



May 6, 2010

ASX & TSX: WSA

News Release

LETTER TO SHAREHOLDERS - HENRY TAX REVIEW

Dear Shareholders,

As you are aware, the Federal Government has released the Henry Tax Review which includes the new Resource Super Profits Tax proposed to be phased in from 1 July 2012.

Yesterday, Western Areas' Finance Director, Craig Oliver and I attended a resource industry meeting held with the Prime Minister and the Federal Resources Minister. The Prime Minister and Federal Resources Minister focused on the benefits that additional taxation funding could bring to Western Australian infrastructure and to the wider Australian community. The Prime Minister also encouraged resource companies to speak to Treasury officials as to how the proposed tax structure could impact their individual situations. This was followed by a question and answer session with the resource industry executives present.

Western Areas' main comments to the Government and in subsequent interviews were:

- The Government appears to have no clear understanding of the potential impact this tax will have on company profits and importantly, shareholder returns
- Proposed concessions to rebate exploration costs and offset state royalties against the 40% super profits tax will be immaterial to most producers
- The new tax will impact the ability to fund development of new mines which will result in reduced employment in the industry

Despite the negative sentiment currently in the market, Western Areas remains in a strong position. Your Company owns two outstanding, long life, low cost mines which are ramping up to full production at a time of high nickel prices. Production from these mines is meeting or exceeding our targets. A large part of the capital expenditure for these mines (including the Flying Fox decline, Spotted Quoll open pit waste removal, concentrate plant and major surface infrastructure) is now complete. Western Areas has a strong balance sheet and the Company remains committed to getting maximum returns back to shareholders.

In light of the proposed new tax, the Board is considering whether or not to commence development of our third mine, Diggers South. Diggers South forms part of an 8km long nickel system with significant upside and we are looking at ways to fund this large project without impacting cash flows from Flying Fox and Spotted Quoll.

Before the proposed new tax was announced, Western Areas had already adopted a clear strategy which should continue to benefit the Company for many years:

1. Flying Fox Mine, Spotted Quoll Mine and the Cosmic Boy Concentrator represent Western Areas "Core Business" to generate long term profits
2. Funding for any new mine development should not impact profits from Flying Fox or Spotted Quoll, unless the new mine is of similar quality



3. Exploration to discover a new high grade deposit similar to Flying Fox or Spotted Quoll at the Forrestania Nickel Project remains a high priority. This is one of the most cost effective ways to increase shareholder value.
4. The Company recently restructured its debt with a long dated \$125M convertible bond which has further strengthened the balance sheet
5. Western Areas is seeking a major partner to assist funding the exploration and development of our substantial joint venture assets in Finland
6. We are considering listing a new company for the Finland assets “FinnAust Mining Plc” provided this will directly benefit Western Areas’ shareholders

Western Areas is still considering details of the proposed new tax. We plan to engage directly with the Federal Government over the introduction of this tax which we believe represents a serious impediment to the entire resource industry in Australia.

Please contact any member of the Western Areas Board with any comments or queries you may have. We look forward to your feedback.

Yours sincerely,

Julian Hanna,
Managing Director





-ENDS-

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FORWARD LOOKING STATEMENT: This release contains certain forward-looking statements. These include but are not limited to the following:

- “The Government appears to have no clear understanding of the potential impact this tax will have on company profits and importantly, shareholder returns
- Proposed concessions to rebate exploration costs and offset state royalties against the 40% super profits tax will be immaterial to most producers
- The new tax will impact the ability to fund development of new mines which will result in reduced employment in the industry”

and “clear strategy which should continue to benefit the Company for many years”, and,

1. “Flying Fox Mine, Spotted Quoll Mine and the Cosmic Boy Concentrator represent Western Areas “Core Business” to generate long term profits
2. Funding for any new mine development should not impact profits from Flying Fox or Spotted Quoll, unless the new mine is of similar quality
- 6 We are considering listing a new company for the Finland assets “FinnAust Mining Plc” provided this will directly benefit Western Areas’ shareholders”

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. Investors should not invest in Western Areas on the basis of forward-looking statements.

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. 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 Mineral Reserves do not have demonstrated economic viability.