WESTERN AREAS NL

ABN 68 091 049 357

Activity Report

For the period ending 30th September 2012

Western Areas is an Australian-based nickel miner listed on the ASX. 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 25,000tpa 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 2.96 Mt at an average grade of 5.9% containing 174,325 nickel tonnes.

Total Ore Reserves at Spotted Quoll comprise 3.03 Mt at average grade of 4.2% nickel containing approx. 127,851 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 potential Diggers South mine, located 20km south of Cosmic Boy Concentrator.

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 15,000 tpa 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 code: WSA
Shares on issue:
180m shares, 0.4m options.
Market capitalisation:
Approx A$800M @ $4.50 per share.

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RECORD OPERATIONAL AND STRONG COST PERFORMANCE

Western Areas produced record operational results and continued their excellent safety performance with the **Lost Time Injury frequency rate now at 0.77**, which is the lowest since June 2009. This is an excellent achievement by the operations team.

Total mine production was **7,504 tonnes of nickel in ore at an average grade of 5.1%** with Spotted Quoll achieving its highest quarterly tonnage of 2,375 nickel tonnes in ore. In addition, Flying Fox produced its best quarter to date with 5,129 nickel tonnes in ore. The Company is pleased that both mines are performing well on all operational metrics.

Total nickel in concentrate from the mill was **6,951 nickel tonnes** at a **unit cash cost of A$2.49/lb** which is well below full year guidance, and 14% below the June Q. September Q concentrate sales were strong with 6,923 tonnes of nickel sold. The second Jinchuan contract is progressing well and the Company will be preparing the next contract tender documents in the December Q.

Underground drilling at Spotted Quoll also **increased the north resource by 5,730 nickel tonnes at a grade of 11.3% nickel.** In addition, the underground drilling program at Flying Fox has confirmed the high quality nature of the Lounge Lizard deposit. An updated Lounge Lizard Mineral Resource and Ore Reserve should be published in the December Q.

September Q 2012 Highlights:

1. Excellent safety performance with **Lost Time Injury frequency rate (LTIFR) at 0.77**.
2. **Combined mine production was 7,504 tonnes (16.5M lbs) nickel** at an average grade of **5.1% nickel**.
3. Flying Fox mine production was **102,218 tonnes of ore mined at 5.0% for 5,129 tonnes (11.3M lbs) contained nickel,** setting a new quarterly production record.
4. Spotted Quoll underground mine production was **43,581 ore tonnes at 5.4% for 2,375 tonnes (5.2M lbs) of contained nickel.**
5. Total **nickel sales during the September Q were 47,784 tonnes of concentrate containing 6,923 tonnes (15.3M lbs)** nickel.
6. **Average cash cost** (before smelting/refining charges) of nickel in concentrate was **A$2.49/lb**, significantly below the A$3/lb guidance**.**
7. **At 30 September 2012, Western Areas had total cash plus nickel sales receivables valued at A$79M**.
8. Underground drilling at Spotted Quoll has increased the **north deposit resource by 5,731 nickel tonnes grading 11% nickel**.
9. Underground drilling at Flying Fox has confirmed the quality of the high grade Lounge Lizard deposit.
10. Ongoing drilling at the **Sunrise deposit** has confirmed a higher grade core to the mineralisation. Infill drilling within and above this zone is currently in progress.
11. Encouraging drilling results at FinnAust Mining Plc's **Hammaslahti Project** which demonstrates the high prospectivity of this area.

1. MINE SAFETY AND ENVIRONMENT

Safety

The Forrestania Nickel Operations (FNO) continued their strong safety performance during the September Q, with no lost time injuries (LTI) and only two medical treatment injuries recorded. The LTI frequency rate (LTIFR) now stands at 0.77, the lowest since June 2009. At the end of September Q, the Flying Fox mine had recorded 712 LTI free days with Spotted Quoll at 401 and Cosmic Boy Concentrator at 498 LTI free days respectively. This is an excellent achievement by site personnel.

The FNO Aerodrome Emergency Management Committee met in September, with representatives from WA Police, Kondinin Shire, FESA, Kondinin Hospital, the Forrestania Aerodrome Reporting Officers, Safety and senior management. The emergency procedures were reviewed and a large scale emergency drill planned for October 2012.

Nine members of the Emergency Response Team (ERT) were deemed competent in the use of BG4 breathing apparatus. Over 100 personnel on site received portable fire extinguisher training during the quarter, with more training planned over the coming months. Personnel from the Cosmic Boy Concentrator and ERT also attended Safe Work at Heights and Confined Space Entry training. Other training has included underground fire fighting, medical emergencies and vehicle extrication.

Environment

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

Support of research by the WA Museum into the current distribution and ecological status of the Carnaby's Cockatoo *(Calyptorhynchus latirostris)* commenced in July 2012 and will continue for the duration of the 5 year study. The study will cover a broad area of the south-eastern Wheatbelt and parts of the Great Western Woodlands where limited work has been carried out in the past.

The environmental department at Forrestania continued to implement the environmental management plan to ensure that our operations are in line with industry best practice.

Environmental Advisor Helen Allsopp, undertaking fire fuel load assessments around the Spotted Quoll mine at Forrestania.

Community Support

Research Sponsorship

Western Areas continues to support biodiversity conservation programs with a focus on the Forrestania region. During the September Q, a five year agreement was established with the WA Museum for research sponsorship into the ecology of the Carnabys Black Cockatoo within the southeast wheat belt.

Sustainability Performance

During the quarter Western Areas commenced initial assessment of energy efficiency opportunities within the Company. The first phase of the EEO assessment will continue throughout FY13 identifying energy savings opportunities and options to reduce the Western Areas carbon footprint.

2. MINE AND MILL PRODUCTION & CASH COSTS

Tonnes Mined		2011/2012 Dec Qtr	2011/2012 Mar Qtr	2011/2012 Jun Qtr	2012/2013 Sep Qtr
Flying Fox					
Ore Tonnes Mined	Tn's	100,647	81,143	96,289	102,218
Grade	Ni %	4.9%	5.3%	5.3%	5.0%
Ni Tonnes Mined	Tn's	4,920	4,278	5,097	5,129
Spotted Quoll - Tim King Pit					
Ore Tonnes Mined	Tn's	71,406	57,204	-	-
Grade	Ni %	4.8%	4.0%	0.0%	0.0%
Ni Tonnes Mined	Tn's	3,455	2,280	-	-
Spotted Quoll - Underground					
Ore Tonnes Mined	Tn's	5,996	23,261	42,574	43,581
Grade	Ni %	3.3%	4.5%	5.1%	5.4%
Ni Tonnes Mined	Tn's	197	1,044	2,173	2,375
Total - Ore Tonnes Mined	Tn's	178,049	161,608	138,863	145,799
Grade	Ni %	4.8%	4.7%	5.2%	5.1%
Total Ni Tonnes Mined	**Tn's**	**8,571**	**7,603**	**7,270**	**7,504**

Flying Fox

Production

September Q Flying Fox production was 102,218 ore tonnes at an average grade of 5.0% for a record 5,129 tonnes of contained nickel. Production was sourced from the following areas of the mine; T4: 14%, T5: 49% and Lounge Lizard: 37%. Ore production was 6% above the June Q due to continued strong production from the wider 335 long hole stope in T5. Other smaller long hole stopes mined during the quarter were the 345, 460, 490, 515, 540, 585, 610 and 700.

Ore drive development continued at the 560, 540, 530, 490, 385, 345 and 335 levels. Numerous backfill programs were also carried out, with rockfill and cemented-rockfill during the quarter.

Mine Development

The Streeter Decline progressed 8.0m vertically for the September Q with total lateral development of 970m, which included 375 equivalent metres advance from a combination of flatback stoping and benching.

The underground diamond drilling program continued to focus on the lower areas of the Lounge Lizard deposit from the 300 drill cuddy platform, with the mobile carrier rig used for grade control drilling in the T5 orebody.

Upgrades to mining infrastructure during the September Q included Department of Mines and Petroleum (DMP) approval to commission the new deeper 525 explosives magazine, pouring of concrete for the new wash down facility and fabrication of new site office and change room amenities.

Spotted Quoll

Production

September Q production at Spotted Quoll was 43,581 ore tonnes at an average grade of 5.4% for 2,375 tonnes of contained nickel. Ore was sourced from a combination of jumbo development and long hole open stoping.

Significant wide ore zones were developed on the northern end of the orebody resulting in a positive nickel reconciliation compared to the reserve model.

The September Q demonstrates that Spotted Quoll is on track to meet its ramped up production target of 9,500 tonnes of nickel in ore for the year.

Mine Development

The Hanna Decline progressed on budget for the September Q with a total advance of 286m with total jumbo development of 1,038m. The decline has reached the 1080 level 320m below the surface.

Mine infrastructure works for the September Q:

- Paste fill plant construction was completed, with dry commissioning complete and the first underground pour planned for mid Oct;
- Paste reticulation commenced underground in preparation for the first paste pour during the December quarter;
- 50m of escape way raise boring completed ready for ladder way installation;
- The return airway extended a further two levels.

Cosmic Boy Nickel Concentrator

Tonnes Milled and Sold		Dec Qtr	Mar Qtr	Jun Qtr	Sep Qtr
Ore Processed	Tns	138,360	131,748	143,148	142,795
Grade	%	5.2%	5.1%	4.9%	5.3%
Ave. Recovery	%	92%	93%	90%	92%
Ni Tonnes in Concentrate	**Tns**	**6,632**	**6,276**	**6,320**	**6,951**
Ni Tonnes in Concentrate Sold	Tns	6,487	8,154	6,888	6,923
Total Nickel Sold	**Tns**	**6,487**	**8,154**	**6,888**	**6,923**

142,795 tonnes of ore at an average grade of 5.3% nickel was treated for the September Q with the Cosmic Boy concentrator producing 47,704 tonnes of concentrate grading 14.6% nickel for 6,951 nickel tonnes. Concentrator metallurgical recovery averaged 92% with 97% plant availability. The substantial improvement in mill production was primarily driven by higher recoveries and increased mill feed grade.

Stockpiles			Dec Qtr	Mar Qtr	Jun Qtr	Sep Qtr
	Ore	Tns	146,109	175,971	177,678	179,968
	Grade	%	4.5%	4.2%	4.4%	4.2%
	Concentrate	Tns	19,375	11,346	7,243	7,118
	Grade	%	14.1%	14.3%	14.3%	14.3%
Contained Ni in Stockpiles		**Tns**	**9,300**	**9,013**	**8,586**	**8,625**

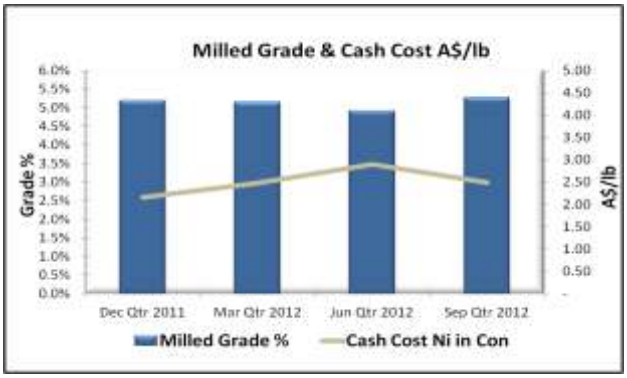
At the end of the September Q, 179,968 tonnes of ore at an average grade of 4.2% nickel containing over 7,608 tonnes of nickel was stockpiled at site awaiting treatment at Cosmic Boy. The current stockpile represents over three months of mill feed and enables the selection of an optimal mill feed blend.

During the September Q, GR Engineering Ltd completed a study for the high grade expansion and a formal announcement on expansion is now expected in the December Q. Capital cost for this plant expansion is expected to be between A$10-12M.

Cash Costs

Financial Statistics		Dec Qtr	Mar Qtr	Jun Qtr	Sep Qtr
Group Production Cost/lb					
Mining Cost (*)	*A$/lb*	1.54	1.86	2.25	1.82
Haulage	*A$/lb*	0.09	0.09	0.09	0.09
Milling	*A$/lb*	0.35	0.37	0.41	0.40
Admin	*A$/lb*	0.19	0.19	0.17	0.20
By Product Credits	*A$/lb*	(0.02)	(0.03)	(0.02)	(0.02)
Cash Cost Ni in Con (***)	***A$/lb***	**2.15**	**2.48**	**2.90**	**2.49**
Cash Cost Ni in Con/lb (***)	***US$/lb (**)***	**2.18**	**2.62**	**2.93**	***2.59***
Exchange Rate US$ / A$		**1.01**	**1.06**	**1.01**	***1.04***

(*) Mining Costs are net of deferred waste costs and inventory stockpile movements
(**) US$ FX for Relevant Quarter is RBA ave daily rate (Sep Qtr = A$1:US$1.04)
(***) 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.



The cash cost of nickel in concentrate (excluding smelting/refining charges and royalties) produced during the September Q was **A$2.49/lb** nickel, being a reduction of 14% from the June Q. The lower unit costs were driven by higher mill feed grades, higher concentrate production and the Company's ongoing cost management program. Whilst this result is clearly better than our full year guidance of <A$3.00/lb and a strong start to the new financial year, the Company will not be updating its full year cost forecast until later in the year in line with previous practice.

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 September Q. A total of 47,794 tonnes of concentrate was delivered containing 6,923 tonnes of nickel.

The concentrate stockpile at Cosmic Boy now stands at 7,118 tonnes at a grade of 14.3% nickel containing 1,017 tonnes of nickel metal. Total concentrate stockpiles decreased slightly from the previous quarter.

The second offtake agreement with Jinchuan for 15,000 tonnes of nickel is on track for completion by March 2013. The new tender process will commence during the December Q for uncommitted nickel concentrate sales post March 2013. The tender will be for a minimum of 13,000 tonnes to a maximum 26,000 tonnes of nickel in concentrate which represents roughly 1-2 years of supply, post the sale of 12,000 tonnes of nickel in contract to BHPB Nickel West.

4. INFRASTRUCTURE

Internal Haul Road

The 16km internal haul road between the Flying Fox-Spotted Quoll mines and Cosmic Boy Mill will be commissioned early in the December Q. This internal road will enhance traffic safety by separating local light vehicle users from the ore haulage traffic.

5. FORRESTANIA MINERAL RESOURCES AND ORE RESERVES

Flying Fox

Underground grade control and resource extension drilling of the Flying Fox and the Lounge Lizard deposits continued throughout the September Q. This confirmation drilling has verified the high quality nature of the Lounge Lizard deposit purchased from Kagara Nickel Pty Ltd in March. Some of the significant intercepts returned from the Lounge Lizard drilling during the quarter are tabulated below (Table 1).

Significant Assay Intervals for Sept Quarter 2012			
Drill Hole ID	**Interval m**	**Ni %**	**From**
LUG004	14.90	9.14	282.79
LUG004	4.04	3.40	346.64
LUG004	5.76	6.13	398.38
LUG009	8.67	6.69	164.82
LUG010	7.04	7.90	219.68
LUG012	5.27	6.45	186.03
LUG013	3.69	6.00	156.89
LUG018	7.64	4.88	262.61
LUG017	5.04	6.56	205.96
LUG020	4.72	5.55	231.85

Table 1: Lounge Lizard Underground Drilling

The Lounge Lizard drilling will continue throughout the December Q to further test the southern and deeper T7 extensions to the mineralisation. The T5 zone was reinterpreted based on new drilling data resulting in an increase of 1,196t of nickel in resource after depletion for the September Q (Figure 1).

A Mineral Resource and Ore Reserve estimate is expected for Lounge Lizard in the December Q.

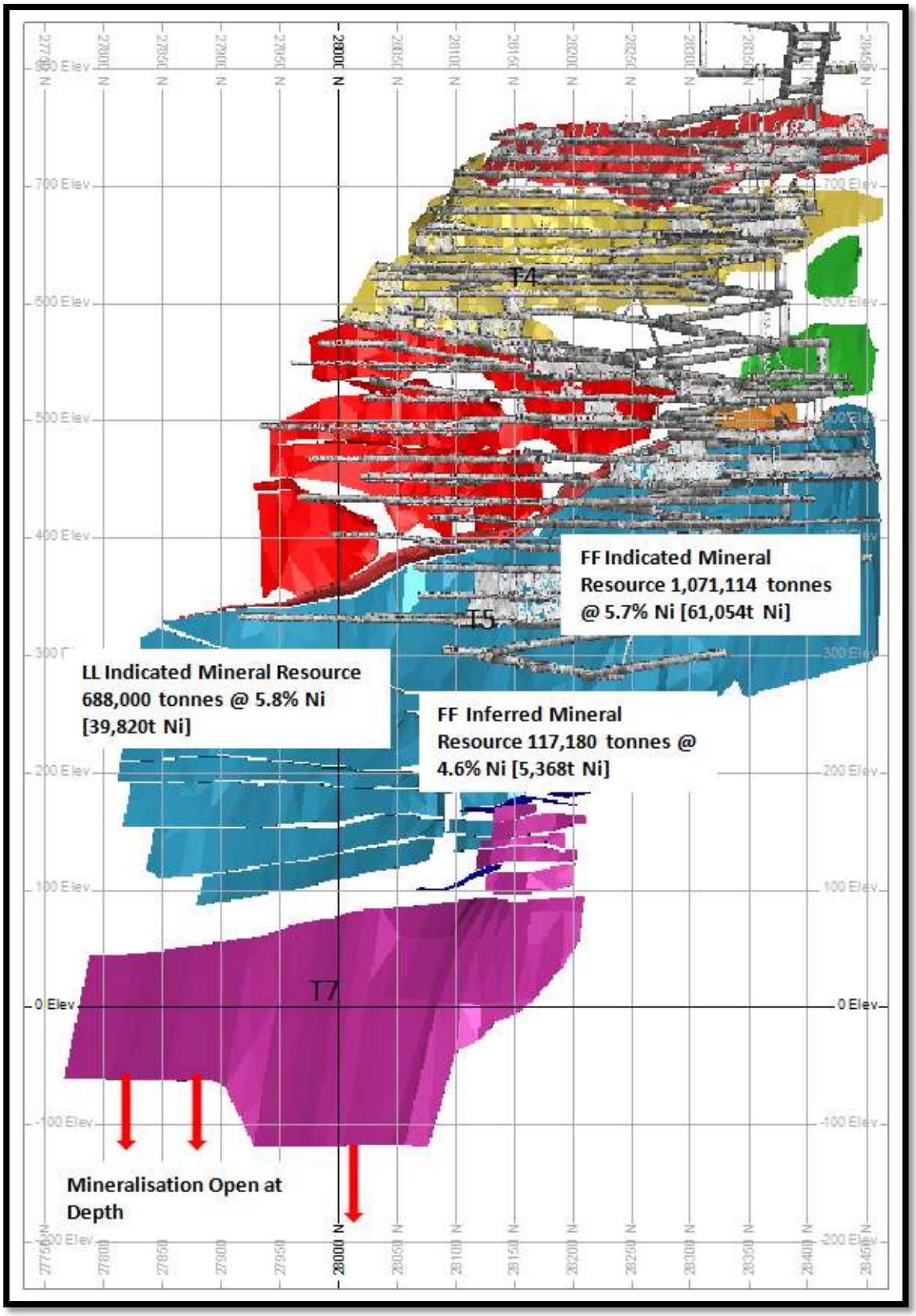


Figure 1: Longitudinal Section Flying Fox/Lounge Lizard T4 to T7 Zones as at 30th September 2012.

Spotted Quoll

Underground drilling during the September Q increased the Spotted Quoll North underground resource **to 50,900 ore tonnes at a grade of 11.3% nickel for 5,730 nickel tonnes** (Table 2). This resource is currently not included in the Spotted Quoll Ore Reserve statement but will be converted during calendar year 2013.

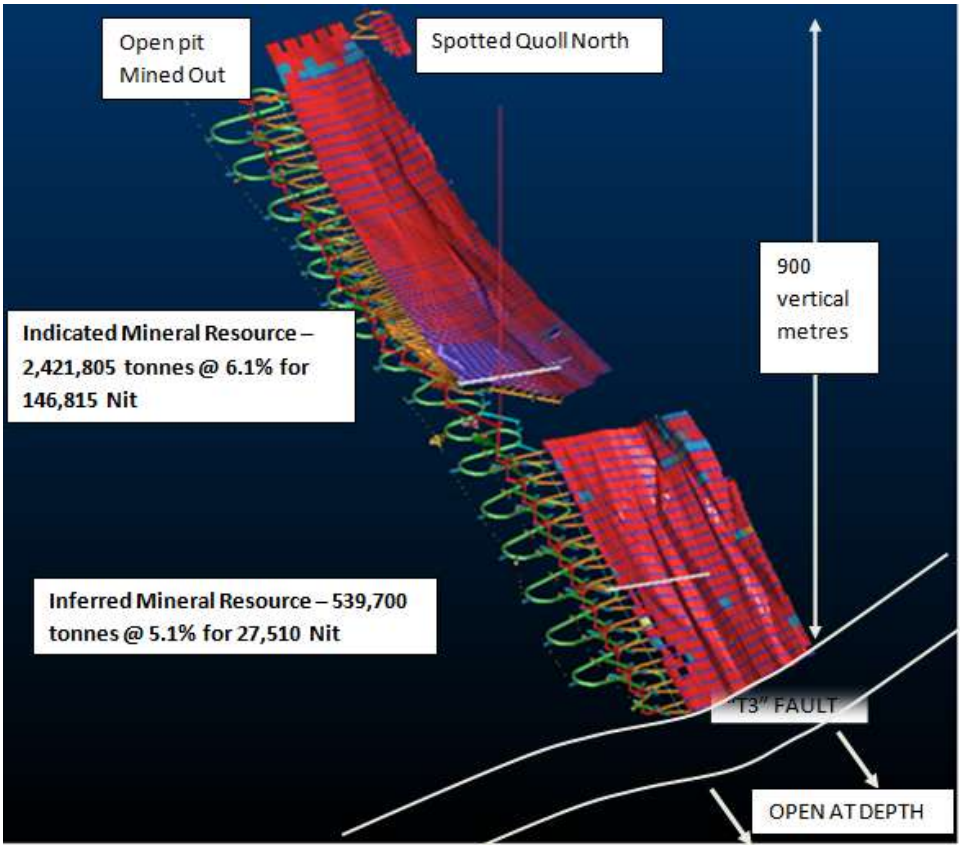


Figure 2: 3D view of Spotted Quoll deposit showing updated underground Mine Design.

Spotted Quoll North Mineral Resource Statement 30 September 2012								
Measured			**Indicated**			**Inferred**		
Tonnes (t)	grade (%)	Ni metal (t)	Tonnes (t)	grade (%)	Ni metal (t)	Tonnes (t)	grade (%)	Ni metal (t)
-	-	-	50,900	11.3	5,730	-	-	-

Table 2: Spotted Quoll North Resource

Mineral Resource Parameters: The Mineral Resource estimate was completed by Mr John Haywood who is a member of AusIMM and was a full-time employee of Western Areas NL at the time of the estimate. Massive to matrix 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 of 0% Ni was applied to reported tonnage and grade due to very small percentage of material below 2% Ni. The mineralisation at Flying Fox exhibits good continuity of grade within defined Domains.

Item	Details	Comments
Parent Cell Size	12.5m (X) by 10m (Y) by 10m (Z)	Sub-celled to match solids
Interpolation Method	Ordinary Kriging	Validated by ID2 estimate
Search Radii	Variable by domain	Nominal 60m by 60m by 25m Variable by Domain
Nominal Drill hole spacing	15m by 15m variable Majority <=20m x 20m	Spotted Quoll underground ore development and production stoping to confirm model.

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. Extensive underground development has taken place on the Spotted Quoll deposit validating the mineralisation interpretations, with ore processing validating mineralisation grades.

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

6. BIOHEAP

During the September Q, testwork continued on a third party's ore samples to determine their amenability to bacterial leaching. As a result of the marketing efforts to date, proposals were prepared for a number of other external parties during the quarter to investigate bacterial amenability of a range of ores. A number of approaches were also made to BioHeap by engineering corporations seeking to better understand the technology and for consideration in the selection process of various engineering studies.

A significant research program was kicked off with a research partner during the September Q, aiming to further understand the microbial properties of some of the BioHeap cultures that operate at extreme condition. Further research work is planned for the coming quarter with the aim of strengthening and supporting BioHeap's current intellectual property portfolio and expanding the application of the technology.

7. EXPLORATION

Exploration drilling during the September Q included evaluating potential extensions to Flying Fox as well as testing for extensions to the mineralisation recently discovered at the Sunrise deposit and drilling a number of highly prospective targets. These latter areas included the North Ironcap area, Boojum and the T15 prospect. In addition to drilling, ground based electromagnetic surveys were completed over the T15, Boojum and Northern Estates prospects.

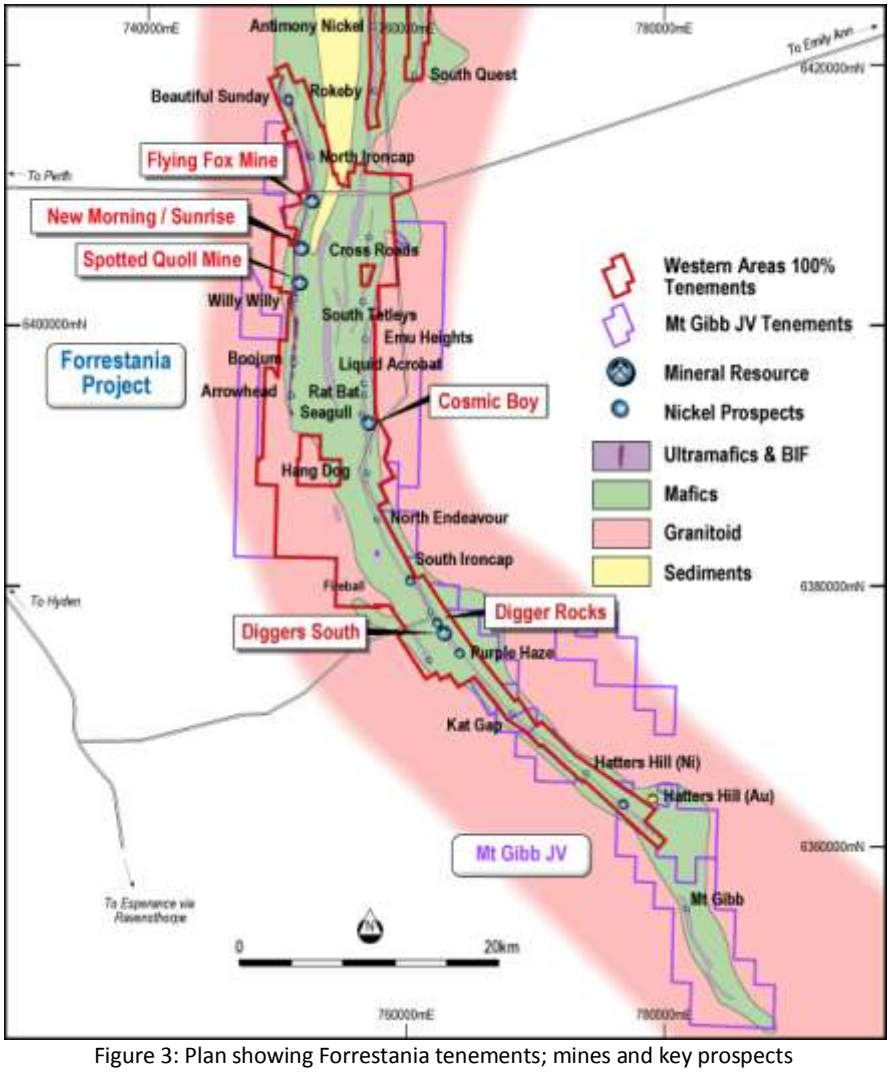


Figure 3: Plan showing Forrestania tenements; mines and key prospects

Forrestania Projects

Sunrise

Further drilling was undertaken to define the mineralisation discovered at Sunrise, 300m south east of the high grade New Morning deposit, (Figure 4).

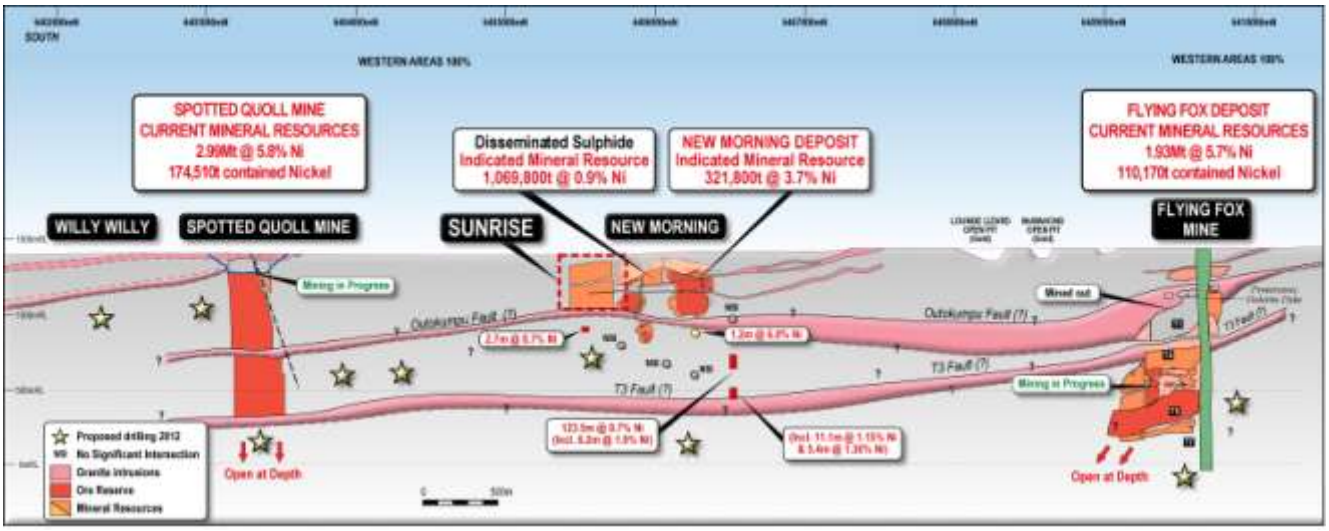


Figure 4: Interpreted Long Projection of the Western Belt footwall contact extending 6km from Spotted Quoll to Flying Fox.

Five of the ten diamond core holes drilled during the quarter at Sunrise intersected nickel sulphides. The remainder intersected granites or faults at the expected mineralised interval (Figure 5). Stronger mineralisation was intersected on traverse 6405713N, with NMD160 returning an upper 4m zone of sulphides from 266.5m and NMD returning an upper 4.2m zone of sulphides from 188.2m. Assay results have been returned for two mineralised holes. These include NMD150 (10.2m @ 1.1% Ni from 151m including 1.9m @ 2.3% Ni from 152m) and NMD 153 (1.1m @3.8% Ni from 225.6m).

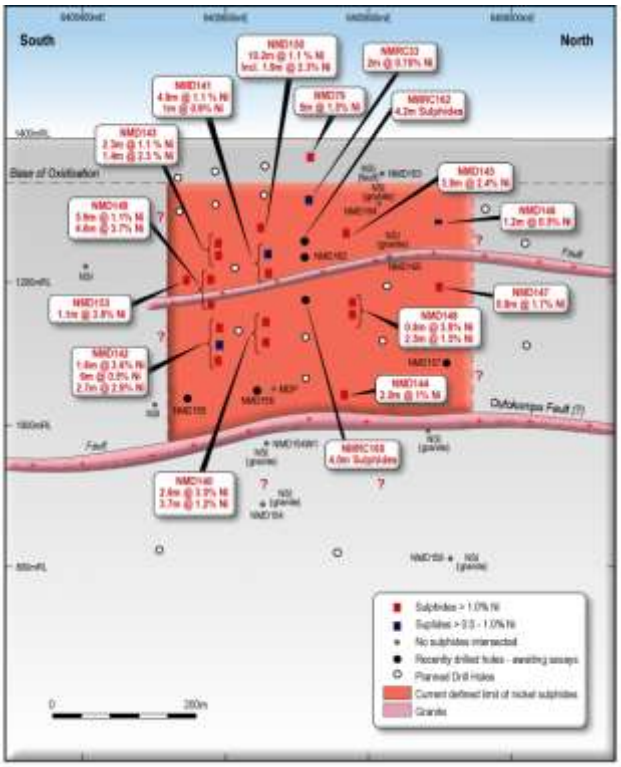


Figure 5: Interpreted Long Section of Sunrise mineralisation showing drilling at Sunrise.

The majority of the drilling during the quarter tested the Sunrise mineralisation above the Outokumpu Fault. The drilling has further confirmed the mineralised horizon is comprised of two zones, which are between 1m and 4m true width, separated by about 10m to 20m, south of 6045800N. To the north the mineralisation appears to comprise a single horizon. Further to this, the drilling has confirmed a higher grade core to the mineralisation of some 200m by 180m centered on 6405640N. Infill drilling within and above this zone is currently in progress.

Drilling to test the deeper extensions of the mineralisation (NMD 154/W1 and NMD 158) below the Outokumpu Fault, which is interpreted to have been offset 150m to the east, has intersected granites at the expected mineralised interval. Further drilling is being planned so that further testing of the interpreted deeper portions of the mineralisation can be undertaken away from the influence of the granites.

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 December Q will further test the character and continuity of the mineralisation, including testing the shallower near surface and deeper (below the Outokumpu Fault) portions of the mineralisation.

Other Forrestania Projects

Two holes (NMD152 and NMD159) were drilled in the upper portion of the New Morning mineralisation. Both holes intersected strongly oxidized sulphides within the mineralised interval. NMD152 returned 1.42m @ 1.5% Ni Assay results for NMD159 are not yet available.

Drilling was also undertaken at a number of prospects in the northern part of the Forrestania area, including at North Ironcap (5km north of Flying Fox), Boojum (8km north west of Cosmic Boy) and T15 (7km west of Cosmic Boy).

Ground based electromagnetic surveys (MLEM and FLEM) were completed over the T15, Boojum and Northern Estates prospects.

December Q exploration drilling is proposed to continue at New Morning and Sunrise, Beautiful Sunday, Seagull, 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)

The outcomes of a detailed prospectivity analysis of the project have shown that the extensive exploration programs completed by both Western Areas and Troy Resources have effectively screened the belt for a camp scale nickel deposit. While nickel sulphides were discovered in the belt during the exploration work (the first of their kind), the volume and nature of the mineralisation and host ultramafics suggests that the stratigraphy is likely not to be prospective for large komatiitic nickel sulphide deposits. On this basis, WSA has elected to exit from the Sandstone Nickel Joint Venture and will be re-focusing its regional exploration and resources to other more prospective areas.

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

Exploration activities within the Southern Cross Goldfields Nickel Joint Venture during the September Q included further interpretation of the Trough Well and Scorpio data, and target generation and program planning within the greater JV tenure.

The target generation activities continued to focus in the northern leasing of the JV, and included further interpretation of the existing datasets. In addition to the potential nickel first mover area at near Marda, the recent work has also identified nickel potential in the Lady Agnes area north of Bullfinch. Historical geochemistry and geophysical surveys at Lady Agnes have yielded a number of interesting anomalies of which none have been tested with drilling (Figure 6). Rock chip sampling over a large, cumulate high MgO ultramafic body have returned anomalous coincident nickel (up to 1%) and copper (275ppm) along the interpreted basal contact and warrants further follow-up. The field activities are planned to begin during the December Q.

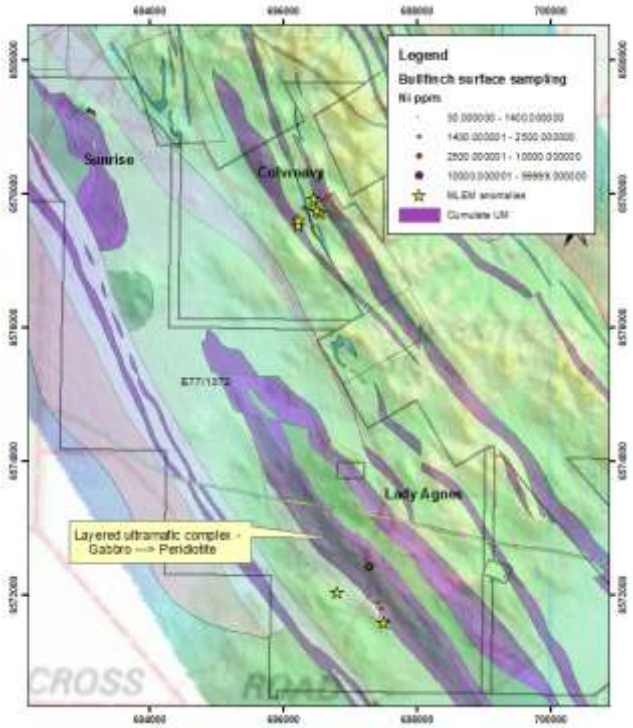


Figure 6: Geochemical and geophysical anomalies within the Lady Agnes/Colreavy areas, north of Bullfinch. Geology overlaying magnetics and topography (250k).

Lake King Nickel Joint Venture (WSA 75% interest)

A ninety Air-core drill hole programme (for 3,403m) was completed on the Lake King project during the September Q. The stratigraphic drilling program was designed to assist with the geological interpretation and generate targets within the southern portion of the tenement holding at Lake King

Significantly, one hole (LKAC097) returned anomalous nickel, copper and PGEs while targeting a discrete but extensive magnetic horizon (Figure 7). A composite sample taken within drill hole has returned an assay **of 0.87% Ni, 267ppm Cu and 28ppb PGEs** from 32-34m depth. A more detailed validation of the interval with the NITON portable XRF revealed an interval of **2m @ 1.9% Ni, 841ppm Cu** and enriched in rare earth elements.

This assay result is significant as it potentially indicates the presence of mineralised ultramafics in the southern part of the tenure (approx 17km south-east of known mineralisation at Nickel Hill) in an area with no other previous exploration. Follow-up work for the December Q will be focused on determining the extent and nature of the mineralisation.

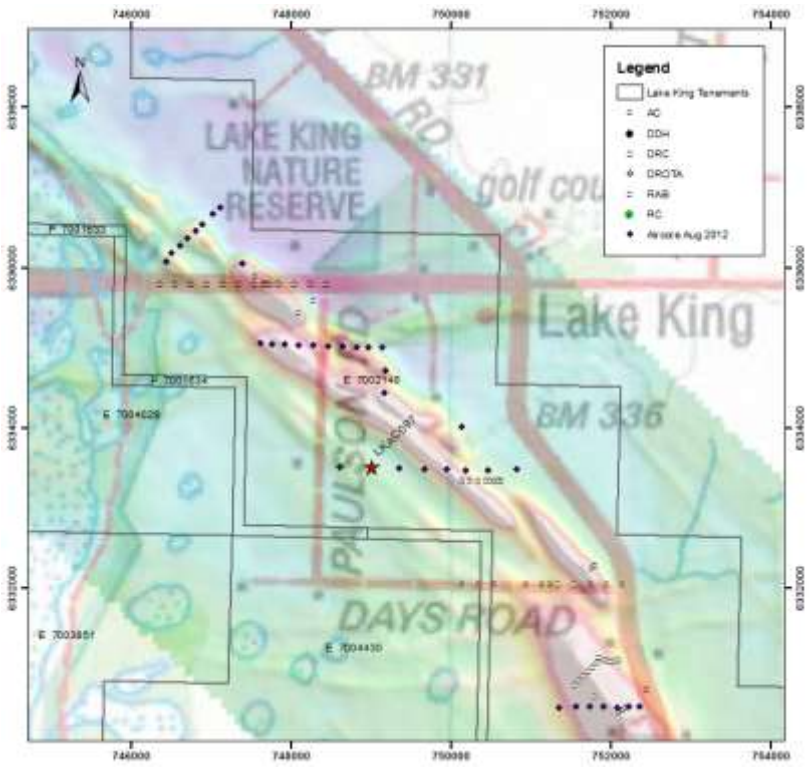


Figure 7: Location of drill hole LKAC097 overlaying high resolution airborne magnetics and topography (250k)

Koolyanobbing Nickel Project

An eleven holes RC drilling program (for 2,963m) was completed during the September Q. The drilling successfully tested the extents of the nickel mineralisation around the known prospects and a number of MLEM anomalies in the northern part of the tenure.

Drill hole KDRC023 intersected nickel mineralisation below the Jocks Dreams nickel prospect. Recent DHEM of the historical RC hole confirmed an off-hole conductor that was located below the drilling. The drill hole was subsequently extended and intersected **1m @ 1.42% Ni, 700ppm Cu and 277ppb PGEs** of matrix / stringer mineralisation, confirming the DHEM anomaly. The nickel mineralisation is located approximately 280m below the Jocks Dream mineralisation, but is associated with the same stratigraphic position and indicates potential at depth for further mineralisation.

9. FINNAUST MINING Plc (WSA 81.9%)

FinnAust is exploring a number of base metal exploration projects in south-eastern 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.

During September Q, Finland was rated by RESOURCESTOCKS magazine as the top global mining destination ahead of Sweden, Canada, US, Chile, Norway and Australia. This is consistent with low sovereign risk, stable taxation regime, excellent infrastructure, skilled work force and relatively low start up costs for establishing new projects in Finland, compared with other countries.

Excellent progress was made by FinnAust during the September Q. This is reflected in a number of significant results notably from drilling and geophysical surveys in the immediate area of the Hammaslahti mine, see below, and along the Outokumpu copper belt (approximately 50km west of Hammaslahti).

A five day Finland site visit and project review was conducted by several Western Areas and FinnAust Board members and geology managers. A number of conclusions were made at this review:

1. 2013 drilling should focus on defining potential resources in the Outokumpu and Hammaslahti projects. Both projects have significant historic copper production and exploration potential
2. The prospective Outokumpu Mine Sequence (OKU) appears to be widespread and relatively unexplored along FinnAust's holdings in the western part of the Outokumpu copper belt
3. Preliminary interpretation of data from an extensive ZTEM survey conducted in mid 2012 suggests that ZTEM is defining conductors and geological structures to over 1km depth
4. Western Areas is considering a number of options to fund ongoing exploration in Finland and drill six high priority targets at the Outokumpu and Hammaslahti projects in 2013

Hammaslahti (FinnAust100%)

Diamond drilling continued below the Hammaslahti mine during the quarter to test the interpreted down plunge extensions to a previously mined copper ore shoot. Most drill holes intersected disseminated, stringer or massive sulphide mineralisation within a strongly chlorite-altered felsic/mafic sequence.

The highest grade drill hole intersection at Hammaslahti by FinnAust to date is:

DDH R303 DT7: 3.4m @ 11.5% copper, 54.4ppm silver and 3.0ppm gold from 546.1m down hole depth.

Significant drillhole intersections during the Sept Q are summarised in the following table:

Section	Hole ID (wedge)	From (m)	To (m)	Intersect (m)	Cu %	Ag ppm	Au ppm
6930954mN	R303 DT7	546.1m	549.5m	3.4m	11.51%	54.4	3.0
6930954mN	R303 ET8	543.4m	546.0m	2.6m	1.54%	6.7	0.3
6930946mN	R303 CT10	550.0m	554.0m	4.0m	3.42%	20.3	0.5
6930949mN	R303 CT11	568.0m	570.2m	2.2m	1.7%	18.3	0.2

The drill data is being compiled to optimize further drilling, as well as to allow integration with the ZTEM data, recently flown over the area, to target extensions to the existing mineralisation and identify areas of new mineralisation (Figure 8).

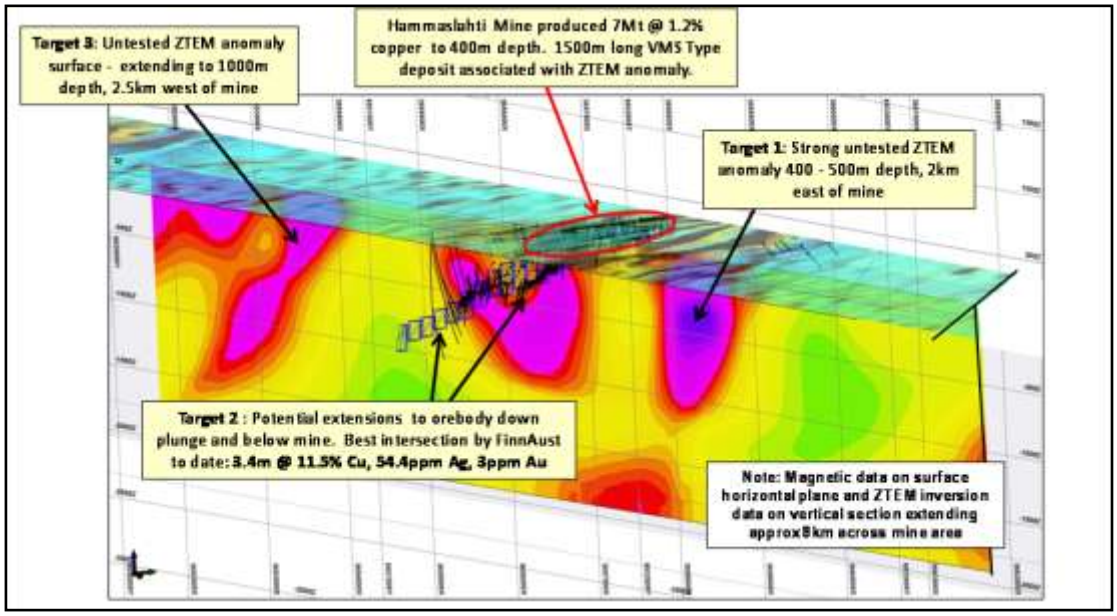


Figure 8: ~8km long (W to E) cross section across Hammaslahti underground mine area showing potential extensions to the main ore shoot and three ZTEM conductors planned for drilling in 2013.

Outokumpu (FinnAust100%)

Total historic production along the 40km long Outokumpu copper belt was approximately 42M tonnes @ 3.1% Cu, 1.0% Zn, 0.2% Co and 0.1% Ni. Finnaust has substantial holdings covering a large part of the western, eastern and southern parts of the prospective Outokumpu region.

FinnAust's regional ZTEM survey has defined several high priority targets supported by other geophysical anomalies and favourable geological settings. Further interpretation of the data will be carried out in the December Q before drilling is planned to resume in January 2013, subject to drill rig access.

10. CANADIAN EXPLORATION

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

During the quarter a review of the two deep holes EBL12-05 and EBL12-06 (completed last quarter) testing two separate areas with coincidental ZTEM and Titan 24 MT responses was completed. The geological data, together with the geophysical data, was reviewed to assess the effectiveness of the holes and the prospectivity of the DHEM response.

The review of the data showed although prospective stratigraphy was intersected in EBL12-05 the potential for a significant massive sulphide mineralisation in or adjacent to the hole is small. Likewise the offhole DHEM response at the end of EBL12-06 is unlikely to be related to a significant massive sulphide mineralisation. No further work is planned for the December Q.

11. CORPORATE AND FINANCING

Cash Balance and Working Capital

The quarter on quarter movement in the cash balance was primarily due to the repayment from cash reserves of the A$105m Convertible Bond on 2 July 2012 and A$11m of interest costs. The repayment of the convertible bond from cash was well flagged to the market and an important milestone for the Company which reduces the interest burden and adds flexibility and strength to the balance sheet going forward.

At 30 September 2012, Western Areas had total cash plus nickel sales receivables valued at A$79M (June Q, A$188M). This was broken down into an unaudited A$50M in cash (June Q, A$165M) and nickel sales receivables valued at A$29M (subject to nickel sales price revaluations).

Total stockpiles contained 8,625t of nickel (June Q 8,586t nickel) at a historical cost of A$39.6M.

Dividends

The Company paid a final dividend of 6 cents per share to shareholders on 12 October. The dividend was partially franked representing 1.8 cents franked and 4.2 cents unfranked for a total of 6 cents.

The payment of the 6 cent dividend took the FY12 total dividends paid to shareholders to 11 cents per share. This represents a payout ratio of ~49% and a dividend yield of approximately 2.7% based on the 30 June share price.

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 and gradually amortises toward the 31 March 2014 expiry date.

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$0.9032 and QP nickel hedging using flat forwards at an average price of US$8.18/lb.

Details of hedges as at 30 September 2012 are as follows:

Hedging Details	Fiscal 2013
FX Hedging - Collar Style Options	
FX US$ Sold	40,000,000
US$ Price Call	1.0073
US$ Price Put	0.9031
Nickel Hedging Forward Sales	
Ni Tonnes Sold	900
US$ Price / Tonne	18,033

Since the end of the quarter the Company has entered into a further 600 tonnes of QP nickel hedging via zero cost collars with a floor of US$17,600/tn and a cap of US$19,450/tn. 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

On 2 July 2012 Western Areas retired its $105M Convertible Bond on maturity with repayment being funded out of cash reserves. The retirement of the July 2012 Bond leaves the Company with $235M in bonds at an average interest rate of 6.4%. The debt repayment reduces the convertible bond annual cash interest cost by $8.4M per annum and adds flexibility and strength to the balance sheet.

As at 30 September the Company had 2 tranches of convertible bonds with longer term staggered maturities as follows:

- July 2014 Convertible Bond - A$110.2M with a 6.4% coupon (convert strike price of A$7.53)
- July 2015 Convertible Bond - A$125.0M with a 6.4% coupon (convert strike price of A$6.46)

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

Toronto Stock Exchange De Listing

As at 31 August 2012 Western Areas voluntarily de listed from the Toronto Stock Exchange. The Board made this decision after careful consideration of the value of shares traded versus the costs involved in maintaining the listing. The increased use of electronic trading and the willingness of international investors to now buy and hold shares on the ASX and Australian register were also key considerations in the decision. The remaining shareholders on the Canadian register were successfully transferred to the Australian share register during September.

-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 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 "An updated Lounge Lizard Mineral Resource and Ore Reserve should be published in the December Q", and "The second Jinchuan contract is progressing well and the Company will be preparing the next contract tender documents in the December Q", and "Encouraging drilling results at FinnAust Mining Plc's Hammaslahti Project which demonstrates the high prospectivity of this area" and" The September Q demonstrates that Spotted Quoll is on track to meet its ramped up production target of 9,500 tonnes of nickel in ore for the year".

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.

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Western Areas NL Ore Reserve / Mineral Resource Table - 30 Sept 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	3,030,741	**4.2**	127,851	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	**6,207,441**	**3.3**	**206,951**	**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	167,814	**5.1**	8,534	Indicated Mineral Resource
	14,680	**3.9**	578	Inferred Mineral Resource
T5 FF Massive Zone	683,500	**6.3**	42,920	Indicated Mineral Resource
	12,400	**4.3**	540	Inferred Mineral Resource
LL Massive Zone	688,000	**5.8**	39,820	Indicated 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	**1,876,294**	**5.7**	**106,242**	
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	**6,859,294**	**2.1**	**147,292**	
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	2,421,805	**6.1**	146,815	Indicated Mineral Resource
	539,700	**5.1**	27,510	Inferred Mineral Resource
Total Spotted Quoll	**2,961,505**	**5.9**	**174,325**	
Beautiful Sunday	480,000	1.4	6,720	Indicated Mineral Resource
TOTAL WESTERN BELT	**12,444,699**	**2.9**	**359,037**	
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	**22,848,799**	**2.0**	**467,557**	