



For the period ending 31 December 2010

Western Areas is an Australian-based nickel miner listed on the ASX and TSX. 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 25,000 tonnes pa 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 Flying Fox T4 and T5 ore bodies where significant mine development is already in place

Mining is also in progress in the high grade Tim King Pit at the Spotted Quoll mine 6km south of Flying Fox. Total Ore Reserves at Spotted Quoll comprise 2.0Mt at an average grade of 4.10% nickel containing approx. 82,690 nickel tonnes. Drilling has intersected high grade nickel up to 400m below the mineral resource at Spotted Quoll.

Flying Fox and Spotted Quoll are two of the lowest cost nickel mines in the world. Surface infrastructure and development work has also been completed on the planned Cosmic Boy and Diggers South mines, located 20km and 40km south of Flying Fox.

The Cosmic Boy concentrator was upgraded to 550,000 tpa ore in June Q 2010. This equates to production capacity of about 25,000 tpa nickel in concentrate. The plant is designed for a future upgrade to 1.0M tpa for potential future mines at Forrestania.

Western Areas has offtake agreements with BHP Billiton for 10,000tpa nickel in concentrate, with Jinchuan for a total 25,000t nickel in concentrate and has a short term contract with Minara to treat oxide ore from the Tim King Pit.

The Board remains focused on the core business of low cost, long life nickel production and on generating significant returns to shareholders.

ASX & TSX code: WSA

Shares on issue: 180m shares,

7.4m options. **Market capitalisation:** Approx A\$1.1Bn @ \$6.10 per share.

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Strong Production, Low Cash Costs, Record Nickel Sales

All major production targets for CY 2010 were exceeded at the end of the December Q. **Mine production was 26,281 tonnes (57.9M lbs) nickel in ore compared with guidance of 20,000 tpa for CY 2010 and cash costs were US\$2.02/lb nickel in concentrate compared with guidance of US\$2.50/lb.** This outstanding result is due to the exceptional quality of the assets and hard work and professionalism of the Western Areas' team.

In the December Q, **mine production was 7,959 tonnes (17.5M lbs) nickel** compared with 8,302 tonnes (18.3M lbs) nickel in the September Q 2010. High ore grades (**6.2% nickel**) in the Tim King Pit plus positive reconciliation in contained nickel from mining to date at Flying Fox T5 (15%) and T4 (30%) contributed to the strong production. In addition a decision to mine Spotted Quoll underground was announced during December.

Record sales of nickel concentrate were made to Jinchuan in the December Q as a result of the expanded trucking fleet, more containers and larger capacity ships. Total sales to BHP Billiton, Jinchuan and Minara for the six months to 31 December 2010 were **13,247 tonnes nickel in concentrate and ore.** These nickel sales coincided with a strong average LME nickel price of **US\$22,390/tonne (US\$10.16/lb)** for the six months to 31 December 2010.

December Q Highlights

1. Production from Flying Fox mine was **96,635 tonnes mined at 4.6% nickel for 4,459 tonnes (9.8M lbs) contained nickel.**
2. Production from the Tim King Pit at Spotted Quoll was **56,696 tonnes mined at 6.2% nickel for 3,500 tonnes (7.7M lbs) contained nickel.**
3. **123,027 ore tonnes were milled to produce 5,976 tonnes (13.2M lbs) nickel in concentrate.** The average plant recovery was 90%.
4. Cash costs (before smelting/refining charges) for December Q were **US\$1.99/lb nickel, 20% below the long term guidance target of US\$2.50/lb nickel.**
5. **Current stockpiles contain an estimated 5,936 tonnes (13.1M lbs) nickel** in ore and concentrate which should contribute to ongoing strong sales.
6. At 31 December Western Areas had a total of **A\$156.7M cash plus nickel sales receivables** compared with A\$118.4M at the end of the September Q.
7. Spotted Quoll Stage One underground mine feasibility confirmed a **robust 8 year project with IRRs ranging from 41% (US\$6/lb Ni) to 96% (US\$10/lb Ni).**
8. Drilling below Spotted Quoll **indicates the high grade deposit may extend to at least twice the depth of the planned Stage One underground mine.**
9. **\$20M pa exploration program underway** with drilling to test Flying Fox T6/T7/T8 deposits, plus new targets at Forrestania and regional nickel projects.
10. The **2012 convertible bond was partly restructured** to extend the maturity date & reduce the coupon rate. A bond repayment account was established with \$40m.
11. Western Areas welcomed **David Southam as Finance Director** in November.

Western Areas is now generating significant cash flows and profits from mining and milling operations with record nickel sales into a high nickel price. The Company has a strong balance sheet plus 5,936t nickel in ore and concentrate stockpiles. The Board remains focused on safety, expanding nickel production and maximising shareholder returns.

1. MINE SAFETY AND ENVIRONMENT

Safety

Western Areas continues to work hard on the site based safety performance however there were two Lost Time Injuries (LTIs) for the December Q. One was at Flying Fox workshop where a canopy came free during maintenance on an underground bogger and caused a compound fracture on a contract employee's leg. The second LTI occurred at the Cosmic Boy mill area where an employee stepped back from a crane and tore a ligament in his knee. The rolling 12 month LTI Frequency Rate for Forrestania stands at 4.68. There were two Medically Treated Injuries. Western Areas' Board is continuing its regular site based safety reviews to support site based management's activities in training, safety procedures and equipment.

The Emergency Response Team now has 29 members who were trained in underground search and rescue and fire fighting. An emergency evacuation drill was held in the camp with Underground stench gas drills conducted over all shifts at Flying Fox. Senior Managers carried out a review of serious incident decision protocols at Forrestania including the emergency response team set up.



Fire training conducted on site



Safety and Training Manager, Debbie Hammond



Western Areas monitors Western Quolls at Forrestania and sponsors the Quoll exhibit at Perth Zoo

Environment

The Environment Department program for the December Q consisted primarily of monitoring, statutory reporting and rehabilitation related activities to ensure project compliance at Forrestania. There were no external reportable incidents for the December Q. Highlights for the quarter included:

- Receipt of Mining Proposal approval for the Spotted Quoll underground mine from the Department of Mines and Petroleum;
- Receipt of a Works Approval for construction of the proposed Paste Fill plant at Spotted Quoll underground mine;
- Forrestania site inspection by officers from the Department of Environment and Conservation (DEC). No actionable environmental issues were noted during the inspection;
- Commencement of construction of dewatering pipeline between Digger Rocks and Mossco Farm;

2. MINE AND MILL PRODUCTION

Tonnes Mined		2009/2010			2010/2011		FYTD Total	
		Dec Qtr	Mar Qtr	Jun Qtr	Sep Qtr	Dec Qtr		
Flying Fox								
Ore Tonnes Mined	Tn's	53,618	67,072	91,437	84,935	96,635	181,570	
Grade	Ni %	3.3%	4.5%	4.0%	4.0%	4.6%	4.3%	
Ni Tonnes Mined	Tn's	1,776	2,990	3,697	3,363	4,459	7,822	
Spotted Quoll								
Ore Tonnes Mined	Tn's	-	6,293	46,258	66,978	56,696	123,674	
Grade	Ni %	0.0%	3.5%	6.7%	7.4%	6.2%	6.8%	
Ni Tonnes Mined	Tn's	-	220	3,113	4,939	3,500	8,439	
Total - Ore Tonnes Mined		Tn's	53,618	73,365	137,695	151,913	305,244	
Grade		Ni %	3.3%	4.4%	4.9%	5.5%	5.3%	
Total Ni Tonnes Mined		Tn's	1,776	3,210	6,810	8,302	16,261	
Tonnes Milled and Sold		Dec Qtr	Mar Qtr	Jun Qtr	Sep Qtr	Dec Qtr	Total	
Ore Processed	Tns	64,985	61,662	83,639	131,542	123,027	254,569	
Grade	%	3.1%	4.2%	4.5%	5.7%	5.4%	5.6%	
Ave. Recovery	%	88%	92%	88%	89%	90%	89%	
Ni Tonnes in Concentrate		Tns	1,791	2,416	3,303	6,678	12,654	
Ni Tonnes in Concentrate Sold	Tns	3,091	2,444	2,307	6,151	5,602	11,753	
Ni Tonnes in Ore Sold	Tns	-	-	241	987	507	1,494	
Total Nickel Sold		Tns	3,091	2,444	2,548	7,138	13,247	
Stockpiles				Sep Qtr	Dec Qtr			
Ore	Tns			73,293	92,405			
Grade	%			4.6%	4.4%			
Concentrate	Tns			11,386	13,052			
Grade	%			14.1%	14.1%			
Contained Ni in Stockpiles		Tns			4,977	5,936		
Financial Statistics		Dec Qtr	Mar Qtr	Jun Qtr	Sep Qtr	Dec Qtr	Total	
Group Production Cost/lb								
Mining Cost (*)	A\$/lb	3.30	2.03	1.72	1.36	1.36	1.36	
Haulage	A\$/lb	0.14	0.11	0.09	0.07	0.08	0.07	
Milling	A\$/lb	0.96	0.59	0.56	0.37	0.40	0.39	
Admin	A\$/lb	0.16	0.17	0.17	0.15	0.19	0.17	
By Product Credits	A\$/lb	(0.21)	(0.02)	(0.03)	(0.02)	(0.02)	(0.02)	
Cash Cost Ni in Con (***)		A\$/lb	4.34	2.88	2.51	1.93	2.01	1.97
Cash Cost Ni in Con/lb (***)		US\$/lb (**)	3.95	2.61	2.22	1.75	1.99	1.86
Exchange Rate US\$ / A\$			0.91	0.90	0.88	0.90	0.99	0.95

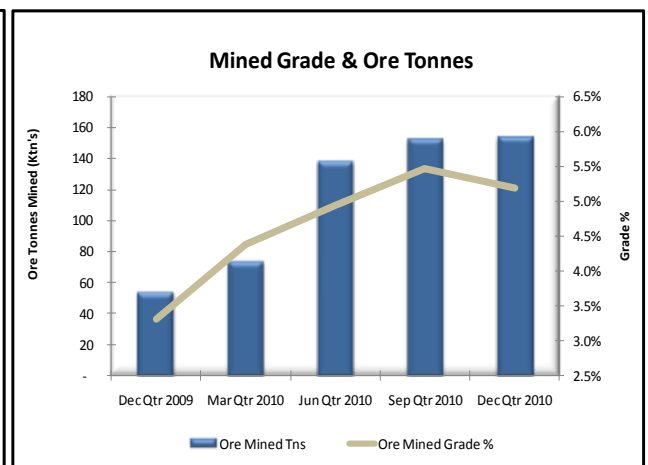
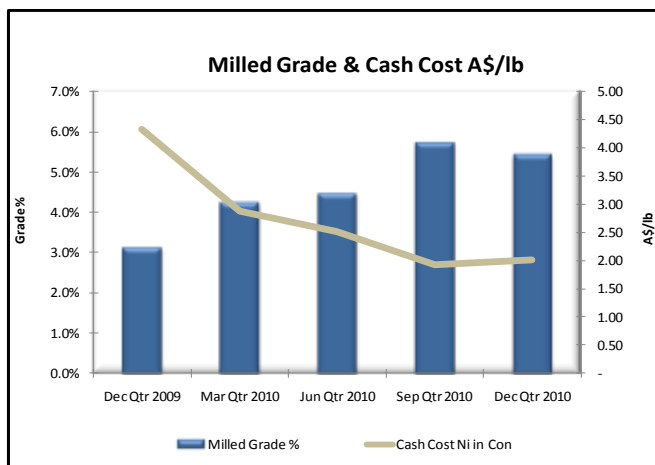
(*) Mining Costs are net of deferred waste costs and inventory stockpile movements

(**) US\$ FX for Relevant Quarter is RBA ave daily rate (Dec Qtr = A\$1:US\$0.99)

(***) 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.

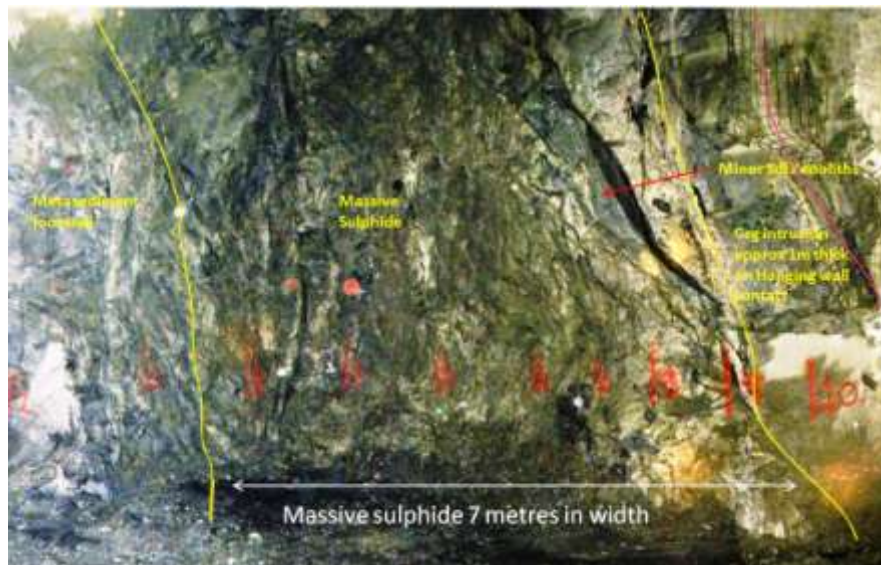
Note. All reported numbers in this table exclude Lounge Lizard..



Flying Fox – Underground Mine

A total of 96,635 tonnes of ore at an average grade of 4.6% nickel for 4,459 tonnes nickel was mined from the Flying Fox mine during the December Q. Ore production continued from the narrow 926 and 886 long hole stopes in T1, the 515S1, 530S1 in T5 and the 520 and 480 flat-back stopes in T4/T5. In addition, nine ore development drives were mined in the T4 and T5 ore bodies.

Ore production split for the December Q was as follows. T1: 3,367 tonnes; T4: 19,578 tonnes; T5: 73,690 tonnes, clearly indicating that T5 has become the dominant production area. The photograph below shows a 7m wide massive sulphide ore drive in T5.



Development continued in the adjacent Lounge Lizard tenement with 17,268 tonnes of ore mined at an average grade of 2.9% nickel. Mining of the Lounge Lizard deposit is subject to an agreement with Kagara Ltd.

Spotted Quoll – Tim King Open Pit Mine

Ore mining continued in the December Q from the stage 1 pit with a total of 56,696 tonnes at a grade of 6.2% nickel for 3,500 nickel metal tonnes. Stage 1 mining advanced ten metres during the December Q to a depth of 75 metres below surface with the Stage 2 cutback advancing 20 metres to a depth of 65 metres.

The project was in line with the mining schedule for the December Q with a total of 0.83 million bank cubic metres (“bcm”) mined. The Stage 2 cutback will be completed in the March Q with a resulting reduction in both mining fleet and waste movement. The dewatering bores continue to perform well with the water table trending downwards ahead of the mining face.



Spotted Quoll open pit mine, looking north

Cosmic Boy Nickel Concentrator

A total 123,027 tonnes of ore at 5.4% nickel was milled for the December Q with the Cosmic Boy concentrator producing 42,441 tonnes of concentrate grading 14.1% nickel for 5,976 nickel tonnes. Concentrator metallurgical recovery averaged 90% with 96.4% plant availability.

At the end of the quarter, approximately 92,405 tonnes of ore at an average grade of 4.4% nickel containing over 4,065 tonnes nickel were stockpiled at site awaiting treatment at Cosmic Boy or sale to Minara.

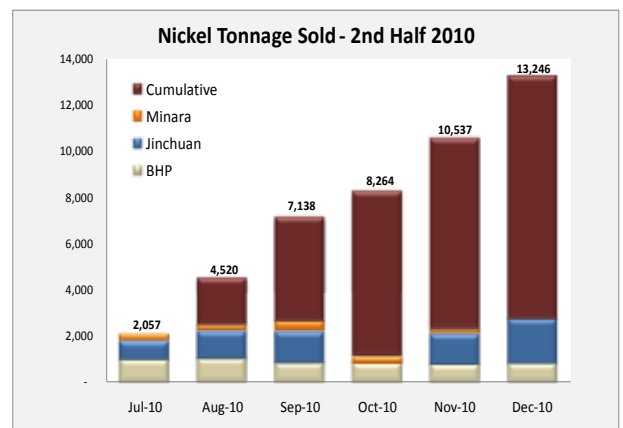
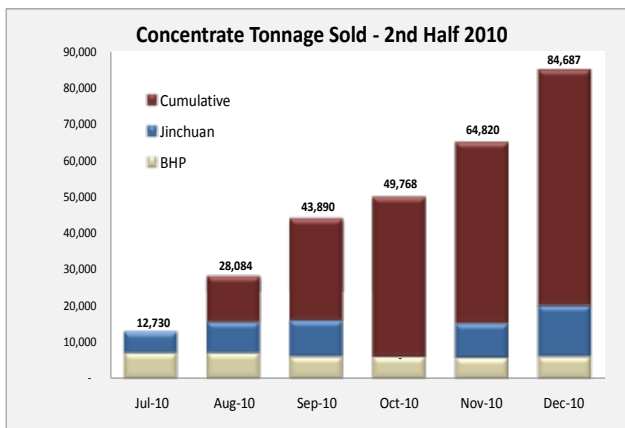
The cash cost of nickel in concentrate (excluding smelter/refinery charges and royalties) produced during the December Q was US\$1.99/lb nickel, using an average AUD/USD exchange rate of \$0.99. In terms of AUD cash costs, the December Q cash cost of \$2.01/lb indicating the ongoing efficiency of the Company's operation combined with improved head grades.

3. NICKEL SALES

Transport of concentrate from Cosmic Boy to BHP Billiton's smelter at Kalgoorlie and Jinchuan's Smelter in China continued during the December Q (see graphs below). A total of 40,797 tonnes of concentrate was delivered containing 5,602 tonnes of nickel. During the December Q a total of 24,818 tonnes of concentrate was sold to Jinchuan in two shipments which left from the Esperance Port. A further shipment to Jinchuan was made in early January. In addition, 507 tonnes of nickel in ore were sold to Minara during the quarter.

Total sales for the half year were a record 13,246 tonnes of nickel in concentrate and ore due to the start of the Tim King open pit at Spotted Quoll and the successful capacity expansion of the Cosmic Boy concentrate plant.

Concentrate stockpiles at Cosmic Boy concentrate plant and Esperance Port at the end of December were 13,052 tonnes at a grade of 14.1% nickel containing 1,840 tonnes nickel metal.



4. FORRESTANIA MINE DEVELOPMENT AND INFRASTRUCTURE

Flying Fox Mine Development

The main decline advanced to 1073m below surface as per the mine schedule and is now well advanced into the T5 ore body (refer Figure 1). The decline is being developed within footwall meta-sediments which provide sound geotechnical conditions. Access development continued on the 540, 480, 470, 460, 425 and the 390m RL into the T5 ore body through the December Q in preparation for stoping activities. Current planned decline development will reach the base of the T5 orebody at 325m RL during the March Q.

Underground mine infrastructure work continued during the December Q with the extension of the return airways and water rising mains completed to the bottom of the decline. Work continued on the fresh air intake shaft from surface to the top of T4. This will provide clean fresh air to the main production areas of T4 and T5.

Spotted Quoll – Underground Mine

The Stage One Underground Feasibility Study was completed during December. As reported on the 15th December the Ore Reserve is currently 1.73Mt at 4.0% Ni (70kt Ni metal in ore). The Ore Reserve is based on a flat US\$6/lb Ni price and the feasibility study shows the Stage One project has an eight year mine life.

The excellent financial returns expected from Stage One are summarised in Table 1 at different nickel prices ranging from US\$6/lb nickel (base case) to US\$12/lb nickel (top case) and at different exchange rates.

Assuming a nickel price of **US\$10.00/lb nickel** and **\$0.95 US/AUD exchange rate**, the Feasibility Study indicates **A\$297 million NPV, 96% IRR and C1 Cash Cost of US\$2.71/lb nickel**. Importantly, the Stage One mine should also produce robust returns at the base case of US\$6.00/lb nickel.

Ni Price US\$/lb	\$6.00	\$8.00	\$10.00	\$12.00
Exchange Rate US:AUD	0.80	0.90	0.95	1.00
NPV(BT)	A\$90M	A\$184M	A\$297M	A\$385
IRR(BT)	41%	67%	96%	116%
C1 Cost (US\$/lb Ni in Conc.)	\$2.29	\$2.57	\$2.71	\$2.86
TOTAL NET CASH A\$ M	\$162M	\$320M	\$500M	\$640M

Table 1: Financial returns based on different nickel prices and exchange rates

Stage One will extend from the portal to 525m vertical depth. Recent high grade drilling results below the ore reserve to the limit of drilling (approximately 1,000m depth) indicate the deposit may extend to twice the depth of Stage One mine (Figure 2). This provides **potential to extend underground mine life well beyond eight years or increase production above 10,000tpa nickel in ore**, which is the target when the mine is in full production.

The planned start date for development of the underground mine is the beginning of April 2011. Development of the decline will occur concurrently with the Tim King open pit. Surface infrastructure work is well advanced with all major items purchased and awaiting delivery. Mining contract tenders have been issued to a short list of leading underground contractors. Contract award will occur in the March Q.

Diggers South Project

Work is almost completed on the installation of a dewatering pipeline to the site of planned evaporation ponds at Western Areas owned "Mossco Farm," 9km west of Digger South mine site. It is anticipated that civil earth works for the new evaporation ponds will commence in the March Q.

Western Areas is seeking a joint venture and offtake partner to assist with the development of the Diggers South mine. The Company also plans to proceed with a substantial drilling program designed to extend the deposit to the south and potentially increase ore reserves to support the target 10 year mine life.

Western Areas is also reviewing the project in the context of current high nickel prices and is looking at ways to optimise production and reduce cash costs. A number of processing options are being considered.



Installing dewatering pipeline from Diggers South to Mossco Farm

Flying Fox Mine

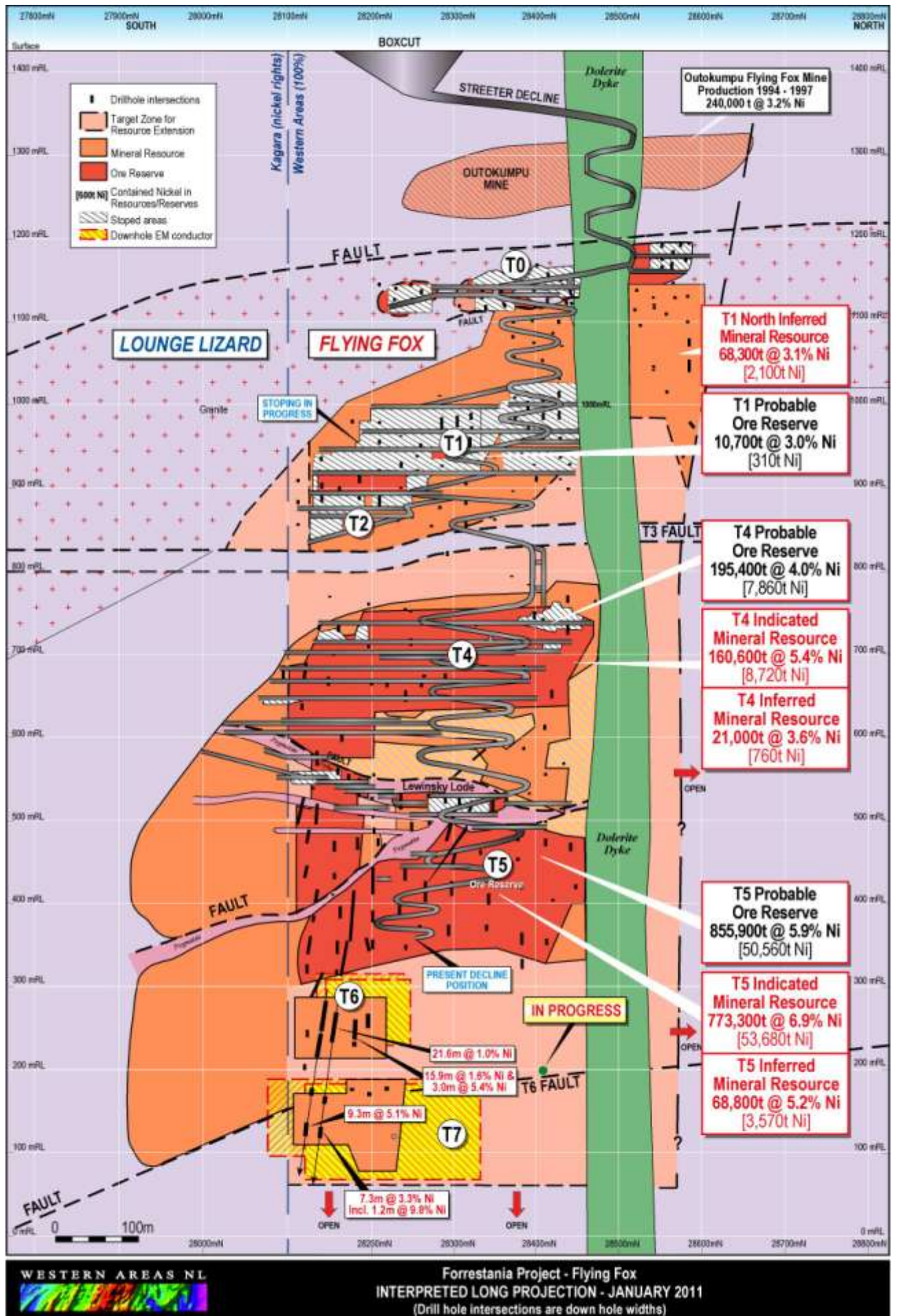


Figure 1: Interpreted longitudinal projection of Flying Fox Mine including Lounge Lizard deposit

Spotted Quoll Mine

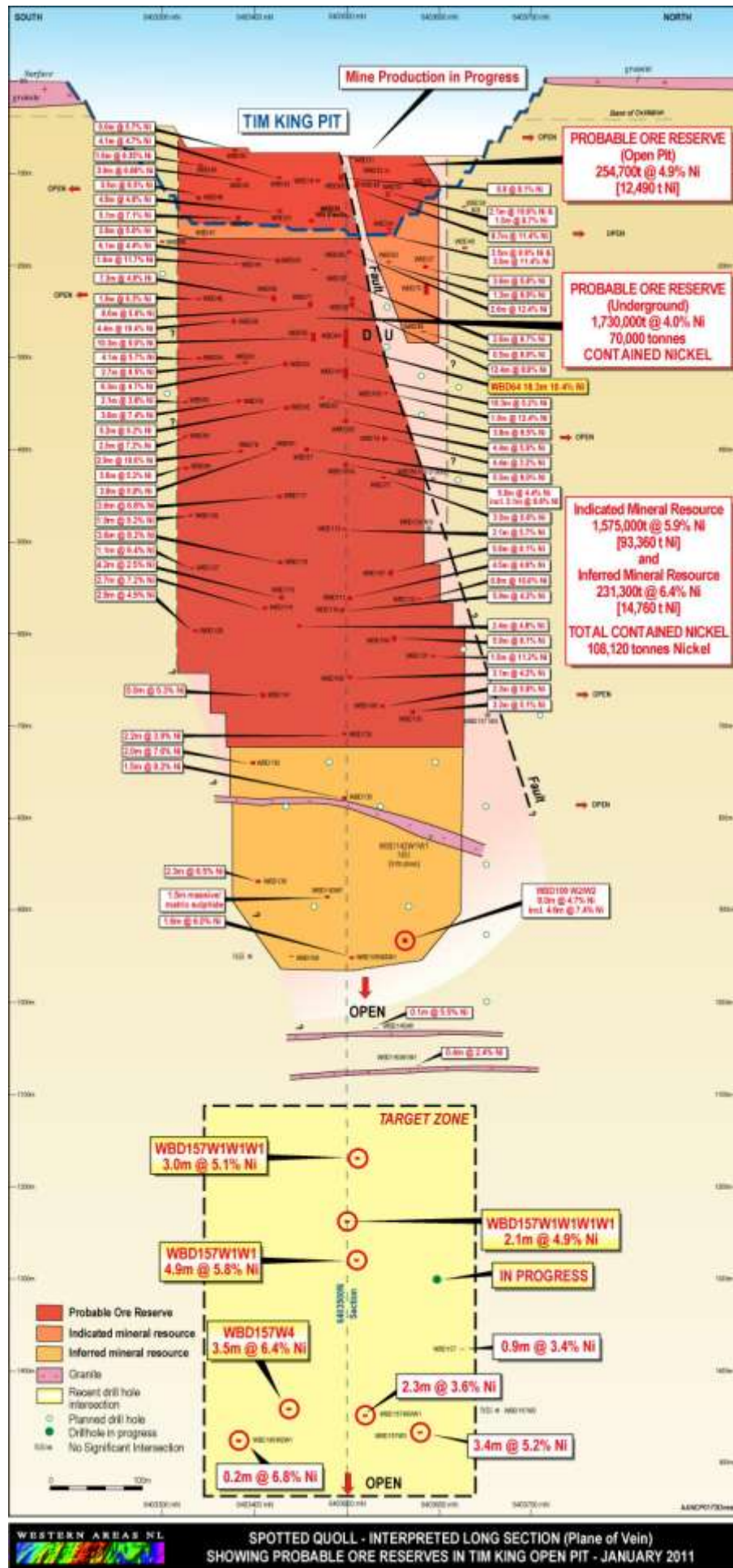


Figure 2: Spotted Quoll – Interpreted Long Section (Plane of Vein) showing new discovery zone

5. FORRESTANIA MINERAL RESOURCES AND ORE RESERVES

Flying Fox

Underground diamond drilling continued during the December Q with a single drill rig at Flying Fox. Drilling focused on resource definition and grade control within the T5 deposit for short to medium term mine planning, and to further delineate the T5 / T6 interface. Drill data will be used for a Mineral Resource model update for release in the June Q.

Surface drilling to test for deeper resource extensions to the T6 and T7 sulphide zones at Flying Fox commenced in December with first results expected in the March Q (Figure 1). A proposal for a substantial underground drilling program to test the potential for the deeper T8 ore position is also under consideration.

Mining of Flying Fox continues to yield additional ore tonnes over and above the Ore Reserve. This has resulted in **15% additional contained nickel metal** being mined from T5 to date. The majority of this additional material is associated with the irregular pegmatite lodes which are difficult to define prior to development. Mining of the T4 orebody has also yielded significant additional ore tonnes above the Ore Reserve at 97% of the Ore Reserve grade resulting in approximately **30% additional contained nickel metal**. Level development of T4 is now almost complete.

Spotted Quoll

Mining of the Tim King Pit continued to identify additional material outside the Ore Reserve, while mined grades were in line with expectations. Approximately **3,000 tonnes of contained nickel has been mined above the Ore Reserve estimate to the end of December**. This additional material has predominantly been sourced from the high grade North Lode which is rotated along a cross-fault which was not defined by drilling used in the Mineral Resource model. The next grade control drilling program is scheduled for early January 2011.

6. BIOHEAP

BioHeap™ Test Work Samples from Forrestania

Initial testing on samples from Diggers Rocks, New Morning and tailings from the Cosmic Boy nickel concentrator has been successfully completed. Results are considered to be very encouraging and indicate that potential exists to expand nickel production from lower grade deposits at Forrestania.

Ore Type	Sample	Ni (%)	Co (%)	Fe (%)	S ²⁻ (%)
<i>Cosmic Boy</i>	Tailings	87.41	32.08	4.75	99.98
	Concentrate	95.66	51.71	15.92	99.95
<i>Diggers South</i>	Concentrate	98.62	67.25	4.98	84.06
	Halo	78.11	60.7	17.50	99.96
	Core	88.86	2.95	2.03	99.96
<i>New Morning</i>	Core	94.28	28.42	2.13	99.45

A desktop study was undertaken during the December Q in conjunction with Proteus EPCM Engineers and Piran Mining Consultants for a hydrometallurgical processing facility for the Cosmic Boy concentrator plant, Diggers South and New Morning deposits. The proposed facility could process concentrator tailings via an agitated bacterial leach process to produce nickel rich liquor for subsequent downstream processing to produce a crude sulphide precipitate of saleable quality, containing nickel and cobalt.

Additional test work on Diggers South and Forrestania tailing samples is due to commence in the March Q 2011 to improve the understanding of both samples' leaching characteristics.

BioHeap™ Test Work on Samples from Finland Joint Venture

Initial test work on nickel/zinc/copper sulphide mineralisation from the R1 Deposit at the Rautavaara Project that commenced in the September Q is now complete. Results from this test work are considered to be very encouraging and will form the basis for further test work planned in 2011. This may lead to the potential construction of a pilot scale leaching operation in Finland.

Metallurgical recoveries from initial BioHeap test work on Rautavaara sulphide ore are:

Sample	Ni (%)	Cu (%)	Zn (%)	Co (%)	Fe (%)
Rautavaara	85.19	92.39	98.28	59.59	38.52

7. FORRESTANIA EXPLORATION

Drilling focused on evaluating potential for deeper extensions to the New Morning deposit and the Spotted Quoll deposit. Drilling also commenced late in the December Q to test extensions at Flying Fox.

At **Spotted Quoll** three diamond drilling wedges were completed from 730m below surface to 840m below surface, in an area with no previous drilling. All three holes returned significant intercepts, considerably increasing the potential to add additional mineral resource from this area (Figure 2). The intercepts included:

WBD157W1W1	4.9m @ 5.8% Ni from 1022.6m
WBD157W1W1W1	3.0m @ 5.1% Ni from 99.1m
WBD157W1W1W1W1	2.1m @ 4.9% Ni from 1025.2m

Further diamond drilling at Spotted Quoll in the deeper “Target Zone” will continue in the March Q to test the extent and continuity of the mineralization intersected in the recent drill holes.

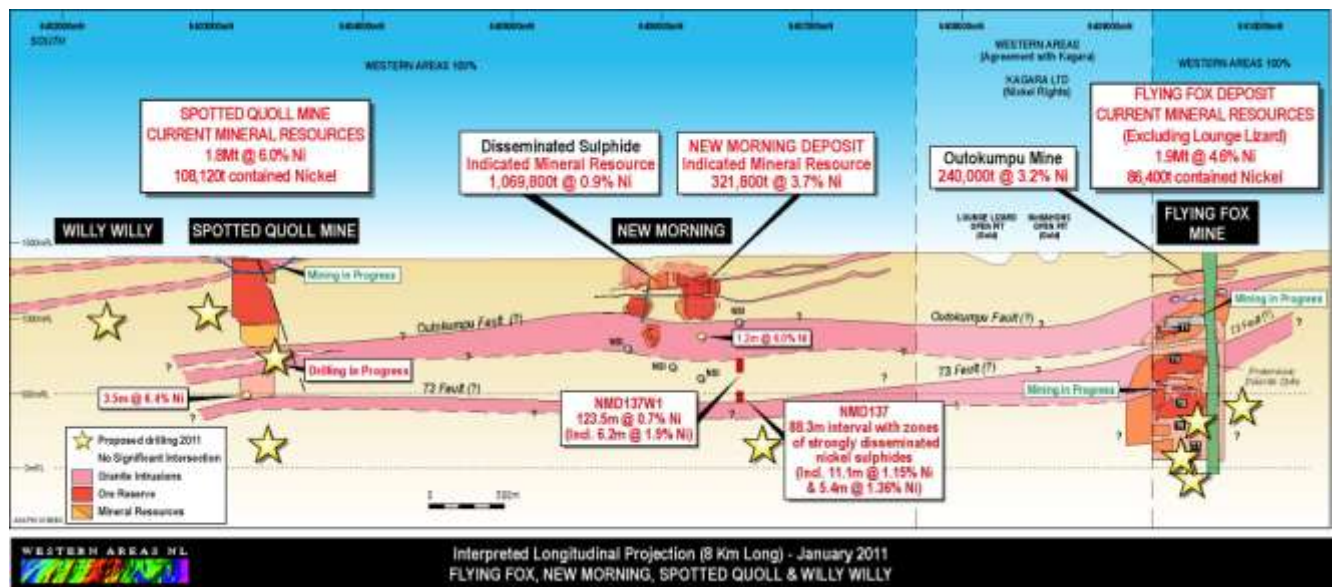


Figure 3: Interpreted Long Section extending 6km including Spotted Quoll, New Morning and Flying Fox

Drilling at New Morning is based on a revised interpretation of the geology which has identified significant potential below two zones of granite intrusions along the Outokumpu and T3 Faults. The December Q drilling tested the potential for extensions to high grade massive sulphide mineralisation below and north of the known deposit. Data from this drilling program is currently being evaluated before drilling resumes at New Morning.

Elsewhere at Forrestania, exploration was undertaken at other prospects which have potential to host new sulphide deposits. Drilling at North Endeavour (6km south of Cosmic Boy) intersected 0.5m @ 4.8% Ni from 167.6m down hole depth in drill hole NED 032. The intercept is associated with a 400m long strike length of moderate nickel sulphide mineralisation. Drilling is underway to test for increased widths of mineralisation.

8. 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.

Sandstone Joint Venture (WSA earning 70% interest in nickel rights)

The Sandstone JV covers a large area (approximately 25km by 15km) of what is considered to be a highly prospective ultramafic sequence which has had minimal previous exploration for nickel. Early in 2010, Western Areas’ second diamond drill hole WAD002 at Area C intersected disseminated nickel sulphides which assayed 26.2m @ 0.4% nickel from 60.3m depth. This included a narrow interval of semi-massive sulphides which analysed 0.2m @ 4.1% Ni from 86.3m down hole depth.

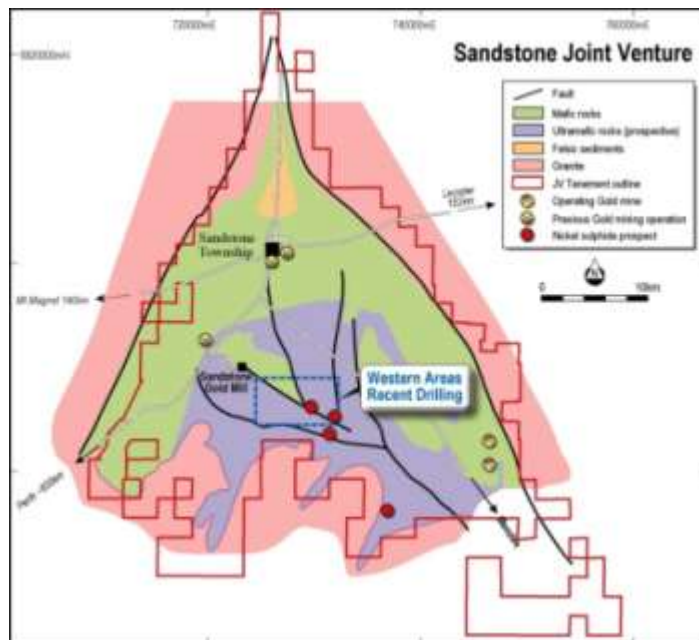


Figure 4: Simplified Geology of the Sandstone Joint Venture Project

A major ramp up in exploration activity at Sandstone commenced at the end of the December Q. This includes aircore drilling programs and induced polarisation (IP) surveys testing areas of high MgO cumulate ultramafic rocks that have the potential to host Ni/Cu/PGE mineralisation. 63 drill holes were completed in the December Q in Areas C, D, E and Area 2. Assay results have been received and compilation of the results is in progress.

An induced polarisation (IP) survey was completed at Area C and a trial IP survey was completed at Area D. In addition an IP survey of the south east portion of the Project area, where high MgO cumulate ultramafic rocks were identified in previous drilling, commenced in late December.

Drilling is planned to accelerate from January with aircore, reverse circulation and possible diamond drilling planned. The geological team is being increased to match the increasing work load. The association of prospective geology, nickel sulphide mineralisation and favourable structural settings highlights the excellent potential of the Sandstone JV Project for new discoveries.

Lake King JV (WSA 70%)

The Lake King JV tenements cover a 40km long nickel prospective belt located approximately 70km south west of Forrestania. Western Areas has earned 70% interest in this project.

Initial aircore drill testing (71 drill holes) of a number of magnetic anomalies was completed during the December Q. Selective sampling of several drill holes has returned anomalous shallow nickel and copper intersections, located north of the previously drilled Nickel Hill prospect.

Initial drilling results demonstrate that the prospective host ultramafic stratigraphy at Nickel Hill may extend 10km north west of Nickel Hill. Exploration during the March Q is planned to include further aircore and deeper reverse circulation drilling of the recently tested anomalies as well as initial drill testing of the remaining targets.

Kawana JV (WSA earning 80%)

The Kawana Project, is located approximately 250km north west of Western Areas' Forrestania operations. The Project covers the northern portion of the Southern Cross-Bullfinch Greenstone Belt. The Southern Cross Greenstone Belt extends discontinuously from Kawana in the north through Forrestania to Ravensthorpe in the south. The Project area has been subject to only limited modern systematic nickel exploration.

A MLEM geophysical survey was completed to test for bedrock conductors associated with an ultramafic unit at Kawana. Two areas were surveyed being the Wild West and Quartz Ridge prospects. The MLEM survey over Wild West yielded two MLEM anomalies. Drill testing of these anomalies will be undertaken in the March Q.

9. FINNAUST MINING Plc

Western Areas has 75% equity in FinnAust Mining Plc and is no longer sole funding the new company. FinnAust has approximately €0.5 million in cash and is planning to raise a target €5 million as pre IPO funding from Finnish

and UK investors in early February 2011. Funds are intended to accelerate the rate of drilling at priority targets, progress metallurgical test work and prepare for a potential listing on the London AIM Market within 12 months.

Western Areas has appointed two directors to the FinnAust Board and is currently advertising for a Finland based CEO with an extensive mining background to join an experienced exploration, development and corporate team. Grant Thornton has been appointed as Nominated Advisor to the proposed London AIM listing.

FinnAust has extensive holdings covering six exploration projects in the Kainuu Schist Belt and three exploration projects in the adjacent Outokumpu - Savonranta Belt in central Finland. FinnAust considers this region may represent a major metal province with potential to host multiple base metal deposits.

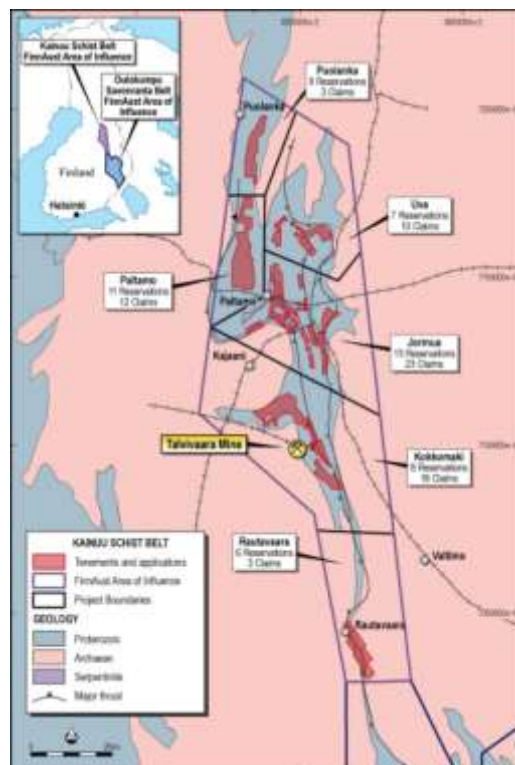
Production in the Kainuu Schist Belt is dominated by the large Talvivaara open pit mine (owned by Talvivaara Mining Plc) which is successfully using a bacterial leaching technology to extract nickel, zinc, copper and cobalt from low grade sulphide mineralisation in a black schist ore host. Talvivaara has announced production targets of 15,000tpa nickel and 30,000tpa zinc for 2010 increasing to 50,000tpa nickel and 90,000 tpa zinc from 2012.

In 2010, Western Areas conducted shallow drilling in the Kainuu Schist Belt and confirmed the widespread occurrence of Talvivaara type sulphide mineralisation.

The historic Outokumpu mine produced a total of approximately 42 million tonnes of ore at an average grade of 3.1% copper, 1.0% zinc, 0.2% cobalt and 0.1% nickel between 1913 and 1988. FinnAust has tenements in the immediate area of the Outokumpu mine and 20km south in the Savonranta area.

FinnAust has identified over 50 exploration targets in nine different project areas within the Kainuu and Outokumpu - Savonranta Belts. These targets have potential for the following deposit types:

1. Talvivaara Type
2. Outokumpu Type
3. Volcanogenic Massive Sulphide Type
4. Gabbro hosted Type



Plan of Kainuu Schist Belt in Finland showing FinnAust Mining holdings and location of Talvivaara

FinnAust Drilling Results

The first stage of resource drilling was completed at the Rautavaara R1 Deposit, 60km south of Talvivaara. A preliminary mineral resource is currently being estimated and is expected to be completed in mid January.

Six additional drill holes were drilled at the Rautavaara R1 Deposit in the December Q (see table below).

Target	Hole ID	KKJ_N	KKJ_E	Length	G_AZI	DIP	Downhole Intersection (m)
R1	M334310R314	7044872	3565600	302.8	30	-60	191-212
R1	M334310R315	7044933	3565694	280.2	30	-60	94-239
R1	M334310R316	7044826	3565875	232.5	30	-60	80-110
R1	M334310R317	7044738	3565629	390	30	-60	178-207, 230-273, 281-310, 335-365
R1	M334310R319	7044791	3565786	327.3	30	-78	167-196, 303-327.3
R1	M334310R320	7044747	3565866	218.4	30	-78	137-175
				1751.2m			

Recent results include drill hole DDH R317, which intersected:

24m @ 0.13% Ni, 0.29% Zn, 0.10% Cu, 0.008% Co & 2.7gpt Ag from 183m
42.7m @ 0.19% Ni, 0.43% Zn, 0.12% Cu, 0.012% Co & 2.9gpt Ag from 231m
28m @ 0.23% Ni, 0.59% Zn, 0.12% Cu, 0.015% Co & 2.4gpt Ag from 284m
31m @ 0.18% Ni, 0.4% Zn, 0.10% Cu, 0.011% Co & 1.7gpt Ag from 337m.

10. MUSTANG MINERALS CORP

On 16th December 2010, Western Areas announced it would participate in a placement in Canadian Nickel Company, Mustang Minerals Corp. As a result, Western Areas has now increased its equity in Mustang to 19.9%.

The majority of C\$6.7M funds raised by Mustang are intended to be used to complete the Makwa open pit nickel/copper/PGM mine feasibility study and purchase a 1 million tonne per annum base metals concentrate plant in Canada. The purchase of the plant and its relocation to the mine site should result in a significant saving in capital expenditure and time to bring Makwa into production. The feasibility study for the planned open pit mine at Makwa is already in progress and is targeted for completion in the September Q 2011.

Western Areas will provide Mustang with technical support to help bring the Makwa Project into production. This follows a technical review of the project by Western Areas staff and consultants in September 2010. Western Areas' Director of Operations, Mr Daniel Lougher will join Managing Director Mr Julian Hanna on the Mustang board. Mining consultant Mr Tim Peters has been appointed Project Manager for the Makwa Project.

Western Areas considers Makwa has excellent potential to become a low cost and profitable mining operation with exploration and production upside. In addition to the Makwa and nearby Mayville nickel/copper/PGM deposits, Mustang controls a high quality exploration portfolio in Manitoba and Ontario. Western Areas already has a joint venture with Mustang in the East Bull Lake intrusive complex located west of Sudbury, Ontario.

11. CORPORATE AND FINANCING

Cash Balance and Working Capital

At 31 December 2010, Western Areas had an unaudited A\$123.5m in cash plus nickel sales receivables valued at A\$33.2m. **Total cash plus nickel sales receivables A\$156.7m** (September Q was A\$118.4m).

Working capital in stockpiles of both ore and concentrate had a value at cost of A\$27.8m. The in situ value of the nickel metal contained in ore and concentrate stockpiles was ~A\$143.1m at the end of the December Q. These stockpiles are subject to plant recoveries, processing, smelting and refining costs.

Dividends

The Company will assess payment of an interim dividend after finalisation of the half year financial report.

Hedging

Following a sustained period of relative nickel price strength and the continued success of two operating mines, the Company made the decision to lock in some profits by hedging 25% of production for 12 months from March 2011 using Collar Style Options. These options are at no cost to the Company and set a floor price of US\$10.02/lb with upside participation to US\$11.97/lb. The company believes this is a prudent approach to future profitability and cashflow.

Other Western Areas' nickel hedging consists of quotation period (QP) hedging to manage the risk of price fluctuations for nickel already shipped to customers that is still subject to price finalisation. Foreign exchange contracts are entered into on shorter terms (less than 1 year) to provide some protection against unexpected movements in foreign currency markets. Details of these hedges are as follows:

Hedging Details	Fiscal Year 2011	Fiscal Year 2012
Nickel Hedging Collar Style Options		
Ni Tonnes Sold	2,400	2,400
US\$ Price/ Tonne Call	26,147	26,235
US\$ Price/ Tonne Put	22,146	22,100
Foreign Exchange Options		
US\$ Sold (\$'000)	5,000	0
US\$ Put (US cents)	0.93	0
Foreign Exchange Collar Options		
US\$ Sold (\$'000)	5,000	0
US\$ Call (US cents)	0.82	0
US\$ Put (US cents)	0.90	0

The hedging contracts listed above are not subject to margin calls.

Restructure of Convertible Bonds due July 2012

On 25 October 2010, the Company announced it had successfully restructured the A\$225m of convertible bonds due in July 2012. The restructure was well supported and resulted in the following changes:

1. A\$105.5m due in July 2012 with a 8.0% coupon (convert strike price of \$8.06)
2. A\$110.2m due in July 2014 with a 6.4% coupon (convert strike price of \$7.71)

The successful restructure allowed the company to extend its debt maturity profile and facilitate the retention of cashflow to allow flexibility in decision making, and at the same time reduce the coupon rate payable. Western Areas has created a bond repayment fund which has A\$40m allocated to date and will progressively be accrued until the July 2012 repayment date.

Convertible Bonds due July 2015

On 26 March 2010 the Company announced the issue of A\$125M of convertible bonds due in 2015. (Refer to Western Areas' release dated 31 March 2010 for the Bond Conditions). The Convertible Bonds were issued at a premium of approximately 28% to the closing price of Western Areas shares prior to the launch and carry a coupon of 6.4%.

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

Debt Facilities,

The ANZ loan Facility (A\$80m) continues to remain undrawn as at the date of this report.

-ENDS-

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QA-QC STATEMENT:

Mr Adrian Black from geological consultants Newexco Services Pty Ltd (“Newexco”) and Mr Charles Wilkinson from Western Areas 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; 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 John Haywood, Mr Tim Peters, 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 Peters is a member of AusIMM and is a consultant to Western Areas. Mr Haywood, Mr Peters, 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 Peters, 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. 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 “providing confidence the Company will exceed its target of 25,000 tpa nickel in ore for FY 2011”, and “planned decline development will reach the base of the T5 orebody at 325m RL during the March Q. ”, and “potential construction of a pilot scale leaching operation in Finland”, and “excellent potential of the Sandstone JV Project for new discoveries ”, and “Makwa has excellent potential to become a low cost and profitable mining operation”.

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 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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Western Areas NL Ore Reserve / Mineral Resource Table - 31 December 2010					
Deposit	Tonnes	Grade Ni%	Ni Tns	JORC Classification	Notes
Ore Reserves					
1. Flying Fox Area					
T1 South	10,700	3.0	310	Probable Ore Reserve	Sept 10 Reserve
T4	195,400	4.0	7,860	Probable Ore Reserve	Sept 09 Reserve
T5	855,900	5.9	50,560	Probable Ore Reserve	Sept 09 Reserve
2. Spotted Quoll	254,700	4.9	12,490	Probable Ore Reserve	Open Pit Reserve
	1,725,000	4.1	70,200	Probable Ore Reserve	Underground Reserve
3. Diggers Area					
Digger South	2,016,000	1.4	28,950	Probable Ore Reserve	
Digger Rocks	93,000	2.0	1,850	Probable Ore Reserve	
TOTAL WESTERN AREAS ORE RESERVES	5,150,700	3.3	172,220	Probable Ore Reserve	
Mineral Resources					
1. Flying Fox Area					
T1 South	74,900	4.0	3,030	Indicated Mineral Resource	Dec 08 Resource
	35,200	4.9	1,720	Inferred Mineral Resource	Dec 08 Resource
T1 North	45,400	4.2	1,900	Indicated Mineral Resource	Oct 08 Resource
	12,700	4.8	610	Inferred Mineral Resource	Oct 08 Resource
T4	160,600	5.4	8,720	Indicated Mineral Resource	Mar 10 Resource
	21,000	3.6	760	Inferred Mineral Resource	Mar 10 Resource
T5 Massive Zone	773,300	6.9	53,680	Indicated Mineral Resource	Mar 10 Resource
	68,800	5.2	3,570	Inferred Mineral Resource	Mar 10 Resource
T5 Disseminated Zone	197,200	0.9	1,590	Indicated Mineral Resource	Mar 08 Resource
	357,800	1.0	3,460	Inferred Mineral Resource	Mar 08 Resource
T6	44,300	5.7	2,530	Inferred Mineral Resource	Mar 10 Resource
T7	99,300	4.8	4,810	Inferred Mineral Resource	Mar 10 Resource
Total Flying Fox	1,890,500	4.6	86,380		
New Morning / Daybreak					
Massive Zone	321,800	3.7	12,010	Indicated Mineral Resource	
	93,100	3.5	3,260	Inferred Mineral Resource	
Disseminated Zone	1,069,800	0.9	9,650	Indicated Mineral Resource	
	659,200	0.9	5,780	Inferred Mineral Resource	
Total New Morning / Daybreak	2,143,900	1.4	30,700		
Spotted Quoll					
	1,575,000	5.9	93,360	Indicated Mineral Resource	Nov 09 Resource
	231,300	6.4	14,760	Inferred Mineral Resource	Nov 09 Resource
Total Spotted Quoll	1,806,300	6.0	108,120		
Beautiful Sunday					
	480,000	1.4	6,720	Indicated Mineral Resource	
TOTAL WESTERN BELT	6,320,700	3.7	231,920		
2. Cosmic Boy Area					
Cosmic Boy	180,900	2.8	5,050	Indicated Mineral Resource	
Seagull	195,000	2.0	3,900	Indicated Mineral Resource	
TOTAL COSMIC BOY AREA	375,900	2.4	8,950		
3. 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		
TOTAL WESTERN AREAS RESOURCES	16,724,800	2.0	340,440		