Western Areas Announces Reserve and Resource Upgrade at Flying Fox

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Significant Increase in Nickel Tonnes

PERTH, AUSTRALIA -- (Marketwired - Aug. 4, 2014) - Western Areas Ltd (ASX:WSA) ("Western Areas" or the "Company") is pleased to announce that, following its standard review of drill data post financial year end, the Flying Fox mine Ore Reserve nickel tonnes has been increased by 7,572 nickel tonnes at an average grade of 6.5% nickel.
Key metrics include:

- The Mineral Resource contained metal increased by 9% to 89,289 nickel tonnes

- The Ore Reserve contained metal increased by 13% to 64,122 nickel tonnes

- The Ore Reserve was increased by 7,572 nickel tonnes at a grade of 6.5% nickel

- The Ore Reserve grade increased from 3.9% nickel to 4.1% nickel

The increase in Ore Reserve of 7,572 nickel tonnes is after depletion of reserves up to 30 June 2014, which were disclosed in the June Quarterly Report released on 22 July 2014.

A summary of methodologies and assumptions applied to the two estimates is available in Appendix 1.

Western Areas Managing Director, Dan Lougher welcomed the upgrade to reserve tonnes at Flying Fox Mine.

"This latest addition to reserves is really a reflection of business as usual for the Company. Western Areas has maintained its strong track record of replenishing mined reserves since the commencement of operations at Flying Fox around eight years ago."

"The additional reserve tonnes which are mainly located in the T5 area, at such robust grades averaging 6.5% nickel, indicates the quality of the orebody. From a revenue perspective this upgrade adds around A$100m of processed concentrates at today's nickel price."

Future Drilling

Structural remodelling of the geological units and interpretation of the 3D modelling has generated several new targets that are currently being investigated. Structural modelling of the T5 and T7 mineralisation suggests a potential northward plunge towards a thicker zone of nickel mineralisation area. This concept will be tested by a planned diamond drilling program that is expected to commence in the September quarter.

In addition, Western Areas is currently investigating potential further resource extensions below the old Outokumpu workings where drilling is planned to commence in the next quarter.

"We are very encouraged by the results of the structural remodelling analysis as we look to not only replenish mined reserves, but also to add reserves with highly targeted underground drilling campaigns at Flying Fox", Mr Lougher said.

The Flying Fox Mineral Resource Statement shown in Table 1 is reported in accordance with the JORC Code (2012). The effective date of the Mineral Resource estimate is 30 June 2014.

Table 1

	Indicated			Inferred			Tot		
	Ore	Ni	Ni	Ore	Ni	Ni	Ore	Ni	
Flying Fox Deposit	(t)	(%)	(t)	(t)	(%)	(t)	(t)	(%)	(
(T4,T5 and T7)	1,447,287	5.9	85,891	217,840	1.6%	3,398	1,665,127	5.4	89,2

Table 1: Mineral Resource Estimate for the Flying Fox deposit above a lower cut-off of 0.4% Ni

The Flying Fox Ore Reserve Statement shown in Table 2 is reported in accordance with the JORC Code (2012). The effective date of the Ore Reserve estimate is 30 June 2014.

Table 2

	Proved			Probable		
Flying Fox Deposit (T4 and T5)	Ore (t)	Ni (%)	Ni (t)	Ore (t)	Ni (%)	Ni (t)
	-	-	-	1,561,771	4.1	64,122

Table 2: Ore Reserve Estimate for the Flying Fox Deposit

The full can be viewed at the Western Areas website www.westernareas.com.au.

COMPETENT PERSON STATEMENT - MINERAL RESOURCE

The Mineral Resources as stated have been estimated by Andre Wulfse BSc (Hons), MAusIMM, a full time employee of Western Areas Ltd. Andre Wulfse is a member of SACNASP and The AusIMM and takes overall responsibility for the Mineral Resource Estimate. These resource estimations have been carried out to professional industry and best practice standards and are compiled by a Qualified and Competent Person, as required in the rules of the ASX and the JORC Code, December 2012. Mr Wulfse consents to the inclusion in the report of the matters based on their information in the form and context in which it appears.

COMPETENT PERSON STATEMENT - ORE RESERVE

The information in the report to which this statement is attached that relates to Ore Reserves is based on information compiled by Mr Daniel Lougher, a Competent Person who is a Member of The AusIMM and a full-time employee of Western Areas Ltd. Mr Lougher has sufficient experience that is relevant to the style of mineralisation, type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Lougher consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

FORWARD-LOOKING STATEMENT: This release contains certain forward-looking statements including nickel production targets. Often, but not always, forward looking statements can generally be identified by the use of forward looking words such as "may", "will", "expect", "intend", "plan", "estimate", "anticipate", "continue", and "guidance", or other similar words and may include, without limitation, statements regarding plans, strategies and objectives of management, anticipated production and expected costs.

Examples of forward looking statements used in this report include: "From a revenue perspective this upgrade adds around A$100m of processed concentrates at today's nickel price" and "Structural modelling of T5 and T7 mineralisation suggests a potential northward plunge to thicker nickel mineralisation".

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, the Forrestania Nickel Operation or the Flying Fox Mine 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.

APPENDIX 1 - Summary of Material Information

Summary of Material Information

General

The Flying Fox Nickel sulphide deposit is located at the Forrestania Nickel Operations, 400km southeast of Perth.

The deposit is hosted within a sequence of sedimentary, ultramafic and mafic rocks within the Western Ultramafic Belt. The sulphide mineralisation consists of massive to matrix sulphides located in a possible shear zone in metasedimentary rocks overlain by a package of ultramafic and mafic rocks. The deposit belongs to the Archean komatiite hosted nickel type.

Sampling Techniques and Data

The Flying Fox Mineral Resource Estimate is reported inclusive of Ore Reserves.

The Flying Fox (FF) Deposit was sampled using diamond drill (DD) on nominal 50 x 30m grid spacing. A total of 450 UG DD, 556 Grade control DD and 135 Surface DD holes were used in the Mineral Resource Estimate (MRE). Grade control data which includes sludge drilling and short hole diamond drilling results as well as face mapping were used to build the geological models. Only results from DD holes were used to estimate grade into the block model. The total number of 1m composites derived from the holes used in the MRE is 5,685.

Diamond drill core was marked at 1m intervals and sample lengths were typically of this length. Boundaries were selected to match the main geological and mineralisation boundaries. Core was cut in half by diamond saw blades; for surface drill holes this was halved again with a quarter sent for assay and a quarter preserved as a geological archive. For the underground drilling the half core was sent for assay with the other half preserved as a geological archive; for grade control drilling the entire core was sent for analysis. Samples were crushed, dried and pulverised (total prep) to produce a sub-sample for analysis by 4 acid digest with an ICP/AES at an independent certified commercial laboratory.

External standards and blanks were routinely used (approx 1 standard for every 15-20 samples) to ensure correct QA/QC. Duplicates were taken on a 10% by volume basis (on underground drilling only), field based umpire samples were assessed on a regular basis. Accuracy and precision were assessed using industry standard procedures such as control charts and scatter plots. Results indicated there were no material issues associated with sample prep and analytical error. In occasional cases where a sample did not meet the required quality threshold, the batch or partial batch was re-analysed.

Density determinations were performed on the DD samples using the classical water immersion method and the density calculated. Density of the massive sulphide orebody within the mineral resource is determined using a regression formula that relates density and nickel readings on individual DD samples. Logging of diamond and RC samples recorded lithology, mineralogy, mineralisation, structure/geotechnical features (DD only), weathering and other descriptive features of the samples. All drilling data is collected electronically and stored and validated in a database.

Mineral Resource Estimation methodology

Due to the spacing of drilling and the understanding of similar deposits within the Forrestania Ultramafic Belt, overall confidence in the geological and geochemistry of the Flying Fox massive sulphide deposit is high, particularly in the T5 and T7 zones which form the basis of the mine plan over the next two years. The deposit is mainly located along the traditional footwall of the basal ultramafic metasediment contact, which was the original locus for sulphide deposition from an overlying pile of komatiite flows. Subsequent metamorphism, deformation and intrusion of granitoid sills have contributed to a complex setting, with mineralisation now occupying a possible shear zone.

The Mineral Resource Estimate is based upon a robust geological model. The hanging wall and footwall contacts of the mineralised zone were modelled with a level of confidence commensurate with the resource classification category. The extents of the geological model were constrained by drill holes intercepts and extrapolation of the geological contacts beyond the drill data was minimal for the Indicated category.

The strike length of the Flying Fox deposit varies considerably but is up to 750m in the T5 deposit. Distance from the top of T4 to the base of T5 is approximately 550m. The mean width of the deposit is 2.2m.

Grade and ancillary element estimation using Ordinary Kriging and Inverse Power Distance (IPD) was completed using Datamine Studio 3 software. The methods were considered appropriate due to drill hole spacing and the nature of mineralisation. All estimation was completed at the parent cell scale thereby

avoiding any potential geostatistical support issues. Sample data was composited to 1m downhole lengths and flagged on domain codes. Metal balance validation tests were performed on the composites to ensure zero residuals. No top-cuts or search ellipsoid restrictions were applied on the basis of grade distribution, Coefficient of Variation and a comparative analysis of the underground data vs. the surface drill data. Sample data was flagged using domain codes generated from 3D mineralised wireframes. Qualitative Kriging Neighbourhood Analysis was used to determine the optimum search neighbourhood parameters. Directional variography was performed for Ni and selected ancillary elements. Nugget values are typical for the type of mineralisation (Ni = 20% -40% of the total variance). Ranges of continuity for Ni vary from 20m to 60m in the direction of preferred orientation of mineralisation. Estimation validation techniques included swathe plots of the grade of the composites vs grade of the block model. The 2014 MRE is an update of the 2011 MRE.

The Flying Fox Mineral Resource is classified as Indicated and Inferred on the basis of drill hole spacing, underground development and Kriging quality parameters. No blocks were classified as Measured. Validation of the block model included comparing the volume of domain boundary wireframes to block model volumes. It also involved comparing block model grades with drill hole grades by means of swathe plots showing easting, northing and elevation comparisons. Jack-knifing and visual grade validations were undertaken. Grade and tonnage reconciliation of the 2011 model has been closely monitored and found to be within acceptable thresholds. The assumptions and methodologies used during the 2014 estimation are very similar to that of the 2011 model. Based on a thorough validation and verification exercise, WSA is satisfied that the estimate is robust.

Ore Reserve Estimation methodology

Cut-off parameters

A Reserve cut-off grade of 1.5% Ni was selected to obtain an Ore Reserve that complies with the following criteria:

- Minimum Head Grade complying with the current Mill requirements.
- Ore reserve average grade equal or greater to the Life of Mine breakeven grade.
- Positive NPV.
- Maximum mine life.
- Nickel price of 7.00 US$/lb and an exchange rate of 1 AU$ for 0.95 US$.

Metallurgical and Mining Assumptions

The Flying Fox deposit started ore production in late 2006. The current mining method is a mix of direct AVOCA, reverse AVOCA long-hole stoping with a bottom-up stoping sequence using a combination of unconsolidated rock-fill and cemented rock-fill. Starting in FY16, a long-hole top-down stoping method using paste filling below the 425 level will be adopted. This stoping methodology has been taken into account during the estimation process and is one of the reasons for the increase in contained metal relative to the previous estimate.

The Mining Model has been designed using MINE2-4Dv15 and Enhanced Planning Solution softwares. Mining factors have been selected using historical performance data of the deposit, particularly:

- The minimum mining width is 3.0m in the central part of T5, 2.0m in the fringes of T5 and 2.4m in T4.
- The maximum stable stope length is 20.0m with a stope height between 8.0m and 17.0m.
- Hanging wall planned dilution is 0.5m and footwall planned dilution is 0.25m.
- Unplanned dilution (from hosting rock and fill) is 10% of stope mass.
- Nickel grade in the dilution is 0%.
- Ore recoveries range from 70% to 98% in the stopes dependent on location within the orebody and extraction sequence, and 100% in the ore drives.
- Pillar factor for unplanned pillars is 2%.
- Production and costs rates reflect current mining performances and practice.

The Cosmic Boy Concentrator facility has been in operation for many years. The metallurgical process is a well tested technology for Nickel Sulphides recovery with three stages of fragmentation - wet screening for size classification, one milling stage with cyclone size classification and two stages of flotation including Arsenic rejection.

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