

December 15th, 2010

ASX & TSX: WSA

News Release

DECISION TO MINE SPOTTED QUOLL UNDERGROUND FEASIBILITY STUDY CONFIRMS ROBUST 8 YEAR PROJECT

The Board of Western Areas is pleased to announce a decision to mine the Spotted Quoll underground mine. Decline development is scheduled to start in April 2011 with first production in February 2012. Estimated mine life for Stage One of the underground mine is eight years.

The decision to mine follows completion of the Feasibility Study for the Spotted Quoll - Stage One underground operation. Stage One will extend from the mine portal in the Tim King Pit to 525m vertical depth (Figure 1). Drilling below the ore reserve to the limit of drilling (approx. 1,000m depth) indicates **Spotted Quoll may extend to twice the depth of the Stage One mine**. This provides the opportunity to extend mine life well beyond eight years or increase production above 10,000tpa nickel in ore, which is the feasibility target when the mine is in full production.

The excellent financial returns expected from Stage One are summarised in Table 1 at different nickel prices ranging from USD\$6/lb nickel (base case) to USD\$12/lb nickel (top case).

The Stage One mine should produce robust returns at the base case of USD\$6.00/lb nickel. Assuming a price of **USD\$10.00/lb nickel and 0.95 USD/AUD exchange rate, the Feasibility Study indicates A\$297 million NPV, 96% IRR and C1 Cash Cost of USD\$2.71/lb nickel**.

Ni Price USD/lb	\$6.00	\$8.00	\$10.00	\$12.00
Forex USD:AUD	0.80	0.90	0.95	1.00
NPV(Before Tax)	A\$90M	A\$184M	A\$297M	A\$385
IRR(Before Tax)	41%	67%	96%	116%
C1 Cost (USD\$/lb Ni in Conc.)	\$2.29	\$2.57	\$2.71	\$2.86
TOTAL NET CASH A\$ M	\$162M	\$320M	\$500M	\$640M

Table 1: Financial returns based on different nickel prices and Forex rates

The Feasibility Study Ore Reserve estimate is **1.73 million tonnes ore at an average grade of 4.0% nickel containing approximately 70,000 tonnes nickel** as classified and reported in accordance with the JORC Code and listed in Table 2.

Category	Tonnes (Mt)	Grade (% Ni)	Contained Nickel (Kt)
Probable Reserve	1.73	4.0	70

Table 2: Spotted Quoll Ore Reserve Estimate as at 14th December 2010

Additional Mineral Resources extend below the current Ore Reserve. Drilling is planned in 2011 to infill and extend Mineral Resources and potentially upgrade these into Ore Reserves.



Mine Development and Capital Cost Estimates

First ore production from the underground mine is expected in February 2012 which should enable a relatively smooth transition from open pit to underground ore production.

Dimensions of the Spotted Quoll decline will be 5.5m (wide) by 5.7m (high). The decline and related mine infrastructure should have capacity to increase production above levels considered in the Feasibility Study. A 24m crown pillar, which will be partially retrieved at the end of the mine life, will be left below the Tim King Pit. Mining will involve top down, long hole open stoping using paste fill to remove the requirement for pillars. Levels will be spaced 15m apart.

Total capital cost for Stage One is estimated at A\$98 million with the major component of A\$62.2 million for mine development spread over the life of the project (Table 3). **Funding for mine development and capital costs will be sourced from operating cash flows.**

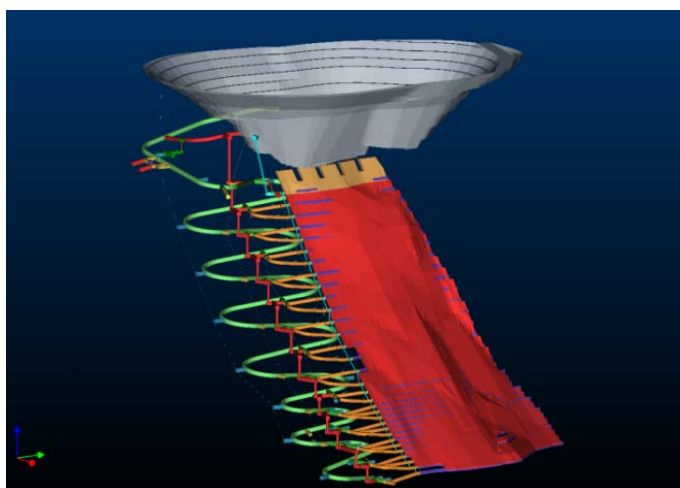
Capital Cost Breakdown	AUD\$
Plant, Property & Equipment, \$M	27.6
Mine Property & Development, \$M	62.2
Sustaining Capital, \$M	3.5
EPCM, \$M	0.9
Contingency, \$M	3.8
TOTAL	98.0

Table 3: Spotted Quoll Underground Capital Cost

Discussion of Results of Feasibility Study

Western Areas' Director of Operations, Mr Dan Lougher said: "The Spotted Quoll underground mine is a financially robust project even at a USD\$6 per lb nickel price. Estimated financial returns at current prices are substantial. We expect the supply of Spotted Quoll ore to the Cosmic Boy concentrator will transition to the underground once the Tim King open pit is completed with nickel continuing to be delivered at low cash costs. Further optimisation studies will now be carried out to enhance the project deliverables".

Mr Lougher added, "With the ongoing success of the deeper drilling it is easy to see potential for a significant extension to mine life and potentially an increase in production at Spotted Quoll."



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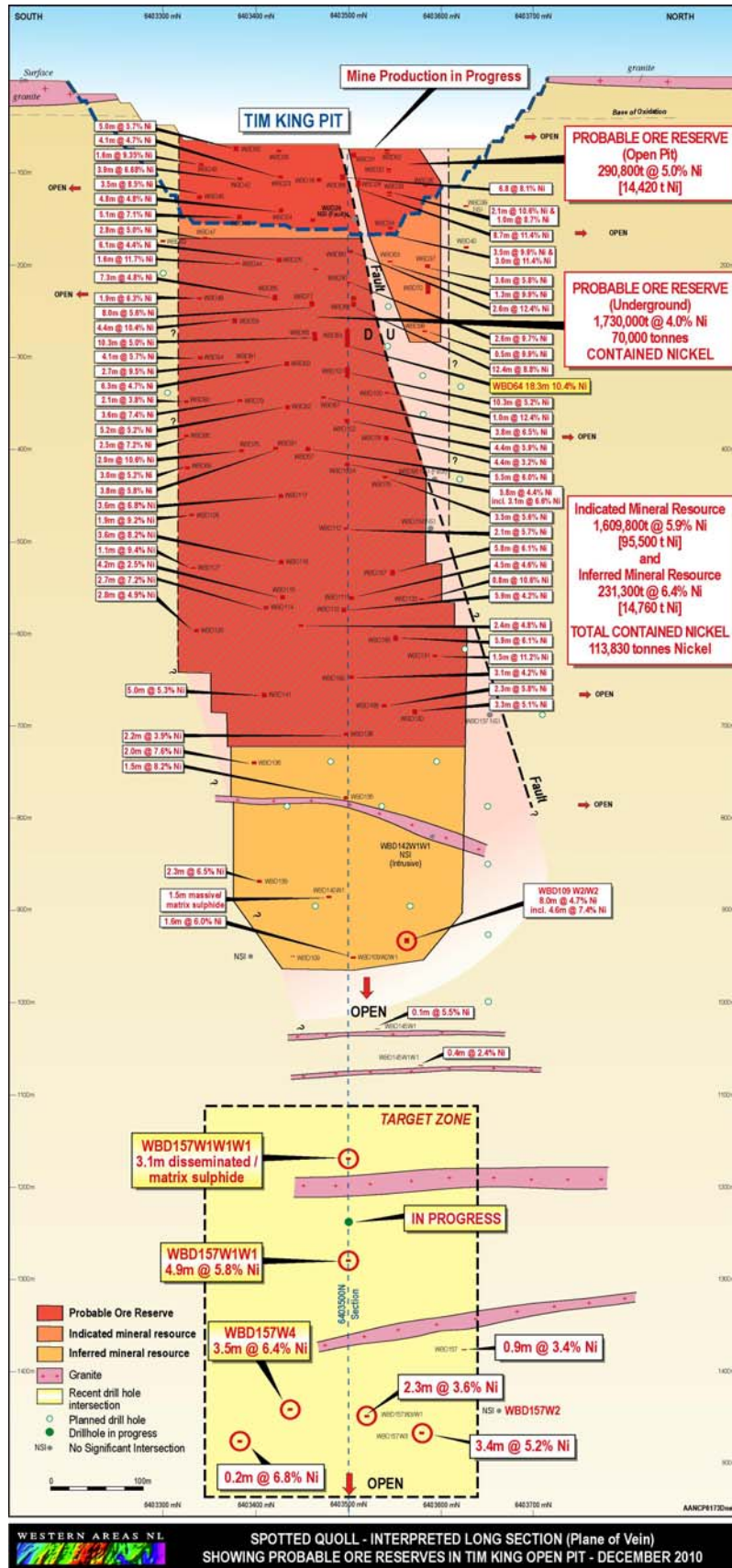


Figure 1: Longitudinal section of Spotted Quoll showing underground Ore Reserve

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Parameters used in the Feasibility Study

All the Indicated Mineral Resource within the final mine design is classed as Probable Ore Reserves after due consideration of all mining, metallurgy, marketing, legal, environment and economic aspects of the Spotted Quoll underground mine. There is no Measured Resource in the mine design. Ore Reserves are included in the Mineral Resource estimate

The Ore Reserve is based on a nickel price of **USD\$6/lb and a Forex value of 0.8 USD:AUD**

Criteria	Explanation
<i>Mineral Resource estimate for conversion to Ore Reserves</i>	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 NL. Only Indicated Resources have been used in the estimation of the Ore Reserve.
<i>Marketing</i>	Marketing of the nickel concentrate will take place under existing agreements held by WSA. Payability levels are confidential.
<i>Cut-off Parameters & assumptions</i>	A stope cut off of 2.0% Ni was used with a minimum stoping width of 2.5m. Cut-off values are based on a flat Ni price of USD\$6/lb and USD:AUD forex of 0.8
<i>Mining Factors or assumptions</i>	Planned dilution is considered as that waste material that may be mined in order to practically extract the stope. It considers the orebody geometry, geotechnical conditions and mining method selected. In the stoping area above the 990mRL the planned dilution consists of; 0.5m footwall dilution and 0.75m hangingwall dilution. Where geotechnically significant features are intersected an additional 0.75m of hangingwall dilution is included. In the stopes below the 990mRL the hangingwall dilution is set at 0.5m. Where geotechnically significant features are intersected an additional 0.75m of hangingwall dilution is included. Unplanned dilution is applied as a continuous "sheet" of waste applied to the strike length and height of the individual stopes. Unplanned dilution allows for additional overbreak from the footwall and hangingwall over above that already designed. Unplanned factors for stoping are 3% dilution and 95% mine recovery. Planned dilution is assigned at the grade reporting from the block model. All unplanned dilution is assumed at 0% Ni grade. Recovery of the crown pillar beneath the Tim King Pit is assumed to achieve 80% recovery with 10% unplanned dilution.
<i>Geotechnical</i>	Geotechnical drilling, logging and laboratory testing was conducted on the deposit. A total 55 holes were included in the construction of a 3D Mining Rock Mass Model. Interrogation of the model was used to provide supportable stope sizes, ground support criteria for the decline and stability of the ventilation shaft. Numerical modeling was also undertaken to confirm the mining extraction approach. All geotechnical work was conducted by Dempers & Seymour Pty Ltd.
<i>Metallurgical factors or assumptions</i>	Metallurgical nickel recovery factors are based on an As/Ni ratio. This is derived from detailed testwork conducted on underground ore samples diluted in accordance with the planned dilution factors. The metallurgical test work was managed by Murray Hill (metallurgy consultant). Penalty element levels are assumed to be negligible on the basis of blending testwork performed to date. Concentrator and logistic costs were derived from the current Western Areas budget for 2011.
<i>Royalties</i>	All relevant royalties were included in the economic evaluation.
<i>Mining Costs</i>	Budget mining costs were supplied by a number of Australian mining contractors. The average of the values obtained was subsequently used in the evaluation. Paste fill costs were supplied by Revell Resources following completion of tailings test work and design of a paste plant.
<i>Capital Infrastructure</i>	Capital requirements for the provision of infrastructure and services (excluding the paste plant) were designed and collated by Intech Engineers.
<i>Classification</i>	Only Indicated Resources have been used to produce this Probable Ore Reserve.

Table 4: Spotted Quoll Ore Reserve Parameters

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DISCLAIMER AND QA-QC STATEMENT: Mr Adrian Black from geological consultants Newexco Services Pty Ltd ("Newexco") and Mr John Haywood of Western Areas NL 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; 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 Note:

The information within this report as it relates to mineral resources is based on data compiled by Mr. John Haywood of Western Areas NL. The information within this report as it relates to Ore Reserves is based on data compiled by Mr. Tim Peters and Mr. Dan Lougher. Mr. Lougher and Mr. Peters are members of AusIMM. Mr. Lougher is a full time employee of the Company. Mr. Peters is a mining consultant with Piran Mining Pty Ltd. Mr. Lougher and Mr. Peters have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as Competent Persons as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.' Mr. Haywood, Mr. Lougher and Mr. Peters consent to the inclusion in the report of the matters based on the information in the form and context in which it appears.

FORWARD LOOKING STATEMENT:

This release contains certain forward-looking statements. Examples of forward-looking statements used in this release include: "Drilling below the ore reserve to the limit of drilling (approx. 1,000m depth) indicates Spotted Quoll may extend to twice the depth of the Stage One mine. This provides the opportunity to extend mine life well beyond eight years or increase production above 10,000tpa nickel in ore, which is the feasibility target when the mine is in full production", and, "Assuming a nickel price of USD\$10.00/lb nickel and 95 USD/AUD exchange rate, the Feasibility Study indicates A\$297 million NPV, 96% IRR and C1 Cash Cost of USD\$2.71/lb nickel", and, "First ore production from the underground mine is expected in February 2012 which should enable a relatively smooth transition from open pit to underground ore production. The mine life for the Stage One underground mine is eight years", and, "With the ongoing success of the deeper drilling program it is easy to see potential for a significant extension to the mine life and potentially an increase in nickel production at Spotted Quoll", and "The Spotted Quoll underground mine is a financially robust project even at a USD\$6 per lb nickel price. Estimated financial returns at current prices are substantial. We expect the supply of Spotted Quoll ore to the Cosmic Boy concentrator will transition to the underground once the Tim King open pit is completed with nickel continuing to be delivered at low cash costs".

These forward-looking statements are subject to a variety of risks and uncertainties beyond the Company's ability to control or predict which could cause actual events or results to differ materially from those anticipated in such forward-looking statements.

This announcement does not include reference to all available information on the Company or the Forrestania Nickel Project or the Spotted Quoll deposit and should not be used in isolation as a basis to invest in Western Areas. Any potential investors should refer to Western Area's other public releases and statutory reports and consult their professional advisers before considering investing in the Company.

For Purposes of Clause 3.4 (e) in Canadian instrument 43-101, the Company warrants that Mineral Resources which are not Ore Reserves do not have demonstrated economic viability.

-ENDS-

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