



Activities Report

For the period ending 31 December 2008

Western Areas is an Australian-based nickel sulphide explorer and producer listed on the ASX and TSX. Western Areas is targeting annual production of around 35,000t of nickel from 2011 at the 100% owned Forrestania Nickel Project, 400km east of Perth. Western Areas is also a substantial nickel explorer with advanced projects in Western Australia and Canada.

The first mine in production, Flying Fox, is one of the highest grade nickel deposits in the world. Total Mineral Resources comprise 2.3 million tonnes at an average grade of 4.6% nickel containing approx. 105,600t nickel. The target is to increase mineral resources at Flying Fox to 150,000 tonnes of contained nickel.

Mining is in progress at the Flying Fox T1 ore body where CY 08 production has already exceeded the first year target of 8,000 tpa nickel. Production is scheduled to ramp up to 14,000 tpa nickel in 2011 and efficiencies are being introduced into the mine to increase production towards the target of 17,000 to 20,000 tpa nickel.

Permitting is underway for Western Areas second nickel mine, Spotted Quoll 6km south of Flying Fox. Total Mineral Resources comprise 2.0Mt at an average grade of 6.2% nickel which should be able to support an openpit and long life underground mine. Plan is to commence production in 2009 and to increase high grade mineral resources at Spotted Quoll to 150,000t nickel. Flying Fox and Spotted Quoll are two of the highest grade nickel deposits in the world.

Construction of the Cosmic Boy nickel concentrator in the centre of the Forrestania project is complete with final commissioning due in February.

ASX & TSX code: WSA
Shares on issue: 168m shares,
 5m options. **Market capitalisation:**
 A\$670M @ \$4.00 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

During the December quarter, significant progress was made towards achieving Western Areas goal to become Australia's second largest and lowest cost nickel producer. The single most important outcome from the December Q was a reduction in cash costs at Flying Fox to US\$1.36/lb nickel in concentrate, probably the lowest in Australia. In addition, major capital infrastructure was completed in the December Q to enable the Company to focus on expanding low cost nickel production in 2009.

Highlights from the December Q 08 were:

1. 8,114 tonnes of nickel from first full year production at Flying Fox
2. US\$1.36/lb nickel cash costs for Flying Fox, down 47% since Sept Q
3. Mine development extended down to the Flying Fox T4 deposit
4. 67% increase in high grade resources at Spotted Quoll to 125,460t nickel
5. Surface site works completed at the planned Diggers South mine
6. Previous mine portal exposed at the planned Cosmic Boy mine
7. Construction of the Cosmic Boy nickel concentrator completed
8. Upgrade of the accommodation village to 465 rooms
9. Very high safety and environmental standards maintained at mine site

The December quarter saw the nickel price drop from US\$15,700/tonne (US\$7.1/lb) on 30 September to US\$10,800/tonne (US\$4.9/lb) on 31 December. Despite these challenging market conditions, your Company is in a very strong position and is on track to achieve its goal to become one of Australia's premier nickel producers. Western Areas has set a number of targets for 2009. These are to:

- Expand low cost production and ore reserves at Flying Fox mine
- Commence open pit production at the high grade Spotted Quoll mine
- Commission the Cosmic Boy nickel concentrator
- Increase revenue by negotiating improved nickel offtake terms
- Reduce costs by negotiating new contracts and reducing drilling budget
- Discover another Spotted Quoll or Flying Fox type deposit in 2009

Flying Fox

- All major development work at the high grade Flying Fox T1 ore body is complete and stoping of the two main ore blocks is meeting all expectations. The decline has advanced behind T4 with first production expected in April 09. Production from the large T5 ore body is on track to commence in early 2010.
- Invoiced production from T1 during the December Q was 61,355 tonnes of ore at an average mined grade of 4.6% nickel for a total 2,573 tonnes contained nickel. This is an increase of 52% in contained nickel from the September Q.

Spotted Quoll

- Mineral resource increased 67% to >2.0Mt at an average grade of 6.2% nickel for 125,460t nickel to 640m depth. Spotted Quoll is already larger than Flying Fox only 15 months since discovery and remains open at depth.
- The first ore reserve is due in March Q 09. Permitting is progressing for an initial open pit planned to be in production in the December Q 09. Scoping studies have commenced for a long life underground mine.

Exploration

- Systematic exploration is focused along 25km Western Nickel Belt with the objective to discover another Spotted Quoll or Flying Fox type nickel deposit in 2009. Only 3 of 9 known lava channels have been tested by deeper drilling.

1. FLYING FOX MINE PRODUCTION

Production Statistics - Flying Fox			
	Sep Qtr	Dec Qtr	Total
Flying Fox - Ore Tonnes Mined			
T1	40,854	71,740	112,594
Ni %	4.1%	4.3%	4.3%
T Zero	2,959	-	2,959
Ni %	4.0%	0.0%	4.0%
Tn's	43,813	71,740	115,554
Ni %	4.1%	4.3%	4.3%
Ni Tonnes Mined	1,812	3,116	4,928
Flying Fox - Ore Tonnes Invoiced			
T1	44,789	61,355	106,143
Ni %	3.9%	4.6%	4.3%
Recovery	91.1%	91.7%	91.5%
	1,571	2,573	4,144
T Zero	3,616	-	3,616
Ni %	3.8%	0.0%	3.8%
Recovery	85.0%	0.0%	85.0%
	117	-	117
Tn's	48,405	61,355	109,759
Ni %	3.8%	4.6%	4.3%
Ave. Recovery	90.6%	91.7%	91.3%
Ni Tonnes in Concentrate	1,688	2,573	4,261

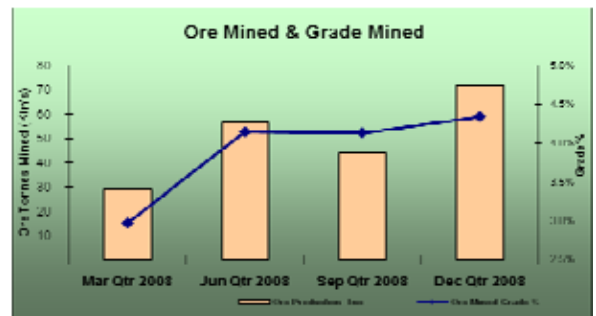
Note. Grade and recovery estimates are subject to change until the final assay data is received in accordance with the OTCPA agreement.

Financial Statistics - Flying Fox			
	Sep Qtr	Dec Qtr	Total
Group Cost/lb			
Mining Cost (*)	A\$/lb 2.28	1.46	1.79
Haulage	A\$/lb 0.23	0.20	0.21
Milling	A\$/lb 0.33	0.29	0.31
Admin	A\$/lb 0.13	0.13	0.13
By Product Credit	A\$/lb (0.06)	(0.05)	(0.06)
Cash Cost Ni in Con (***)	A\$/lb 2.91	2.03	2.38
Cash Cost Ni in Con/lb (***)	US\$/lb (**) 2.59	1.36	1.85

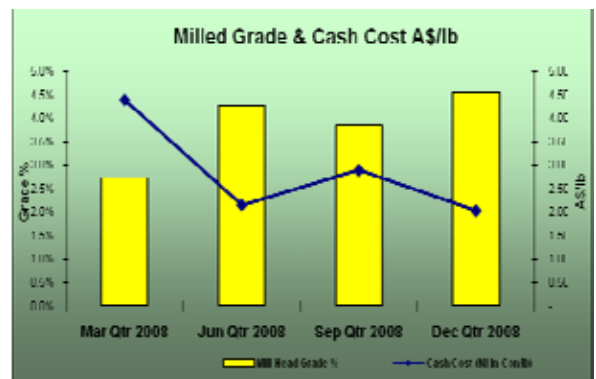
(*) Mining Costs are net of deferred waste costs and inventory stockpile movements

(**) US\$ FX for Relevant Quarter is RBA ave daily rate (Dec Qtr = A\$1:US\$0.67)

(***) Payable terms are not disclosed due to confidentiality conditions of the offtake agreement. Cash costs excludes royalties.



Quarterly ore and grade mined at Flying Fox



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

Mining of high grade ore at Flying Fox continued in the December Q in the T1 ore body from the 945/970/994 stoping blocks. A total of 71,740 tonnes ore at an average grade of 4.3% nickel was mined from T1 during the quarter. Ore milling continued at Norilsk's Lake Johnston concentrator with 61,355 tonnes at 4.6% nickel invoiced during the December Q for 2,573 contained nickel metal tonnes. The mined ore tonnage represents a 75% increase compared with the September Q.

Cash costs of nickel in concentrate (A\$2.03/lb) improved by 30% over the previous Q and this was the result of improved nickel grade and additional tonnage. This cash cost excludes smelter/refinery charges and royalties and was equivalent to US\$1.36/lb nickel for the December Q. The mine produced 8,114 tonnes of nickel for the 2008 year, exceeding the target of 8,000 tonnes.

2. MINE DEVELOPMENT AND INFRASTRUCTURE

Progress on mine development during the December Q to achieve target production is as follows:

Flying Fox Mine

Operating development continued into the lower levels of T1 whilst the existing ore drives have been set up for stoping operations in the March Q 2009.

The mine decline advanced to plan and was behind T4 (approximately 700m below surface) at the end of the quarter with no geotechnical or water issues encountered. The twin return air way (RAW) was also completed allowing the primary ventilation system to be extended below the T3 fault position (Figures 1, 2 and 3). The decline advance is on target and should be at T5 in the December Q 2009.

Access development commenced into T4 during the quarter and T4 is on track for first ore production in April 2009.

A geotechnical diamond drill hole is almost complete for the proposed intake air ventilation raise bore shaft and the bottom access has been developed from the decline. Trucking and ventilation simulations are being carried out to finalise the optimal trucking tonnage from the mine.

A contract was awarded for the development of the twin rises from the RAW decline to surface. This forms part of the upgraded primary ventilation system for the mine.

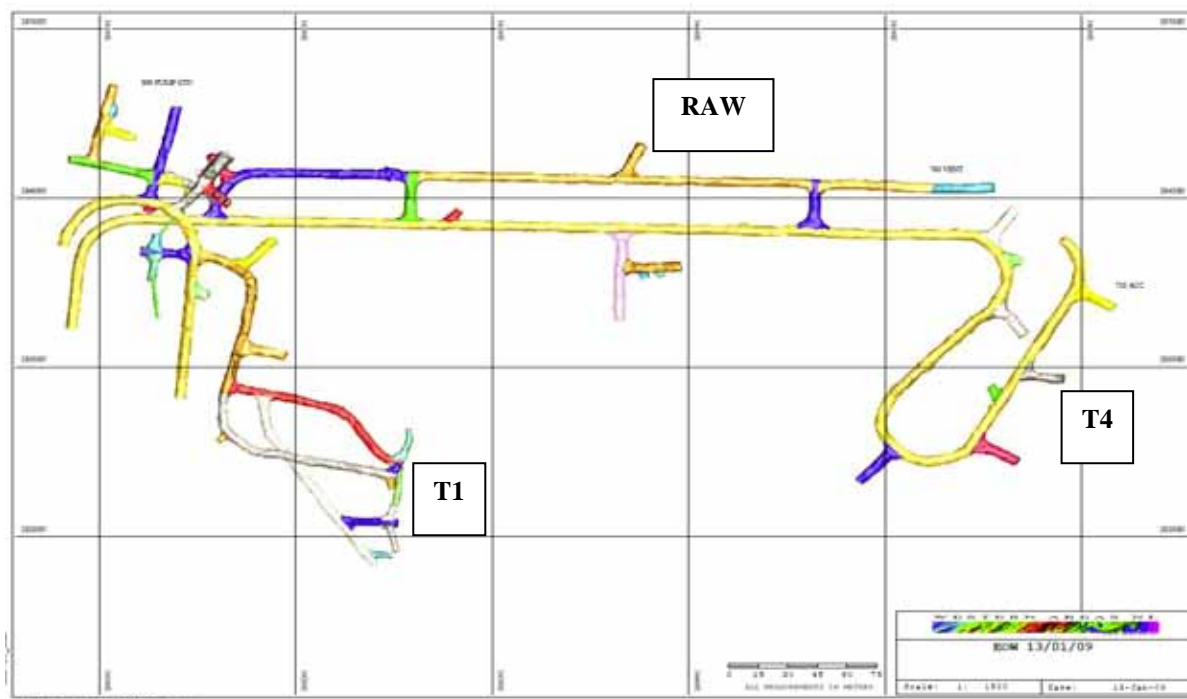


Figure 1: Plan view of Flying Fox mine development showing the RAW and T4 access

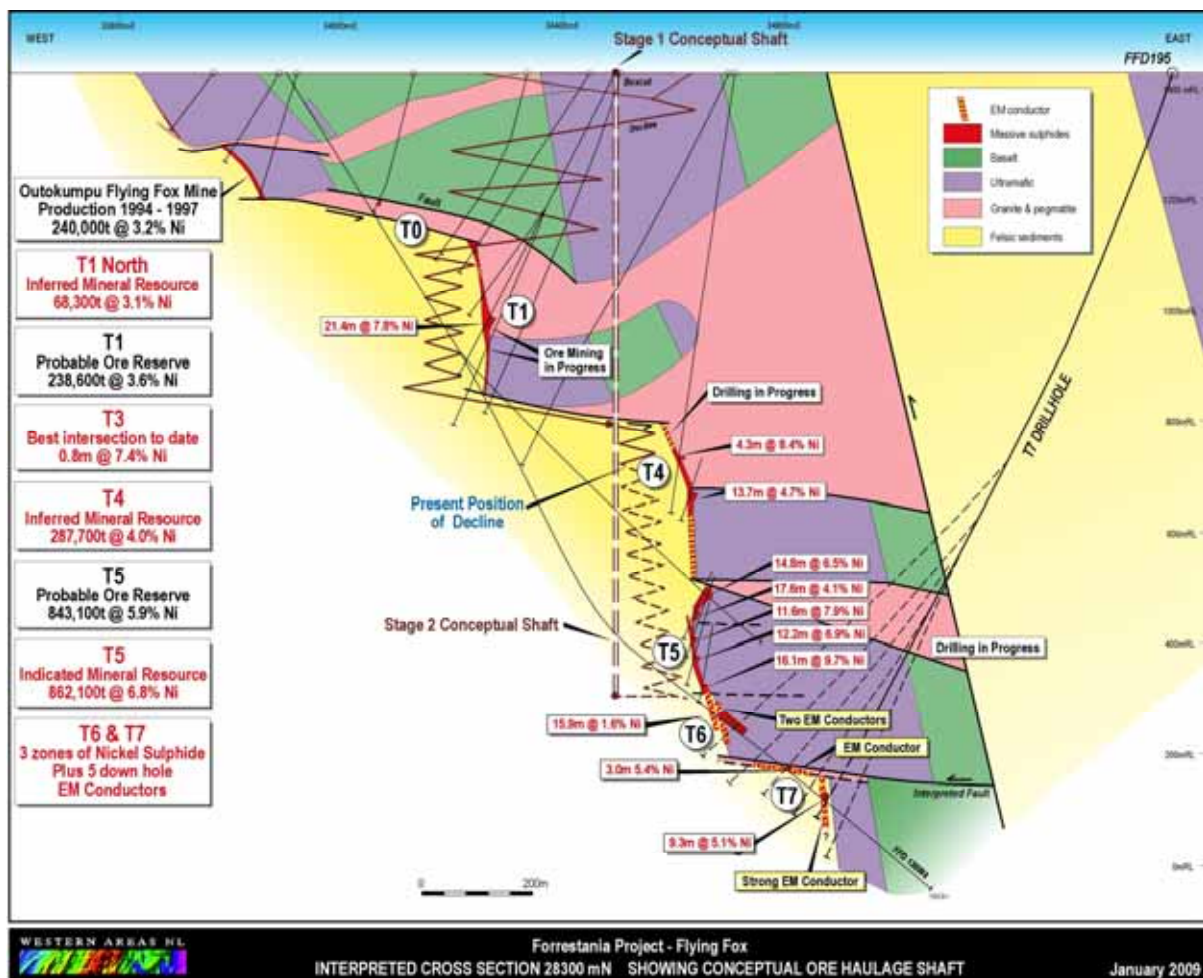


Figure 2: Flying Fox interpretative cross section

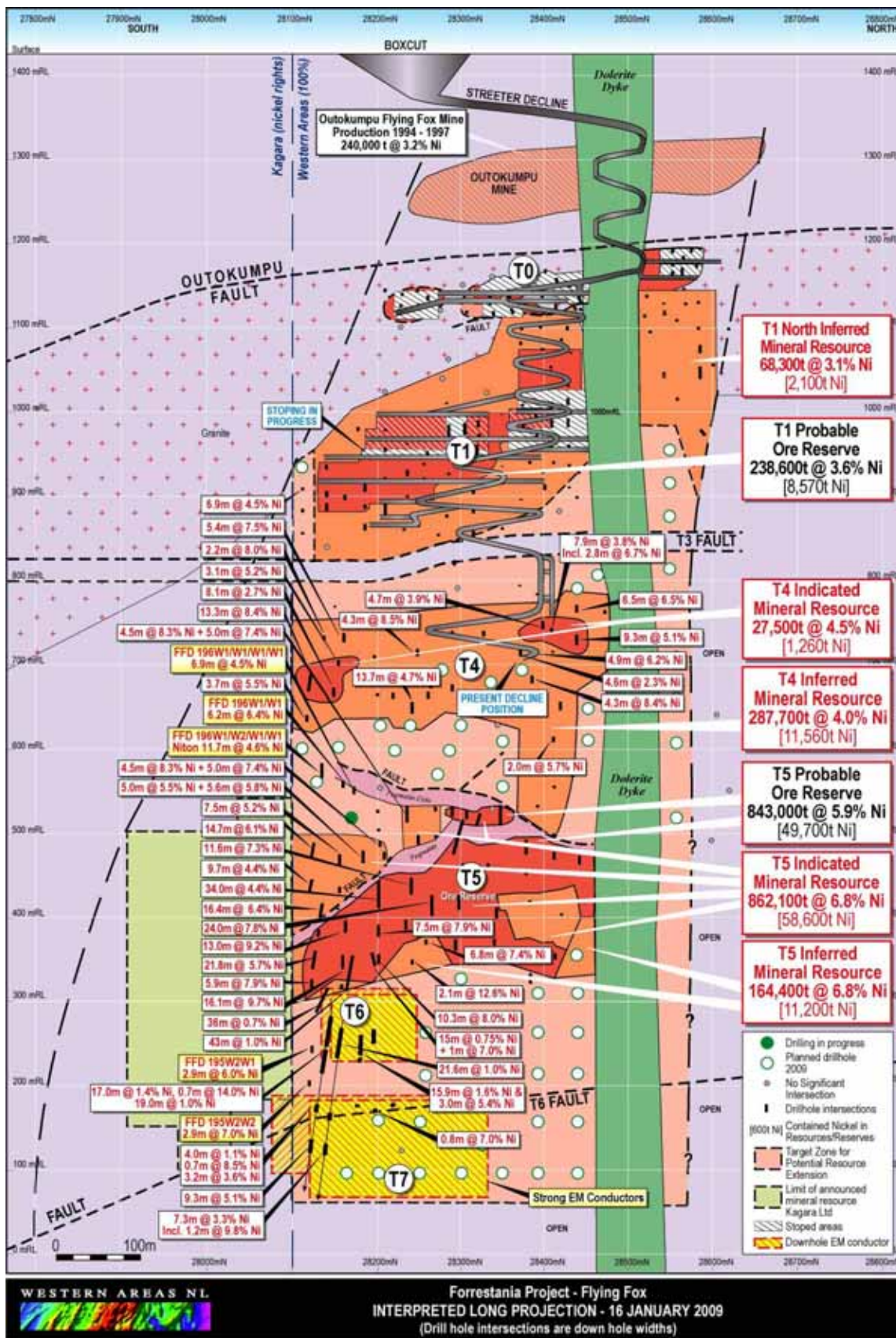


Figure 3: Interpreted longitudinal projection of Flying Fox Mine

Spotted Quoll Deposit

The Open Pit Feasibility Study is almost complete. Geotechnical and hydrogeological studies were completed during the quarter including the drilling of six dewatering production bores around the proposed open pit location. With the recent release of a new geological resource (12 January 2008) additional work will be conducted in early Q1 09 to update the optimal pit design and schedule and a reserve statement will be issued once this work is completed. Metallurgical test work is ongoing.

The Notice of Intent was submitted on 12 September 2008. An Environmental Protection Statement and associated management plans are well advanced with submission to government on track for the end of January 09. Western Areas has already initiated mining contract discussions to ensure dewatering and pre-strip operations commence immediately when approval is granted.

The underground scoping study commenced during the quarter with detailed mineralogy work focusing on the deeper high grade nickel intersections. Geotechnical logging and metallurgical test work for the proposed underground mine will resume in early March Q 2009.

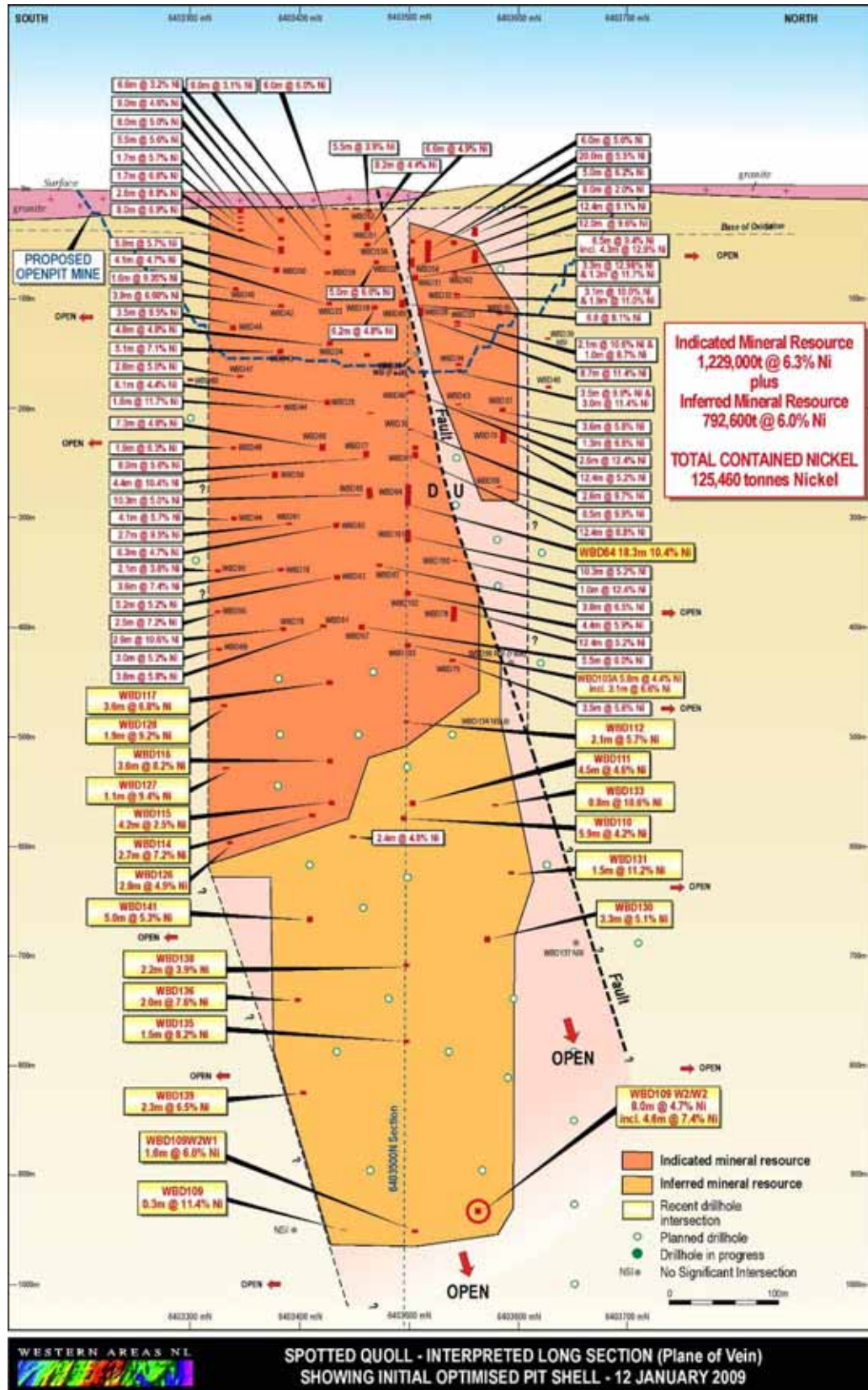


Figure 4: Spotted Quoll - Interpreted Long section (Plane of Vein) showing conceptual open pit and drill hole.

Diggers South

The initial surface infrastructure works at Diggers South were completed in the December Q to enable an early start to access the Digger Rocks underground mine when the nickel price improves. The pipeline was successfully commissioned from Digger Rocks Pit to the new evaporation pond and the dewatering pumps were tested for four days. The dewatering test was a success and the drawdown worked as planned.

The feasibility study continued this quarter concentrating on updating the geological model and additional metallurgical testwork. Excellent progress was made on mining and geotechnical studies and this work will continue into the March quarter.



Figure 5: Water from Digger Rocks mine flowing into the newly completed evaporation pond

Cosmic Boy

Earth moving contractors MACA excavated the previous Outokumpu box cut (Figure 6) which was used to access the large Cosmic Boy underground mine which was operated in the mid 1990's. Previous production from Cosmic Boy underground mine was approximately 38,000 t nickel.

Western Areas used material excavated from the boxcut to complete the ROM pad at the adjacent Cosmic Boy nickel concentrator and to build the walls of the Tailings Storage Facility (TSF). The net cost of exposing the Cosmic Boy mine portal was therefore minimal.

Depending on the nickel price, a decision is expected to be made in the first half of 2009 to rehabilitate the Cosmic Boy mine decline. Western Areas' initial mining target is the high grade Southend deposit located at shallow depth adjacent to the existing decline.



Figure 6: Cosmic Boy underground mine portal exposed January 2009

Cosmic Boy Concentrator

Construction of the Stage One Cosmic Boy Concentrator continued with the project 96% complete at the end of the quarter and effectively complete at the date of this report (20 January 2009). The expected capacity of the plant is 300,000 tonne of ore per annum with potential for further upgrades.

Progress over the past quarter has seen the completion of structural, mechanical, piping and electrical installation. The crusher area was dry commissioned during the quarter and checks were completed on all the mechanical equipment in this area.

The wet plant including ball mill, flotation and filtration circuits is scheduled to be powered up during January for the start of electrical testing in the rest of the plant. The concentrator is on target for full commissioning in February 2009.



Grinding circuit and control room



Flotation section on the RHS and concentrate and tailings thickeners on the LHS



Coarse ore bin on LHS background, concentrate shed and filter on LHS foreground, workshop/store on RHS foreground, the SAG mill, flotation plant and thickener in centre and ROM pad and crusher in background.



Cosmic Boy Accommodation Village

The capacity of the accommodation village and all associated infrastructure was expanded to 465 ensuite rooms in the December Q. This is expected to be sufficient to meet all Western Areas production targets for the next few years. The standard of accommodation has contributed to Western Areas being able to retain a highly skilled and strongly motivated workforce on site.

Centre piece of the village is the sports arena (Figure 7) which is used by a large number of people for a variety of sporting activities. The arena has 24 flags representing different nationalities on site.



Figure 7: Cosmic Boy village sports arena

3. FORRESTANIA PRODUCTION TARGETS

Western Areas has previously announced a target to produce 35,000tpa of nickel in concentrate from a number of mines at Forresteria from 2011 (Figure 8). The majority of this production is expected to come from the Flying Fox and Spotted Quoll deposits with additional production planned to come from the Diggers South, Cosmic Boy and New Morning deposits.

Flying Fox mine has already exceeded its first full year production target of 8,000 tonnes of nickel for 2008. These production targets don't take into account the recent 67% increase in the mineral resource at Spotted Quoll to 125,460 tonnes contained nickel (12 January 2009).

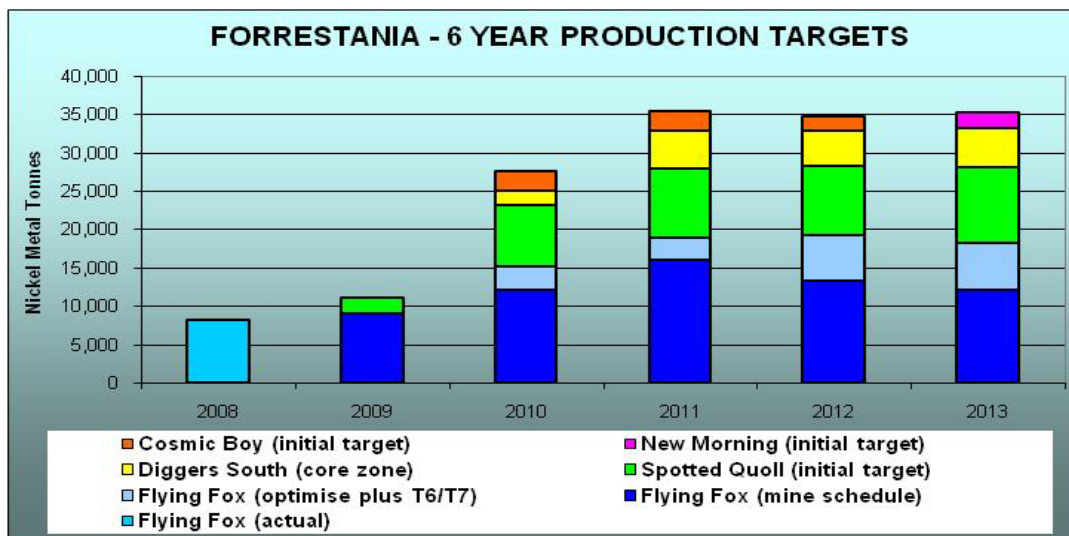


Figure 8: Forresteria 6 Year Production Targets - based on current ore reserves, mineral resources, feasibility studies, and production estimate assumptions. (Refer to Disclaimer).

Disclaimer: This graph represents WSA production targets based on an estimate of annual nickel production for five different deposits and includes assumptions and forward looking statements. Production targets may vary depending on a wide variety of factors including nickel price, future estimation of mineral resources and ore reserves, mining costs, geotechnical issues, environmental permitting and future mine development and production rates. Apart from Flying Fox and Diggers South, production targets are not yet based on completed feasibility studies and may be varied at any time. Potential or existing investors should not rely on these production targets as a basis to invest in Western Areas NL.

4. MINE SAFETY AND ENVIRONMENT

Safety

Safety continues to be a priority at the Forrestania site. There were no Lost Time Injuries (LTI's) during the quarter resulting in a downward turn in the Lost Time Injury Free rate (LTIF). As a site Forrestania reached 150 days LTIF. Elsewhere on site there were 13 Medically Treated Injuries (MTI) or minor injuries that did not result in losing time. Safety inspections and safety meetings have been held site wide and the standard of workplace safety is continuously being monitored and improved.

The emergency response team consists of 26 members who are being trained in required disciplines for emergency preparedness. Training in the December Q included Fire, Team Skills and First Aid.



Environment

The Environmental Department activities for the December Q consisted mainly of submitting permit applications and following up approvals as well as onsite monitoring and auditing of activities to ensure compliance. No significant environmental incidents occurred during the December Q.

The main activities are listed below:

- The WA Environmental Protection Authority set the level of assessment for Spotted Quoll at Environmental Protection Statement (EPS). The EPS is being compiled for submission;
- The DEC office responsible for licencing and regulation of the Forrestania operations was changed from Kalgoorlie to Bunbury. Officers conducted a site visit and were satisfied with the level of environmental management being undertaken on site at the time of the visit;
- A site clearing audit was undertaken by the Department of Industry and Resources. No major issues were noted;
- Approval was given by the Department of Industry and Resources for the installation of a ventilation fan and shaft as a part of the Flying Fox underground operations;
- An Aboriginal Heritage survey was undertaken on tenements as a part of the approvals process for Spotted Quoll. No sites of ethnographic or archaeological significance were found;
- The operating licence for Stage1 of mine dewatering at Digger Rocks was received;
- The Works Approval for the Mossco Farm Evaporation Ponds was received from the DEC.
- Western Areas finalised a Chuditch (Western Quoll) monitoring program to commence in February 2009 with the DEC Wildlife Research Centre;
- Western Areas finalised a sponsorship agreement regarding wild dog control along the State Barrier Fence which separates the Forrestania area from the agricultural area to the west.

5. FORRESTANIA MINERAL RESOURCES AND EXPLORATION

On 12 January 2009, an updated Spotted Quoll Mineral Resource was announced which resulted in a 67% increase in contained nickel to 2,021,600 tonnes at an average grade of 6.2% Nickel, containing 125,460 tonnes nickel to a vertical depth of 640m.

Since the discovery of Spotted Quoll in October 2007, high grade mineral resources have been added at the rate of around 10,000 tonnes nickel per month. Spotted Quoll is one of the most continuous high grade nickel deposits in the world and remains open at depth and along strike.

Spotted Quoll already exceeds Flying Fox in size even though the limit of drilling at 640m vertical depth is only equivalent to the bottom of the Flying Fox T1 deposit. In comparison, high grade nickel has been intersected at Flying Fox to 1350m depth which is the current limit of drilling at T7 deposit.

The previously announced deepest drill hole at Spotted Quoll, WBD 109W2/W2 intersected 8.0m @ 4.7% nickel (including 4.6m @ 7.4% nickel) in a geological setting similar to a 'primary lava channel type' nickel deposit, rather than the 'remobilised sediment hosted type' deposit seen at shallower depth. Western Areas considers this indicates potential for a larger deposit at Spotted Quoll. Drilling will continue to test for extensions even though the current mineral resource appears to be sufficient to support the initial 10 years target mine life.

An ore reserve for the Spotted Quoll open pit is due to be announced soon. Permitting for the open pit mine is progressing and the target date for first production is the December Q 2009. The preliminary scoping study for an underground mine at Spotted Quoll has commenced.

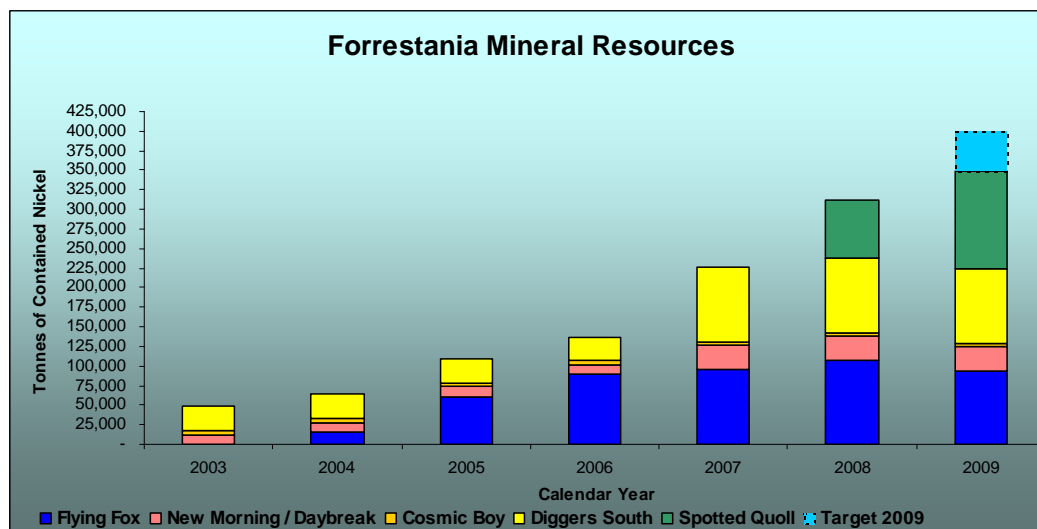


Figure 9: Growth of Forrestania Mineral Resources over 6 years. Showing target of 400,000 t nickel in CY 2009

Note: This graph takes into account mining depletion of ore reserves from Flying Fox T1. Western Areas is also reviewing the Cosmic Boy and Diggers South mineral resources and a revision is expected in the March Q 2009. The mineral resource for Flying Fox T4 is expected to be revised in the March or June Q's 2009 based on the ongoing drilling programs.

The increase at Spotted Quoll increases the total contained nickel in Mineral Resources at Forrestania to approximately 350,000 tonnes contained nickel. The Company's target is to increase total Mineral Resources at Forrestania to 400,000 tonnes contained nickel by the end of 2009 (Figure 9).

Spotted Quoll - Mineral Resource

The previous mineral resource estimate for Spotted Quoll was announced on 2 September 2008. It comprised a total of 1,045,600 tonnes at an average grade of 7.2% nickel for 75,140 tonnes contained nickel. The majority (88%) was in the Indicated Mineral Resource category.

The revised mineral resource estimate for Spotted Quoll is based on the laboratory analytical results of 106 surface diamond drill holes and 14 surface RC drill holes completed between October 2007 and December 2008. It comprises a total of 2,021,900 tonnes at an average grade of 6.2% nickel for 125,460 tonnes contained nickel (Table 1). The larger part of the mineral resource (62%) is in the Indicated Mineral Resource category.

	Measured			Indicated			Inferred		
	Tonnes	Ni (%)	Ni (t)	Tonnes	Ni (%)	Ni (t)	Tonnes	Ni (%)	Ni (t)
TOTAL	-	-	-	1,229,000	6.3	77,990	792,600	6.0	47,470

Mineral Resource Parameters: The Mineral Resource estimate was completed by Mr John Haywood who is a full-time employee of Western Areas NL. Massive and matrix sulphide mineralisation was modeled as 3D solids, and a block model was created using “Datamine Studio” software, filling the solids with cells and sub-cells; with Ni estimated by Ordinary Kriging. Samples were analysed also for water soluble nickel, and this was modeled by metallurgical domain, and has been subtracted from total modeled nickel. A lower cut-off was not applied to reported tonnage and grade due to very small percentage of material below 2% Ni. The mineralisation at Spotted Quoll exhibits good continuity of width and grade.

Item	Details	Comments
Cells Size	5m (X) by 10m (Y) by 5m (Z)	Sub-celled to match solids
Interpolation Method	Ordinary Kriging	Validated by ID2 estimate
Search Radii	Variable by domain	Nominal 60m by 60m by 7.5m
Nominal Drill hole spacing	20m by 20m near surface, varying to 80m by 80m at depth	

Surface diamond drill hole collar surveys used differential GPS; down hole surveys used a gyroscopic instrument; a comprehensive density database was utilised; there is high assay confidence with systematic QA/QC procedures; a validated acQuire database. An alternate inverse distance squared estimate was made to validate the ordinary kriged resource. A validation of drill holes against block model grades was made.

Spotted Quoll - Drilling

Reverse circulation drilling was used to define the near surface area of the deposit as part of the feasibility study for the proposed open pit mine. This resulted in the following intersections.

WWRC 022	8m @ 2.0% Ni from 35m down hole depth
WWRC 023	12m @ 9.6% Ni from 49m down hole depth
WWRC 026	5m @ 6.2% Ni from 51m down hole depth
WWRC 030	20m @ 5.5% Ni from 43m down hole depth
WWRC 032	6m @ 5.6% Ni from 37m down hole depth
WWRC 038	6m @ 6.1% Ni from 37m down hole depth
WWRC 039	6m @ 3.1% Ni from 48m down hole depth
WWRC 040	6m @ 3.2% Ni from 58m down hole depth

Recent diamond drilling includes the following intersections which are now included into the revised mineral resource for Spotted Quoll. The locations of these intersections are shown on Figure 4.

WBD 109 W2/W2	8.0m @ 4.7% Ni from 644.4m down hole depth
WBD 110	5.9m @ 4.2% Ni from 456.6m down hole depth
WBD 116	3.6m @ 8.2% Ni from 412.7m down hole depth
WBD 126	2.8m @ 4.9% Ni from 500.5m down hole depth
WBD 130	3.3m @ 5.1% Ni from 524.3m down hole depth

Drilling in 2009 will concentrate on extending Spotted Quoll, testing the potential for a lava channel type deposit at Willy Willy and systematic exploration of a number of other lava channels extending south of Spotted Quoll along the highly prospective Flying Fox – Spotted Quoll contact (Figure 11).

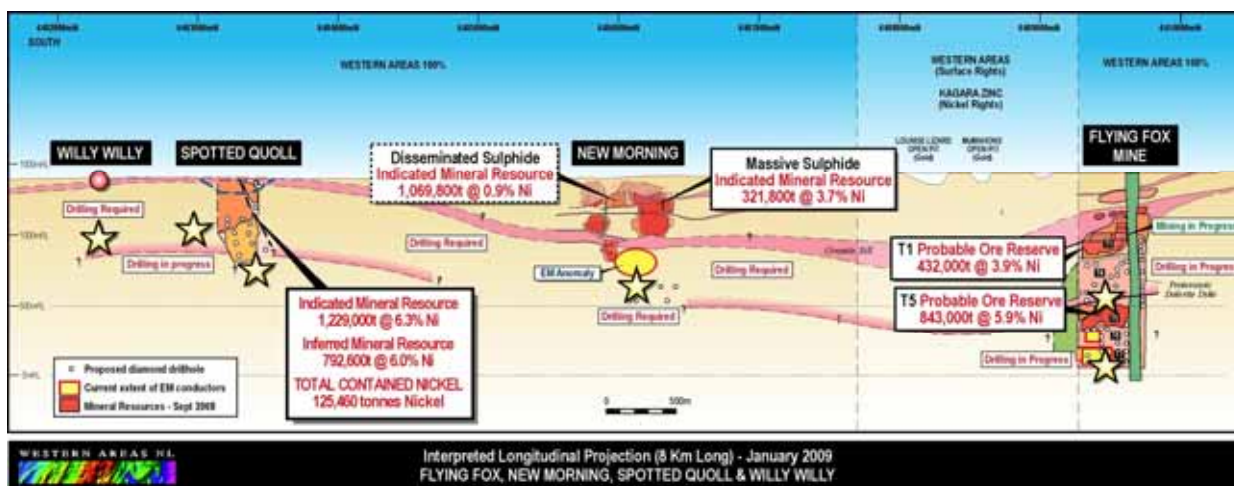


Figure 10: Interpretative long section extending 6km from Flying Fox to Spotted Quoll

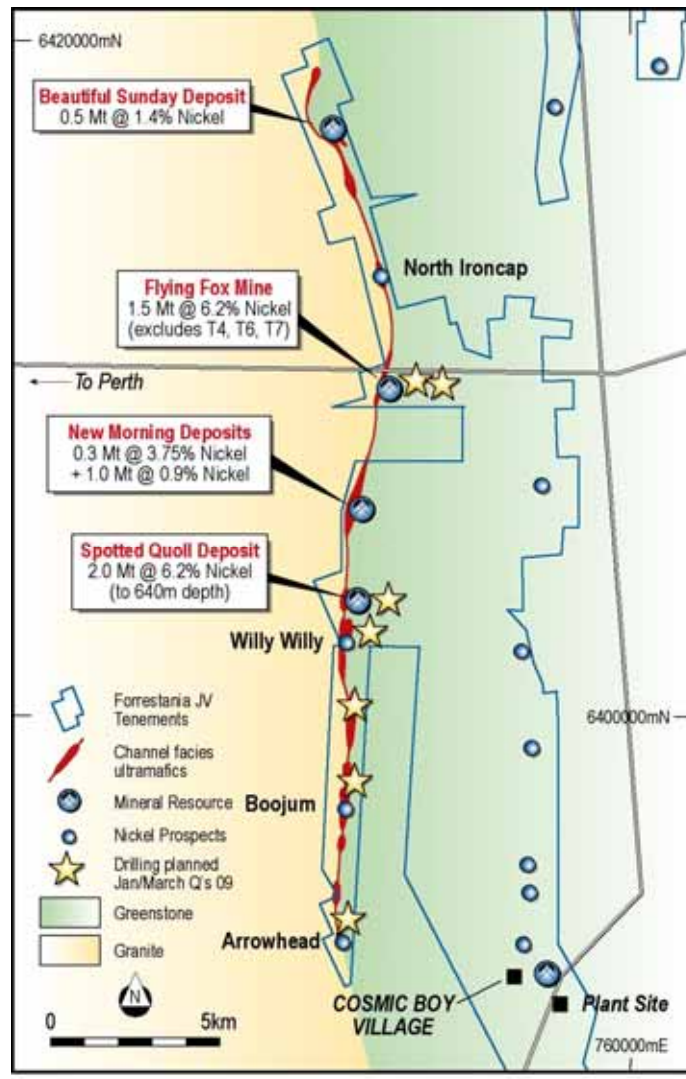


Figure 11: Interpretative geology of 25km long Western Nickel Belt

6. REGIONAL EXPLORATION PROJECTS

Koolyanobbing Nickel Project (WSA 100% of Nickel rights)

Diamond drilling of two holes was completed at the Jocks Dream prospect at Koolyanobbing, 200km north of Forrestania. Drilling tested down plunge from previously announced intersections (KNDD002 0.2m @ 5.3% nickel from 265m and KNDD003 0.2m @ 3.8% nickel from 253m) targeting massive nickel sulphide in structurally controlled deposits similar to Spotted Quoll.

The first diamond drill hole (KNDD 004) below the previous nickel intersections drilled several narrow zones of high grade stringer nickel sulphides, including 0.5m @ 2.0% Ni from 259.1m and 0.2m @ 4.3% Ni from 263.3m. The second hole KNDD005 returned no significant values.

Although the nickel sulphide intersections at Jocks Dream to date are narrow, the high grade results in KNDD 004 provide further encouragement on the prospectivity of this project and the potential for a discovery below the area of the drilling. Previously known shallow oxidised nickel mineralisation extends approximately 500m along strike.

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 nickel exploration.

A number of areas with elevated nickel and copper values have been identified from sampling previous drill holes which were targeting gold. Evaluation of these areas will continue with a RAB/RC drill program once the requisite approvals are received.

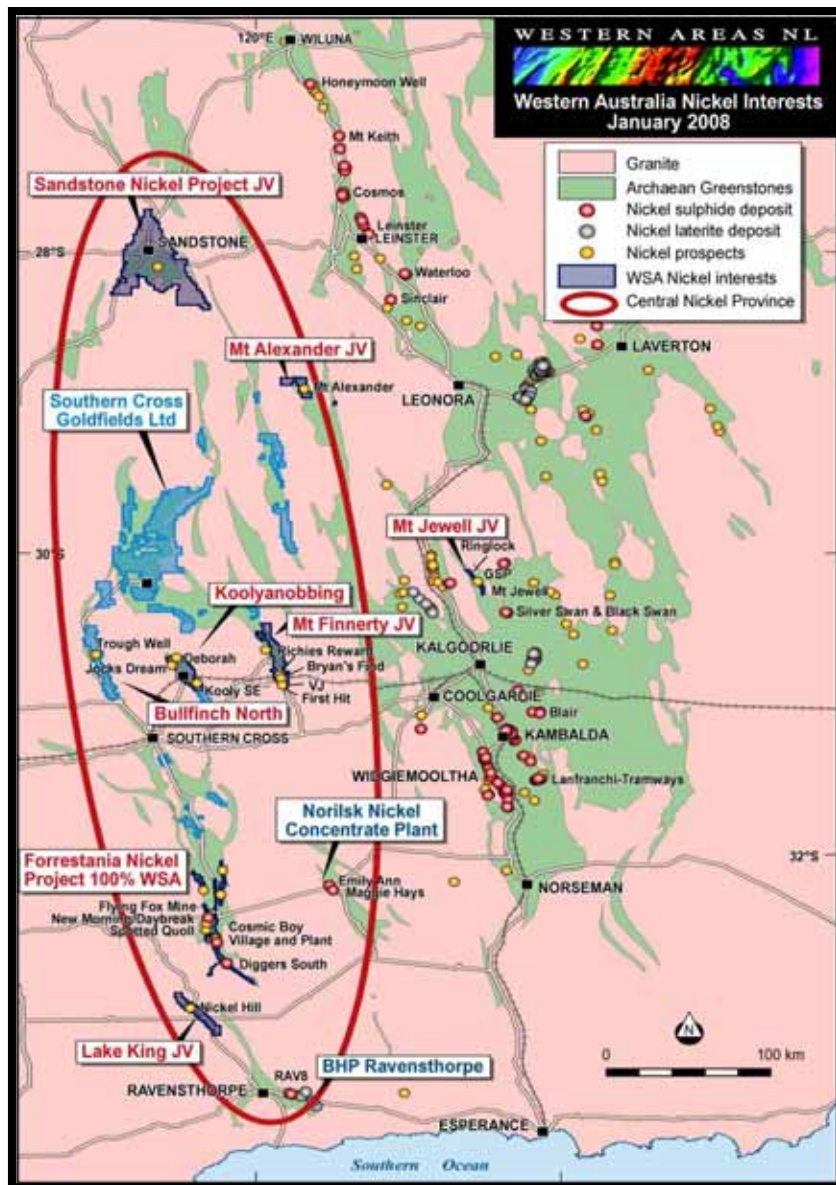


Figure 12: 500km long regional nickel province showing Western Areas projects, joint ventures and other interests

Mt Finnerty JV (WSA earning 65% of Nickel rights from Reed Resources)

Western Areas has a Heads of Agreement with Reed Resources Ltd to explore the Mt Finnerty belt, 200km NE of Forrestania. The area was last explored for nickel by WMC in the 1970's.

Logging and sampling of the RAB drilling program on the Western Ultramafic unit was completed. Assays are awaited and compilation is in progress. Uncalibrated Niton results show Ni values up to 1.4% Ni in WMFR294 in the Johnnies Dam area probably related saprolite mineralisation. Recent drilling data will be compiled once all assay results are received and targets reviewed in the March Q.

Lake King JV (WSA earning 70% interest)

Permitting to allow drilling of a number of IP anomalies and to follow up previous drill intercepts has been received and drilling will commence once the resources are in place. Previous drill hole LKR006 intersected 15m @ 0.4% nickel including 1m @ 0.8% nickel at 190m depth, indicating potential for economic grades.

7. CANADIAN EXPLORATION PROJECTS

East Bull Lake Project - Ontario (WSA earning 65%)

On September 12, 2008 Western Areas announced a joint venture with Mustang Minerals (TSX:MUM) to explore the East Bull Lake Project. East Bull Lake is a 20km long mafic intrusive complex which consists of two separate zoned intrusions joined by a 5km long feeder dyke (Figure 14). The project is considered to have excellent potential to host significant nickel/copper/PGM

deposits within a world class metal province. The nearby Sudbury mining camp is the world's largest nickel producer. Total production at Sudbury since the 1880's, plus remaining ore reserves and mineral resources equates to approximately 16Mt nickel with significant copper/PGM credits.

Initial drilling of the first VTEM target (Parisien Lake) in early 2008 yielded intersections including 1.1m @ 9.3% copper and 12.5g/t PGM from 89m down hole depth and 10m at 0.4% nickel at shallow depth. Historical drilling at East Bull Lake prior to Mustang's involvement intersected 0.5m @ 3.9% nickel in the central part of the intrusion.

Drilling programs are being prepared (following completion of a ground based EM survey due to commence in February) to test the potential for sulphide hosted nickel-copper-PGM deposits associated with VTEM conductors in three areas of the intrusive complex. These areas are as follows:

- At the eastern end of the main feeder dyke (Novick Lake).
- In the footwall sequence on the northern side of the feeder dyke (Sables).
- Southern margin of the west lobe of the intrusion (Parisien Lake and Bullfrog).

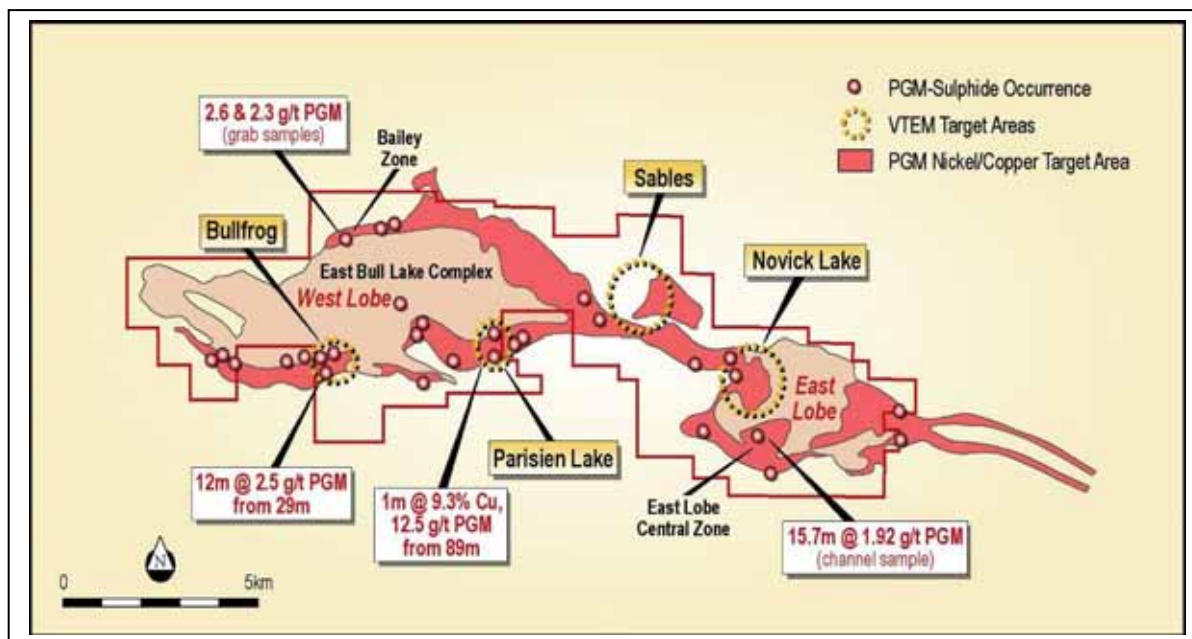


Figure 13: Simplified geology of East Bull Lake intrusion showing initial drilling targets and locations of known copper/nickel sulphide and PGM mineralisation based on surface samples and drilling

8. CORPORATE AND FINANCING

Bond Cash Settlement and Share Buyback

On 2 July 2007 Western Areas issued a \$A225.0M 8% 5 Year Convertible Bond at a 45% premium. The Bonds are quoted in the Singapore Stock Exchange. Please refer to the Western Areas release dated 29 June 2007 for the Bond Conditions.

At 30 June 2008 Western Areas announced that it had bought back 50 out of 900 Bonds and that it will continue to monitor the market. Since 30 June 2008 Western Areas has bought back a further 12 Bonds. Accordingly at 31 December 2008 there remains 838 Bonds with the principal amount owing reduced from \$A225.0M to \$A209.5M.

At 31 December Western Areas had not bought back any shares in the Company.

ANZ Debt Facility and Cash Balance

At 31 December 2008 Western Areas has \$A65M in cash and the ANZ Facility is drawn to \$A62M.

Hedging

Western Areas has entered into foreign exchange collars of \$US10M (\$US2.5M for each of March, June, September and December 2009 quarters) with a cap of \$0.75 and a floor of \$0.57. Western Areas will look to secure further short dated currency and nickel price hedging going forward.

Dividend Policy and Capital Management

Western Areas has announced a Dividend Policy of 50% of Net Profit after Tax. The Board is disappointed that the rapid fall in nickel price since June 2008 means that the company will not make an accounting profit for the six months ended 31 December 2008 so no dividend will be declared.

The Board continues to review other capital management strategies to add value to shareholders.

-ENDS-

For further details, please contact:

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

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

Paul Downie
Investor Relations – FD Third Person
Telephone +61 8 9386 1233
Email: paul.downie@fdthirdperson.com.au Or visit: www.westernareas.com.au

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 mineral resources and mine development activities is based on information compiled by Mr John Haywood, 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 Haywood, 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 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 shown in Figure 8. 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 goal to become Australia's second largest and lowest cost nickel producer", and "Flying Fox remains on track to reach the first full year production target of 8,000 tonnes of nickel in CY 2008 and 14,000 tonnes in CY 2011", and "your Company is in a very strong position and is on track to achieve its goal to become one of Australia's premier nickel producers", and "the objective to discover another Spotted Quoll or Flying Fox type nickel deposit in 2009", and "The decline advance is on target and should be at T5 in the December Q 2009. Access development commenced into T4 during the quarter and T4 is on track for first ore production in April 2009", and "to enable an early start to access the Digger Rocks underground mine when the nickel price improves", and "target to produce 35,000tpa of nickel in concentrate from a number of mines at Forrestania from 2011", and "Western Areas considers this indicates potential for a larger deposit at Spotted Quoll".

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.

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