



# Activity Report

For the period ending 31<sup>st</sup> March 2013

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 the Flying Fox and the Spotted Quoll underground mines where significant development is already in place. The total Mineral Resource at Spotted Quoll now stands at 2.9 Mt at an average grade of 5.9% containing 171,520 nickel tonnes. Total Ore Reserves at Spotted Quoll comprise 2.9 Mt at average grade of 4.2% nickel containing approx. 123,430 nickel tonnes.

The total Mineral Resource at Flying Fox now stands at 1.7 Mt at an average grade of 5.7% containing 98,056 nickel tonnes. Total Ore Reserves at Flying Fox comprise 1.8 Mt at average grade of 4.0% nickel containing approx 69,340 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 13,000 tpa with Jinchuan for a total 26,000 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:**

197m shares

**Market capitalisation:**

Approx A\$540M @ \$2.75 per share.

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## STRONG PERFORMANCE DELIVERS \$26.7M IN OPERATIONAL CASHFLOW AND REDUCED UNIT CASH COSTS

Western Areas is pleased to deliver its 11<sup>th</sup> consecutive Quarterly Report where operational performance has either met or delivered better than guidance. Despite challenging global equity and commodity markets, combined with a strong Australian dollar, the Company has delivered a solid quarter of cashflow generation and reduced unit cash costs of production from the previous quarter.

The Lost Time Injury frequency rate (LTIFR) now stands at an industry benchmark of ZERO with the last lost time injury being in January 2012. The entire workforce, including all contractors and corporate personnel, should be acknowledged for their outstanding efforts. The Western Areas team has risen to the challenge of maintaining LTIFR at ZERO and this will remain a strong focus.

Total mine production for the quarter was **7,146 tonnes of nickel in ore at an average grade of 5.0%**. This comprised Flying Fox 4,081 nickel tonnes and Spotted Quoll 3,065 nickel tonnes in ore respectively. The Company remains on track to meet its upgraded guidance of 27,500 tonnes of nickel in ore for the current financial year.

Total nickel in concentrate produced from the mill was **6,611 nickel tonnes at a unit cash cost of A\$2.86/lb**. The Company remains on target to better its full financial year guidance of <A\$3.00/lb unit cash costs, with **year to date performance sitting at A\$2.75/lb**.

### March Q 2013 Highlights:

- Cashflow from the Operations was A\$26.7M for the quarter**, demonstrating the ability of the Company to generate strong cashflows despite the impact of the high AUD on the realised nickel price.
- At 31 March 2013, Western Areas had total cash plus nickel sales receivables of A\$84.5M** (December Q, A\$108.2M). The Company **repaid A\$45M of debt to ANZ Bank** during the quarter.
- Combined mine production was 7,146 tonnes (15.7M lbs) nickel** at an average grade of **5.0% nickel**.
- Flying Fox mine production was **82,668 tonnes of ore mined at 4.9% for 4,081 tonnes (9.0M lbs) contained nickel**.
- Spotted Quoll underground mine production was **59,335 ore tonnes at 5.2% for 3,065 tonnes (6.7M lbs) of contained nickel**.
- Total **nickel sales during the March Q comprised 48,639 tonnes of concentrate containing 6,845 tonnes (15.1M lbs) nickel**.
- Average cash cost** of nickel in concentrate produced during the quarter was **A\$2.86/lb**, being a reduction from the previous quarter. **Year to date stands at A\$2.75/lb**.
- Continued **excellent safety performance with ZERO LTIFR**.
- An interim **dividend of 2c per share fully franked was declared**.
- A new **two year offtake agreement was reached with Jinchuan Group** with improved terms following a competitive tender process.



## 1. CORPORATE AND FINANCING

### *Cashflow and completion of the Share Purchase Plan*

**Cashflow from the Operations was A\$26.7M for the quarter**, demonstrating the ability of the Company to generate strong cashflows despite the impact of the high AUD on the realised nickel price.

As previously outlined to shareholders, the Company completed a significant amount of “heavy lifting” in the first half of the financial year from a capital expenditure perspective with the ramp up of Spotted Quoll underground mine, the completion of the new paste fill plant and the completion of the new haul road. As a result, total capital and mine development expenditure was reduced A\$19.4M for the March Q, and came in at A\$15.6M for the quarter (including A\$5M on exploration).

**At 31 March 2013, Western Areas had total cash plus nickel sales receivables of A\$84.5M** (December Q, A\$108.2M). This comprises unaudited A\$58.1M in cash (December Q, A\$85.5M) and nickel sales receivables valued at A\$26.4M. The movement of A\$23.7M in cash and receivables was a particularly strong result considering the major non-operational finance related cash flows for the quarter included:

- Repayment of the ANZ Facility - US\$45.0M (one-off)
- SPP Equity placement inflow - A\$15.0M (non-recurring)
- Payment of Convertible Bond interest - US\$7.5M (half yearly payment)

Excluding these three items results in a very strong increase in liquid assets of A\$13.8M for the March Q, providing further confidence in the resilience of Western Areas and the positive cash generation of the Company.

During the quarter the \$15M Share Purchase Plan (“SPP”) that was announced on 4 December 2012 was successfully completed. The SPP was significantly over subscribed, with scaling allocations calculated based on prerecord date share balances. The SPP was priced at \$3.80 per share being the same price as the institutional placement completed during December 2012.

### ***Debt Facilities***

The revised ANZ loan facility was executed on the 8 March 2013 that both extends and enlarges the existing loan facility between ANZ and the Company. The ANZ loan remains undrawn.

The facility has A\$125M capacity and will extend to at least March 2016. The remaining terms and conditions, while confidential, are typical for this style of banking arrangement and remain materially consistent with the prior facility. Interest rates and fees applicable have been priced at what the Company considers are competitive margins. This facility provides repayment certainty for the July 2014 convertible bond maturity. Combined with a cash balance that is expected to accumulate up to the convertible bond maturity date, this gives the company a very flexible approach to retiring the bond, utilising a either free cash flow generated or mix of cash and the facility.

### ***Convertible Bonds***

As at 31 March the Company had 2 tranches of convertible bonds with staggered maturities as follows:

- July 2014 Convertible Bond - A\$110.2M with a 6.4% coupon (convert strike price of A\$7.47)
- July 2015 Convertible Bond - A\$125.0M with a 6.4% coupon (convert strike price of A\$6.41)

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

As detailed above the ANZ Bank facility was refreshed during the quarter and now extends beyond maturity of the July 2014 convertible bond of A\$110.2M and effectively eliminates any repayment risk associated with that bond.



## 2. MINE AND MILL PRODUCTION & CASH COSTS

Tonnes Mined		2011/2012	2012/2013			FY
		Jun Qtr	Sep Qtr	Dec Qtr	Mar Qtr	Total
<b>Flying Fox</b>						
Ore Tonnes Mined	Tn's	96,289	102,218	89,846	82,668	274,732
Grade	Ni %	5.3%	5.0%	4.9%	4.9%	4.9%
Ni Tonnes Mined	Tn's	5,097	5,129	4,380	4,081	13,590
<b>Spotted Quoll - Underground</b>						
Ore Tonnes Mined	Tn's	42,574	43,581	50,907	59,335	153,823
Grade	Ni %	5.1%	5.4%	5.1%	5.2%	5.2%
Ni Tonnes Mined	Tn's	2,173	2,375	2,577	3,065	8,017
<b>Total - Ore Tonnes Mined</b>	Tn's	138,863	145,799	140,753	142,003	428,555
<b>Grade</b>	Ni %	5.2%	5.1%	4.9%	5.0%	5.0%
<b>Total Ni Tonnes Mined</b>	<b>Tn's</b>	<b>7,270</b>	<b>7,504</b>	<b>6,957</b>	<b>7,146</b>	<b>21,607</b>

### Flying Fox

#### **Production**

The March Q at Flying Fox produced 82,668t of ore at an average grade of 4.9% for 4,081t of contained nickel, which was in line with the quarterly mine plan. The ore tonnes split was Flying Fox: 73% and Lounge Lizard: 27%.

The twin boom Jumbo returned to site in January and concentrated on capital development at the bottom of the mine, namely the Decline, 295, 285 and 255 level accesses, and associated excavations.

The single boom Jumbo produced ore from the 515, 490, 410 and 385 levels. This was from a mixture of development, flat back / bench driving and stripping. Air-leg mining continued in the 750, 460, 455, 410 and 385 levels. In addition to benching and ore development, a number of rises were mined, for exploration above the 750 level and for production slots in the 720, 490 and 460 levels.

Longhole stope production was predominantly from the T5 mining block and concentrated around the 370 and 345 levels. In addition smaller tonnages were taken from the 610, 480 and 460 levels. T4 production included the 720 and 655 stopes. Stope backfill programs using a combination of mainly unconsolidated rockfill and strategically located cemented-rockfill were completed as required during the quarter

#### **Mine Development**

The Streeter Decline recommenced in January with 170m developed during the quarter in line with the development plan for Flying Fox. This was in addition to another 240m of lateral capital development. The mine achieved 328m of total lateral development in ore drives and 280 equivalent meters' advance from a combination of flat back stoping and benching, derived from both jumbo and airleg mining.

The next diamond drill platform for exploration drilling into the T7 ore body was completed at the 260 level, with drilling planned to commence in the June quarter.

### Spotted Quoll

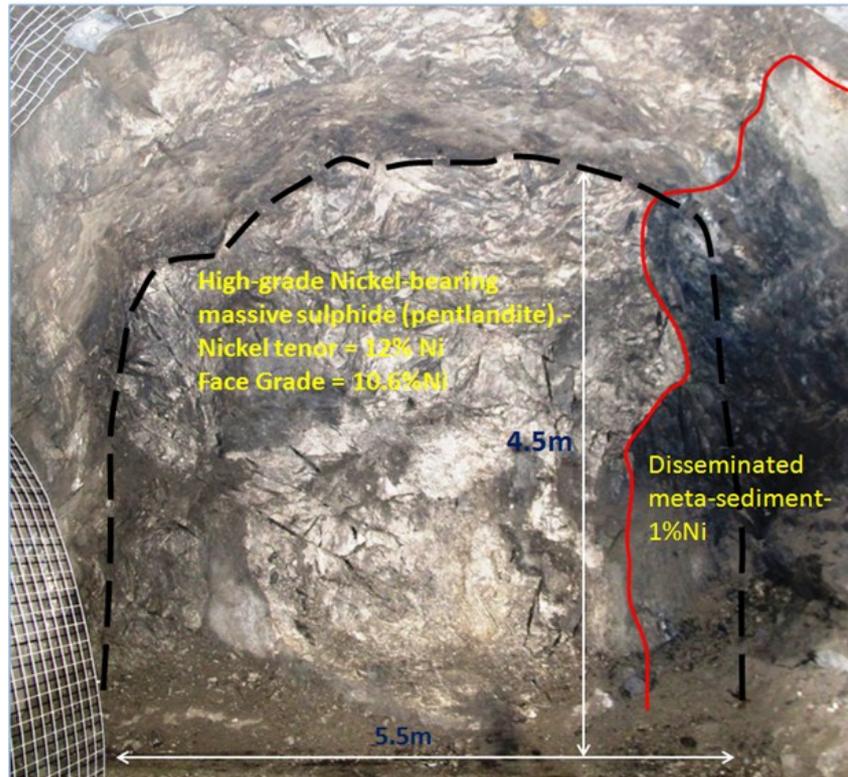
#### **Production**

Spotted Quoll production was 59,335 tonnes at 5.2% for 3,065 tonnes of contained nickel for the quarter. The implementation of 'choke' slot blasts against paste fill have been very successful enabling a more efficient stope turnover time and reducing drilling requirements and associated costs.



### Mine Development

The Hanna Decline was advanced 211m during the March Q reaching a depth of 380m below surface. Total lateral development for the quarter was 951m. A second stoping panel on the 1125 level was developed and prepared for production three months ahead of schedule. First production from this stoping block will occur during April.



Massive sulphides (11%) in the 1140 Ore Drive face

### Cosmic Boy Nickel Concentrator

Tonnes Milled and Sold		2011/2012		2012/2013		FY
		Jun Qtr	Sep Qtr	Dec Qtr	Mar Qtr	Total
Ore Processed	Tns	143,148	142,795	151,855	145,348	439,998
Grade	%	4.9%	5.3%	4.9%	5.0%	5.1%
Ave. Recovery	%	90%	92%	90%	91%	91%
<b>Ni Tonnes in Concentrate</b>	<b>Tns</b>	<b>6,320</b>	<b>6,951</b>	<b>6,722</b>	<b>6,611</b>	<b>20,284</b>
Ni Tonnes in Concentrate Sold	Tns	6,888	6,923	6,829	6,845	20,597
<b>Total Nickel Sold</b>	<b>Tns</b>	<b>6,888</b>	<b>6,923</b>	<b>6,829</b>	<b>6,845</b>	<b>20,597</b>

145,348 tonnes of ore at an average grade of 5.0% nickel was treated for the quarter with the Cosmic Boy concentrator producing 45,896 tonnes of concentrate grading 14.4% nickel for 6,611 nickel tonnes.

Concentrator metallurgical recovery averaged 90.6% with 97.3% plant availability. Due to excellent plant availability and a thorough maintenance regime, the concentrator is well on track to beat name plate capacity of 550kt throughput.



Stockpiles			2011/2012	2012/2013		
			Jun Qtr	Sep Qtr	Dec Qtr	Mar Qtr
Ore	Tns		177,678	179,968	168,866	160,884
	Grade	%	4.4%	4.2%	4.3%	4.3%
Concentrate	Tns		7,243	7,118	5,872	2,989
	Grade	%	14.3%	14.3%	14.2%	14.8%
<b>Contained Ni in Stockpiles</b>		<b>Tns</b>	<b>8,586</b>	<b>8,625</b>	<b>8,074</b>	<b>7,330</b>

At the end of the quarter, 160,884 tonnes of ore at an average grade of 4.3% nickel containing over 6,886 tonnes of nickel was stockpiled at site awaiting treatment at the mill. Whilst the current stockpile represents over three months of mill feed (which enables the selection of an optimal mill feed blend), the Company has been intentionally drawing down ore stockpiles towards a target of two months mill feed.

### Cash Costs

Financial Statistics		2011/2012	2012/2013			Total
		Jun Qtr	Sep Qtr	Dec Qtr	Mar Qtr	
<b>Group Production Cost/lb</b>						
Mining Cost (*)	A\$/lb	2.25	1.82	2.27	2.23	2.10
Haulage	A\$/lb	0.09	0.09	0.05	0.05	0.07
Milling	A\$/lb	0.41	0.40	0.41	0.41	0.41
Admin	A\$/lb	0.17	0.20	0.17	0.19	0.19
By Product Credits	A\$/lb	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)
<b>Cash Cost Ni in Con (***)</b>	<b>A\$/lb</b>	<b>2.90</b>	<b>2.49</b>	<b>2.89</b>	<b>2.86</b>	<b>2.75</b>
<b>Cash Cost Ni in Con/lb (***)</b>	<b>US\$/lb (**)</b>	<b>2.93</b>	<b>2.59</b>	<b>3.00</b>	<b>2.97</b>	<b>2.85</b>
<b>Exchange Rate US\$ / A\$</b>		<b>1.01</b>	<b>1.04</b>	<b>1.04</b>	<b>1.04</b>	<b>1.04</b>

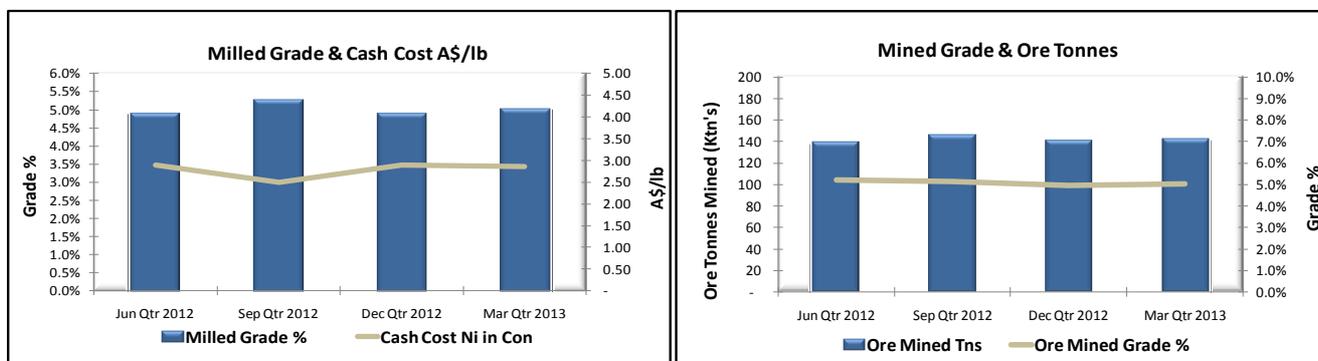
(\*) Mining Costs are net of deferred waste costs and inventory stockpile movements

(\*\*) US\$ FX for Relevant Quarter is RBA ave daily rate (Mar Qtr = A\$1:US\$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 unit cash cost of nickel in concentrate (excluding smelting/refining charges and royalties) produced during the quarter was **A\$2.86/lb**, being a reduction from the previous quarter. The cost outcome for the March Q was an excellent result when considering the mill was shut down for three days of planned maintenance and February has three less production days. Therefore when accounting for these six less production days, the lower unit costs is a credit to the entire operational team.



Year to date unit cash costs of **A\$2.75/lb** continue to be well below latest guidance of A\$3.00/lb at the beginning of the financial year. Whilst grade will clearly impact unit costs, the Company has continued to optimise costs in the corporate and operational areas with the assistance of suppliers and, service providers, combined with appropriate capital expenditure initiatives.

### 3. NICKEL SALES

Delivery of nickel concentrate to BHP Nickel West's operations at Kambalda and Jinchuan's smelter in China continued during the quarter. A total of 48,639 tonnes of concentrate was delivered containing 6,845 tonnes of nickel, being a slight increase on the previous quarter.

The concentrate stockpile stands at 2,989 tonnes at a grade of 14.8% nickel containing 444 tonnes of nickel metal. Total concentrate stockpiles decreased from the previous quarter representing the mature logistics system that Western Areas has developed over the last 18 months.

The second offtake agreement with Jinchuan for 15,000 tonnes of nickel was completed ahead of schedule in February 2013. The tender process for the un-contracted nickel concentrates commenced during the December Q and attracted a number of large global companies and significant integrated producers. The increased interest generated in the Company's nickel concentrate validates an industry view that high quality concentrates are becoming harder to source and there appears to be a looming shortage of quality feed to nickel smelters.

After completing a very competitive process, Jinchuan was awarded an offtake contract of 26,000t of contained nickel in concentrate that will expire around February 2015. As a result of the competitive process, Western Areas was able to achieve an increase in nickel payability from Jinchuan.

Post completion of the new offtake agreement, Jinchuan and Western Areas entered into a Strategic Alliance to target base metal opportunities outside the core Forrestania operations. Whilst the Alliance is non-binding and non-exclusive, this agreement represents the formalisation of a relationship that has been in discussion for some time.

#### **Hedging**

Western Areas 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 QP nickel hedging using flat forwards at an average price of US\$18,250/t. Details of hedges as at 31 March 2013 are as follows:

Hedging Details	Fiscal 2013
<b>Nickel Hedging Forward Sales</b>	
Ni Tonnes Sold	400
US\$ Price / Tonne	18,250

### 4. INFRASTRUCTURE

No major surface infrastructure projects were undertaken during the quarter, which is consistent with the Company's announcement during the quarter that a significant amount of the 'heavy lifting' for capital expenditure was completed in the first half of FY2013.



5. FORRESTANIA MINERAL RESOURCES AND ORE RESERVES

**Flying Fox**

Underground grade control drilling continued throughout the quarter which has confirmed the high tenor of the orebody. Resource extension capital expenditure was approved for an extensive drilling program which will further test the deeper extension of the T5 and T7 deposit. Commencement of the T7 drilling program is scheduled for May 2013. Drilling to test the southern extension of the T5 orebody has recently commenced. Assay results were received from the remaining initial holes drilled into the T7 area during the quarter and selected intervals are included in Table 1 below:

BHID	Interval (m)	Ni%	From (m)	Comment
LUG033	1.25	3.1	327.55	T6
LUG033	0.16	1.9	513.00	T7
LUG033	0.52	1.4	515.73	T7
LUG034	0.71	6.2	300.41	T5
LUG034	1.91	3.7	367.49	T7

Table 1: T7 assay results received during the March Q

The Mineral Resource Statement which is included in the table at the end of this report takes depletion for mining during the quarter into account. Figure 1 shows a longitudinal section with the corresponding resource grades and tonnes.

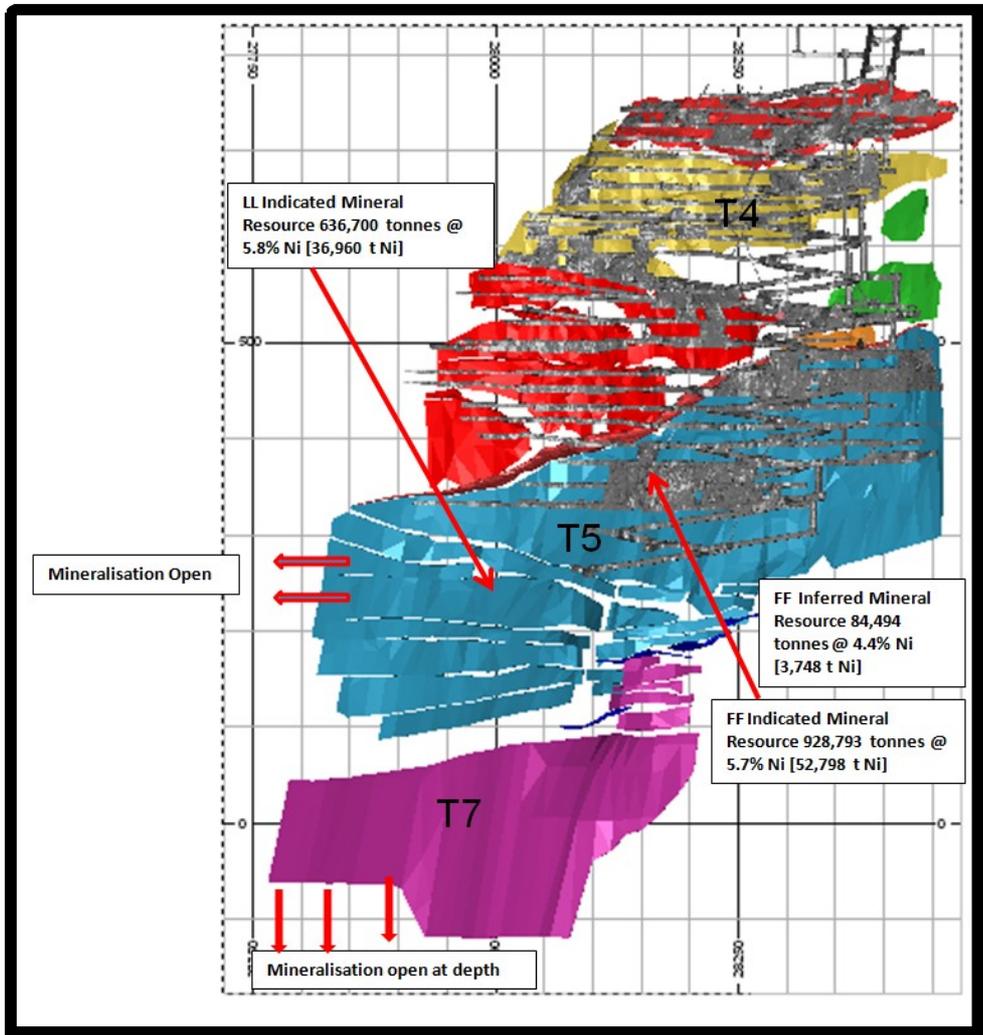


Figure 1: Longitudinal Section Flying Fox/Lounge Lizard T4 to T7 Zones as at 31 March 2013



**Spotted Quoll**

Mining and grade control sampling during the quarter has confirmed the consistency of mineralisation and high tenor of the Spotted Quoll deposit. Extensional resource drilling of the down dip portion of the Spotted Quoll North Lode commenced in March, with encouraging initial results confirming that mineralisation extends further down dip but with a shorter strike length as shown in Figure 2. Drill holes are being processed and an updated Mineral Resource is likely during the next quarter. A 3-dimensional view of the Spotted Quoll deposit with annotated Mineral Resource summaries and current development infrastructure is shown in Figure 3.

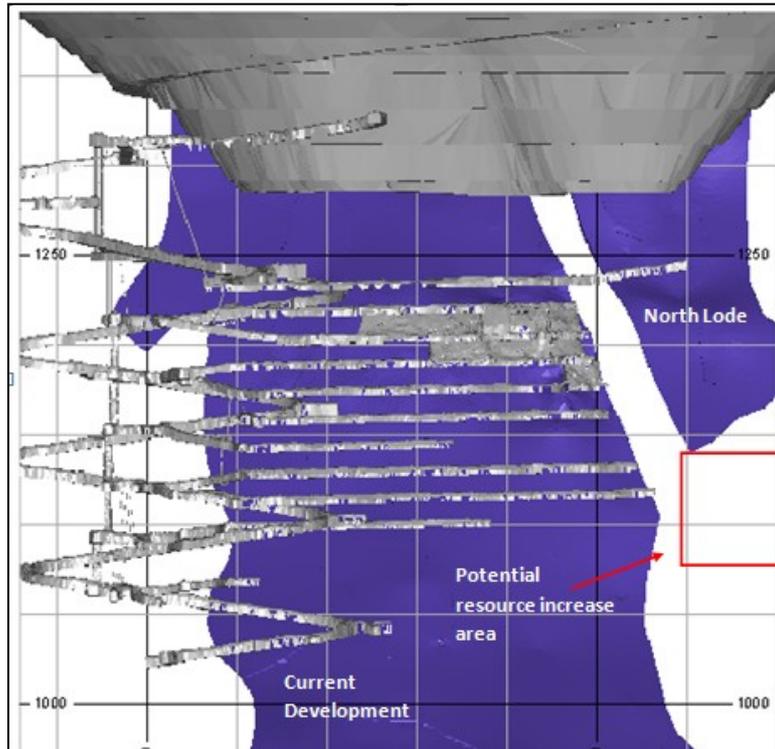


Figure 2: North South section view of Spotted Quoll indicating area of potential resource extension below the North Lode

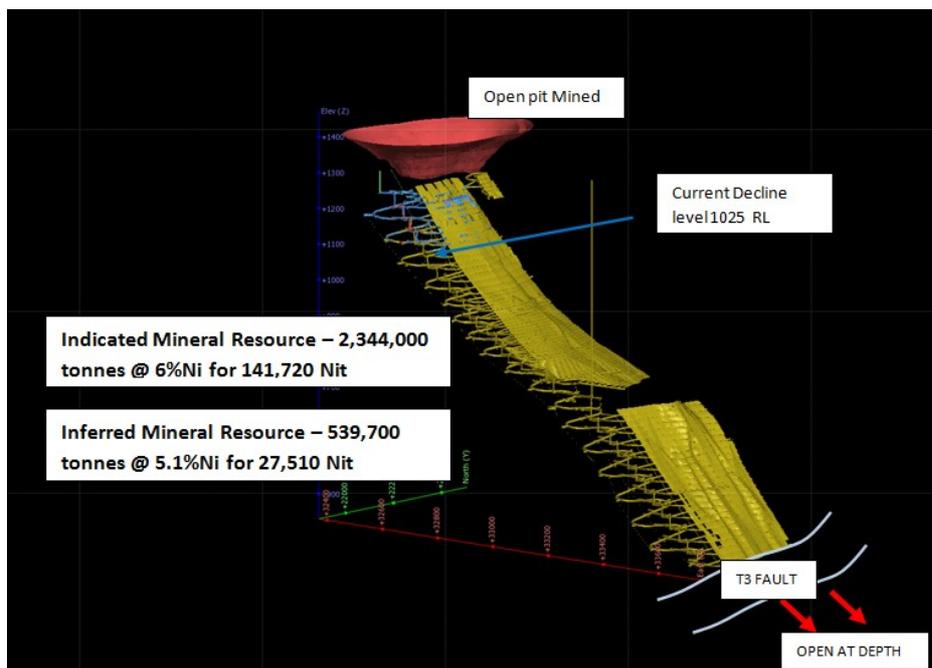


Figure 3: 3D View of Spotted Quoll deposit and planned development (Looking North)



## 6. MINE SAFETY AND ENVIRONMENT

### *Safety*

In January 2013 the Forrestania Nickel Operations (FNO) 12 month rolling LTIFR dropped to **ZERO** for the first time since operations began in December 2004. The various major operational areas have all contributed to this excellent result as follows:

- ✓ Cosmic Boy Concentrator: **679 LTI free days**
- ✓ Flying Fox Mine: **893 LTI free days**
- ✓ Spotted Quoll Mine: **715 LTI free days**
- ✓ Surface Exploration Team: **1,612 LTI free days**

A number of contractors have been integral to these achievements, including Barmenco, Boart Longyear, BIS Logistics and Julstroy Contracting.

The Emergency Response Team continues to meet and train on a weekly basis. During the quarter eight personnel completed an intensive six day course to attain nationally recognised qualifications in vertical rescue, confined space rescue and vehicle extrication. Other training has included HazMat training, rope rescue and frontline medical assessment skills.



Emergency Response simulation training

### *Environment*

Western Areas continued to operate within all statutory regulations and licence conditions during the reporting period with no environmental incidents occurring at our operations. Western Areas remains fully committed to the environmental management plan to ensure that our operations environmental performance is in line with industry best practice.

Western Areas has been involved as a principal financial sponsor and stakeholder in the development of a conservation action planning framework for the section of the Great Western Woodland where FNO is located. Additionally Western Areas is pleased to financially support the Eastern Wheatbelt Biosecurity Groups efforts to minimise the impact of feral animals in the Eastern Wheatbelt.

### *Research Sponsorship*

The Company continues to support biodiversity conservation programs with a focus on species within the Forrestania region. Sponsorship of research into both Carnaby's Black Cockatoo and the Chuditch is ongoing, in line with Western Areas sustainability values.

### *Sustainability Performance*

During the March Q the Company continued with development of our initial energy efficiency opportunities assessment plan. Site workshops have been undertaken to discuss opportunities and options to reduce our carbon footprint.



### Community Support

On 2<sup>nd</sup> March FNO hosted a visit by a student group from Kent Street Senior High School to the Spotted Quoll and Flying Fox mine-sites (surface) and Cosmic Boy concentrator. The school has applied for a Geoscience, Mining and Environment Specialist Status to start in 2014 to promote the resources industry as a viable and rewarding career choice.

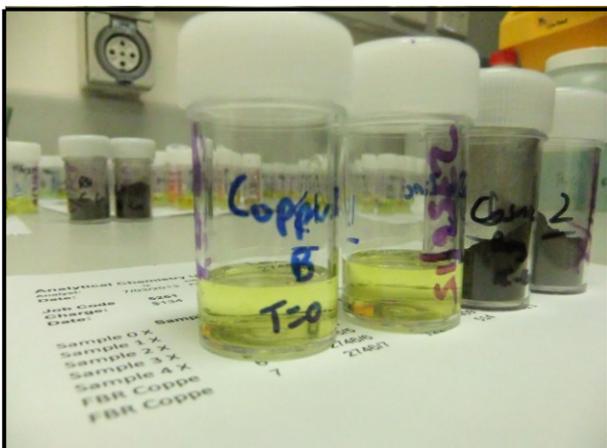
On 23 March FNO was also visited by a Shire of Kondinin delegation including the Chief Executive Officer and 30 interested residents. The delegation visited the two mine-sites, Cosmic Boy concentrator, Cosmic Boy Village and administration office and is part of our ongoing commitment to community engagement.



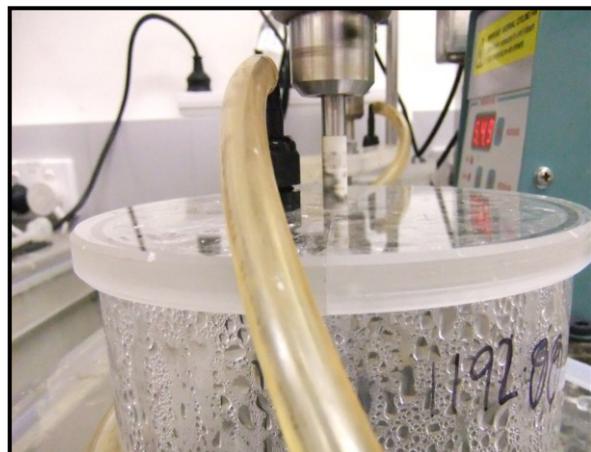
Kondinin Shire visitors at Spotted Quoll

## 7. BIOHEAP

During the March Q, test work continued on third party ore samples to determine their amenability to bacterial leaching. One of the third party test work programs has been expanded into variability testing which is likely to proceed to larger scale testing in the June Q. If this testwork is successful, construction of a large scale pilot plant facility by the client would be considered at the client's site to produce data suitable for feasibility studies.



Test samples and leach solutions



Amenability testing

Test work on a process stream from the Cosmic Boy Concentrator was completed and the results are being used to conduct a preliminary engineering study. This work has the possibility of expanding the technology for use in other sulphide mineral concentrators.



As a result of the marketing efforts to date, proposals have been prepared for a number of additional clients during the quarter to investigate bacterial amenability of a range of ores. A number of approaches were also made to BioHeap by corporations seeking to better understand the technology for consideration in process selection for various engineering studies.

The research program which commenced in the Dec Q is continuing. The program is designed to improve our understanding of the microbial properties of some of the BioHeap cultures that operate at extreme conditions. The research work will strengthen BioHeap’s current intellectual property portfolio and expand the application of the technology. Further patent applications will occur in the June Q

**8. EXPLORATION**

Exploration drilling during the March Q continued with the majority of the work comprising the evaluation of the New Morning deposit, particularly below the current resource. Drilling was also carried out at number of targets within the Western Ultramafic Belt (WUB), including Boojum, Arrowhead and T15 prospects, (Figure 4). An RC drilling program was also completed at Purple Haze prospect.

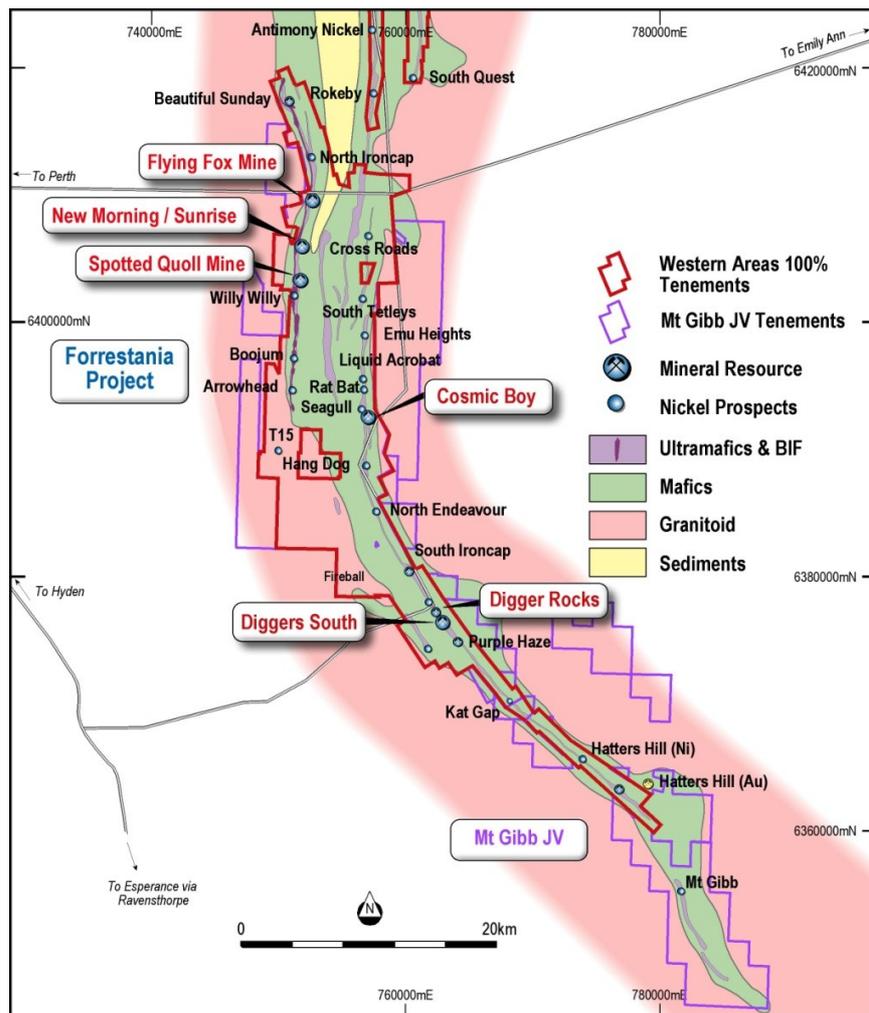


Figure 4: Plan showing Forrestania tenements; mines and key prospects



## Forrestania Projects

### New Morning

Testing for extensions of the New Morning mineralisation below the T3 fault which was commenced during the December Q, continued in the March Q, (see Figure 5 below).

The exploration efforts remain firmly committed to fully test the newly discovered high grade mineralisation at New Morning. This has the potential to add significant nickel metal to this project. The depth of the holes and the challenges of completing Down Hole Electro Magnetics (DHEM) in these holes have meant that progress has been measured due to the highly targeted nature of the drilling, but is not outside the expected scope. Whilst ground conditions have been challenging, it should be noted that the discovery hole also encountered similar ground conditions during drilling with the ultimate result being a very high grade intercept.

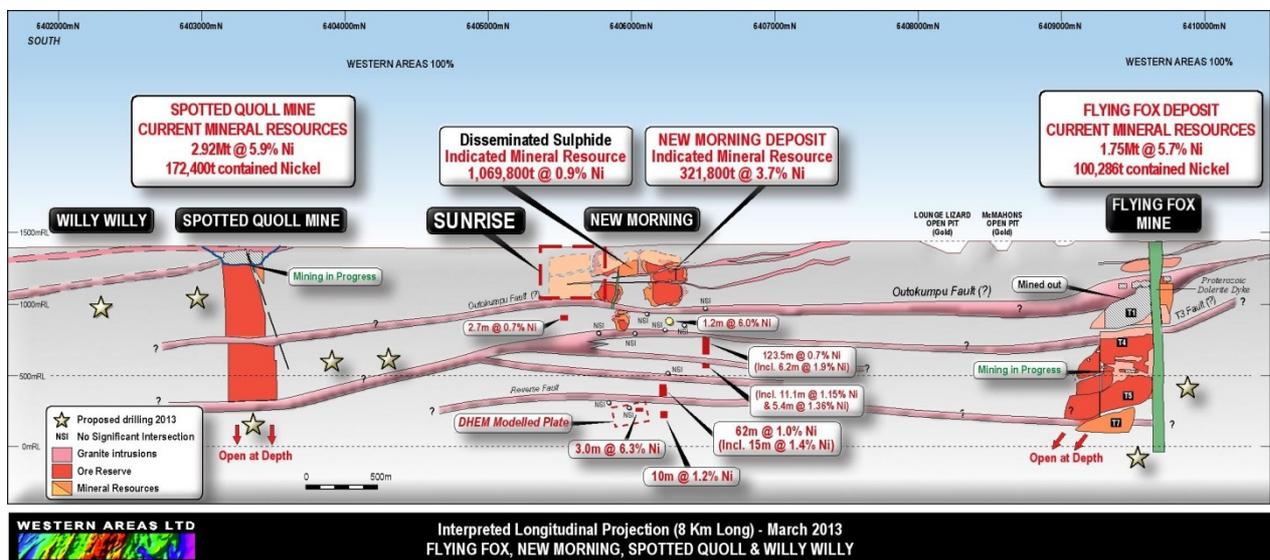


Figure 5: Interpreted Long Projection of the Western Belt footwall contact extending 6km from Spotted Quoll to Flying Fox.

Hole (NMD177), testing the interpreted embayment in the footwall some 200m south of NMD161W1, intersected **3.0m at 6.3% nickel, including 2.4m at 7.6% nickel** from 1237.2m, released on 24 January 2013 and 2 February 2013. (DHEM) geophysics indicated that the high grade discovery hole had intersected the edge of the mineralised zone with initial modelling indicating a plate approximately 150m x 250m wide.

A number of holes have been drilled or are currently being drilled testing the mineralised position intersected in NMD177, see also release on 27 March; NMD177W1 intersected granites (fault) at or close to the contact, NMD177W1W1 was prevented from reaching target depth encountered deteriorating ground conditions and **NMD177W1W2 is currently in progress.**

A review of the interpreted down plunge component of the New Morning mineralisation has resulted in the mobilisation of a second rig to re-enter NMD161 and test a target approximately 150m north of this hole, (See Figure 6). **This hole is also in progress.** Depending on the success of the initial hole further wedge holes will be planned utilising DHEM information.

The Company also highlights that any significant discovery in the 6km corridor between Spotted Quoll and Flying Fox mines will benefit from the economies of scale and significant infrastructure investment in the area. Ultimately the Company considers that the Decline investment in either mine would be used in accessing any economic deposit.

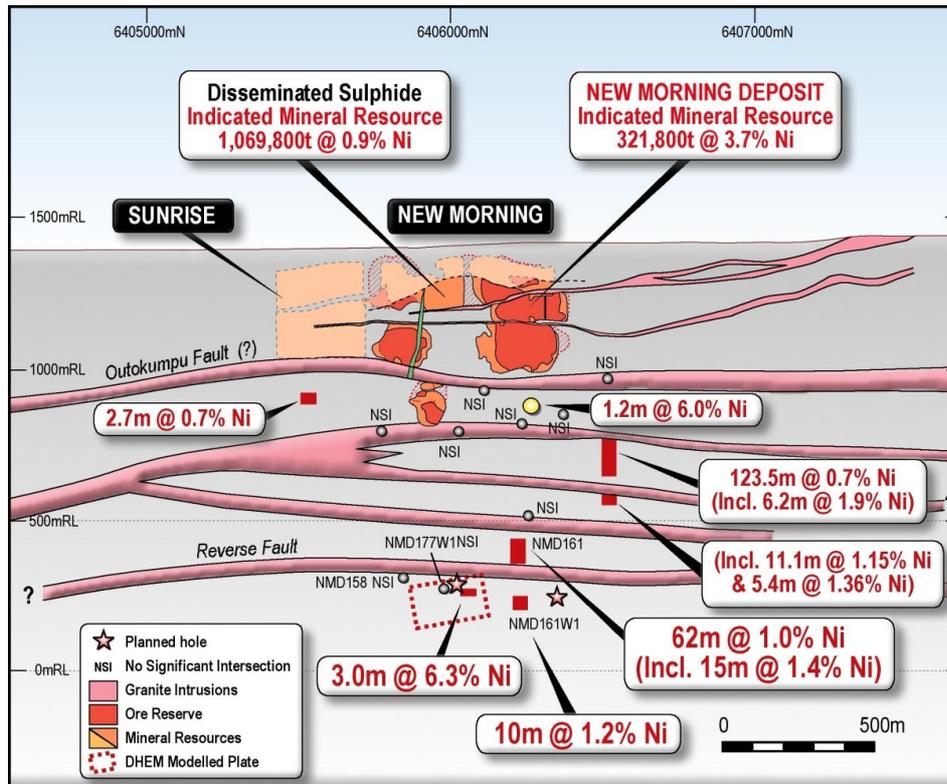


Figure 6: Interpreted Long Projection of the Footwall contact at New Morning showing proposed drill targets

### Sunrise

Drilling at Sunrise is now complete and work at estimating a resource for this new discovery is in progress. All assay results have been received.

The mineralisation discovered at Sunrise, 300m south east of the high grade New Morning deposit, (Figure 5) is significant as it occurs in the hanging wall stratigraphy. This horizon is known to occur along the length of the Western Ultramafic Belt (WUB) but has received little testing in the past, opening up the opportunity to locate further deposits of this type.

### Other Forrestania Projects

The ongoing prospectivity review and assessment of the WUB, which contains the Flying Fox, New Morning and Spotted Quoll deposits, generated a number of drill targets. Testing of these targets commenced in the December Q and continued through the March Q, Work, including drilling, was completed at Spotted Quoll South, Boojum, T15 and Arrowhead South targets.

As part of the purchase of the Kagara's nickel tenements in 2012, approximately 4.5km of the southern portion of the WUB was acquired in the T15, Arrowhead and Boojum areas. Previous exploration of this area has been limited. Evaluation of this area, some 10km south of Spotted Quoll, commenced with coverage of the prospective stratigraphy with surface electromagnetic (EM) and the drill testing of the T15 prospect. Encouragingly, several of the recently drilled holes at T15 intersected good cumulate ultramafics. A program of DHEM on the holes has just been completed and the results are being interpreted to determine further activity.

Exploration activities, including drilling, were also undertaken at a number of prospects outside the WUB in the Forrestania area, including at Purple Haze (9 RC holes for 1812m). Although a number of long intervals of lower grade nickel assays were returned from the drilling no high grade nickel sulphides were intersected.

June Q exploration drilling is proposed to continue at New Morning, the WUB targets, Beautiful Sunday, Lounge Lizard, Purple Haze and Hatters Central on the Mt Gibb Joint Venture.



## 9. 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.

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

Exploration activities within the Southern Cross Goldfields Nickel Joint Venture during the March Q included target generation and program planning within the Southern Cross and Marda areas for the coming Q.

### ***Lake King Nickel Joint Venture (WSA 70% interest)***

Exploration activity during the March quarter included interpretation of the results from last quarter, further Moving Loop Electro-Magnetics (MLEM) and drill planning for the June Q.

### ***Koilyanobbing Nickel Project (100% WSA)***

Exploration during the quarter was focused on planning for the next phase of work including RC drilling (for approximately 700m) which is due to commence shortly. The planned exploration is designed to test the extents of the nickel mineralisation and EM anomalies that were identified during the last phase of exploration.

## 10. FINNAUST MINING Plc (WSA 83.7%)

FinnAust is exploring a number of base metal projects in south-eastern Finland. The Company considers this region represents a highly prospective metal province based on favourable geology, widespread past mining activity and numerous base metal occurrences. The 2013 drilling program is centered on two key projects, the Outokumpu Copper Project and Hammaslahti VMS Project, 50km E of Outokumpu (Figure 7) where high priority drilling targets have been identified.

Both projects have substantial past mine production, potential for significant new discoveries and well established infrastructure. FinnAust has a dominant position in both projects holding approximately 30km of the 40km long Outokumpu copper belt, plus the 45km Hammaslahti belt.

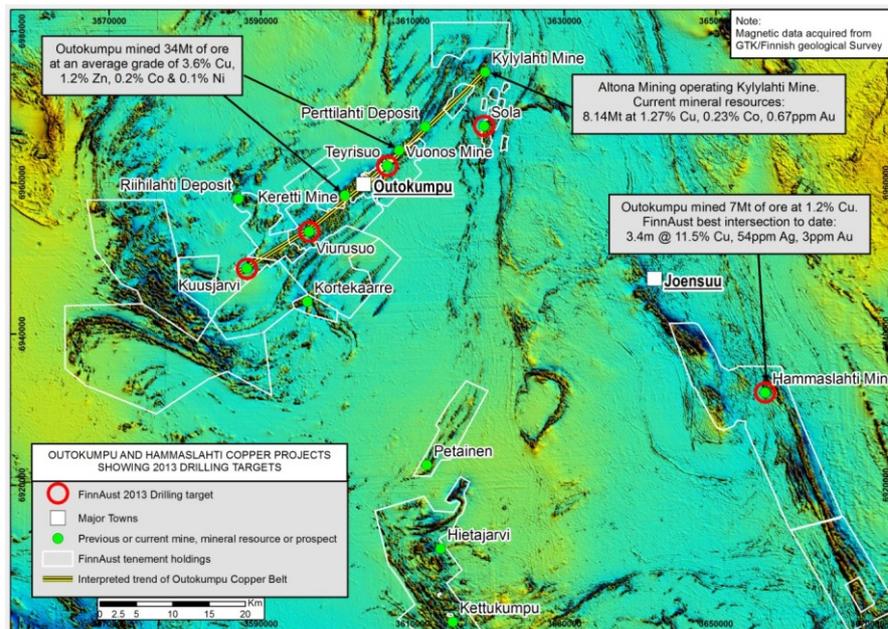


Figure 7: Magnetic image showing the Outokumpu Copper Project and Hammaslahti VMS Project

**Outokumpu (FinnAust100%)**

Drilling for 'Outokumpu Type' deposits is testing high priority conductive targets (ZTEM and EM anomalies) for base metal sulphides. Drilling commenced at the Teyrisuo and Kuusjarvi targets during the quarter.

The drill results showed the geophysical target modelling has correctly interpreted the geology with all but one hole intersecting Outokumpu host rocks (including serpentinites, black schists, quartz rock and various skarn rocks), although no significant mineralised sulphides were located.

**Hammaslahti (FinnAust100%)**

Drilling within the Hammaslahti VMS Project area will test for potential extensions and repetitions to the known copper deposits such as at Hammaslahti.

The initial phase of drilling, which has commenced, will concentrate on evaluating a poorly drilled area 2km east of the existing mine where a strong ZTEM conductor is interpreted to occur in a favourable structural setting.

**11. CANADIAN EXPLORATION****East Bull Lake Project - Ontario (WSA earning 65%)**

During the March Q the assessment to determine the effectiveness of the exploration completed to date continued. This work will be used both in resolving the prospectivity of the project and establishing future work requirements. Following further information received during the March Q, the assessment work will now be completed during the June Q.

-ENDS-

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## Western Areas Ore Reserve / Mineral Resource Statement - Effective date 31st March 2013

Deposit	Tonnes	Grade Ni%	Ni Tns	Classification
<b>Ore Reserves</b>				
1. Flying Fox Area	1,728,800	4.0	69,340	Probable
2. Spotted Quoll	2,942,000	4.2	123,430	Probable
3. Diggers Area				
Digger South	2,016,000	1.4	28,950	Probable
Digger Rocks	93,000	2.0	1,850	Probable
<b>TOTAL WESTERN AREAS ORE RESERVES</b>	<b>6,779,800</b>	<b>3.3</b>	<b>223,570</b>	<b>Probable</b>
<b>Mineral Resources</b>				
<b>1. Flying Fox Area</b>				
T1 South	65,600	3.9	2,580	Indicated
T1 North	35,200	4.9	1,720	Inferred
T1 North	45,400	4.2	1,900	Indicated
T1 North	12,700	4.8	610	Inferred
T4 FF	151,500	5.0	7,570	Indicated
T4 FF	14,680	3.9	580	Inferred
T5 FF Massive Zone	605,700	6.2	37,470	Indicated
T5 FF Massive Zone	12,400	4.3	540	Inferred
LL Massive Zone	636,700	5.8	36,960	Indicated
LL Massive Zone	82,100	5.6	4,560	Inferred
T6	-	-	-	Inferred
T7 FF	60,593	5.4	3,268	Indicated
T7 FF	9,514	3.1	298	Inferred
<b>Total High Grade FF- LL</b>	<b>1,732,087</b>	<b>5.7</b>	<b>98,056</b>	
T5 FF Disseminated Zone	197,200	0.9	1,590	Indicated
T5 FF Disseminated Zone	357,800	1.0	3,460	Inferred
T5 LL Disseminated Zone	4,428,000	0.8	36,000	Indicated
<b>Total Disseminated FF - LL</b>	<b>4,983,000</b>	<b>0.8</b>	<b>41,050</b>	
<b>Total Flying Fox - Lounge Lizard</b>	<b>6,715,087</b>	<b>2.1</b>	<b>139,106</b>	
<b>New Morning / Daybreak</b>				
Massive Zone	321,800	3.7	12,010	Indicated
Massive Zone	93,100	3.5	3,260	Inferred
Disseminated Zone	1,069,800	0.9	9,650	Indicated
Disseminated Zone	659,200	0.9	5,780	Inferred
<b>Total New Morning / Daybreak</b>	<b>2,143,900</b>	<b>1.4</b>	<b>30,700</b>	
<b>Spotted Quoll</b>				
Spotted Quoll	237,950	6.0	14,410	Indicated
Spotted Quoll	539,700	5.1	27,510	Inferred
<b>Total Spotted Quoll</b>	<b>2,919,200</b>	<b>5.9</b>	<b>171,520</b>	
Beautiful Sunday	480,000	1.4	6,720	Indicated
<b>TOTAL WESTERN BELT</b>	<b>12,258,187</b>	<b>2.8</b>	<b>348,046</b>	
<b>2. Cosmic Boy Area</b>				
Cosmic Boy	180,900	2.8	5,050	Indicated
Seagull	195,000	2.0	3,900	Indicated
<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
Diggers South - Halo	4,800,000	0.7	35,600	Indicated
Digger Rocks - Core	54,900	3.7	2,030	Indicated
Digger Rocks - Core	172,300	1.1	1,850	Inferred
Digger Rocks - Halo	1,441,000	0.7	10,350	Inferred
Purple Haze	560,000	0.9	5,040	Indicated
<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>22,662,287</b>	<b>2.0</b>	<b>456,566</b>	

**COMPETENT PERSON'S STATEMENT:**

The information within this report as it related to exploration results is based on information compiled by Mr Adrian Black from geological consultants Newexco Services Pty Ltd ("Newexco") and Mr Charles Wilkinson from Western Areas. They 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 Andre Wulfse and Mr Dan Lougher of Western Areas Ltd. Mr Wulfse and Mr Lougher are members of AusIMM and are full time employees of the Company. Mr Wulfse 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 Wulfse and Mr Lougher consent to the inclusion in the report of the matters based on the information in the form and context in which it appears.

**FORWARD LOOKING STATEMENT:**

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

Examples of forward looking statements used in this report include "The Company remains on track to meet its upgraded guidance of 27,500 tonnes of nickel in ore.", and "This facility provides repayment certainty for the July 2014 convertible bond maturity" and "Ultimately the Company considers that the Decline investment in either mine would be used in accessing any economic deposit." and "The exploration efforts remain firmly committed to fully test the newly discovered high grade mineralisation at New Morning. This has the potential to add significant nickel metal to this project" and "This horizon is known to occur along the length of the Western Ultramafic Belt (WUB) but has received little testing in the past, opening up the opportunity to locate further deposits of this type."

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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