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News Release

NEW NICKEL OFFTAKE CONTRACT FOR LOUNGE LIZARD AND REMOVAL OF DIGGERS SOUTH FROM EXISTING CONTRACT

New Offtake Contract

Western Areas has executed an agreement with BHP Billiton Nickel West Pty Ltd (BHP Billiton) for an additional contract to sell 2,000 tonnes per annum of nickel in concentrate from ore blended from Kagara Ltd's Lounge Lizard deposit, adjacent to the Flying Fox mine. Under the new contract, Western Areas will supply a maximum of 15,000 tonnes of nickel in concentrate. Western Areas has previously announced an agreement with Kagara Ltd to mine the Lounge Lizard deposit, process the ore through the Cosmic Boy plant and sell the concentrate into one of Western Areas' offtake contracts.

The contract will increase the total amount of nickel sold to BHP Billiton from 10,000 tpa to 12,000 tpa nickel (Figure 1) and is expected to commence on completion of the two year contract to sell 25,000 tonnes nickel to Jinchuan. Concentrate produced from Lounge Lizard ore prior to 2012 will be sold into existing contracts with BHP Billiton and Jinchuan. The new contract will enable Western Areas to produce and sell additional high quality concentrate blended from Flying Fox, Spotted Quoll and Lounge Lizard ores.

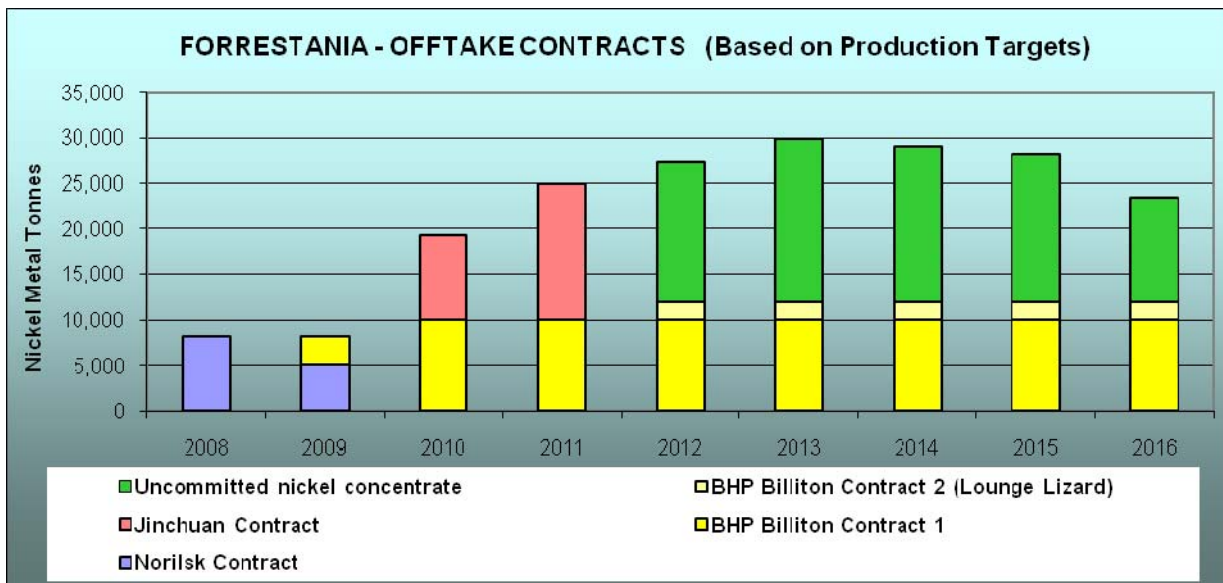


Figure 1: Concentrate offtake contracts based on current production targets (refer to Disclaimer)

Based on current production targets (which include only preliminary estimates for the proposed Spotted Quoll underground mine), Western Areas will have significant additional volumes of nickel concentrate which are not committed to any offtake contracts from 2012.

Western Areas is focussed not only on discovering another Flying Fox or Spotted Quoll type deposit but also on converting more of the existing mineral resources at Forrestania to ore reserves to maintain current production target levels from 2015. From experience to date, the



conversion of Mineral Resources to Ore Reserves at Flying Fox remains high at 95% and the reconciliation of Ore Reserves to nickel mined is 105%.

Diggers South Tenements

Western Areas has also executed a Deed of Variation to the existing Concentrate Purchase Agreement (“CPA”, or “Contract 1”) with BHP Billiton. This has resulted in the removal of the large Diggers South deposit and four surrounding tenements from the CPA. In the event that concentrate produced from the Diggers South Tenements meets certain specifications, BHP Billiton will retain a right to include this concentrate in the CPA, without increasing the overall quantity of concentrate supplied under the CPA.

Currently announced Mineral Resources in the Diggers South area comprise a total of approximately 10Mt at an average grade of 1.0% nickel for 99,500 tonnes (219M lb) nickel.

Diggers Area				
Diggers South - Core	3,000,000	1.5	44,700	Indicated Mineral Resource
Diggers South - Halo	4,800,000	0.7	35,600	Indicated Mineral Resource
Digger Rocks - Core	54,900	3.7	2,030	Indicated Mineral Resource
Digger Rocks - Core	172,300	1.1	1,850	Inferred Mineral Resource
Digger Rocks - Halo	1,441,000	0.7	10,350	Inferred Mineral Resource
Purple Haze	560,000	0.9	5,040	Indicated Mineral Resource
TOTAL DIGGERS AREA	10,028,200	1.0	99,570	

The significance of the Deed of Variation is that it will enable Western Areas to negotiate with other parties to assist with funding and developing the proposed Diggers South and Digger Rocks mines. This provides a potential opportunity to bring these deposits into production, benefitting from substantial established infrastructure at Forrestania which includes the 500 person Cosmic Boy village, nickel concentrator, grid power, roads etc.

Western Areas has spent approximately \$25M to date at Diggers South on mineral resource and geotechnical drilling, feasibility studies, dewatering and surface infrastructure. Excellent potential remains to extend the Core Zone south of the current limit of drilling and to define higher grade massive and stringer sulphide mineralisation within this large nickel system.

Flying Fox and Spotted Quoll Mine update

The majority of Flying Fox production in the December Q has come from stoping T2 and developing the large T4 deposit. The decline has advanced near the Lewinski Lode at the top of T5 and two crosscuts are being developed to access this large volume of high grade ore.

As a result, the Company anticipates a major ramp up in production at Flying Fox starting in March. This ramp up will continue throughout 2010 based on current high grade ore reserves in T5 of around 5.6% nickel. Flying Fox is targeted to reach approximately 16,000 tpa nickel production in CY 2011, excluding any production from Lounge Lizard.

Development of the Tim King open pit mine at Spotted Quoll is proceeding to plan with areas of the pit already at 6m depth. The top of the high grade ore zone starts at 30m depth and first

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ore production from Spotted Quoll is on track for March/April 2010. This should coincide with the ramp up of Flying Fox production and commissioning of the new crushing circuit at the Cosmic Boy plant. The flotation circuit upgrade at Cosmic Boy is expected to be commissioned in the June quarter which will take the capacity to a nominal 550,000 tpa ore.



Aerial view of Tim King open pit mine at Spotted Quoll – early November 2009



Open pit mine development in progress at Spotted Quoll

-ENDS-

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COMPETENT PERSONS STATEMENT: The information within this report is based on information compiled by Mr Julian Hanna and Mr Dan Lougher of Western Areas NL. Mr Hanna and Mr Lougher are members of AusIMM and are full time employees of the Company. Mr Hanna and Mr Lougher have sufficient experience which is relevant to the activity which they are undertaking to qualify as a Competent Persons as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.' Mr Hanna 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.

DISCLAIMER: The Forrester Offtake Contracts graph (Figure 1) represents Western Areas' estimates based on annual nickel production targets from Flying Fox, initial potential production estimates from Lounge Lizard, Feasibility study targets from the Spotted Quoll open pit mine, plus initial estimates for the proposed Spotted Quoll, Diggers South, Cosmic Boy and New Morning underground mines. At this date, these production targets are not all based on ore reserves or feasibility studies or scoping studies and may be varied at any time. Potential or existing investors should not rely on the production targets used to determine the Offtake Contracts as a basis to invest in Western Areas NL.

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.

FORWARD LOOKING STATEMENTS: This release contains certain forward-looking statements. These include: "will enable Western Areas to produce additional high quality concentrate blended from Flying Fox, Spotted Quoll and Lounge Lizard ores. The contract will increase the total amount of nickel sold to BHP Billiton from 10,000 tpa to 12,000 tpa nickel (Figure 1) and is expected to commence on completion of the two year contract to sell 25,000 tonnes nickel to Jinchuan", and "Based on current production targets (which include only preliminary estimates for the proposed Spotted Quoll underground mine), Western Areas will have significant additional volumes of nickel concentrate which are not committed to any offtake contracts from 2012", and, "focussed not only on discovering another Flying Fox or Spotted Quoll type deposit but also on converting more of the existing mineral resources at Forrester to ore reserves", and "significance of the Deed of Variation is that it will enable Western Areas to negotiate with other parties to assist with funding and developing the proposed Diggers South and Digger Rocks mines", and "This provides a potential opportunity to bring these deposits into production", and "the Company anticipates a major ramp up in production at Flying Fox starting in March. This ramp up will continue throughout 2010 based on current high grade ore reserves in T5 of around 5.6% nickel. Flying Fox is targeted to reach approximately 16,000 tpa nickel production in CY 2011, excluding any production from Lounge Lizard", and "The top of the high grade ore zone starts at 30m depth and first ore production from Spotted Quoll is on track for March/April 2010. This should coincide with the ramp up of Flying Fox production and commissioning of the new crushing circuit at the Cosmic Boy plant. The flotation circuit upgrade at Cosmic Boy is expected to be commissioned in the June quarter which will take the capacity to a nominal 550,000 tpa ore".

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

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