



# Activities Report

For the period ending 31<sup>st</sup> March 2007

Western Areas is an Australian and Canadian located nickel sulphide explorer and producer.

WSA's core asset is the 100% owned Forrestania Nickel Project, located 400km east of Perth, Western Australia.

The primary discovery, Flying Fox, is one of the highest grade nickel deposits in the world, where total Mineral Resources comprise 1.4 million tonnes at an average grade of 6.5% nickel containing approx. 90,500 tonnes of nickel. Production from the shallowest Flying Fox ore body, T Zero started in October 2006. A pre feasibility study is nearing completion to bring a second mine into production at Diggers South, 40km south of Flying Fox.

Exploration and resource drilling remains a top priority for Western Areas with approximately \$1.5 million spent per month. Drilling is currently directed towards increasing high grade mineral resources at the Flying Fox mine and Diggers South deposit. WSA is testing a number of high priority targets along strike from Flying Fox, (notably New Morning/Daybreak) and at WSA's other projects located in known nickel provinces in Western Australia.

In Canada WSA has rights to acquire a 19.9% interest in listed Mustang Minerals Corp. Mustang has commenced a pre feasibility study for the Maskwa nickel deposit in Manitoba. WSA has also acquired an option over the McBride and Lyn Lake Projects in Manitoba.

Western Areas is dual listed on the ASX and TSX.

**ASX & TSX code:** WSA  
**Shares on issue:** 166m shares, 5m options

**Market capitalisation:** A\$870m @ \$5.25 per share undiluted

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## SUMMARY

The Board of Western Areas (ASX & TSX: WSA) is pleased to report to shareholders that the March quarter has been an outstanding period of growth for the Company. Progress has been achieved in all the Company's core activities which include:

### Australia

- First quarter nickel production at Flying Fox mine
- Record mine development rates at Flying Fox
- High mine safety standards with 341 LTI free days
- Successful commissioning of mine related infrastructure
- Major mineral resource upgrade at Diggers South deposit
- Discovery of high grade massive sulphide at Diggers South
- Major mineral resource upgrade at New Morning/Daybreak deposit
- Consolidation of regional nickel exploration projects

### Canada

- Agreement for strategic holding at Lynn Lake nickel camp, Manitoba
- Encouraging progress on Maskwa nickel deposit pre feasibility study

### Corporate

- 37% increase in WSA market capitalisation compared with December Q 06
- 364% increase in value of investment in Mustang Minerals to A\$14M

Managing Director Mr Julian Hanna said "The team at Flying Fox has made huge progress during the quarter by opening up the first orebody, T Zero, for mining. High grade massive sulphide is already exposed in four areas at T Zero. 8,400 tonnes of mainly development ore have been treated already and the mining rate is climbing steadily as further ore is accessed in the mine."

In March, Flying Fox achieved a record 310m of total mine development for the month following a number of initiatives undertaken at the end of 2006. As a result, production from the large T1 orebody is expected to commence during the December quarter.

In addition, there have been major expansions of the mineral resources at Diggers South and New Morning/Daybreak. The total of contained nickel in high quality mineral resources for the four main deposits at Forrestania (Flying Fox, New Morning/Daybreak, Diggers South and Cosmic Boy) has increased to 208,600 tonnes nickel. The Diggers South pre feasibility study is progressing to plan with completion due in May 2007.

Recent work at Diggers South and New Morning/Daybreak has highlighted the potential for further significant discoveries. Two widely spaced drill holes below Diggers South intersected high grade massive sulphide up to 7.8% nickel and a reinterpretation of New Morning/Daybreak supports the potential that a Flying Fox "T5 type" deposit may occur below the current limit of drilling. Drilling these two areas recommences this quarter.

The Company expanded its interests in Canada with an agreement for a strategic holding at Lynn Lake, one of Canada's largest nickel camps which produced 166,000 tonnes of nickel and 95,000 tonnes copper until 1976. A helicopter VTEM survey has already been completed, several drilling targets have been identified and a drill rig is being sourced.



# Activities Report



General Manager Operations, Mr Dan Lougher and Forrestania Exploration Manager, Mr Adrian Black

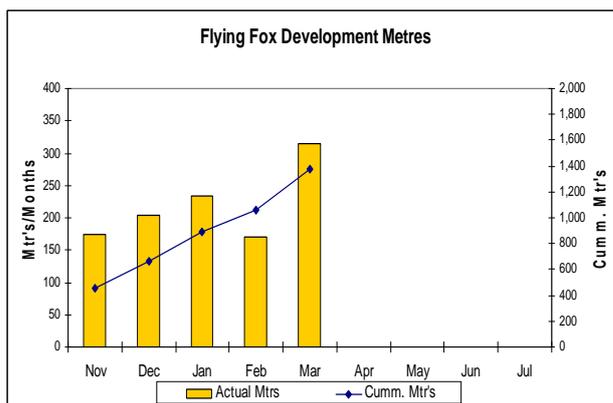
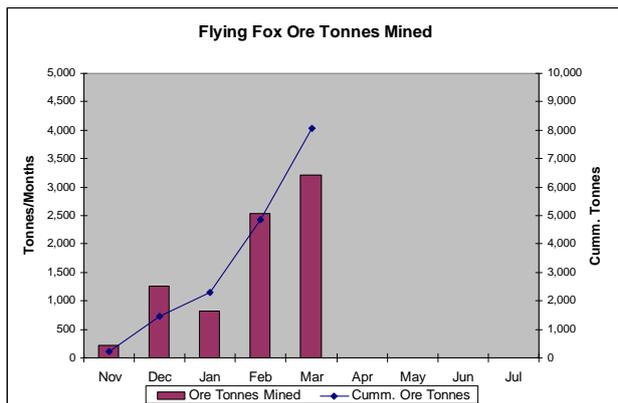
## FLYING FOX MINE PRODUCTION

High grade massive sulphide ore is now exposed in four areas at the T Zero ore body. Air leg stoping is progressing in the top level of the mine, the 1170 ore drive, and mechanised stoping has commenced in the underlying 1150 ore drive at T Zero (North). Development of two additional ore drives along 2-3m wide zones of high grade massive sulphide ore in the T Zero (South) area has also commenced.

During the quarter, the average grade of stoped ore was approximately 4% nickel and the grade of development ore (diluted in 3.5m wide ore drives) was 2% to 2.5% nickel. This is consistent with the T Zero (North) ore reserve and mine models at this early stage of production. The overall mine grade is expected to increase steadily as stoped ore replaces diluted development ore.

Seven shipments of mainly development ore for a total of approximately 8,400 tonnes have been treated by LionOre. Metallurgical recoveries at approximately 90% are as expected.

The mining rate (refer to graph) is climbing steadily as additional ore is accessed at T Zero. 3,000 tonnes ore is forecast to be mined in April and 7,000 tonnes in May. This is expected to rise to between 10,000 and 15,000 tonnes of ore per month when the larger, high grade T1 orebody is reached. The combination of increased volumes and higher grades at T1 should result in significant production by December.





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In March, the mine achieved a record 310m of mine development. This was the result of relocating the decline into the footwall sediments, having a dedicated team to advance the decline and commissioning a third jumbo drill rig in the mine. The current position of the decline is shown on the long projection (Figure 1). With improved development rates, production from the T1 orebody should commence in the December quarter. Ground conditions in the decline are very good and all the major headings are dry.

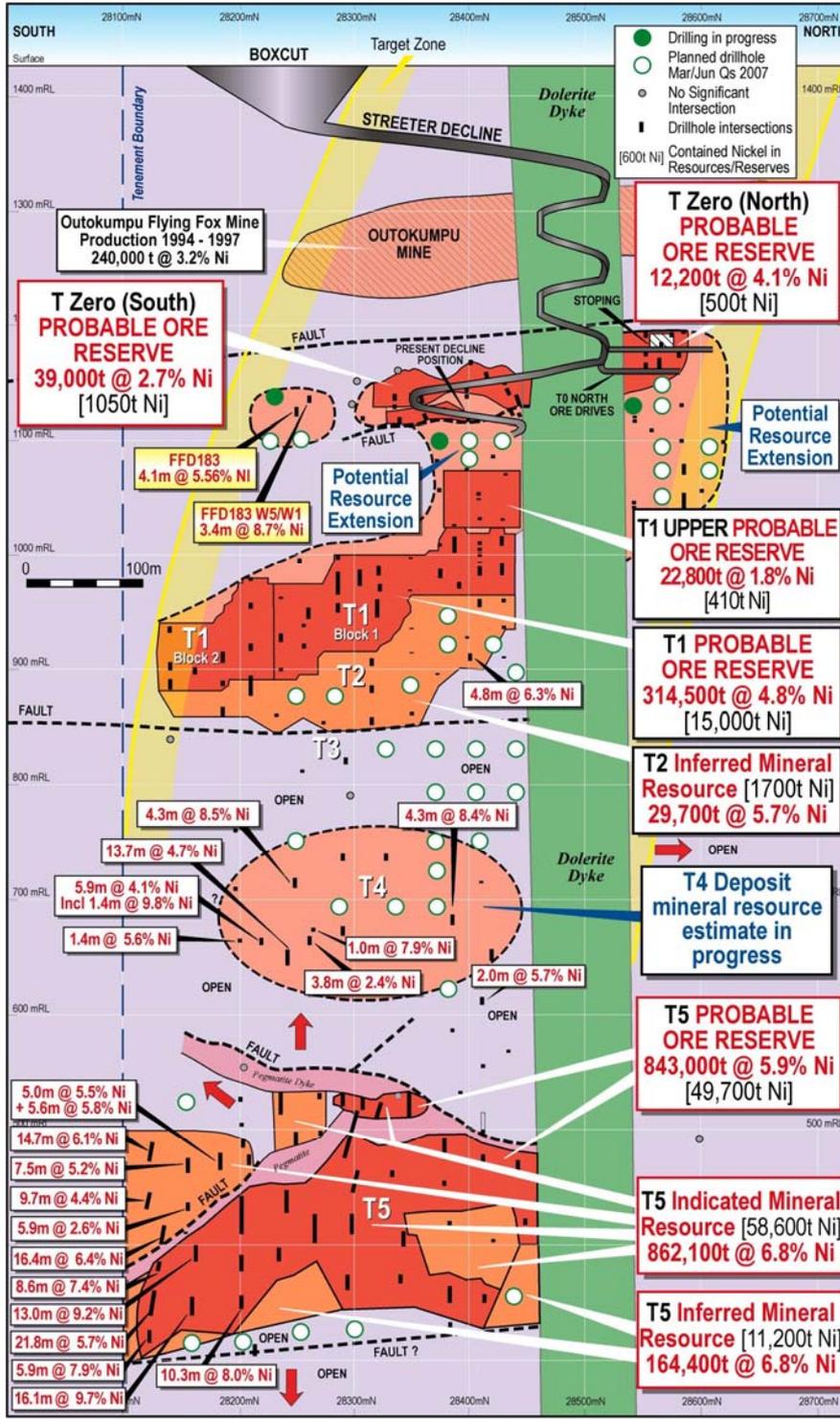
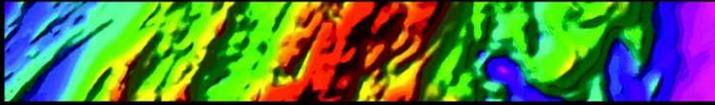


Figure 1. Long Projection of Flying Fox mine. (Drill hole intersections are down hole widths)



# Activities Report

To increase ore reserves ahead of production, there are two drill rigs on the surface and one underground in the T1 area and the underlying T2 deposit. Drilling is then planned to move to the T4 deposit to infill the existing mineralisation (Figure 1) and test for extensions above and to the northern limit of drilling. An initial mineral resource for T4 is expected to be released in the June quarter.

## **MINE SAFETY, ENVIRONMENT AND INFRASTRUCTURE**

### *Safety*

High safety standards are being maintained at Flying Fox with 341 LTI free days reported to 17 April. This is a credit to all the people on site and to the dedicated OHS and Emergency Response teams.

The 20 members of the OHS and ER teams have had a very productive quarter with the establishment of new equipment, training rooms and an outside training ground at Flying Fox. The ER team conducts regular safety and mines rescue training and comprehensive safety procedures have been put in place. Training includes First Aid, BG4's, underground Rope Rescue and Vehicle Extrication. A regular safety newsletter is also prepared on site and circulated to all mining and exploration personnel and Perth office.

### *Environment*

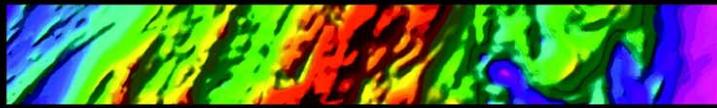
The annual environmental inspection by DOIR was conducted during March with very positive results. Western Areas employs two environmental officers on site who monitor the mine environment, liaise with environmental authorities and undertake many activities to protect fauna and flora in the region.



Environmental Officer Darren Coulson collecting water samples from the Cosmic Boy transfer dam.

### *Infrastructure*

The 24km Flying Fox to Cosmic Boy pipeline completed in January has been a great success. Mine water is now discharged into three re-injection borefields which has reduced the reliance for water storage in the Lounge Lizard open pit near Flying Fox. This work is a credit to a group of consultants led by Infrastructure Manager, Kieran Warnock. The focus has now shifted to Diggers South with a number of options being considered for discharging mine water from the old Outokumpu mine.



# Activities Report

The Cosmic Boy village continued to operate at a high standard with excellent catering and accommodation, which is an important factor in retaining skilled contractors and staff. An expansion of the village capacity from 180 to 300 people is being considered for the Diggers South mine development.

## DIGGERS SOUTH DEPOSIT

On 28 March, the Company announced a substantial increase in mineral resources at Diggers South from 30,500 tonnes contained nickel to 80,300 tonnes. This followed a drilling program to 600m depth. Total Indicated Mineral Resources at Diggers South now comprise 7.8 million tonnes at an average grade of 1.02% nickel including 3.0 million tonnes at an average grade of 1.48% nickel containing 44,700 tonnes of nickel. The higher grade "core" is a 47% increase on the previous mineral resource estimate.

The recent drilling has resulted in a new interpretation which highlights the potential for another major expansion at Diggers South. This additional potential occurs in two areas:

1. Diggers South is more extensive than previously thought with wide zones of disseminated mineralisation remaining open at depth and along strike. The revised interpretation shown in Figure 2 suggests that the disseminated deposit is increasing in size, at depth.
2. Drilling has intersected a zone of high grade massive sulphide, below the revised resource. Two widely spaced (120m apart) drill holes intersected massive sulphides up to 7.8% nickel. Drilling is clearly required to test the extent of this mineralisation, which is open along strike and at depth.

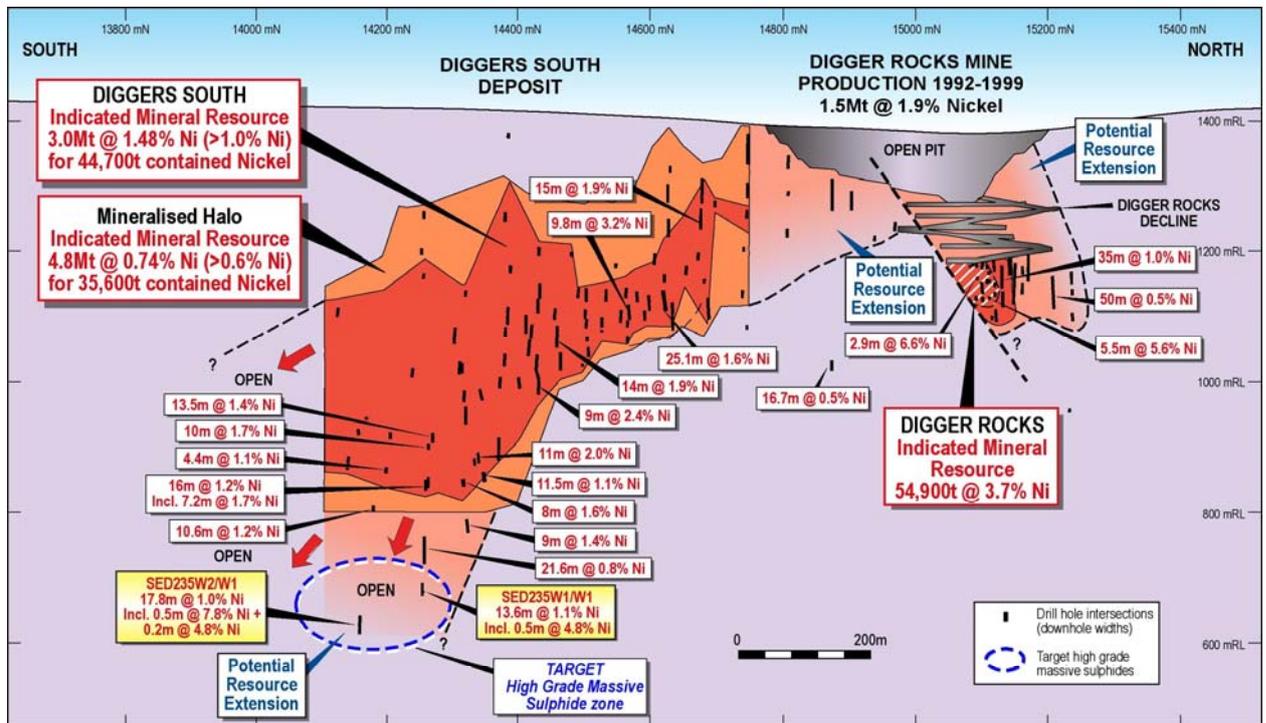


Figure 2. (Drill hole intersections are shown as down hole widths)



# Activities Report

## *Pre-feasibility Study*

All the key components of the Diggers South pre-feasibility study are progressing well with the final report due in May. The study is being conducted to a high standard by a team of seven experienced staff and consultants. The pre-feasibility study should enable Diggers South to progress directly to a full feasibility study with a decision to mine expected before the end of 2007. Metallurgical test work indicates that recoveries should be in the range of 75-80% for concentrate grades of 10% to 12% nickel with a Fe/MgO ratio >5. This is a significant improvement on earlier test work.

Mining optimisation studies are reviewing underground access from the existing Diggers Rocks mine and alternatively, from a new box-cut location. The former will reduce access development costs resulting in earlier ore production from Diggers South and will also provide access to remnant ore at the base of the Diggers Rocks mine. A cut back to the existing Diggers Rocks opencut is also being considered.

## NEW MORNING/DAYBREAK DEPOSIT

On 13 April, the Company announced mineral resources upgrade at the New Morning/Daybreak deposit, 3km south of Flying Fox. The New Morning/Daybreak deposits now contain 30,700 tonnes nickel.

The revised mineral resources at New Morning/Daybreak include 1.7Mt of disseminated sulphide at an average grade of 0.9% nickel overlying massive sulphide deposits with an average grade of 3.7% nickel. The revised mineral resources come from a review of the previous New Morning/Daybreak data.

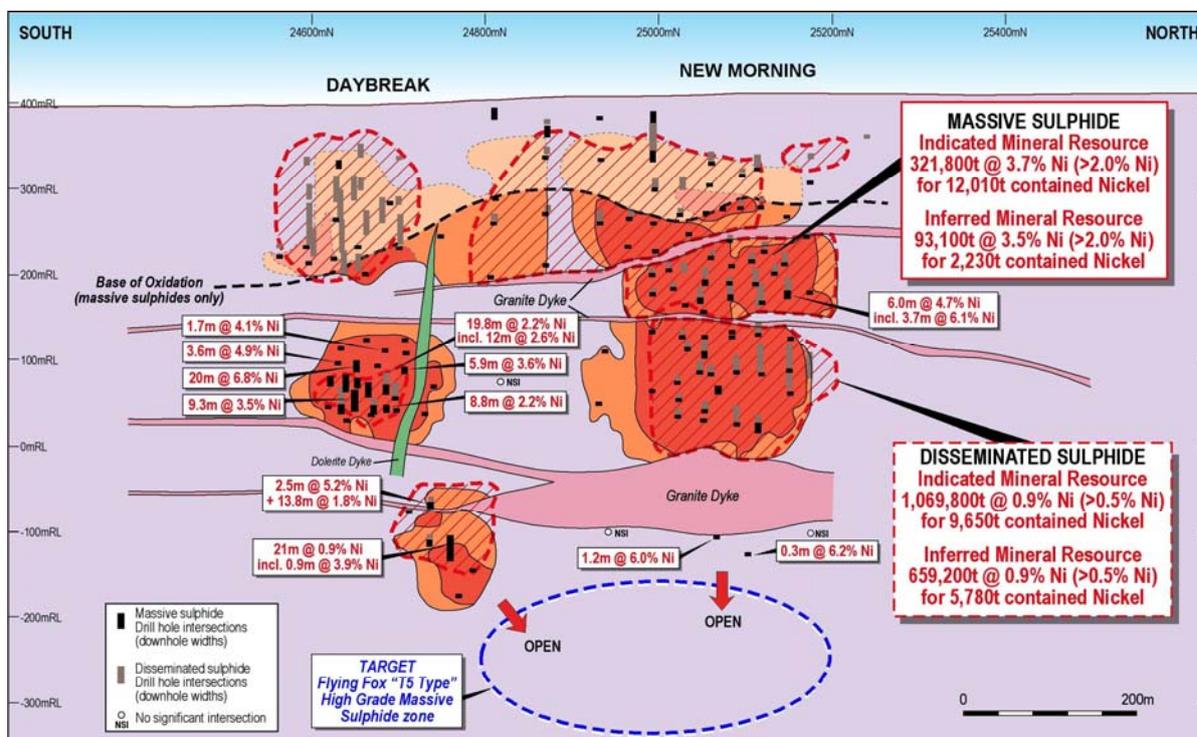


Figure 3. (Drill hole intersections are shown as down hole widths)



# Activities Report

The base of current mineral resources (and drilling) at New Morning/Daybreak is interpreted to be a horizontal granite intrusion which probably extends to Flying Fox. During the June quarter, a drilling program will start testing the potential for a high grade deposit of the Flying Fox “T5 type” below the granite. The geological setting of New Morning/Daybreak is very similar to Flying Fox.

Based on the current mineral resource, New Morning/Daybreak will now progress to a scoping study to review the potential to develop a third nickel mine at Forrestania.

## FORRESTANIA NICKEL PROJECT - MINERAL RESOURCES AND EXPLORATION

With the inclusion of the revised Diggers South and New Morning/Daybreak mineral resources, high quality resources at Forrestania exceed 208,000t contained nickel (Table 1).

In addition, the Company has announced a strategy to test 12 priority exploration targets at Forrestania. These targets are spread along a 50km strike length extending from the Purple Haze deposit in the south to the Beautiful Sunday deposit in the north (Figure 5). The Company has three surface drill rigs permanently on site and is looking to secure a fourth in the June quarter. Although drilling is currently focused on increasing ore reserves at the Flying Fox T2 and T4 deposits, we expect to move at least one of these drill rigs to test high priority exploration targets during the next couple of months.

| Deposit                             |                      | Tonnes            | Grade Ni%  | Ni Tns         | JORC Classification         |
|-------------------------------------|----------------------|-------------------|------------|----------------|-----------------------------|
| <b>Ore Reserves</b>                 |                      |                   |            |                |                             |
| Flying Fox                          | T Zero North         | 12,200            | 4.1        | 500            | Probable Ore Reserve        |
|                                     | T Zero South         | 39,000            | 2.7        | 1,050          | Probable Ore Reserve        |
|                                     | T1                   | 314,500           | 4.8        | 15,000         | Probable Ore Reserve        |
|                                     | T5                   | 843,000           | 5.9        | 49,700         | Probable Ore Reserve        |
| <b>TOTAL WSA ORE RESERVES</b>       |                      | <b>1,208,700</b>  | <b>5.5</b> | <b>66,250</b>  | <b>Probable Ore Reserve</b> |
| <b>Mineral Resources</b>            |                      |                   |            |                |                             |
| <b>1. Flying Fox Area</b>           |                      |                   |            |                |                             |
| Flying Fox Mine                     | T Zero North         | 8,600             | 7.0        | 600            | Indicated Mineral Resource  |
|                                     | T Zero South         | 36,500            | 3.6        | 1,300          | Indicated Mineral Resource  |
|                                     | T1                   | 285,900           | 5.9        | 16,900         | Indicated Mineral Resource  |
|                                     | T1/T2                | 29,700            | 5.7        | 1,700          | Inferred Mineral Resource   |
|                                     | T4                   |                   |            |                | (resource pending)          |
|                                     | T5                   | 862,100           | 6.8        | 58,800         | Indicated Mineral Resource  |
|                                     | T5                   | 164,400           | 6.8        | 11,220         | Inferred Mineral Resource   |
| <b>Total Flying Fox</b>             |                      | <b>1,387,200</b>  | <b>6.5</b> | <b>90,520</b>  |                             |
| <b>New Morning / Daybreak</b>       |                      |                   |            |                |                             |
|                                     |                      | 321,800           | 3.7        | 12,010         | Indicated Mineral Resource  |
|                                     |                      | 93,100            | 3.5        | 3,260          | Inferred Mineral Resource   |
|                                     |                      | 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>Total Flying Fox Area</b>        |                      | <b>3,531,100</b>  | <b>3.4</b> | <b>121,220</b> |                             |
| <b>2. Cosmic Boy Area</b>           |                      |                   |            |                |                             |
|                                     | Cosmic Boy           | 180,900           | 2.8        | 5,050          | Indicated Mineral Resource  |
| <b>Total Cosmic Boy Area</b>        |                      | <b>180,900</b>    | <b>2.8</b> | <b>5,050</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  |
|                                     | Diggers Rocks        | 54,900            | 3.7        | 2,030          | Indicated Mineral Resource  |
| <b>Total Diggers Area</b>           |                      | <b>7,854,900</b>  | <b>1.0</b> | <b>82,330</b>  |                             |
| <b>TOTAL WSA RESOURCES</b>          |                      | <b>11,566,900</b> | <b>1.8</b> | <b>208,600</b> |                             |

Table 1: Current Ore reserves and Mineral Resources at Forrestania



# Activities Report

## FORRESTANIA REGION – OTHER EXPLORATION PROJECTS

There was encouraging progress in defining diamond drilling targets and consolidating the nickel potential of the region, notably at the Koolyanobbing and Mt Finnerty joint ventures.

### *Koolyanobbing JV*

Western Areas exploration team has identified two areas with significant potential for massive nickel sulphides. These are:

1. Jocks Dream North: Shallow RC drilling has intersected zones of massive nickel sulphide in a similar geological setting to LionOre's Emily Ann nickel mine located east of Flying Fox. The best intersection at Jock's Dream to date is 1m @ 4% nickel (announced previously). A diamond drill rig is being located to test for wider zones of primary nickel sulphides at depth.
2. Deborah: An unusual cumulate ultramafic belt, last explored by BHP in the 1970's. Recent geophysical surveys have defined coincident EM and IP anomalies in an area with highly anomalous nickel in shallow 1970's era RAB drilling. A reverse circulation drill rig has been booked and an initial drilling program is planned to test these targets in early May.

### *Mt Finnerty JV*

On 28 February, Western Areas announced a Heads of Agreement with Reed Resources Ltd to explore three target areas at Mt Finnerty, 150km NE of Forresteria. The area was last explored for nickel by WMC in the 1970's. Exploration at Mt Finnerty will focus on three clearly defined nickel target areas which demonstrate the following:

1. Anomalous geochemical signatures (up to 1% nickel and 400ppm copper) in previous, shallow RAB drilling of weathered ultramafic units
2. 4km long soil nickel anomaly (>250ppm nickel) and a coincident 2km long copper anomaly (>170ppm copper)
3. Favourable geological settings including basal contacts of high MgO ultramafic units with interpreted lava channels. These areas are untested by previous drilling.

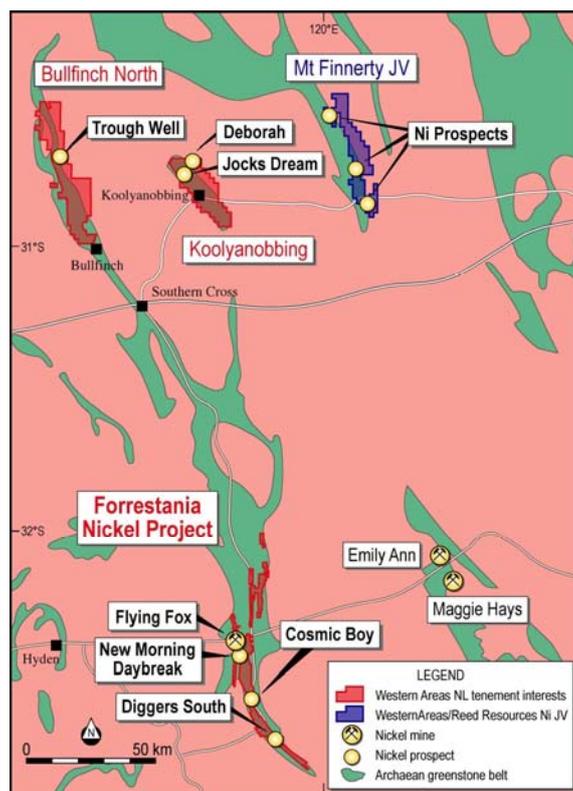
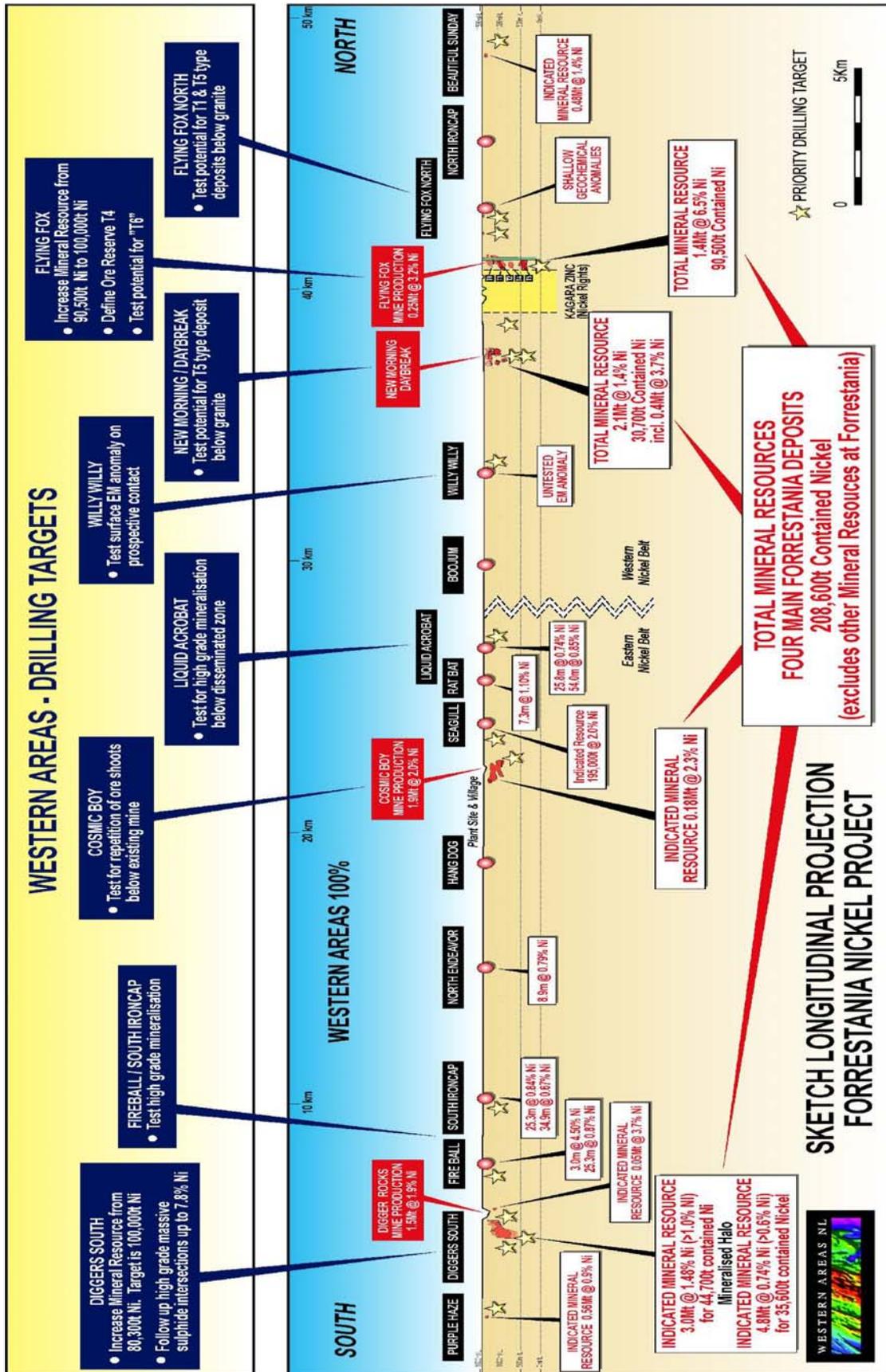


Figure 4: Forresteria Nickel Region



# Activities Report



**SKETCH LONGITUDINAL PROJECTION  
FORRESTANIA NICKEL PROJECT**

Figure 5: 50km Long Section - Forrestania Nickel Belt



# Activities Report

## CANADIAN NICKEL PROJECTS AND INTERESTS

There were major advances in Western Areas strategy to acquire quality nickel assets in Canada. The key requirements for acquiring Canadian assets are that they must be advanced projects with well established infrastructure and have the potential to be brought into production within two years.

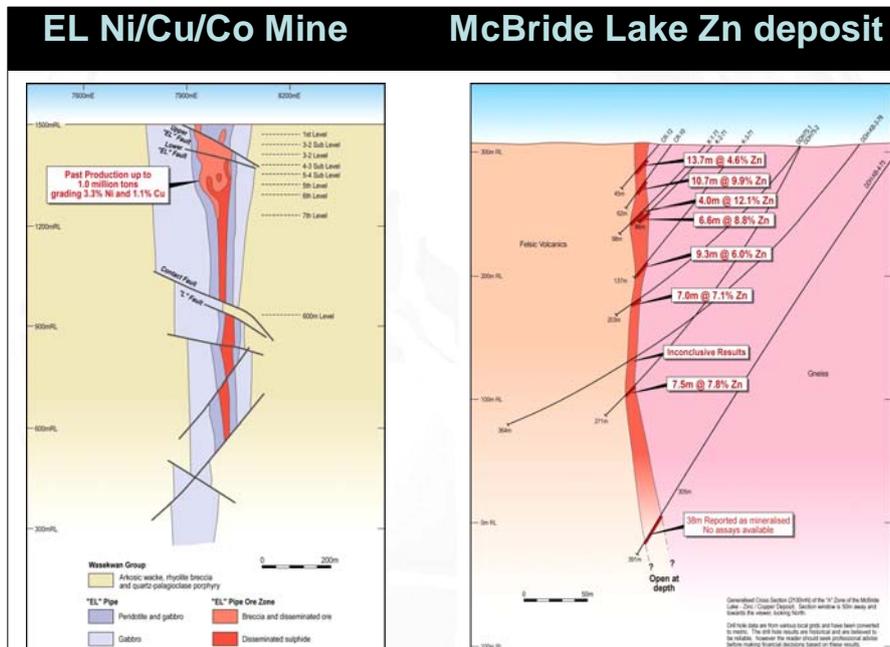
### Lynn Lake, Manitoba

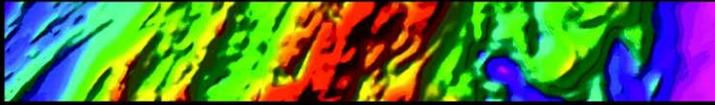
On 15 March, the Company announced an Option Agreement to acquire 100% interest in a strategic holding of mining claims at one of Canada’s premier nickel, copper and cobalt mining camps, Lynn Lake. The agreement also includes a group of claims which cover a significant Volcanogenic Massive Sulphide (“VMS”) zinc rich deposit (8.8% zinc) at McBride Lake, 70km east of Lynn Lake.

Lynn Lake is one of Canada’s largest historic nickel, copper and cobalt producers. Between 1953 and 1976, Sherritt-Gordon Mines Limited operated several mines before closing at a time of low nickel prices. Sherritt-Gordon mined approximately 22 million tons of ore at an average grade of 1% nickel and 0.5% copper, producing approximately 166,100 tonnes nickel, 94,800 tonnes copper and 1,700 tonnes cobalt.

The Lynn Lake claims cover the highest grade mine in the area, the ‘EL’ mine, which produced approximately 1.0 million tons ore grading 3.3% nickel and 1.1% copper plus high grade cobalt to 270m depth. The potential for extensions to the EL mine will be one of Western Areas first priorities. In mid April, Western Areas completed a detailed helicopter borne VTEM survey covering the Lynn Lake claims. Based on reports from site, the VTEM survey has identified a number of what appear to be significant conductors in favourable geological settings. Interpretation of the geophysical data is underway and a diamond drill rig is already being sourced to commence drilling in May. Further information on the VTEM survey will be released to the ASX and TSE as soon as it becomes available.

In addition, the Lynn Lake Option Agreement includes eight claims which cover a significant Volcanogenic Massive Sulphide (“VMS”) zinc rich deposit at McBride lake, 70km east of Lynn Lake. The McBride Lake deposit is open along strike and below 300m depth. Previous down hole intersections include 10.7m @ 9.9% zinc and 6.6m @ 8.8% zinc. Based on the potential size and high grade of the deposit, surface geophysics and drilling is clearly warranted to test for extensions to this deposit.





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## ***Maskwa Project, Manitoba (WSA has rights to 19.9% of Mustang Minerals Corp.)***

Western Areas owns 13.9% interest in Canadian listed Mustang Minerals Corp. with an option to increase this interest to 19.9%. Mustang is currently undertaking a pre-feasibility study for an open pit mine at the Maskwa nickel deposit in southern Manitoba. This is based on an open pit mineral resource of approximately 8 million tonnes at an average grade of 0.64% nickel with copper and PGM credits.

Independent mining consultants Wardrop Consultants, is undertaking the mining and plant design and permitting applications for the project and a decision to mine is expected before the end of 2007. By 27 April, Western Areas will release a summary of recent drilling and feasibility related results from the Maskwa project. This will also include an update on the value of WSA's investment in Mustang.

### **CORPORATE ACTIVITIES**

#### ***Refinancing and Nickel Hedging***

Following the establishment of the \$A80M debt facility in December 2007 with the Australian and New Zealand Banking Group Limited (ANZ), no further financing or hedging has been entered into. Western Areas's total hedging is 2,100t nickel for delivery between June 2007 and June 2008 at an average price of \$US4.71/lb.

-ENDS-

#### **For further details, please contact:**

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**QA-QC STATEMENT:** Mr Adrian Black from geological consultants Newexco Services Pty Ltd ("Newexco") is 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 the revised Mineral Resources was prepared by Ms Sharron Sylvester and the information as it relates to exploration and proposed corporate activities is based on information compiled by Mr Julian Hanna. Ms Sylvester is a member of AIG and Mr Hanna is a member of AusIMM and both are full time employees of the Company. Ms Sylvester 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 each is 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.' Ms Sylvester 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.

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.

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