Exploration Commenced -- Data Review Highlights Exceptional High Grade Nickel Targets Beyond Initial Expectations

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Western Areas Ltd. (ASX:WSA) ("Western Areas" or the "Company") is pleased to provide an update on the activities at the Cosmos Nickel Complex (Cosmos). A comprehensive review of project data, coupled with recent exploration activities, has confirmed substantial additional exploration upside beyond initial expectations at the time of the acquisition.

Western Areas has now re-opened the project site, commenced ground geophysics and an ongoing review of project data is in progress. Western Areas Managing Director, Mr Dan Lougher, said that the initial results have only reinforced the prospect for Cosmos to form WSA's second mining operation alongside the premium Forrestania Nickel Operation.

"Having gained access to Xstrata's full drill hole database post completion of the transaction, our exploration team has conducted an extensive and thorough geological review. This has uncovered multiple significant high grade intersections at Cosmos that were not identified during the due diligence phase. The results of this review, combined with our modern geophysical tools, are providing a strong basis for our high priority target generation programme."

"At the same time, a small in-house project team has been formed to update the mining development study on the Odysseus deposit at Cosmos. The aim is to bring the Odysseus study up to Western Areas standards using our low cost operating model and current market mining costs. We anticipate that the study could be converted to pre-feasibility status later this year, and we are already uncovering areas where significant optimisation of capital and operating costs can be delivered," Mr Lougher said.

Key tasks underway or completed at Cosmos include:

1. Geophysical work testing a range of new Electro-Magnetic (EM) methods and technologies successfully completed;
2. First stage of systematic EM testing of prospective stratigraphy underway - an anomaly has already been identified for drilling at Prospero;
3. Review of historical data reveals significant intersections that remain untested and will form part of a substantial exploration program in 2016:
    1. Prospero intersections including 4.22m @ 12.48% Ni (incl. 2.37m @ 19.7% Ni) in drill hole PSD016; and
    2. Aries multiple intersections including 4.46m @ 12.28% Ni and 3.28m @ 10.60% Ni
4. Six hole, 7,000m diamond drilling program planned to test a number of EM conductors for possible extensions to the Odysseus North deposit;
5. Outstanding brownfields exploration upside at Neptune and Apollo (previously Lake Miranda and Miranda Well), where nickel sulphides and/or EM targets have been identified within thick cumulate ultramafics;
6. Odysseus mine project pre-feasibility study commenced following a detailed review of the previous owner's study work; and
7. Over 500,000t of contained nickel in Resource has been verified to JORC 2012 standards.

Near Mine Opportunities

During the review of the extensive Cosmos data base it became apparent that there are multiple targets located adjacent to current mining infrastructure and resources which have potential to add significant value to the operation. Given the high nickel tenor and value of the massive sulphide ores in the mining area, even small discoveries can significantly enhance the economics of the Odysseus and Alec Mairs (AM) deposits. Of these targets, Odysseus Massive, Ulysses and Aries are likely to be accessible from the development of the current resources, and are therefore ranked very high in priority.

Odysseus Massive

The Odysseus massive sulphide target is located immediately below the Odysseus and Odysseus North orebodies. The target comprises an existing resource (48Kt @ 11.6% Ni), and a number of isolated intercepts (incl. 5.4m @ 12% Ni) and DHEM plates. This is a compelling exploration opportunity.

Aries

The Aries target is located in the hanging wall of the AM6 deposit, which remains un-mined, and could represent an additional lens of high grade material in the AM complex. This target is characterised by multiple intersections of high grade massive sulphides (ie 4.46m @ 12.28% Ni and 3.28m @ 10.60% Ni) encountered in a single underground drill hole that was extended beyond the defined resources of AM6.

The presence of further high grade lodes in this location opens up the potential for more opportunities in untested areas around the AM ore bodies. The Aries location and favourable geometry may allow drill testing from surface.

Ulysses

A detailed review of historical geophysics has revealed a number of untested down hole electromagnetic (DHEM) anomalies in the area to the north of the known resources at Odysseus North. These may represent massive nickel sulphides similar to those below the Odysseus orebodies.

The Ulysses area has the potential to add significant volume to the current resources of Odysseus and Odysseus North, and early success will impact the studies underway for Odysseus. Historical drilling in the area is limited, exploration will target the northern continuation of the ultramafic hosted disseminated sulphide mineralisation and any potentially related massive nickel sulphides.

Prospero

A review of the Prospero/Tapinos area is in progress and this may provide additional near mine opportunities. Significant intersections of massive nickel sulphides are present outside of the depleted mining areas and may be accessible from the current underground mine infrastructure.

In particular, mineralisation in the hanging wall contains numerous zones of massive sulphides, with intersections including 4.22m @ 12.48% Ni (incl. 2.37m @ 19.7% Ni) in drill hole PSD016. The high value of this mineralisation ranks this opportunity highly and current exploration in the area with geophysics may unlock further value.

Brownfield Opportunities

As expected, further opportunities have been identified outside the mine areas detailed above, particularly where historical exploration is less mature.

Neptune

The area south of the high grade Prospero/ Tapinos mines remains relatively untested by drilling and effective geophysics. This area is interpreted to contain the highest volume of cumulate ultramafics in the Cosmos Nickel Belt, and historical drilling has encountered nickel sulphides in a number of areas including 9.0m @ 2.20%Ni (incl. 2.0m @ 4.0% Ni) in drill hole BJA094.

Whilst the area has been screened with EM surveys in the past, the nature of the conductive cover has limited the ability of the EM systems used to detect anomalies at depth. New technology and refined survey methods will aim to unlock the prospectivity of this area.

Apollo

The Apollo area is located in the south-east area of the project, immediately adjacent to the BHPB Camelot nickel camp. Camelot is known to host significant volumes of high and low grade nickel sulphide mineralisation in a series of deposits. The mineralisation is contained within the same sequence of ultramafic units that host the world class Perseverance Nickel Camp. The prospective Camelot ultramafics have been interpreted to extend onto the WSA tenure in the Apollo area.

Historical surface EM surveys have highlighted numerous anomalies at Apollo, some of which remain untested. The package at Apollo is interpreted to represent the northern extension of the Lemon and Endurance ultramafic sequence (BHPB), known to contain nickel sulphides. Drilling of the prospective ultramafic sequence and the untested EM anomalies at Apollo remains a high priority.

Exploration Work Program

Geophysical Surveys

Given recent advances in EM data acquisition systems since the discovery of the Cosmos Nickel Camp and previous EM surveys, the opportunity was taken to run comparative tests of the latest surface EM technology in areas of known mineralisation and more conductive cover conditions. The test work involved both Fixed Loop (FLEM) and Moving Loop EM (MLEM) configurations with a range of sensor/transmitter combinations. This has helped optimise the most appropriate survey specifications and equipment for use over conductive cover and complex geology. The FLEM test work was completed over known mineralisation at the Odysseus and AM prospects, and the MLEM work covered an area with conductive cover in the south of the project area.

The MLEM survey work commenced late in 2015 and the initial work is focusing south of the Prospero/Tapinos deposits, in an area with large volumes of cumulate ultramafics and no deep drilling. The continuation of the (mineralised) Prospero ultramafic unit to the south is confirmed by the higher magnetic signature of the cumulate ultramafic rocks.

In addition, historical shallow RAB and Air-core drilling encountered ultramafic rocks and, importantly, indications of nickel sulphides in the area. Once the current phase of work is completed the survey work will be extended to the north. It is anticipated the surface survey work will take 2-3 months to complete. Initial work has already identified a number of MLEM anomalies. If these anomalies can be substantiated with follow-up surveys, they will be prioritised for drill testing.

Drilling Program

The program of up to 7,000m of diamond drilling will initially test the Ulysses target area. A total of six drill holes are planned to test Ulysses from surface. Drilling will be staged based on ongoing success and will target potential extensions to the Odysseus North mineralisation and untested EM conductors identified in historic data. The program will utilise digital Atlantis DHEM to verify the conductors and detect any new anomalies.

One of the reasons to drill Ulysses first is that any success can add to resources at Odysseus and enhance project economics. The plates identified have been sourced from the previous owner's geophysical information and have been reviewed by our geophysical consultants, Newexco. Odysseus is already a very significant Mineral Resource with 174,000t of contained nickel.

The Ulysses drilling will be followed by a broader exploration drilling program focused on testing other near-mine opportunities and any targets generated by the ongoing EM surveys. A number of drilling targets have already been defined at the Aries, Prospero and Apollo areas, and these will be ranked and prioritised with any new targets. Targets proximal to existing infrastructure and within the brownfield areas of the Cosmos Nickel Belt have potential to add the most value due to the extremely high tenor of the mineralisation (up to 30% Ni), and will be ranked accordingly.

Drilling tenders have been received and are being reviewed, with work expected to begin this quarter. Consultation has also begun with the traditional owners of Cosmos, and WSA is working with members of the local communities to prepare for the exploration activities.

DISCLAIMER AND QA-QC STATEMENT: The information within this report as it relates to exploration results and mineral resources is based on information compiled by Mr Charles Wilkinson and Mr Andre Wulfse of Western Areas Ltd. Mr Wilkinson and Mr Wulfse are members of AusIMM and are full time employees of the Company. Mr Wilkinson and Mr Wulfse 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 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.' Mr Wilkinson and Mr Wulfse 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. Examples of forward-looking statements used in this release include: "the initial results have only reinforced the prospect for Cosmos to form WSA's second mining operation alongside the premium Forrestania Nickel Operation" and "the study could be converted to pre-feasibility status later this year, and we are already uncovering areas where significant optimisation of capital and operating costs can be delivered" and "during the review of the extensive Cosmos data base it became apparent that there are multiple targets located adjacent to current mining infrastructure and resources which have potential to add significant value to the operation".

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

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

For Purposes of Clause 3.4 (e) in Canadian instrument 43-101, the Company warrants that Mineral Resources which are not Mineral Reserves do not have demonstrated economic viability.

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