately **131,360 tonnes nickel**.
9. The **Mine optimisation study** was completed at Spotted Quoll mine and indicates that **mine production has the potential to be increased up to 15,000 tpa nickel**.
10. **Continued strong exploration results** in the June Q leads the company to announce a new nickel sulphide discovery at Forrestania. The newly named **Sunrise discovery** is located 300m south east of the New Morning deposit in the Western Belt.

1. MINE SAFETY AND ENVIRONMENT

Safety

The Forrestania Operations continues to see a reduction in the Lost Time Injury Frequency rate, from 3.0 in March Q to 1.5 in the June Q. This figure is well below the published Nickel Industry Average of 3.1 and is a credit to the Forrestania operations team. There were no medical treatment injuries recorded across site in the quarter.

A sustained effort from management and contractors across the site has delivered a reduction in Incident Report and Corrective Action Item close out times. Lessons learned from such events provide a valuable tool in preventing similar incidents in the future.

High level risk reviews continue at site, facilitated by MYR Risk consultants. These risk reviews are aimed at identifying and controlling risks through to business sustainability.

A second ambulance has been commissioned and put into service at site. In addition, the expansion of the Cosmic Boy medical centre is almost complete. This will allow the site medics to keep personnel in the medical centre for observation and treatment while continuing to carry out other regular medical activities.

Three automatic external defibrillators have been ordered for Forrestania with a full, site wide, training program being implemented.

Environment

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

Tenements covering the Jackson Rocks bore field were purchased. This bore field provides potable feed water for the Cosmic Boy accommodation village.

Further significant rehabilitation works were undertaken at both the Spotted Quoll and Flying Fox waste rock dumps in line with our commitment to return the areas disturbed by mining to a stable, self sustaining ecosystem similar to the surrounding.

Community Support

Zoo Sponsorship

Western Areas continues to support biodiversity conservation programs with a focus on the Forrestania region. During the quarter a three year agreement for sponsorship of the Western Quoll (Dasyurus geoffroii) enclosure at the Perth Zoo commenced. This sponsorship will assist with the protection of this endangered species through breeding programs, conservation based research and education aimed at changing attitudes that impact on the conservation status of wild populations.

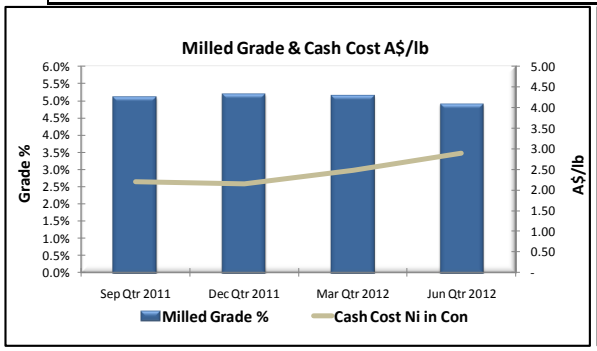
Sustainability Performance

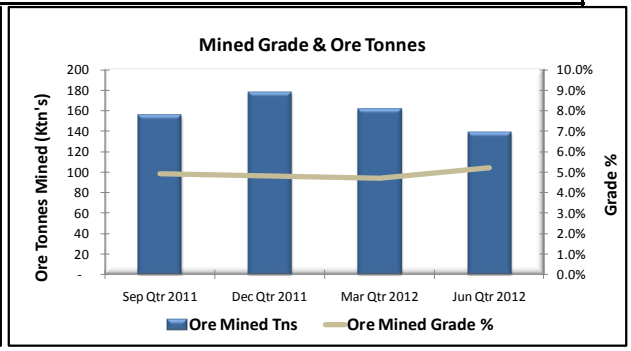
Western Areas continually seeks to improve our environmental/sustainability performance. Benchmarking of our greenhouse gas emissions through the voluntary Carbon Disclosure Project (CDP) has seen an improvement in the efficiency of our operations demonstrated by a 44% reduction in the volume of carbon dioxide emissions (CO2e) per tonne of nickel processed during the last CDP reporting period.

2. MINE AND MILL PRODUCTION AND CASH COSTS

Tonnes Mined		2011/2012 Sep Qtr	Dec Qtr	Mar Qtr	Jun Qtr	FY Total
Flying Fox						
Ore Tonnes Mined	Tn's	95,647	100,647	81,143	96,289	373,726
Grade	Ni %	4.5%	4.9%	5.3%	5.3%	5.0%
Ni Tonnes Mined	Tn's	4,258	4,920	4,278	5,097	18,553
Spotted Quoll - Tim King Pit						
Ore Tonnes Mined	Tn's	59,955	71,406	57,204	-	188,565
Grade	Ni %	5.7%	4.8%	4.0%	0.0%	4.8%
Ni Tonnes Mined	Tn's	3,400	3,455	2,280	-	9,135
Spotted Quoll - Underground						
Ore Tonnes Mined	Tn's	-	5,996	23,261	42,574	71,831
Grade	Ni %	0.0%	3.3%	4.5%	5.1%	4.8%
Ni Tonnes Mined	Tn's	-	197	1,044	2,173	3,414
Total - Ore Tonnes Mined	Tn's	155,602	178,049	161,608	138,863	634,122
Grade	Ni %	4.9%	4.8%	4.7%	5.2%	4.9%
Total Ni Tonnes Mined	**Tn's**	**7,658**	**8,572**	**7,602**	**7,270**	**31,102**
Tonnes Milled and Sold		**Sep Qtr**	**Dec Qtr**	**Mar Qtr**	**Jun Qtr**	**Total**
Ore Processed	Tns	134,412	138,360	131,748	143,148	547,668
Grade	%	5.1%	5.2%	5.1%	4.9%	5.1%
Ave. Recovery	%	93%	92%	93%	90%	92%
Ni Tonnes in Concentrate	**Tns**	**6,413**	**6,632**	**6,276**	**6,320**	**25,641**
Ni Tonnes in Concentrate Sold	Tns	4,751	6,487	8,154	6,888	26,280
Ni Tonnes in Ore Sold	Tns	357	-	-	-	357
Total Nickel Sold	**Tns**	**5,108**	**6,487**	**8,154**	**6,888**	**26,637**
Stockpiles		**Sep Qtr**	**Dec Qtr**	**Mar Qtr**	**Jun Qtr**	
Ore	Tns	109,969	146,109	175,971	171,682	
Grade	%	4.8%	4.5%	4.2%	4.4%	
Concentrate	Tns	19,903	19,375	11,346	7,243	
Grade	%	14.3%	14.1%	14.3%	14.3%	
Contained Ni in Stockpiles	**Tns**	**8,132**	**9,300**	**9,013**	**8,586**	
Financial Statistics		**Sep Qtr**	**Dec Qtr**	**Mar Qtr**	**Jun Qtr**	**Total**
Group Production Cost/lb						
Mining Cost (*)	*A$/lb*	1.60	1.54	1.86	2.25	1.81
Haulage	*A$/lb*	0.09	0.09	0.09	0.09	0.09
Milling	*A$/lb*	0.35	0.35	0.37	0.41	0.37
Admin	*A$/lb*	0.18	0.19	0.19	0.17	0.18
By Product Credits	*A$/lb*	(0.02)	(0.02)	(0.03)	(0.02)	(0.02)
Cash Cost Ni in Con (***)	***A$/lb***	**2.20**	**2.15**	**2.48**	**2.90**	**2.43**
Cash Cost Ni in Con/lb (***)	***US$/lb (**)***	***2.29***	***2.18***	***2.62***	***2.93***	***2.50***
Exchange Rate US$ / A$		***1.05***	***1.01***	***1.06***	***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 (Jun 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 Kagara physicals.





Flying Fox

Production

June Q Flying Fox production was 96,289 ore tonnes at an average grade of 5.3% for a record 5,097 tonnes of contained nickel. Production was sourced from the following areas of the mine; T1: 1%, T4: 5%, T5: 72% and Lounge Lizard: 22% (Lounge Lizard was 100% owned by the Company for the entire quarter). Ore production was 19% above the March Q due to strong production from the wider 335 long hole stope in T5. Other smaller long hole stopes completed during the quarter were the 567 and 720.

Ore drive development continued at the 655, 630, 615, 540, 530, 450, 425, 410 and 370 levels. The 345 to 370 long hole stope was backfilled with a combination of unconsolidated waste rock and cemented rock fill.

Mine Development

The Streeter Decline progressed 34m vertically for the June Q with total lateral development of 1,248m which included 510 equivalent metres advance from a combination of flatback stoping and benching.

The underground diamond drilling program from the 334 RL was completed early in the June Q with the drill rig moving to the 300 drill drive cuddy to drill the lower areas of the Lounge Lizard deposit. The T5 mobile carrier rig grade control drilling continued during the quarter.

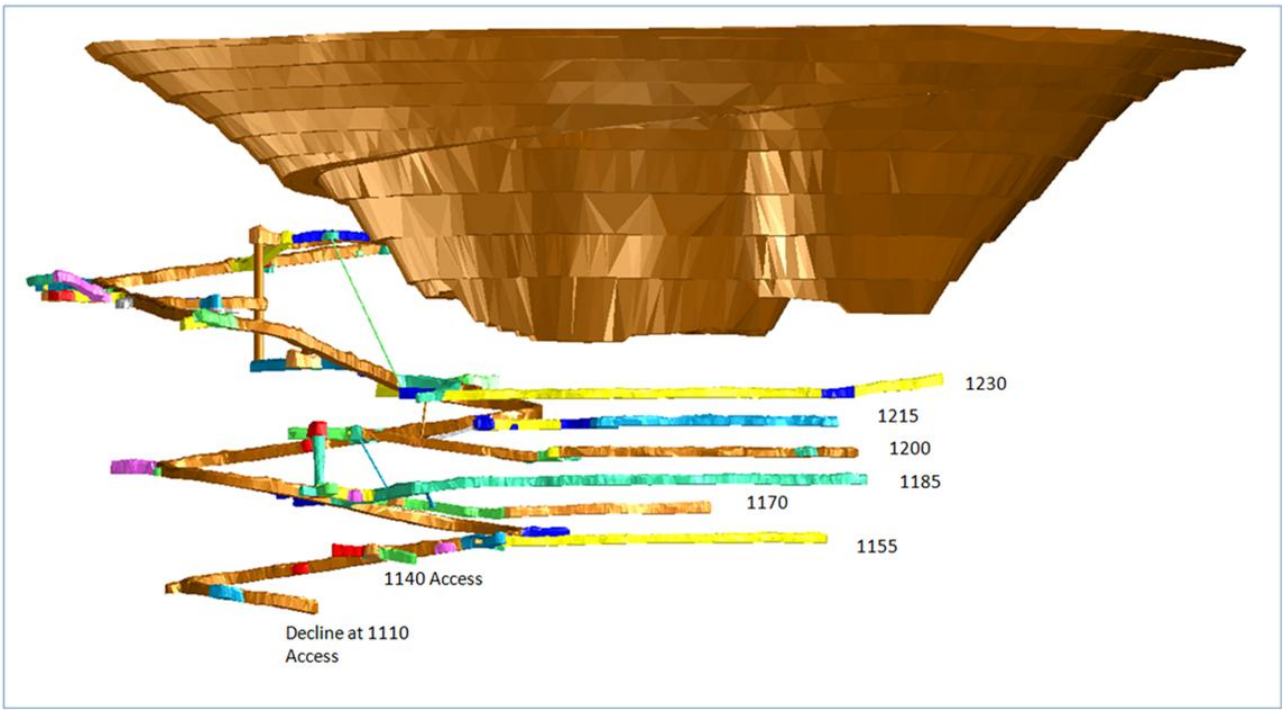
Work continued during the June Q on upgrades to the seismic monitoring system and underground communications network. Work also started on the 525 deeper underground explosives magazine.

Spotted Quoll

Production

June Q production at Spotted Quoll was 42,574 ore tonnes at an average grade of 5.1% for 2,173 tonnes of contained nickel. Ore production included the first long hole stope from the 1200 P1 panel.

Ore drive development for the June Q included completion of the 1215 and 1200 levels; 1185 was ongoing and the 1170 and 1155 levels were commenced.



Mine Development

The Hanna Decline progressed well for the June Q with a total advance of 296m and total jumbo development of 1,281m. The decline has reached the 1121 RL or 280m below surface.

A summary of mine infrastructure works for the June Q is shown below:

- Paste fill plant construction progressed well, with civil work completed and structural, mechanical and electrical work ongoing;
- Completion of the 1280 level primary pump chamber;
- Completion of the 1200 to 1178 vertical longhole rise to extend the mine return airway (RAW) network.

Paste Plant construction site at Spotted Quoll mine

Mine Optimisation

The Spotted Quoll underground mine optimisation study was completed during the quarter. The resultant life of mine (LOM) plan envisages a staged increase in annual nickel tonnes from approximately 9,500t in FY13 to 11,400t in FY14 and increasing to a steady state of 15,000t from FY15. The new LOM design extends just over 1km vertically from the surface down to the 335 level.

Cosmic Boy Nickel Concentrator

143,148 tonnes of ore at an average grade of 4.9% nickel was treated for the June Q with the Cosmic Boy concentrator producing 43,053 tonnes of concentrate grading 14.7% nickel for 6,320 nickel tonnes. Concentrator metallurgical recovery averaged 90% with 99% plant availability.

For the financial year 2012 the Cosmic Boy Concentrator treated 590,406 tonnes at an ore grade of 5.0% nickel. This included 42,738 tonnes of Lounge Lizard ore treated under the Kagara Agreement. A total of 184,919 tonnes of concentrate was produced at 14.7% nickel containing 27,214 nickel tonnes. This included 9,602 tonnes of concentrate (1,573 tonnes of nickel metal) produced under the Kagara Agreement. Plant recovery for the full year averaged 92.2%.

At the end of the June Q, 171,682 tonnes of ore at an average grade of 4.4% nickel containing over 7,558 tonnes of nickel was stockpiled at site awaiting treatment at Cosmic Boy. During the next six months the Company expects to draw down these stockpiles as the underground operations at Spotted Quoll ramp up. The current stockpile represents over three months of mill feed and enables the selection of an optimal mill feed blend.

The pending Board approval of the new LOM plan at Spotted Quoll, may trigger a high grade concentrator expansion from the current nameplate capacity of 550,000 tonnes of ore up to 750,000 tonnes per annum. GR Engineering Limited has already completed a desktop review for the high grade expansion and a formal announcement on expansion is expected early in the September Q. Capital cost for this plant expansion is expected to be between A$10-12M.

Cash Costs

The cash cost of nickel in concentrate (excluding smelting/refining charges and royalties) produced during the June Q was **A$2.90/lb** nickel. This higher cash cost reflects that the total ore production is now from two underground mines after the completion of the low cost Tim King open pit in February. The cash cost target in the longer term is <$3.00/lb which still places the company in the lowest cost quartile of nickel producers.

The full year cash cost was **A$2.43/lb** nickel, being below our previous guidance.

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 June Q. A total of 48,107 tonnes of concentrate was delivered containing 6,888 tonnes of nickel.

The concentrate stockpile at Cosmic Boy now stands at 7,243 tonnes at a grade of 14.3% nickel containing 1,028 tonnes of nickel metal. Total concentrate stockpiles decreased by 4,103 tonnes (594 tonnes of nickel) or 36% from the previous quarter.

Total nickel sales for the financial year were 27,884 tonnes of nickel, including 357 tonnes of nickel (in ore) sold to Minara in the September Q and 1,247 tonnes of nickel sold from the Kagara Agreement.

The second offtake agreement with Jinchuan for 15,000 tonnes of nickel is on track for completion by March 2013. It is expected that a new tender process will commence during the December Q for uncommitted nickel concentrate sales post March 2013.

4. INFRASTRUCTURE

Internal Haul Road

The construction tender for the 16km internal haul road between the mines and Cosmic Boy Mill was won by Hamptons Transport and work commenced during the quarter. The internal private road is expected to be operational early in the September Q. The road will reduce the ore cartage distance by 12km and will allow the use of larger more efficient trucks.

5. FORRESTANIA MINERAL RESOURCES AND ORE RESERVES

Flying Fox

Underground grade control and resource extension drilling continued throughout the June Q with definition of key production stopes progressing well. Infill and extensional resource drilling at Lounge Lizard continued throughout the quarter, with work focusing on the T5 panel down to the T7 Pegmatite Fault (Figure 1).

Lounge Lizard drilling will continue throughout the September Q with an updated Mineral Resource model scheduled for the December Q, this will enable an update to the life of mine design.

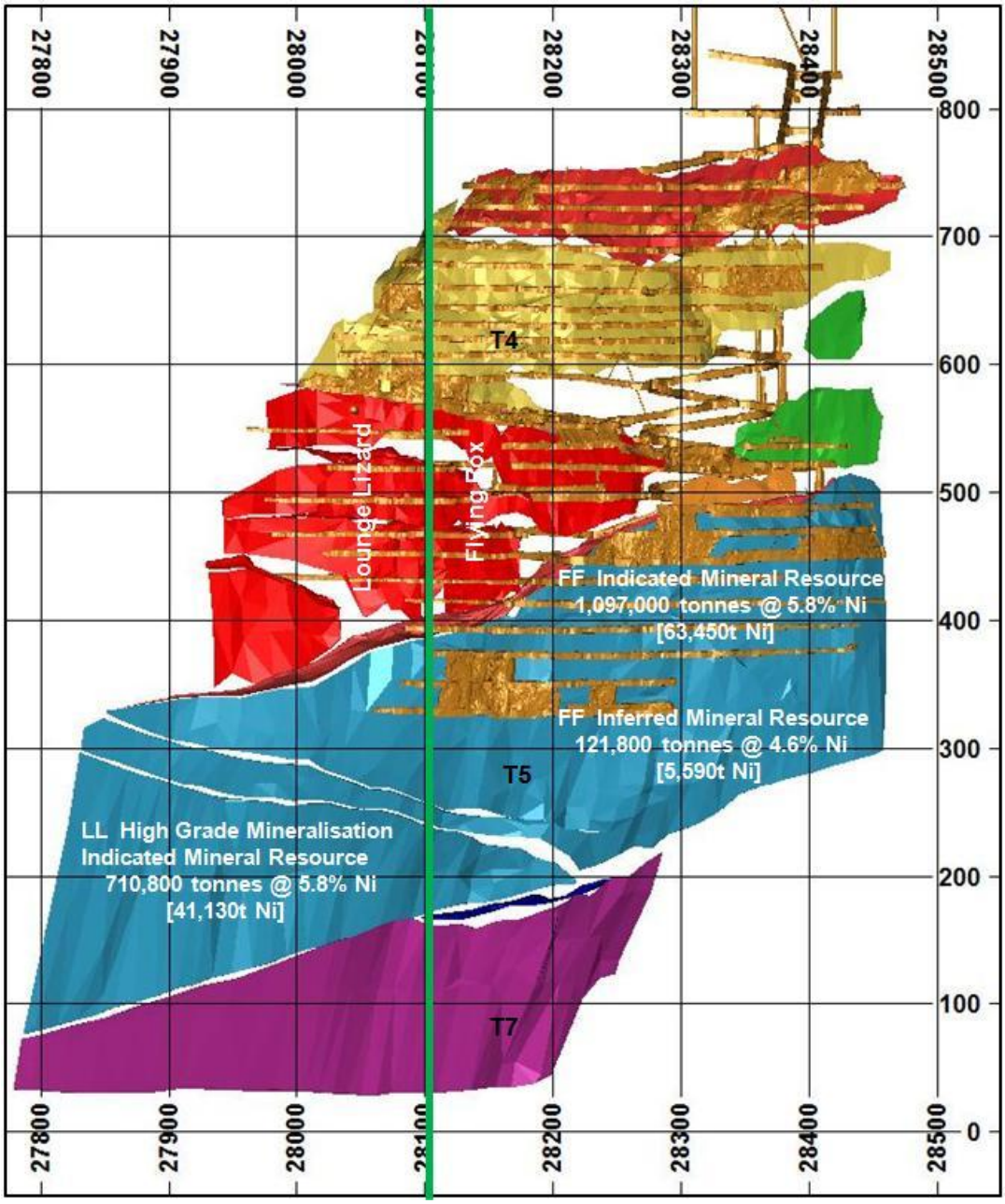


Figure 1: Longitudinal Section Flying Fox / Lounge Lizard T4 to T7 Zones at 31 March 2012

Spotted Quoll

On 7 June 2012 an updated Probable Ore Reserve for the Spotted Quoll underground was announced with the ore tonnes increasing to **3,095,500 tonnes at an average grade of 4.2% nickel containing approximately 131,360 tonnes of nickel metal** (Figure 2).

This represents an **increase of 94% in reported contained nickel metal** compared to the figures provided in the March 2012 Quarterly Report; and confirms the Spotted Quoll underground mine as a robust, long life, high grade operation.

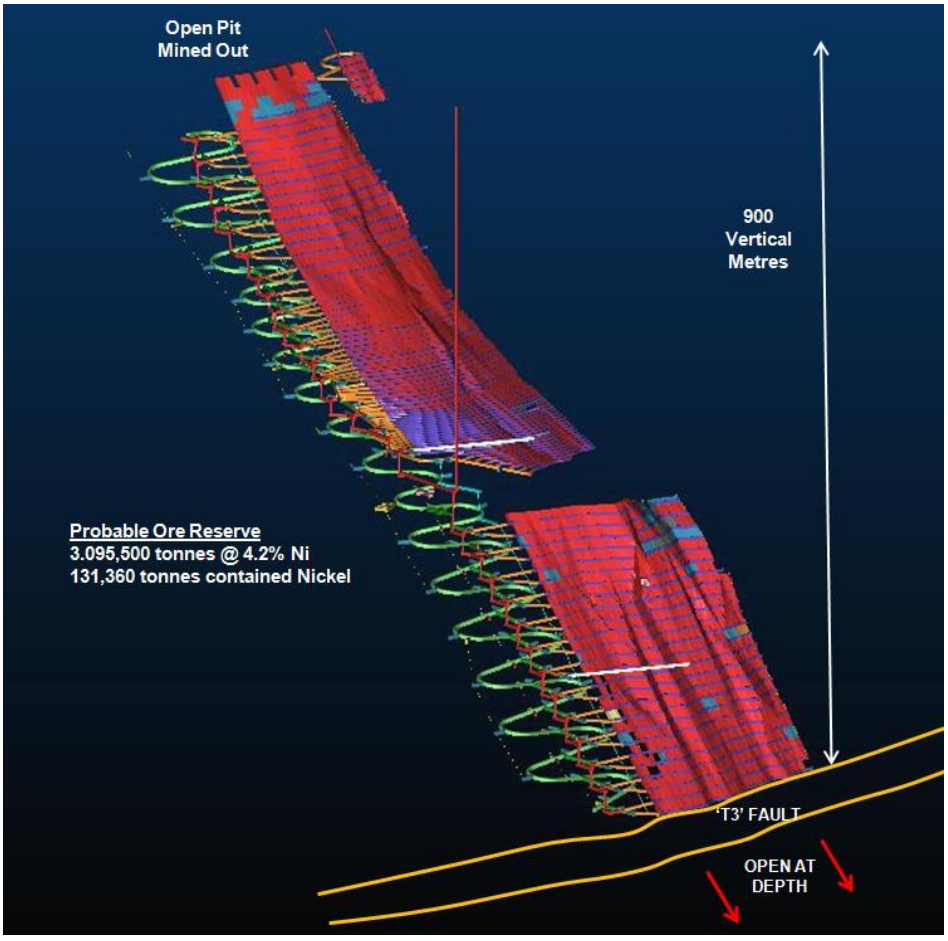


Figure 2: 3D View of Spotted Quoll showing updated underground mine design.

The revised Ore Reserve estimate for Spotted Quoll incorporates the deeper Mineral Resource extensions outlined in the ASX release of 4 January 2012, and represents an 88% conversion (nickel tonnes) of the Indicated Mineral Resource of **2,484,200 tonnes at 6.0% for 149,500 nickel tonnes**.

Ore Reserve Statement May 2012 - Spotted Quoll Deposit				
Deposit	**Category**	**Tonnes**	**Grade (%Ni)**	**Contained Ni (tonnes)**
Spotted Quoll Underground	**Probable**	**3,095,500**	**4.2**	**131,360**

Ore Reserve Parameters: The following parameters were used to estimate the Spotted Quoll Probable Ore Reserve.

Criteria	Explanation
Mineral Resource estimate	The estimation of the Spotted Quoll Underground Ore Reserve was based on the geological interpretation and model produced by John Haywood, Geology Manager for Western Areas in December 2011
Study Status	Life-of-mine design and schedule
Cut-off Parameters & assumptions	A stope cut off of 2.0% Ni was used with a minimum stoping width of 2.5m
Mining Factors or assumptions	Unplanned factors for stoping are 3% dilution and 95% mine recovery. No dilution factors and 100% mine recovery have been applied to all development. Where stope footwall angles are greater than 45 degrees, 15m level spacing (floor to floor) has been used. Where stope footwall angles are between 40 – 45 degrees, 7m level spacing has been used. Where the ore dips at an angle of less than 40 degrees, a drift and fill methodology has been used. A maximum stope strike length of 25m has been used.
Other	
Classification	Both Indicated and Inferred ore categories have been used to produce this life-of-mine design. Only Indicated Resource has been converted to Probable Ore Reserve.

Surface diamond drilling continued during the June Q to infill and upgrade the confidence level of Inferred Mineral Resource areas of the Stage 1 and Stage 2 zones of the deposit.

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

6. BIOHEAP

During the June Q testwork started on a third party ore sample to determine its amenability to bacterial leaching. Proposals were prepared for other companies following the presentation of various technical papers on BioHeap's new high pH bacterial culture at relevant industry conferences. This presentation and a provisional patent application are the results of the research and development project that has been underway at BioHeap's Waterford laboratory since it opened last year.

Further research work is planned for the coming financial year, with the aim of strengthening and supporting BioHeap's current intellectual property portfolio and expanding the technology's application.

As global resource grades decline, the demand for proven technologies to efficiently treat low grade deposits will significantly increase. As a result, an intensified marketing campaign is planned for the coming financial year to promote the BioHeap™ technology to the industry and to invite company's considering processing options for low grade sulphide ores to evaluate the use of the BioHeap™ technology.

BioHeap Laboratory Technician conducting test work at the Waterford Laboratory

7. EXPLORATION

Exploration drilling during the June Q included evaluating potential extensions to the Flying Fox and Spotted Quoll deposits (see above), as well as testing for extensions to the mineralisation recently discovered adjacent to New Morning and drilling a number of prospect areas to identify new resources. These latter areas included the South Ironcap area and Cross Roads. In addition to drilling, ground based electromagnetic surveys were completed over the T15, EJ Moore and Hatters Hill prospects.

Following the acquisition of the Kagara Nickel tenement package a prospectivity review and target generation phase has commenced. Priority areas where exploration activities have either commenced or are planned to commence include the Lounge Lizard, T15 and Northern Estates areas.

Forrestania Projects

Sunrise

Further drilling was undertaken to define the mineralisation discovered whilst testing the 3km long section between Spotted Quoll and New Morning, (Figure 3). As reported in the March Q nickel sulphides were intersected in the northern most hole (NMD140), some 300m south east of the high grade New Morning deposit, with a number of intervals returned from two zones of mineralisation. A July 19 release announced further significant intersections of nickel sulphides at the recently named Sunrise discovery.

Major highlights are:

- Eleven of the fifteen diamond core holes drilled at Sunrise to date have intersected nickel sulphides (Figure 4);
- Mineralisation extends for 400m north-south and to a depth of at least 400m below surface and is open to the north and at depth;
- Best intersections; - NMD 140 - 2.6m at 3.5% nickel and; NMD 149 - 4.6m at 3.7% nickel;
- Sunrise deposit is located 300m south-east of the New Morning deposit within the highly prospective Western Belt, which hosts the high grade Spotted Quoll and Flying Fox mines;
- Sunrise and New Morning deposits lie between the existing Flying Fox and Spotted Quoll mines, presenting potential operating synergies.

The Sunrise mineralisation is interpreted to be contained within ultramafic rocks that lie approximately 200m above the basal contact. All holes intersecting nickel sulphides do so at approximately the same stratigraphic level, confirming the continuity of mineralisation. The mineralised horizon is steeply dipping and generally comprised of two zones, which are between 1m and 4m wide, separated by about 10m to 20m.

Drilling is currently testing deeper extensions of the mineralisation (NMD 154) below the granite/ Outokumpu Fault, which is interpreted to have been offset 150m to the east. This hole will also test the zone, below the lower ultramafic basal contact, equivalent to the Spotted Quoll stratigraphic position, which returned 2.7m @ 0.7% Ni from 595.1m in NMD140 (Figure 5).

Downhole EM (DHEM) has been undertaken on all completed holes and the data is being used to determine the most prospective portions of the mineralisation. Drilling during the September Q will further test the character and continuity of the mineralisation.

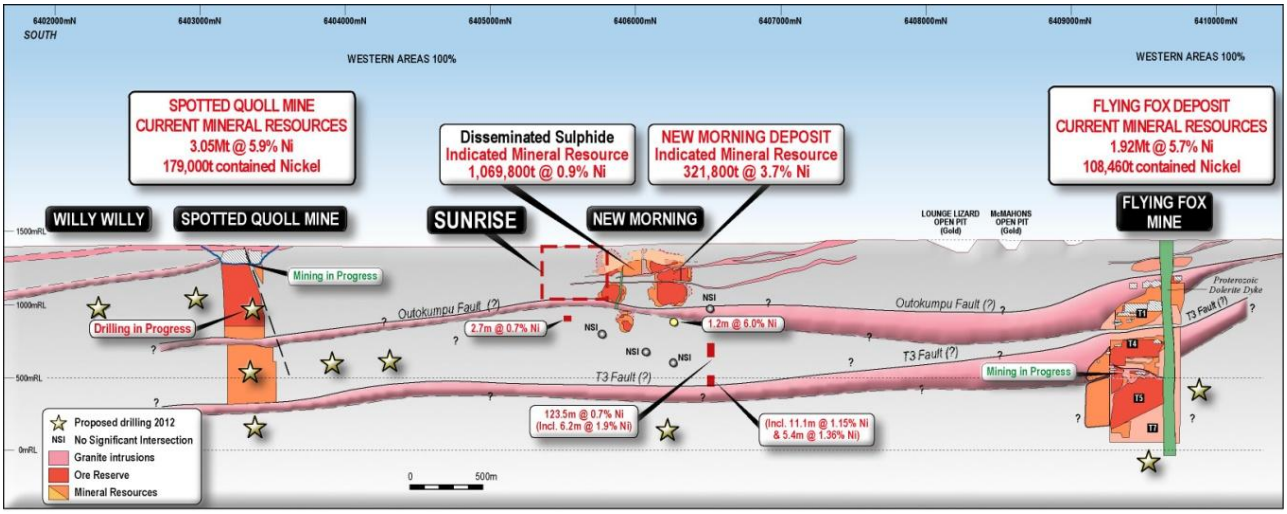


Figure 3: Interpreted Long Projection of the Western Belt footwall contact extending 6km from Spotted Quoll to Flying Fox.

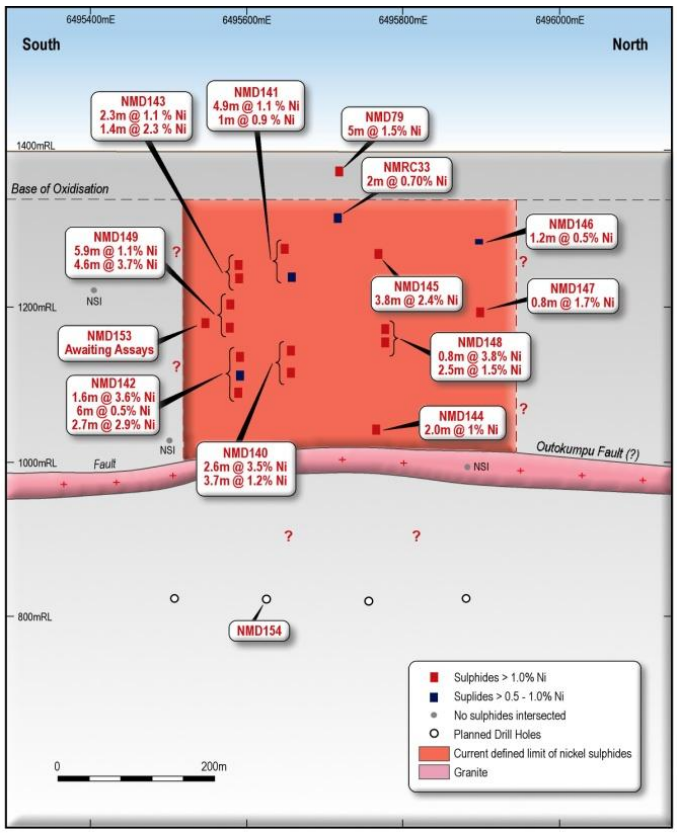


Figure 4: Interpreted Long Section of Sunrise mineralisation showing drilling at Sunrise.

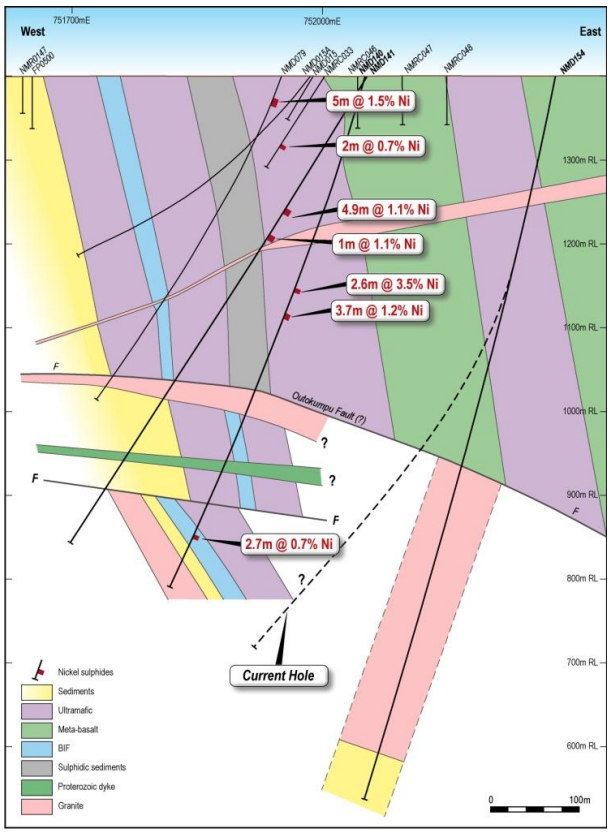


Figure 5: Interpretive cross section (6405680mN ± 30m) of recent intercepts.

Other Forrestania Projects

At South Ironcap eight holes were drilled testing the northern extent of the known disseminated mineralisation for higher grade contact style mineralisation. Hole SID 27 intersected a small amount of nickel bearing sulphides close to the contact, 2.6m at 0.8% Ni from 268.5m (including 0.8m at 1.55% Ni from 270.3m) and 1.8m at 0.47% Ni from 273.9m. No other significant mineralisation was intersected however half the holes adjacent to the mineralised holes were ineffective tests of the contact due to the presence of granite intrusive. The data from down-hole electromagnetic (DHEM) completed on the holes is being assessed to overcome this factor and provide a vector towards further mineralisation.

Drilling was also undertaken at a number of prospects in the northern part of the Forrestania area, including at Cross Roads (5km south east of Flying Fox).

Ground based electromagnetic surveys (MLEM and FLEM) were completed over the T15, EJ Moore and Hatters Hill prospects. Conductors were identified at all prospects and it is proposed that these will be drill tested in the September Q.

September Q exploration drilling is proposed to continue at New Morning and Sunrise, T15, North Ironcap, Boojum, EJ Moore 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.

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

Exploration activities included the completion of the RC program (four holes for 1,104m) testing the moving loop EM (MLEM) anomalies identified during the last phase of exploration in the Rapide and Cirrus areas. Although prospective ultramafics were encountered in all drill holes, initial interpretations from the DHEM indicate that the anomalies are represented by sulphidic sediments (BIF) and shear zones. Assays are pending.

The stratigraphic diamond hole (drilled with government co-funded assistance) was completed at 1,171m. The hole was designed to test whether the prospective stratigraphic contact for nickel may be located at depth, below the central zone of the Sandstone Belt. Initial observations indicate that the hole intersected generally shallow lithological contacts and a relatively low level of deformation, supporting the existing GSWA model. No high MgO ultramafics were intersected, with the lithology being dominated by a consistent sequence of mafic volcanics, komatiitic basalts and low MgO ultramafics, downgrading the potential for nickel sulphide mineralisation in this area.

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

Exploration activities included completion of the field program around the Trough Well and Scorpio Prospects DHEM was completed on all current and a number of historic holes at Trough Well. While no new anomalies were detected, however the geophysics did confirm the localised and discontinuous nature of the historic conductors (and higher grade mineralisation) and validated the geological model.

Target generation activities over other areas within the JV tenure commenced. Of particular interest is the Marda area (Figure 6), which is interpreted to be a tectonic intersection of the known mineralised stratigraphy at Koolyanobbing (nickel), Trough Well (nickel) and Copper Bore (base metals prospect). Regional field activities are planned to commence during the subsequent quarters to assess this and other areas.

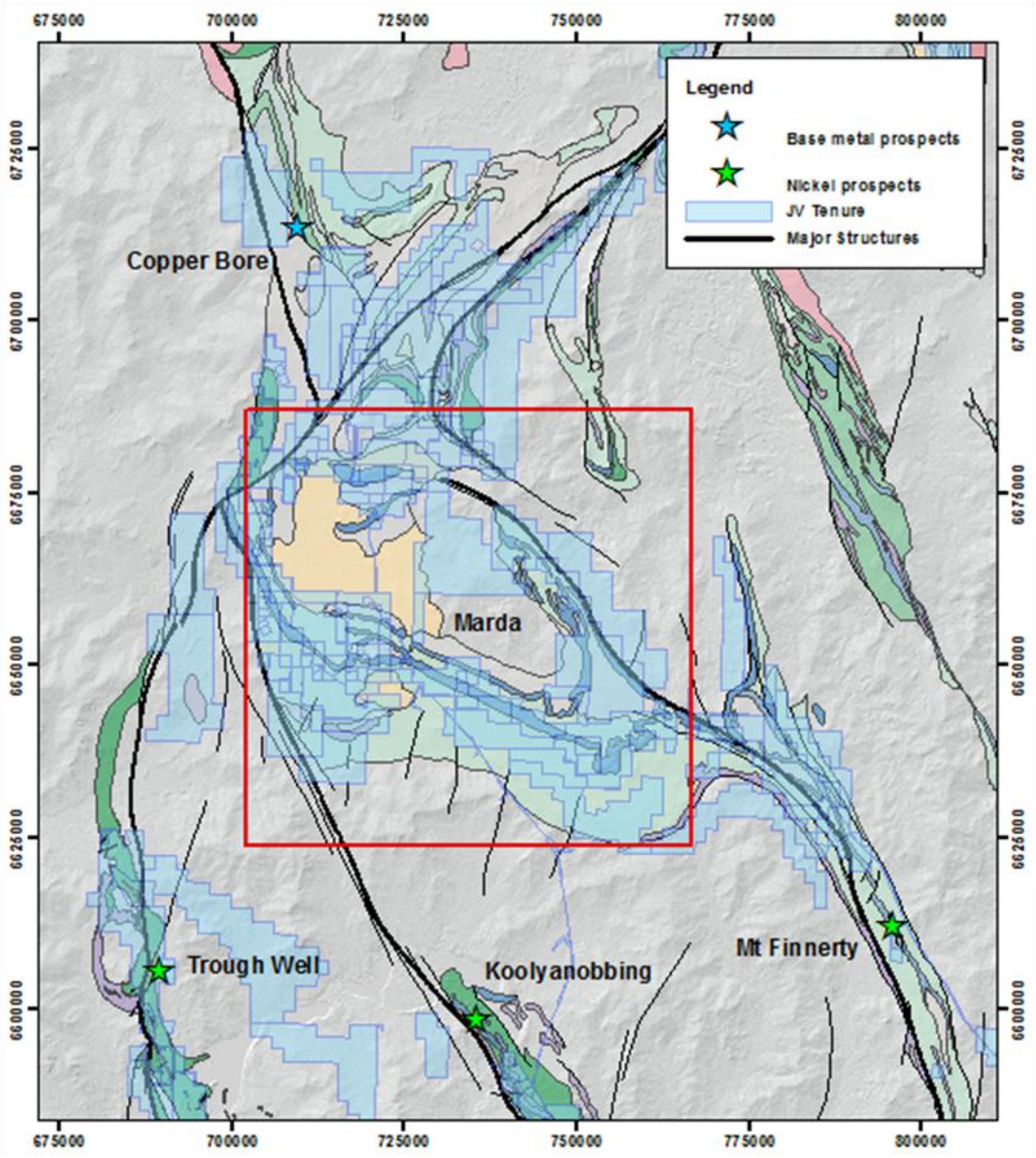


Figure 6: The Marda nickel sulphide exploration focus area, overlaying 500k geology and topography.

Lake King Nickel Joint Venture (WSA 75% interest)

Three drill holes (for 1094.4m) were drilled to test a series of MLEM conductors north of the Nickel Hill prospect Figure 7). All holes successfully tested the geophysical targets, which were found to be either sedimentary volcanic (VMS) or shear related. However, drill hole LKD009 also intersected high MgO ultramafics which included a discrete zone (1m) of disseminated nickel sulphide mineralisation (0.5% Ni) at the interpreted basal contact. The follow-up DHEM surveys confirmed that the primary targets were successfully tested and there is no observed anomaly coincident with the nickel mineralisation.

Further to the recent drilling, interpretation of the airborne magnetic survey data has been successful in generating a number of stratigraphic targets to be tested with air-core drilling in the September Q. The aim of the drilling will be to determine the extent and volume of the prospective ultramafic stratigraphy within the southern portion of the tenure, as previously defined at the Nickel Hill prospect.

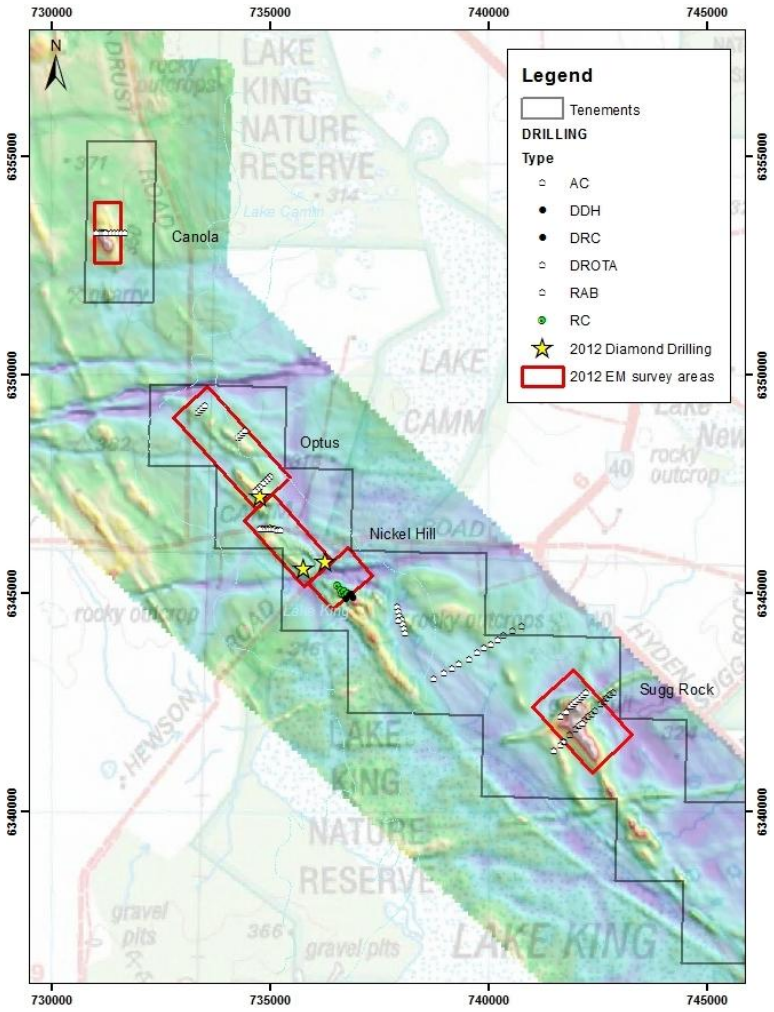


Figure 7: Exploration activities on the Lake King Nickel JV during the June quarter overlaying high resolution AMAG image

Koolyanobbing Nickel Project

The latest phase of exploration at the Koolyanobbing Project, which began in the March Q, has involved an extensive moving loop EM (MLEM) survey of the northern ultramafic stratigraphy, down-hole EM of historic holes and follow-up target drilling. The ten hole RC drilling program is also testing the extents of the known (and largely open) mineralisation around the known nickel sulphide prospects.

The four holes (for 1,099m) drilled to date targeted a series of MLEM conductors coincident with nickel soil anomalies and the prospective ultramafic horizon that hosts nickel mineralisation at Jock's Dream. All these drill holes successfully tested the targets, which have been shown to represent sulphidic chert/BIF in the ultramafic hanging wall. This phase of exploration is expected to be completed during July 2012, and assays are still pending on the completed holes. It is expected the current program will be completed early in the September Q.

9. FINNAUST MINING Plc (WSA 81.9%)

FinnAust is exploring a number base metal exploration projects in southeastern Finland. FinnAust considers that this region may represent a major metal province based on favourable geology, widespread past mining activity and the existence of numerous base metal occurrences

The current exploration program comprises drilling potential extensions below the Hammaslahti copper/zinc mine; drilling four priority targets in the region of the historic, high grade Outokumpu copper mine and preliminary drilling at a new gabbro hosted nickel/copper sulphide occurrence discovered at Tormala.

Hammaslahti

Three diamond drill holes were completed below the Hammaslahti mine during the quarter to test the interpreted down plunge extensions to a previously mined copper ore shoot. All three drill holes intersected visible chalcopyrite mineralisation within what is interpreted to be a strongly chlorite altered felsic/mafic sequence. Assays have been received for the first two drill holes (DDH R303 and DDH R304) with significant copper intersections summarised on the following table:

Section	Hole ID	From (m)	To (m)	Intersection (m)	Cu
6930950mN	DDH R303	625.6	627.4	1.8m	1.27%
	DDH R304	599.5	601.0	1.5m	1.29%
		633.0	634.0	1.0m	1.0%
		700.0	701.0	1.0m	1.15%
		788.1	788.9	0.8m	1.49%

Hammaslahti drill hole intersections, Section 6930950mN

These early results are considered to be very encouraging. Drilling is planned to continue during the September Q with the objective of identifying high grade massive to semi massive sulphide mineralisation adjacent to the wider zone of stringer and disseminated copper mineralisation.

Tormala Project

Historic drilling at Tormala (~100km west of Outokumpu) intersected significant nickel mineralisation associated with a shallow gabbro intrusion (eg 17.5m at 0.65% Ni, reported previously). Geological mapping of the Myhinkangas area at Tormala in the June Q resulted in the discovery of surface nickel and copper sulphide mineralsation, with preliminary Niton values of up to 0.6% Ni and highly anomalous Cu. Drilling has commenced to test the extent and grade of the mineralisation at Myhinkangas.

ZTEM Survey

An extensive airborne geophysical survey (ZTEM) was completed over nine FinnAust project areas, most including known base metals occurrences. ZTEM is a relatively new geophysical technique which has the capacity to map large scale geological structures and detect conductive surfaces up to a depth of 1km. Preliminary interpretation of the ZTEM data is expected to become available in the September Q.

10. CANADIAN EXPLORATION

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

The drill programme (eight holes for 3,172m) has now been completed within the 20km long East Bull lake mafic intrusive complex, 80km west of Sudbury in Ontario (Figure 8). These drill holes tested the Ni-Cu-PGE potential of a number of interesting geophysical anomalies (including TDEM and ZTEM anomalies), some of which are coincident with base metal and PGM mineralisation around the margins of the interpreted intrusive complex, identified in outcrop and shallow drilling.

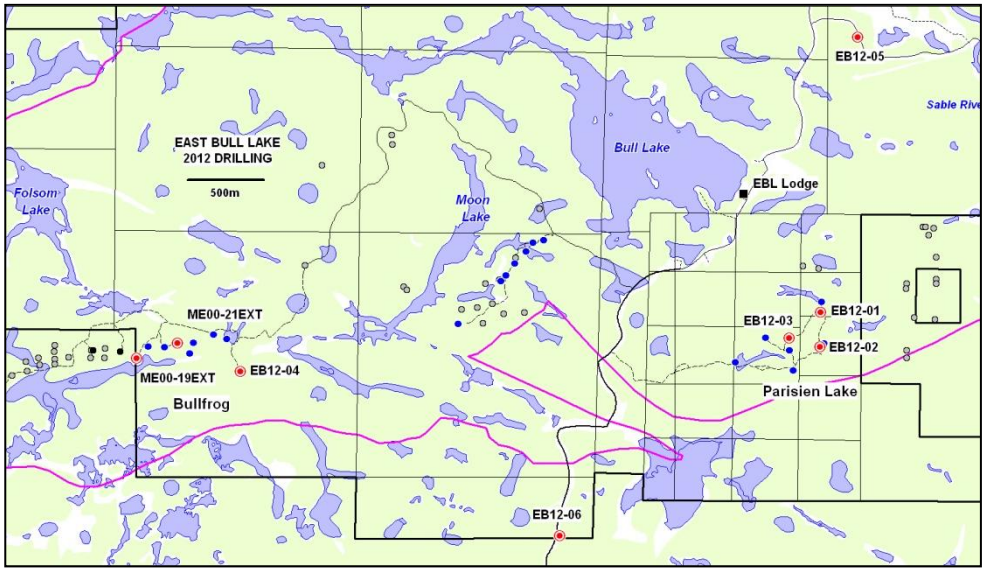


Figure 8: Plan showing 2012 drilling at the Parisien Lake and Bullfrog areas as well as ZTEM targets -1 (EB12-05) and -2 (EB12-06).

Three holes each were completed and surveyed by DHEM at Parisien Lake (705m) and at Bullfrog (538m). Drilling targeted several weak EM responses in areas of known mineralisation. Several holes intersected narrow widths of mineralisation. This included EB12-03 which intersected 2.7m at 0.41% Cu (including 0.3m at 15.8% Cu) at 135.5m, interpreted to represent the down-dip extension of the targeted lens in hole EB08-02 at 88.4m (1.1m at 9.3% Cu and 12.5ppm PGE), drilled previously. At Bullfrog hole ME00-21EXT (extended from 161m to 260m) intersected two narrow mineralized intervals of 1.7m at 0.25% Cu and 0.6ppm PGE at 197.1m and 2.7m @ 0.14% Cu and 1.02ppm PGE at 250.3m depth. The DHEM survey showed a weakly anomalous response at about 180m depth.

The results of the DHEM are being evaluated to determine if the mineralised intervals are part of a larger mineralised system. No appreciable sulphides were intersected in the other holes to explain the conductive response from the ground surveys.

Two deep holes EBL12-05 and EBL12-06, were completed totaling 1,928m to test two separate areas with coincidental ZTEM and Titan 24 MT responses. No appreciable sulphides or other mineralised sources to explain the MT responses were intersected in either hole. DHEM data for EBL12-06 indicates there is an off-end anomaly which requires resurveying with a much larger system to give direction to the source. As numerous mafic dykes were intersected in the holes, the geological data, together with the geophysical data, are currently being reviewed to assess the effectiveness of the holes and the prospectivity of the DHEM response.

In addition to the drilling further ground geophysical surveys (TDEM) were conducted at two areas, known as the Sables West and Savage grids, to refine anomalies identified from airborne geophysical surveys. No significant anomalies were returned from the surveys.

11. CORPORATE AND FINANCING

Cash Balance and Working Capital

At 30 June 2012, Western Areas had an unaudited A$165M in cash (March Q, A$156M) and nickel sales receivables valued at A$23M (subject to nickel sales price revaluations). **Total cash plus nickel sales receivables is valued at A$188M** (March Q, A$184M). The quarter on quarter increase in net cash shows the robustness of the Company's operations even at these relatively low nickel prices.

Total stockpiles contained 8,586t of nickel (March Q 8,934t nickel) at a historical cost of A$38.4M.

Dividends

The Company is in the process of finalising the full year financial results and will make a dividend announcement when the financial results are released.

Debt Facilities

The A$125m ANZ debt facility remains drawn by A$45m. Whilst the terms of the financing arrangements are confidential, the Company believes that the interest rate charged on the drawn portion of the facility is very competitive. The facility agreement contains covenants and obligations typical to this style of banking agreement.

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$0.9031. Details of hedges as at 30 June 2012 are as follows:

Hedging Details	Fiscal 2013
FX Hedging - Collar Style Options	
FX US$ Sold	60,000,000
US$ Price Call	1.0073
US$ Price Put	0.9031

The Company has not entered into any new commodity hedges this quarter given the current nickel price. 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 30 June the Company had 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$7.66)
- 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)

As announced on 2 July 2012 Western Areas retired CB1 on maturity by payment of $105M to bond holders out of cash reserves. The retirement of CB1 leaves the company with $235M in bonds at an average interest rate of 6.4%. The debt repayment reduces interest costs by $8.4M per annum and strengthens the balance sheet.

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

-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
Finance 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

Or visit: www.westernareas.com.au

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 and Mr Dan Lougher of Western Areas NL. Mr Haywood and Mr Lougher are members of AusIMM and are full time employees of the Company. Mr Haywood 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 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 "The Mine optimisation study was completed at Spotted Quoll mine and indicates that mine production has the potential to be increased up to 15,000 tpa nickel", and "The resultant [Spotted Quoll] life of mine (LOM) plan envisages a staged increase in annual nickel tonnes from approximately 9,500t in FY13 to 11,400t in FY14 and increasing to a steady state of 15,000t from FY15", and "the new LOM plan at Spotted Quoll, may trigger a high grade concentrator expansion from the current nameplate capacity of 550,000 tonnes of ore up to 750,000 tonnes per annum. Capital cost for this plant expansion is expected to be between A$10-12M".

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 - 30 June 2012

Deposit	Tonnes	Grade Ni%	Ni Tns	JORC Classification
Ore Reserves				
1. Flying Fox Area	1,067,700	**4.5**	48,300	Probable Ore Reserve
2. Spotted Quoll	3,045,000	**4.2**	128,860	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	**6,221,700**	**3.3**	**207,960**	**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	180,500	**5.1**	9,190	Indicated Mineral Resource
	15,700	**4.0**	630	Inferred Mineral Resource
T5 FF Massive Zone	696,700	**6.4**	44,660	Indicated Mineral Resource
	16,000	**4.4**	710	Inferred Mineral Resource
LL Massive Zone	710,800	**5.8**	41,130	Indicated Mineral Resource
T6	-	**0.0**	-	Inferred Mineral Resource
T7 FF	108,800	**4.7**	5,120	Indicated Mineral Resource
	42,200	**4.5**	1,920	Inferred Mineral Resource
Total High Grade FF- LL	**1,929,600**	**5.7**	**110,170**	
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	**6,912,600**	**2.2**	**151,220**	
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	2,452,000	**6.0**	147,000	Indicated Mineral Resource
	539,700	**5.1**	27,510	Inferred Mineral Resource
Total Spotted Quoll	**2,991,700**	**5.8**	**174,510**	
Beautiful Sunday	480,000	1.4	6,720	Indicated Mineral Resource
TOTAL WESTERN BELT	**12,528,200**	**2.9**	**363,150**	
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	**22,932,300**	**2.1**	**471,670**	