



# Activities Report

## For the period ending 31 March 2010

Western Areas is an Australian-based nickel sulphide explorer and producer listed on the ASX and TSX. The main asset is the 100% owned Forrestania Nickel Project, 400km east of Perth. Western Areas is targeting combined annual production from the Flying Fox and Spotted Quoll mines of 20,000t nickel in 2010 and 25,000t nickel from 2011. Western Areas is a very active nickel explorer with advanced projects in Western Australia and Finland.

Mining is in progress at Flying Fox T1, T4 and T5 ore bodies with production scheduled to ramp up to approximately 14,000tpa nickel in CY 2010.

Open pit mining has also commenced at Spotted Quoll, 6km south of Flying Fox. Total Ore Reserves at Spotted Quoll comprise 2.1Mt at an average grade of 4.3% nickel containing approx. 90,100t nickel. A feasibility study for an underground mine at Spotted Quoll is expected to be completed in the September Q 2010. Deeper drilling has intersected high grade nickel up to 400m below the ore reserve at Spotted Quoll.

Flying Fox and Spotted Quoll are expected to be two of the lowest cost nickel mines in the world. In addition, preliminary surface development work has been completed on the planned Cosmic Boy and Diggers South mines.

The Cosmic Boy nickel concentrator in the centre of the Forrestania project was officially opened on 24 March 2009 by the Western Australian Minister for Mines and Petroleum. The Stage One plant is fully operational and a Stage Two expansion to double the capacity of the plant to 550,000 tpa ore is expected to be completed in the June Q 2010.

**ASX & TSX code:** WSA

**Shares on issue:** 180m shares, 9m options. **Market capitalisation:** Approx A\$1Bn @ \$5.35 per share.

Suite 3, Level 1, 11 Ventnor Avenue  
West Perth, 6005  
WESTERN AUSTRALIA  
Telephone: +61 8 9334 7777  
Facsimile: +61 8 9486 7866  
[www.westernareas.com.au](http://www.westernareas.com.au)

March Q 2010 was an outstanding quarter with success in all areas of the Company's operations. Western Areas is on track to meet the Forrestania Nickel Project mine production targets of 20,000 tpa nickel in CY 2010 and 25,000 tpa nickel in CY 2011.

1. Record production from Flying Fox with 67,072 tonnes mined at 4.5% nickel for 2,990 tonnes nickel, up 36% from announced target of 2,200 tonnes nickel
2. Flying Fox cash costs were US\$2.58/lb nickel, down 34% from the previous quarter and in line with the life of mine target of US\$2.50/lb nickel
3. Mine production commenced at the Tim King Pit at Spotted Quoll which is expected to produce approximately 2,500 tonnes nickel in June Q 2010
4. First Ore Reserve for Spotted Quoll underground mine consists of 1.73M tonnes @ 4.1% nickel for 70,200 tonnes (155M lbs) contained nickel
5. Total Ore Reserves at Spotted Quoll and Flying Fox (excluding Lounge Lizard) increased 76% to 3.4Mt @ 4.7% nickel for 159,050t (350M lbs) nickel
6. Stage One plant operated at capacity producing 2,400 tonnes nickel in concentrate at average 92% recovery and 98% plant availability
7. Stage Two plant upgrade ahead of schedule and on budget. New crushing circuit commissioned, completion of the new flotation circuit expected in May
8. New disseminated nickel discovery at Sandstone JV with individual values up to 4.1% nickel in drilling. Early results are considered very encouraging
9. UBS and Rothschild appointed to find a long term offtake partner to fund substantial nickel/zinc/copper/cobalt exploration projects in Finland
10. Western Areas retired A\$105M debt to BHP Billiton and ANZ funded by A\$125M convertible bond issued at a lower coupon rate than previous debt
11. First dividend payment declared for six months ended 31 December 2009

March Q 2010 coincided with ~40% increase in nickel price from US\$8.50/lb at start of January to current price of US\$12.00/lb nickel (19<sup>th</sup> April 2010). The Board remains focused on the core business of low cost, long life nickel production at the 100% owned Forrestania Project and on generating significant returns to shareholders. The Board is also looking at ways to fund future growth in the Company (eg: Diggers South mine, Finland Joint Venture) without impacting the core cash flow business.

Western Areas' activities in the June and September Q's 2010 are expected to include:

- Increased production from the large, high grade T5 deposit at Flying Fox
- Significant production from the high grade Tim King Pit at Spotted Quoll
- Completion of the feasibility study for the Spotted Quoll underground mine
- Full commissioning of the Stage Two nickel concentrator at Cosmic Boy
- Increase the rate of drilling targets at Forrestania and Sandstone projects
- Secure external funding for exploration and resource drilling in Finland JV

Western Areas had A\$55.8M cash at the end of the quarter. In addition, receivables were A\$35.1M and ore and concentrate stockpiles at cost were valued at A\$9.6M.

## 1. MINE SAFETY AND ENVIRONMENT

### *Safety*

There were two recorded Lost Time Injuries (LTI) for relatively minor injuries and three Medically Treated Injuries (MTI) on site during the March Q. The Forrestania Project's LTIFR (Lost time injury frequency rate) is currently 2.51. The Company is reviewing safe work procedures in certain activities.

The Safety Department has started off the year with additional focus on employee health. Two internal safety audits were conducted during the quarter. The first one was the compliance audit for Occupational Health and Safety Management Systems AS4801, in which the result was a pleasing 85.8%. This was the first of its kind conducted on site and now gives Western Areas a good baseline to work from. The second was the new internal Self Audit process reviewing individual work areas and safety process. A series of Health Risk Assessments were also conducted covering similar exposure groups on site. Baseline dust monitoring was undertaken at the Mill. Noise monitoring at both the Mill and Flying Fox mine was conducted to record any changes from previous noise survey results.

Forrestania is now a registered Fire Brigade with the Kondinin Shire. This coincides with the appointment of Debbie Hammond as Forrestania Fire Officer and enables Western Areas' Emergency Response Team members to become registered Volunteer Fire Fighters.

The emergency response team consists of 24 members. During the March Q they were trained in Underground Search and Rescue, BG4 and First Aid.

The Forrestania Aerodrome has now been granted certification. The result is that Western Areas is now able to have larger capacity 35 seat Dash 8 aircraft land on the Forrestania runway resulting in increased efficiencies and cost savings.

### *Environment*

The Environmental Department activities for the March Q 2010 consisted primarily of management and monitoring activities to ensure project compliance at Forrestania.

The main activities were:

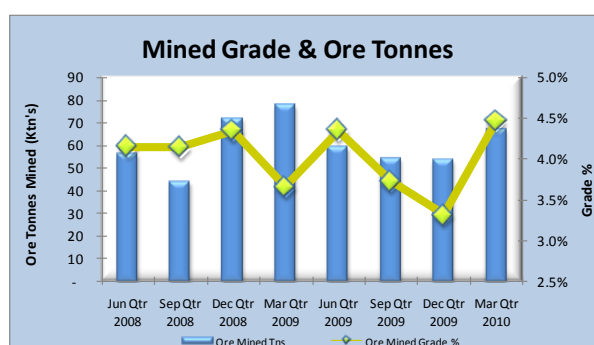
- Dewatering infrastructure for the Spotted Quoll mine was completed
- Western Areas received a dewatering operating licence for the Spotted Quoll mine
- Western Quoll monitoring was undertaken within the Spotted Quoll project area in February in line with the Conservation Management Plan
- Provenance seed collection continued. This will enable commencement of direct seeding trials and growing of seedlings for site rehabilitation which is planned later this year.



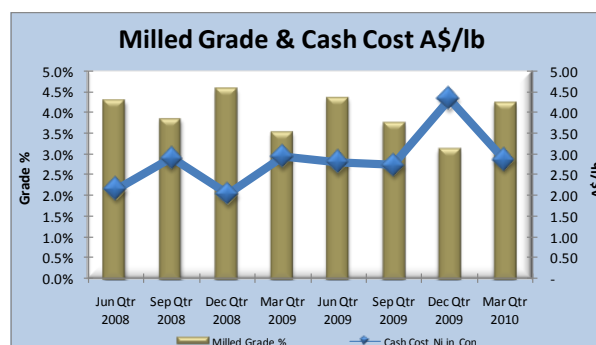
Environmental Manager Phil Knapton inspecting the dewatering pipeline at Diggers South

## 2. FLYING FOX MINE and COSMIC BOY MILL PRODUCTION

		Production Statistics - Flying Fox				
		Sep Qtr	Dec Qtr	Mar Qtr	Total	
Flying Fox - Ore Tonnes Mined	Tn's	54,150	53,618	67,072	174,840	
	Ni %	3.7%	3.3%	4.5%	3.9%	
<b>Ni Tonnes Mined</b>		<b>Tn's</b>	<b>2,015</b>	<b>1,776</b>	<b>2,990</b>	<b>6,782</b>
<b>Flying Fox - Ni Tonnes Produced</b>						
Total	Ore Processed	Tns	60,064	64,985	61,662	186,711
	Ni %	%	3.8%	3.1%	4.2%	3.7%
	Ave. Recovery	%	91%	88%	92%	91%
<b>Ni Tonnes in Concentrate</b>		<b>Tns</b>	<b>2,066</b>	<b>1,791</b>	<b>2,416</b>	<b>6,273</b>
Note. Grade and recovery estimates are subject to change until the final assay data is received in accordance with Offtake agreements.						
<b>Ni Tonnes in Concentrate Sold</b>		<b>Tns</b>	<b>2,783</b>	<b>3,091</b>	<b>2,444</b>	<b>8,318</b>
<b>Ore Stockpiles</b>						
	Ore	Tns	28,823	17,456	22,865	
	Grade	%	2.9%	3.4%	4.2%	
		<b>Financial Statistics - Flying Fox</b>				
		Sep Qtr	Dec Qtr	Mar Qtr	Total	
<b>Group Production Cost/lb</b>						
Mining Cost (*)	A\$/lb	1.76	3.30	2.03	2.30	
Haulage	A\$/lb	0.12	0.14	0.11	0.12	
Milling	A\$/lb	0.77	0.96	0.59	0.75	
Admin	A\$/lb	0.22	0.16	0.17	0.18	
By Product Credits	A\$/lb	(0.12)	(0.21)	(0.05)	(0.12)	
<b>Cash Cost Ni in Con (**)</b>	<b>A\$/lb</b>	<b>2.74</b>	<b>4.34</b>	<b>2.85</b>	<b>3.25</b>	
<b>Cash Cost Ni in Con/lb (***)</b>	<b>US\$/lb (**)</b>	<b>2.29</b>	<b>3.95</b>	<b>2.58</b>	<b>2.87</b>	
<b>Exchange Rate US\$/A\$</b>		<b>0.83</b>	<b>0.91</b>	<b>0.90</b>	<b>0.89</b>	
(*) Mining Costs are net of deferred waste costs and inventory stockpile movements						
(**) US\$ FX for Relevant Quarter is RBA ave daily rate (Mar Qtr = A\$1:US\$0.90)						
(***) Payable terms are not disclosed due to confidentiality conditions of the offtake agreements. Cash costs exclude royalties.						



Quarterly ore tonnes and grade mined



Quarterly cash cost A\$/lb nickel and milled grade



High grade (8% Ni) ore exposed at the top of the T5 ore body



### ***Flying Fox Mine***

A total of 67,072 tonnes of ore at an average grade of 4.5% nickel for 2,990 tonnes nickel were mined from the Flying Fox mine during the March Q. Mined grade was 36.4% higher than for the December Q due to development within the high grade Lewinsky ore body and production tonnes from the T1 and T4 stopes. Development continued in the Lounge Lizard tenement with 3,188 tonnes of ore at 3.1% nickel produced.

Ore production for the March Q continued from the 926, 886S, 720S long hole stopes, the 730N flat-back stope as well as from nine development drives in the T4 and T5 (Lewinsky) ore bodies. Ore production split for the March Q was as follows: T1 10,408 tonnes; T4 30,367 tonnes; T5 26,293 tonnes.

A total of 61,662 tonnes of ore at 4.2% nickel was milled for the March Q with the Cosmic Boy concentrator producing 17,790 tonnes of concentrate grading 14.2% nickel. Concentrator metallurgical recovery averaged 92% with 98% plant availability for the March Q.

Transport of concentrate from Cosmic Boy to BHP Billiton's smelter at Kambalda continued during the March Q. A total 17,553 tonnes of concentrate was delivered containing 2,444 tonnes of nickel metal. The concentrate stockpile at Cosmic Boy was reduced to 1,358 tonnes of concentrate.

Approximately 22,865 tonnes of ore at an average grade of 4.2% nickel containing over 960 tonnes nickel was also stockpiled awaiting treatment at Cosmic Boy at the end of the March Q.

The cash cost of nickel in concentrate (US\$2.58/lb) produced during the March Q was 34% lower than the December Q and excludes smelter/refinery charges and royalties.

### ***Cosmic Boy Nickel Concentrator Upgrade***

The tie in and commissioning of the new crushing circuit for the Stage Two 550,000 tonnes per annum Cosmic Boy plant upgrade was completed during March. Design crushing rates have already been achieved. Construction is ahead of schedule for the upgraded flotation and thickener circuits with final tie in and commissioning scheduled in May. The final tie in will involve a planned plant shutdown of ten days.



First ore through the upgraded crushing circuit

New rougher and cleaner flotation cells

## **3. FORRESTANIA MINE DEVELOPMENT AND INFRASTRUCTURE**

### ***Flying Fox Mine Development***

The main decline advanced to 942m below surface as per the development schedule and is now located behind the T5 ore body (refer Figure 1). The decline is being developed within the footwall meta-sediments which provide sound geotechnical conditions. Operating development continued on the 530, 520 and 515m RL into the Lewinsky ore body through the March Q in preparation for stope activities in the June Q.

Underground drill out of the Lounge Lizard deposit was completed during the March Q and work is well advanced on the mineral resource model.

Underground mine infrastructure work continued during the March Q with return airways and water rising mains completed to the bottom of the decline. A revised mine design was also completed for the T5 orebody using the latest updated resource model.

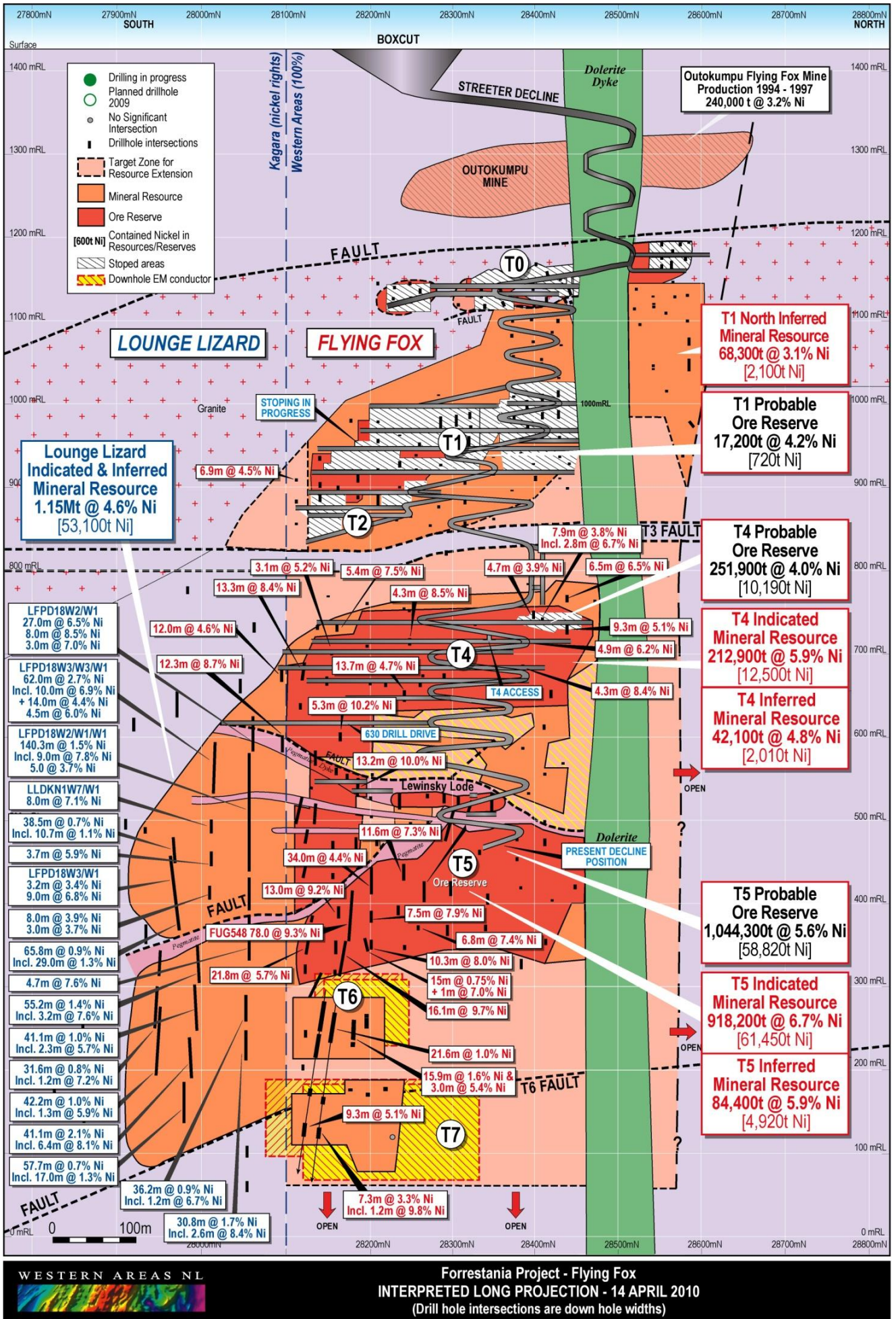


Figure 1: Interpreted longitudinal projection of Flying Fox Mine including Lounge Lizard deposit



## SPOTTED QUOLL DEPOSIT

### *Spotted Quoll – Tim King Open Pit Mine*

Activity at the Tim King Open Pit during the March Q focused on Stage 1 capital waste removal and completing the associated infrastructure including workshop, office blocks and the mining ore pad. Surface dewatering bores were fully commissioned during the March Q. These are pumping as designed with the water table dropping ahead of Stage 1 pit production.

The project was ahead of schedule for the March Q and a total of 3.0M BCM of Stage 1 capital waste has been mined to date (19 April 2010). The Stage 2 pit cut back also commenced during the quarter.

Western Areas announced on 1<sup>st</sup> April that high grade nickel production had commenced at the Tim King Pit, two weeks ahead of schedule. To date (20 April 2010), approximately 15,000 tonnes at 4.2% nickel containing 624t nickel of supergene sulphide and oxide mineralisation has been mined from the pit. Production includes the first ‘lower supergene’ mineralisation with 950 tonnes averaging 9.9% nickel mined to date.

The Company is considering a number of options to treat this high grade material including blending it with Flying Fox ore. The Tim King Pit is currently at 35m depth (Figure 2) and mine production is expected to progress from supergene to primary sulphide ore over the next six months. Metallurgical test work was conducted during the March Q to confirm previous recovery work undertaken for the Tim King Pit and further optimisation test work will be conducted during the June quarter.

Current Ore Reserves at Spotted Quoll including the Tim King Pit and proposed underground mine were announced on 19<sup>th</sup> March 2010. Probable Ore Reserves comprise **2,111,000 tonnes at an average grade of 4.3% nickel for 90,100 tonnes (199M lbs) nickel** (table 1).

**Table 1: Current Ore Reserve at Spotted Quoll**

Deposit	Category (JORC)	Tonnes	Grade (Ni%)	Contained Ni (tonnes)
Spotted Quoll Open Pit	Probable Ore Reserve	386,000	5.1%	19,900
Spotted Quoll Proposed Underground	Probable Ore Reserve	1,725,000	4.1%	70,200
<b>TOTAL</b>		<b>2,111,000</b>	<b>4.3%</b>	<b>90,100</b>



Mining supergene sulphide mineralisation above the Spotted Quoll ore reserve



Figure 2: Photo of Tim King Pit at Spotted Quoll looking south. White material in background is granite intrusion overlying ore.

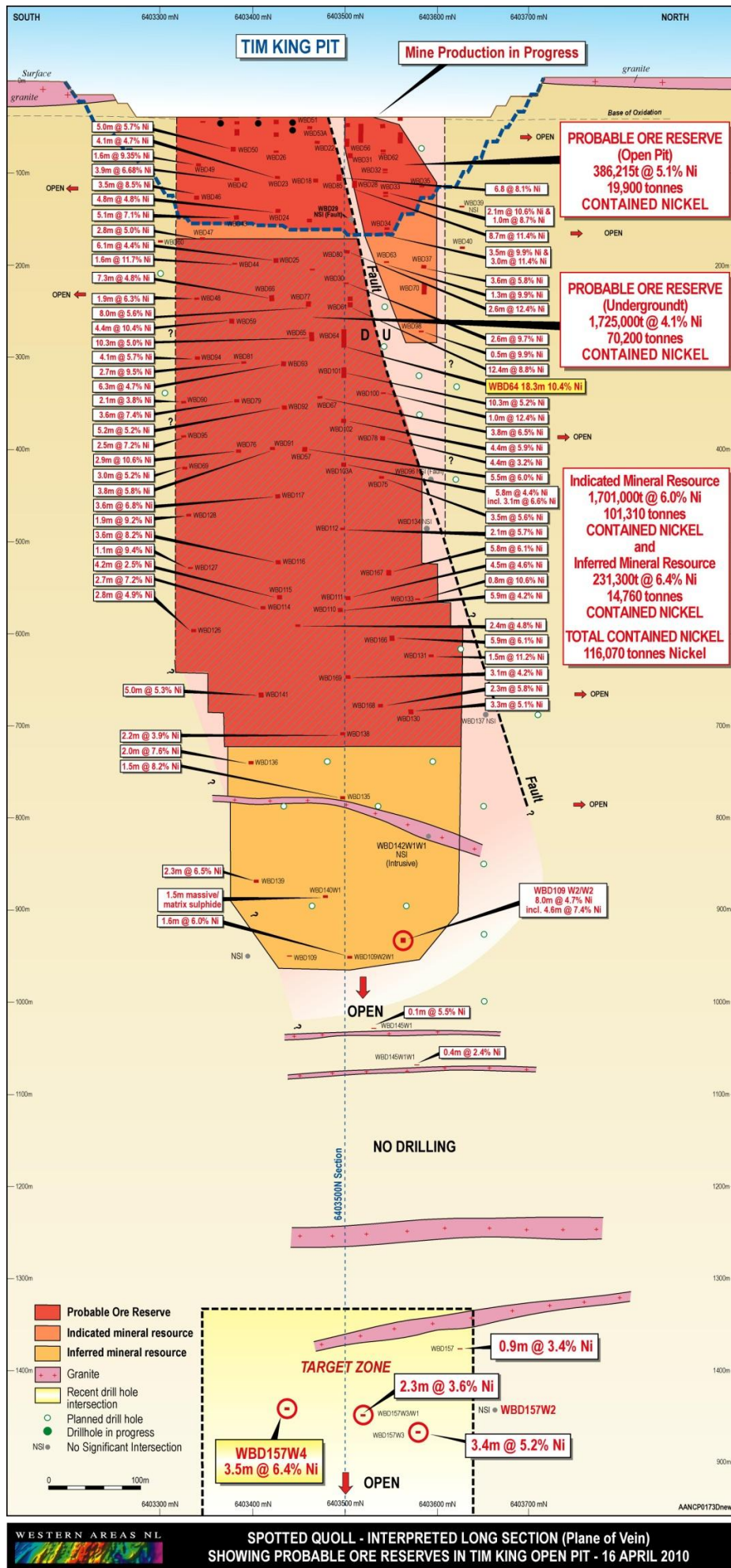
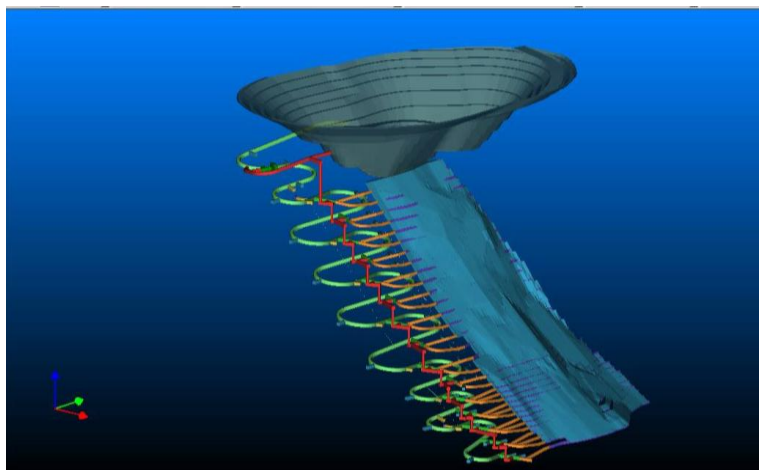


Figure 3: Longitudinal Projection of Spotted Quoll mine showing current ore reserves. Drilling is planned to resume in the June Q to follow up high grade mineralisation at ~1,000m vertical depth.

## *Spotted Quoll – Underground Mine*

The underground mine Feasibility Study is based on an updated Indicated Mineral Resource of 1,701,000 tonnes @ 6.0% Ni for 101,310 t of contained Ni metal. Detailed mine design and scheduling activities were completed during the quarter which resulted in the announcement on 19<sup>th</sup> March of a maiden underground Probable Ore Reserve of 1,725,000 t @ 4.1% Ni for 70,200 t (155M lbs) contained nickel metal (Table 1). The Feasibility Study is on track to be completed in September Q.

Initial discussions have commenced with underground mining contractors to gauge the level of interest prior to entering a formal tendering process for the proposed Spotted Quoll underground mine. Selection of the preferred engineering consultancy for infrastructure and services is expected in the June Q.



Spotted Quoll mine showing current pit design and proposed underground mine design

### *Diggers South Deposit*

The pipeline from Cosmic Boy to Digger Rocks for the Spotted Quoll dewatering disposal was installed during the March Q using local contractors. A fibre optic cable was run in the trench with the pipeline to assist with leak detection requirements. The system is being commissioned for water disposal to the Digger Rocks Evaporation pond. No other works were undertaken at the Digger South deposit.

### *Cosmic Boy Deposit*

No further work was carried out at Cosmic Boy during the March Q. A scoping study to re-enter the existing decline will be carried out in the second half of the year if the nickel price remains favourable.

### *Cosmic Boy Village*

The Cosmic Boy Village is now complete with a capacity of 494 rooms. This now has the capacity for all current operational personnel and the expanded treatment facilities at the Forrestania Nickel Project.

## **4. FORRESTANIA ORE RESERVES**

Total Ore Reserves at Flying Fox (excluding Lounge Lizard) and Spotted Quoll are now approximately **3.4Mt** at an average grade of **4.7% nickel** containing **159,000 tonnes (350M lbs) nickel** (Table 4).

**Table 2: Ore Reserve Table – Flying Fox and Spotted Quoll Mines (adjusted for mine depletion)**

<b>Deposit</b>	<b>Category (JORC)</b>	<b>Tonnes</b>	<b>Grade (Ni%)</b>	<b>Contained Ni (tonnes)</b>
Flying Fox T1	Probable Ore Reserve	17,200	4.2%	720
Flying Fox T4	Probable Ore Reserve	251,900	4.0%	10,190
Flying Fox T5	Probable Ore Reserve	1,029,100	5.6%	58,040
Spotted Quoll Open Pit	Probable Ore Reserve	386,000	5.1%	19,900
Spotted Quoll Underground	Probable Ore Reserve	1,725,000	4.1%	70,200
<b>TOTAL</b>		<b>3,409,200</b>	<b>4.7%</b>	<b>159,050</b>



### *Flying Fox and Lounge Lizard*

The program of infill underground diamond drilling of the Lounge Lizard Deposit (under the previously announced agreement with Kagara Ltd) was completed during the March Q. Estimation of an updated Mineral Resource model for the combined Flying Fox/Lounge Lizard Deposits is now well advanced.

Drilling during the June Q is planned to infill areas of the lower northern section of the Flying Fox T4 deposit and to commence infill drilling of the northern section of the T5 deposit ahead of mine development.

### *Spotted Quoll*

A Probable Ore Reserve of **1,725,000 tonnes at an average grade of 4.1% nickel containing approximately 70,200 tonnes (155M lbs) nickel** has been estimated from below the Tim King Pit to 525m vertical depth.

Total current Probable Ore Reserves at Spotted Quoll including the Tim King Pit comprise **2,111,500 tonnes at an average grade of 4.3% nickel for 90,100 tonnes (199M lbs) nickel** (Tables 1 and 2). Further drilling is planned to convert additional Mineral Resources into Ore Reserves at Spotted Quoll.

Current open pit and underground Ore Reserves at Spotted Quoll are expected to support an 8 to 10 year mine life and excellent potential exists to extend the mine life and target production rate.

Spotted Quoll remains open at depth and along strike. Recent drilling at 1,000m vertical depth intersected high grade mineralisation up to 400m below the current mineral resource. The best result in this area to date is drill hole WBD 157W4 which intersected 3.5m @ 6.4% nickel. A seismic survey was completed at Spotted Quoll to help define the geometry of the mineralisation and drilling is planned in the June Q to test this potential.

**Table 3: Parameters used to estimate Spotted Quoll Probable Ore Reserve.**

<b>Criteria</b>	<b>Explanation</b>
<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. Refer to Table 3 for details of the resource model.
<i>Study Status</i>	Feasibility Study.
<i>Cut-off Parameters &amp; 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 US\$6/lb and US:AUD forex of 0.9
<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.
<i>Metallurgical factors or assumptions</i>	Metallurgical nickel recovery factors are based on an As/Ni ratio. This is derived from detailed testwork on the underground Primary Ore. Penalty element levels are assumed to be negligible on the basis of blending testwork performed to date.
<i>Other</i>	
<i>Classification</i>	Only Indicated Resources have been used to produce this Probable Ore Reserve.
<i>Audits or reviews</i>	No external review of the Ore Reserve estimate has been conducted



High Grade Ore exposed in Lewinsky Lode at Flying Fox

First ore being mined in the Tim King Pit at Spotted Quoll

### 5. FORRESTANIA EXPLORATION

Western Areas is undertaking a very active exploration program at Forrestania with two main aims:

- Define significant extensions to Flying Fox and Spotted Quoll Deposits
- Discover another Flying Fox or Spotted Quoll type deposit

Exploration drilling within the Western Nickel Belt focused on evaluating the potential for deeper extensions to the New Morning and Daybreak deposits, midway between Spotted Quoll and Flying Fox. Drilling is based on a revised interpretation of the geology which has identified the potential below two zones of granite intrusions along the Outokumpu and T3 Faults. These faults zones are interpreted to extend from Flying Fox mine (3km north of New Morning) potentially as far south as Spotted Quoll (2.8km south of New Morning).

Three diamond drill holes were completed below the current mineral resource at New Morning and Daybreak to test the equivalent “T1 position” interpreted from Flying Fox. Drilling confirmed that disseminated nickel mineralisation extends at depth but the prospective contact is affected by numerous flat lying granite intrusions below New Morning and Daybreak. The Company is considering drilling below the main zone of granite intrusions to test the potential of the equivalent “T5 position” at approximately 1,000m vertical depth. Drilling is currently in progress to test the potential for extensions north of New Morning.

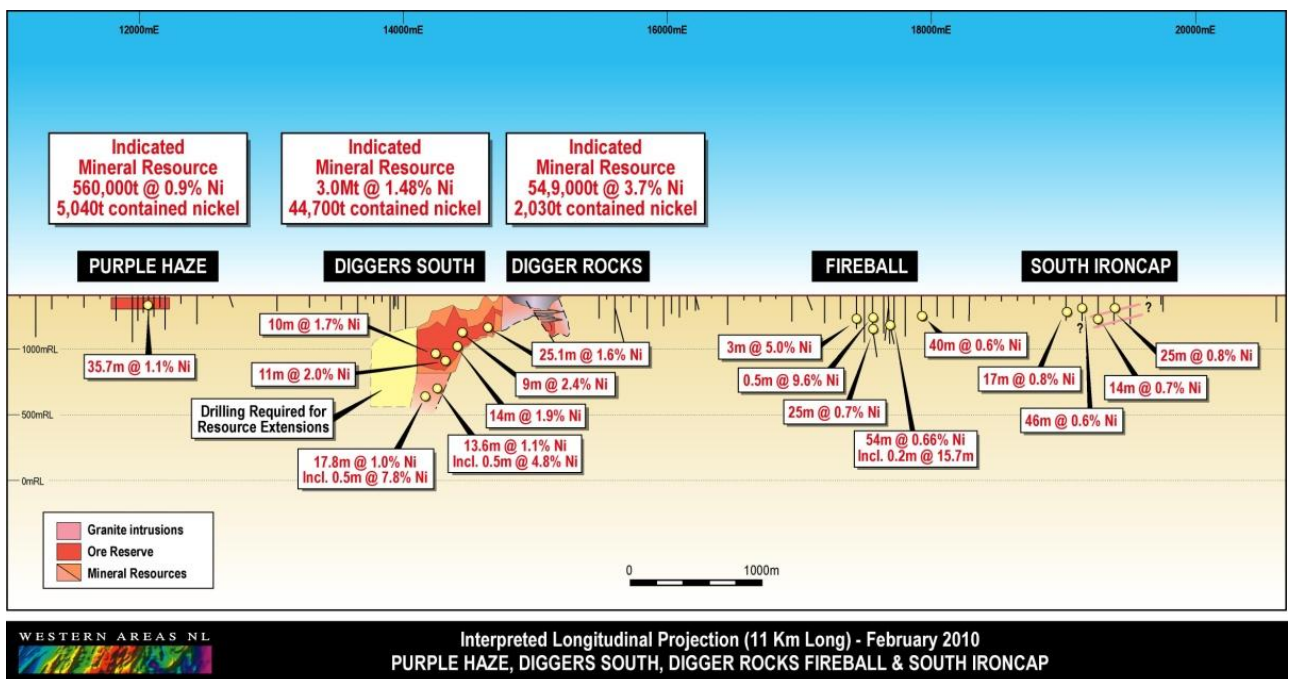


Figure 4: Longitudinal Projection of 8km long zone at Diggers South excluded from BHP Billiton offtake contract.



During the December Q 2009, agreement was reached with BHP Billiton to exclude the Diggers South deposit and four mining leases covering a 12km long section of the prospective contact from the offtake agreement. Significant potential exists to extend the Diggers South deposit south and below the current limit of drilling. In addition, numerous intersections of disseminated nickel sulphides occur in shallow drilling along an 8km strike length extending from the Purple Haze deposit to the South Ironcap prospect (Figure 4).

The agreement with BHP Billiton enables Western Areas to seek offtake terms and potential funding from other parties to assist with development of Diggers South and exploration of the surrounding leases.

Elsewhere in the Forrestania region, Western Areas is assessing other prospects which have the potential to host new nickel sulphide deposits. These included Mt Gibb, Sibelius, North Endeavour and Beautiful Sunday. Drilling is scheduled to commence at these prospects in the June Q.

## 6. 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)*

In November 2007, Western Areas announced an agreement to explore a large area of nickel prospective tenements in the Sandstone greenstone belt in a JV with Troy Resources NL. Western Areas can earn a 70% interest in nickel and related metals in an area with minimal previous nickel exploration.

Work during the March Q involved the evaluation of encouraging results announced in the previous quarter and diamond drilling at Area C and Area D. The current focus of exploration is along a >7km long belt in the southern part of the Sandstone JV tenements (Figure 5). Two shallow diamond drill holes and two RC holes were drilled at Area C in the March Q and one diamond drill hole was completed at Area D.

On 8<sup>th</sup> March 2010 Western Areas announced that diamond drill hole WAD002 had intersected disseminated and vein style sulphides over a wide interval at Area C. The intersection starts from the base of oxidation to approximately 90m down hole depth. The host is a strongly carbonated ultramafic sequence.

Assay results for the disseminated zone in WAD002 returned 26.2m @ 0.4% nickel from 60.3m including a narrow interval of semi massive sulphides which analysed 0.2m @ 4.1% Ni from 86.3m down hole depth. Initial interpretation suggests that the mineralisation is associated with a folded sequence of orthocumulate ultramafic rocks. Data compilation is in progress and assays are awaited from other drill holes at Area C.

This is the first known occurrence of nickel sulphides in drilling at Sandstone. Although exploration is still at an early stage, these results are considered to be very encouraging. There is minimal outcrop or previous nickel drilling within the central portion of the project where ultramafic rocks occur over a wide area (approximately 25km by 10km). The association of prospective geology with nickel sulphide mineralisation highlights the potential of the Sandstone JV project, 400km north of the Forrestania Nickel Project.

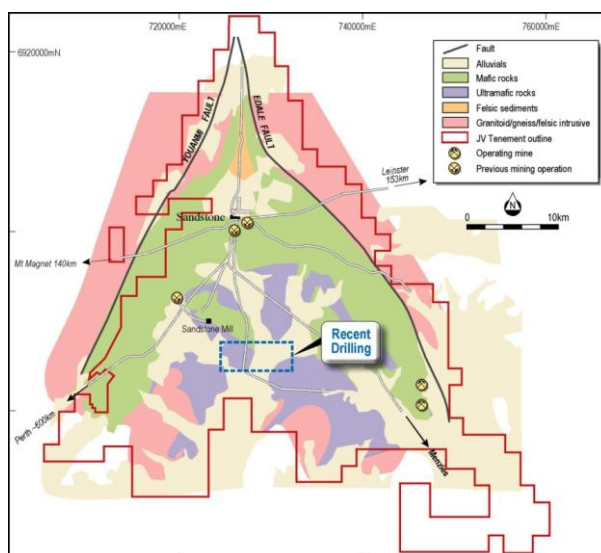


Figure 5: Regional geology of Sandstone Joint Venture showing area of recent drilling

## Lake King JV (WSA 70% interest)

The Lake King JV tenements cover a 40km long nickel prospective belt located approximately 70km south of Forrestania. Work during the March Q included evaluation of six priority geophysical targets identified for drilling as well as seeking approvals from landholders to allow this work to commence in the June Q.

## 7. BIOHEAP

On 22 December 2009, Western Areas announced that it had exercised its option to acquire 100% of the BioHeap bacterial leaching technology from Pacific Ore Ltd (ASX:PSF). Due diligence included a successful test work program on a range of low grade ores from Forrestania, an evaluation of global patents on the technology and confirmation of various commercial aspects of the transaction.

BioHeap is a bacterial heap leaching technology developed to leach low grade sulphide ores to produce intermediate products which can be sold directly to nickel refineries. A large amount of test work has been successfully carried out on a range of nickel and copper deposits. Test work commenced on mineralisation from the Rautavaara Project in Finland during the March Q 2010 with results expected in the June Q.

## 8. FINLAND EXPLORATION

### Finland Joint Venture (WSA earning 75% from Magnus Minerals)

Western Areas has an agreement with Magnus Minerals to earn 75% in six exploration projects in the Kainuu Schist Belt and three exploration projects in the adjacent Outokumpu - Savonranta Belt in Finland (Figure 6). Western Areas has already earned 65% interest in the Kainuu Schist Belt and 75% interest in the Outokumpu - Savonranta Belt (subject to meeting certain conditions). The JV partners consider that the two belts may represent a major metal province with potential to host multiple nickel/copper/zinc/cobalt deposits.

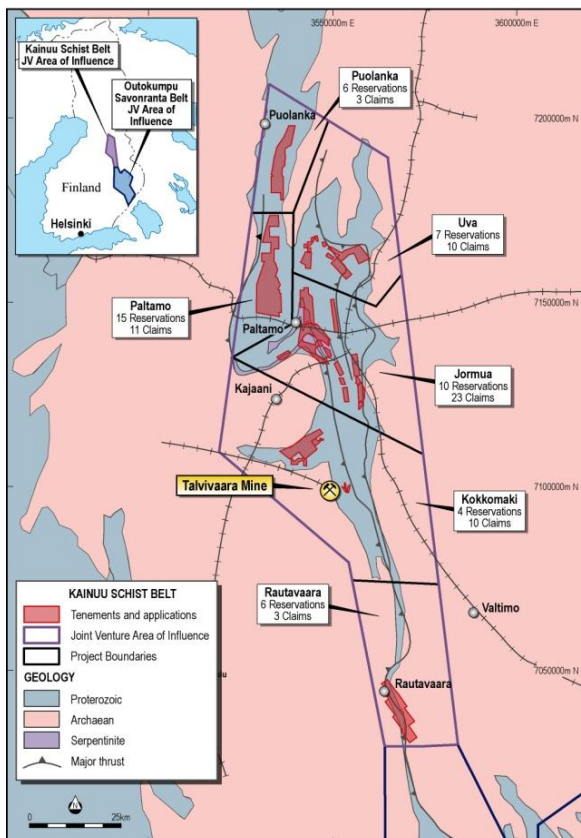


Figure 6: Kainuu Schist Belt showing six project areas

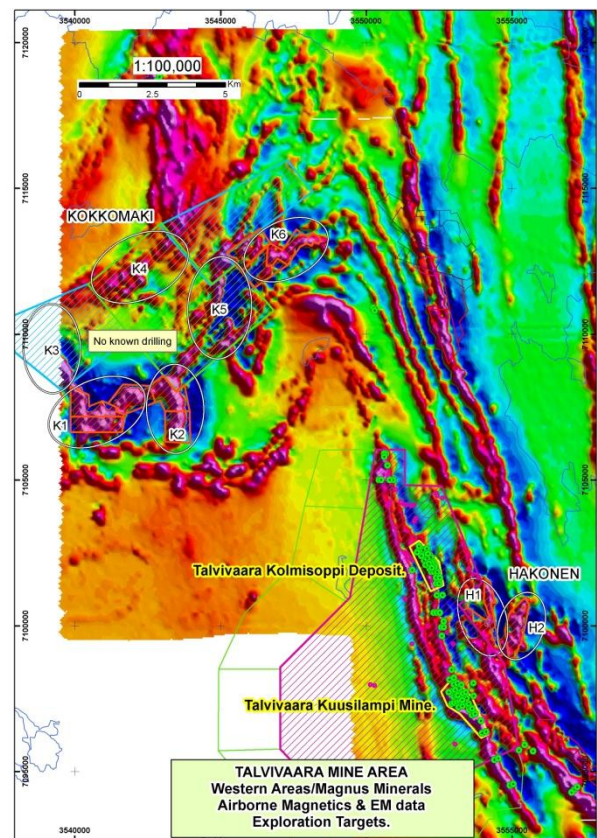


Figure 7: Kokkomaki Project magnetic image showing 8 targets 15km north and 3km east of Talvivaara mine

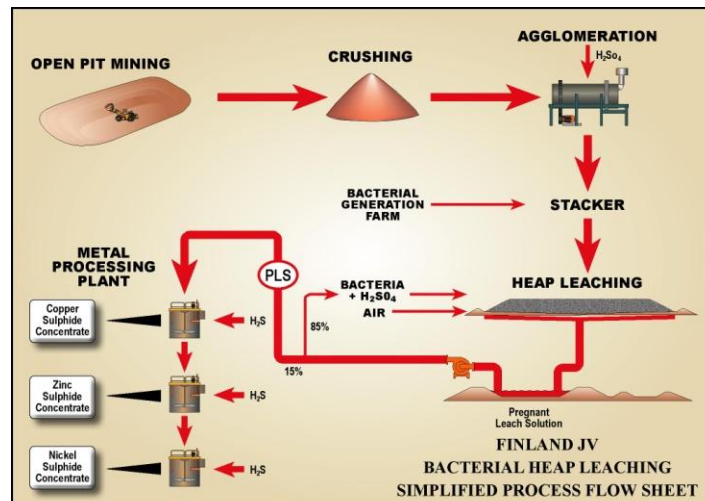
Production in the Kainuu Schist Belt (Figure 6) is dominated by the large Talvivaara open pit mine which is successfully using a bacterial leaching technology to extract nickel, zinc, copper and cobalt from low grade sulphide mineralisation in a black schist ore host. Talvivaara Mining Plc has announced total JORC-Compliant Mineral Resources of 1,004 Mt at 0.22% Ni, 0.50% Zn, 0.13% Cu and 0.02% Co (including Measured and Indicated Mineral Resources of 642 Mt).

Talvivaara has announced initial production targets of 30,000 tpa nickel, 60,000 tpa zinc and 10,000 tpa copper from 2010 increasing to targets of 50,000tpa nickel assuming a mining rate of 25M tpa ore.



The six projects in the Kainuu Schist Belt consist of large, coincident magnetic/electromagnetic complexes from 10 to 20km long, made up of separate targets each 1 to 2km long (Figures 6 and 7). 32 targets have been identified and the Finland JV has conducted widely spaced drilling at 5 of these targets since November 2009. The aim of the current program is to locate the prospective sulphidic black schist sequence (similar ore host to the Talvivaara Mine), then identify areas with potentially economic nickel, zinc, copper and cobalt grades. Mineral resource drilling is planned to commence in the September Q 2010.

The exploration program has been very successful to date with most of the Finland JV drill holes intersecting significant widths of mineralised black schist at the Rautavaara R1, Paltamo P1 and Jormua J1 & J2 targets. The mineralisation intersected in drilling appears to be of a similar type to that mined at Talvivaara and in most cases contains highly anomalous nickel, zinc, copper and cobalt grades. The widest intersection to date is in drill hole DDH 5 at the R1 target (Rautavaara Project). DDH 5 intersected 129m @ 0.22% nickel, 0.39% zinc and 0.11% copper. Numerous assay results from the current drilling program are awaited.



Finland JV – Conceptual Bacterial Leaching – simplified flow sheet

Historic metal production in the southern part of the province was dominated by the underground mines at Outokumpu which produced a total of approximately 42 Million of tonnes ore at an average grade of 3.1% copper, 1.0% zinc, 0.2% cobalt and 0.1% nickel between 1913 and 1988.

Western Areas has previously announced that it is considering ways to advance and fund the Finland JV without impacting the core business at Forrestania. On 3<sup>rd</sup> March 2010, Western Areas announced that the Finland JV has appointed UBS AG and Rothschild Australia to find a major partner for these projects:

- To help fund a three stage program including exploration/resource drilling, feasibility studies/metallurgical test work and potential project development.
- Incoming partner(s) would have an opportunity to earn a joint venture interest in one or more of the Finland projects.
- Incoming partner(s) would have an opportunity to negotiate long term (up to 10 years) offtake contracts for one or more nickel, zinc and copper concentrates.



Western Areas' Senior Management and Directors in Finland

## 9. CORPORATE AND FINANCING

### *New Convertible Bond*

On 26 March 2010 the Company announced the issue of A\$125 million convertible bond due 2015. The Joint Lead Managers and Bookrunners were UBS AG (Australia Branch) and Macquarie Capital Advisers.

The Convertible Bonds were issued at a premium of approximately 28% to the last price of Western Areas shares prior to the launch of A\$5.18 per share and carry a coupon of 6.4%. The high premium reflects investors' validation of the Company's high quality assets and nickel production profile.

The Offer was significantly oversubscribed, with strong demand from investors in all major capital markets including the United Kingdom, Europe, and Asia Pacific.

The net proceeds from the issue of the Convertible Bonds (approximately A\$119 million) will be applied to the following:

- Fully repay and cancel the A\$45 million BHP Billiton Facility;
- Repay A\$60 million drawn from the ANZ Facility. The facility remains in place until 31 March 2012;
- Complete the feasibility study at the high grade Spotted Quoll underground mine; and
- Fund further drilling of advanced targets at Western Areas' highly prospective Forresteria Project.

The effect of repayment of the BHP Billiton and ANZ Facilities will be to extend the maturity of some of the Company's existing loan debt profile until 2015, at a lower average interest rate.

### *Existing Convertible Bond*

On 2 July 2007 Western Areas issued a A\$225.0M, 8%, 5 Year Convertible Bond at a 45% premium due in July 2012. The Bonds are quoted on the Singapore Stock Exchange. (Refer to Western Areas' release dated 29 June 2007 for the Bond Conditions).

The Company previously purchased Bonds on market. During the March Q, no Bonds were purchased by Western Areas. There remain 838 Bonds outstanding with the principal amount of A\$209.5M. The Board continues to monitor and assess capital management strategies to add value for shareholders.

### *Debt Facilities, Cash Balance and Working Capital*

At 31 March 2010, Western Areas had A\$55.8M in cash plus receivables valued at A\$35.1M from nickel sales (cash plus debtors A\$90.9M). The A\$80.0M ANZ loan Facility remained drawn to A\$60.0M and the BHP facility fully drawn to A\$45.0M. On 14 April 2010 the Company announced that it had repaid and cancelled the A\$45M BHP facility and paid down A\$60M of the ANZ facility.

Working capital in stockpiles of both ore and concentrate are valued at A\$9.6M.

### *Hedging*

Western Areas' nickel hedging consists of quotation period hedging to manage the risk of price fluctuations for tonnes of nickel already shipped still subject to price finalisation. Foreign exchange contracts are entered into on shorter terms (less than 1 year) to provide some protection against unexpected movements in foreign currency markets. Details of hedges as at 31 March are as follows:

	Fiscal Year 2010	Fiscal Year 2011	Total
<b>Nickel Hedging Forward Sales</b>			
Ni Tonnes Sold	900	-	<b>900</b>
US\$ Price/Tonne	20,013	-	<b>20,013</b>
<b>Nickel Hedging Collar Style Options</b>			
Ni Tonnes Sold	300	-	<b>300</b>
US\$ Price/Tonne Call	23,998	-	<b>23,998</b>
US\$ Price/Tonne Put	21,717	-	<b>21,717</b>
<b>Foreign Exchange Options</b>			
US\$ Sold (\$'000)	2,500	2,500	<b>5,000</b>
US\$ Put (US cents)	0.9328	0.9328	<b>0.9328</b>
<b>Foreign Exchange Collar Options</b>			
US\$ Sold (\$'000)	5,500	7,500	<b>13,000</b>
US\$ Call (US cents)	0.8225	0.8200	<b>0.8210</b>
US\$ Put (US cents)	0.9000	0.9180	<b>0.9104</b>

None of the hedging contracts shown above is subject to margin calls



-ENDS-

**For further details, please contact:**

Julian Hanna  
Managing Director – Western Areas NL  
Telephone +61 8 9334 7777  
Email: [jhanna@westernareas.com.au](mailto:jhanna@westernareas.com.au)

Craig Oliver  
Finance Director – Western Areas NL  
Telephone +61 8 9334 7777  
Email: [coliver@westernareas.com.au](mailto:coliver@westernareas.com.au)

Shane Murphy  
Investor Relations – FD Third Person  
Telephone +61 8 9386 1233 / 0420 945 291  
Email: [shane.murphy@fdthirdperson.com.au](mailto:shane.murphy@fdthirdperson.com.au)

Or visit: [www.westernareas.com.au](http://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; comprehensive density database; high assay confidence with systematic QA/QC procedures; and validated database. Samples of quarter core from the drill holes described in this release are prepared and analysed by ALS Chemex Ltd laboratory in Perth for nickel, copper, cobalt and other elements. Core samples are crushed and pulverised to 90% passing 75 microns then analysed for nickel by ore grade determination using the ALS OG-62 method. Assays standards are routinely inserted in the sample stream by Newexco for quality control.

The information within this report as it relates to mineral resources, ore reserves and mine development activities is based on information compiled by Mr John Haywood, Mr Tim Peters, Mr Dan Lougher and Mr Julian Hanna of Western Areas NL. Mr Haywood, Mr Lougher and Mr Hanna are members of AusIMM and are full time employees of the Company. Mr Peters is a member of AusIMM and is a consultant to Western Areas. Mr Haywood, Mr Peters, Mr Lougher and Mr Hanna have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as Competent Persons as defined in the 2004 Edition of the ‘Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.’ Mr Haywood, Mr Peters, Mr Lougher and Mr Hanna consent to the inclusion in the report of the matters based on the information in the form and context in which it appears.

**FORWARD LOOKING STATEMENT:**

This release contains certain forward-looking statements including nickel production targets. These forward-looking statements are subject to a variety of risks and uncertainties beyond the Company’s ability to control or predict which could cause actual events or results to differ materially from those anticipated in such forward-looking statements.

Examples of forward looking statements used in this report include: “Western Areas is on track to meet the Forrestania Nickel Project mine production targets of 20,000 tpa nickel in CY 2010 and 25,000 tpa nickel in CY 2011” and “Current open pit and underground Ore Reserves at Spotted Quoll are expected to support an 8 to 10 year mine life and excellent potential exists to extend the mine life and target production rate.”, and “Western Areas’ activities in the June and September Q’s 2010 are expected to include: • Increased production from the large, high grade T5 deposit at Flying Fox • Significant production from the high grade Tim King Pit at Spotted Quoll • Completion of the feasibility study for the Spotted Quoll underground mine • Full commissioning of the Stage Two nickel concentrator at Cosmic Boy • Increase the rate of drilling targets at Forrestania and Sandstone projects • Secure external funding for exploration and resource drilling in Finland JV” and “The Company is considering a number of options to treat this high grade material including blending it with Flying Fox ore. The Tim King Pit is currently at 35m depth and mine production is expected to progress from supergene to primary sulphide ore over the next six months” and “The JV partners consider that the Kainuu Schist Belt may represent part of a major metal province with potential to host multiple nickel, copper, zinc and cobalt deposits”.

This announcement does not include reference to all available information on the Company or the Forrestania Nickel Project and should not be used in isolation as a basis to invest in Western Areas. 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 Mineral Reserves do not have demonstrated economic viability.

**THIS NEWS RELEASE IS NOT FOR DISTRIBUTION TO THE U.S. NEWswire SERVICES OR FOR DISSEMINATION IN THE U.S**

<b>Western Areas NL Ore Reserve / Mineral Resource Table - 31 March 2010</b>					
<b>Deposit</b>	<b>Tonnes</b>	<b>Grade Ni%</b>	<b>Ni Tns</b>	<b>JORC Classification</b>	<b>Notes</b>
<b>Ore Reserves</b>					
<b>1. Flying Fox Area</b>					
T1 South	17,200	4.2	720	Probable Ore Reserve	Sept 09 Reserve
T4	251,900	4.0	10,190	Probable Ore Reserve	Sept 09 Reserve
T5	1,029,100	5.6	58,040	Probable Ore Reserve	Sept 09 Reserve
<b>2. Spotted Quoll</b>					
	386,000	5.1	19,900	Probable Ore Reserve	Open Pit Reserve
	1,725,000	4.1	70,200	Probable Ore Reserve	Underground Reserve
<b>3. Diggers Area</b>					
Digger South	2,016,000	1.4	28,950	Probable Ore Reserve	
Digger Rocks	93,000	2.0	1,850	Probable Ore Reserve	
<b>TOTAL WESTERN AREAS ORE RESERVES</b>	<b>5,518,200</b>	<b>3.4</b>	<b>189,850</b>	<b>Probable Ore Reserve</b>	
<b>Mineral Resources</b>					
<b>1. Flying Fox Area</b>					
T1 South	95,900	4.3	4,170	Indicated Mineral Resource	Dec 08 Resource
	35,200	4.9	1,720	Inferred Mineral Resource	Dec 08 Resource
T1 North	45,400	4.2	1,900	Indicated Mineral Resource	Oct 08 Resource
	12,700	4.8	610	Inferred Mineral Resource	Oct 08 Resource
T4	185,400	5.8	10,820	Indicated Mineral Resource	Sept 09 Resource
	42,100	4.8	2,010	Inferred Mineral Resource	Sept 09 Resource
T5 Massive Zone	903,000	6.7	60,670	Indicated Mineral Resource	Sept 09 Resource
	84,000	5.9	4,920	Inferred Mineral Resource	Sept 09 Resource
T5 Disseminated Zone	197,200	0.9	1,590	Indicated Mineral Resource	Mar 08 Resource
	357,800	1.0	3,460	Inferred Mineral Resource	Mar 08 Resource
T6	47,500	5.0	2,360	Inferred Mineral Resource	Sept 09 Resource
T7	84,000	5.0	3,370	Inferred Mineral Resource	Sept 09 Resource
<b>Total Flying Fox</b>	<b>2,090,200</b>	<b>4.7</b>	<b>97,600</b>		
<b>New Morning / Daybreak</b>					
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	
<b>Total New Morning / Daybreak</b>	<b>2,143,900</b>	<b>1.4</b>	<b>30,700</b>		
<b>Spotted Quoll</b>					
	1,701,000	6.0	101,310	Indicated Mineral Resource	Nov 09 Resource
	231,300	6.4	14,760	Inferred Mineral Resource	Nov 09 Resource
<b>Total Spotted Quoll</b>	<b>1,932,300</b>	<b>6.0</b>	<b>116,070</b>		
<b>Beautiful Sunday</b>					
	480,000	1.4	6,720	Indicated Mineral Resource	
<b>TOTAL WESTERN BELT</b>	<b>6,646,400</b>	<b>3.8</b>	<b>251,090</b>		
<b>2. Cosmic Boy Area</b>					
Cosmic Boy	180,900	2.8	5,050	Indicated Mineral Resource	
Seagull	195,000	2.0	3,900	Indicated Mineral Resource	
<b>TOTAL COSMIC BOY AREA</b>	<b>375,900</b>	<b>2.4</b>	<b>8,950</b>		
<b>3. Diggers Area</b>					
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	
<b>TOTAL DIGGERS AREA</b>	<b>10,028,200</b>	<b>1.0</b>	<b>99,570</b>		
<b>TOTAL WESTERN AREAS RESOURCES</b>	<b>17,050,500</b>	<b>2.1</b>	<b>359,610</b>		

**Table 4: Forrestania Mineral Resource and Ore Reserve Table**