WESTERN AREAS NL

A.C.N. 091 049 357

ACTIVITIES REPORT - DECEMBER QUARTER 2005

Highlights

Flying Fox Resources and Exploration

- Total mineral resources at Flying Fox increased to approximately 1,097,000 tonnes at an average grade of 6.7% nickel containing approximately 73,900 tonnes of nickel. 88% of these total mineral resources are in the high confidence Indicated Mineral Resource category.
- Drilling south of the T5 deposit ("T5 South") has defined an Indicated Mineral Resource with 141,600 tonnes at 9.0% nickel confirming T5 as one of the highest grade nickel deposits in Australia.
- T5 remains open to the south (where recent drilling intersected 16.4m @ 5.9% nickel, 21.8m @ 6.0% nickel and 5.9m @ 7.9% nickel), at depth, up dip towards T4 and north of the dolerite dyke.
- Drilling at T4 has intersected an unusual zone of granite hosted sulphides. FFD 168 W2 intersected 13.7m @ 4.6% nickel and a drilling program is underway to define a potential resource in this area.
- Drilling has also commenced to test for potential extensions to the T4 and T5 mineralisation north of the dolerite dyke. The first drillhole in this area should reach target depth in early February.
- One of the Company's goals during 2006 is to increase the total mineral resources at Flying Fox to 100,000 tonnes of contained nickel.

Feasibility Studies and Mine Development

- The main decline for the Stage 1 mine is at 170m vertical depth. Total underground development is approximately 1.7km of advance which includes the main decline, ventilation decline and all services.
- Delays to the development of the main decline have been encountered due to water inflow coincident with equipment failure. Backup equipment has now been installed on site to overcome the problem. Production from the main T1 deposit is now estimated to commence by the end of December 2006.
- Underground drilling will start in February to infill the high grade T1 North zone in the area adjacent to the decline path, up to 150m above T1. If this drilling program is successful, potential exists to commence production from T1 North several months before production from the main T1 deposit.
- Decision announced to construct a nickel sulphide treatment plant at Cosmic Boy 20km south of Flying Fox, using significant existing infrastructure. The intention is to have the 250,000 tonnes per annum plant commissioned by the end of 2006 to treat ore from T1.
- Total capital cost for the plant construction is estimated to be $20 to $25 million. The Company has already acquired the main components for the plant and has commenced discussions with financiers.
- Due to recent drilling success at T5, the Stage Two feasibility study has been expanded to include the high grade T5 South deposit. Results from this study are expected to be released in mid February.

Corporate

- WSA commenced trading on the Toronto Stock Exchange ("TSX") on 12 December after raising A$23 million in a placement to investors in Canada, London and Australia. Canadian director, Robin Dunbar was welcomed to the Board and a small office was opened in Toronto to help support the TSX listing.
- A major promotion of WSA has commenced with presentations to be given to institutions in Australia, Canada and North America. The presentations will outline the main goals for the Company in 2006.

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1 Flying Fox - Mineral Resource Update

Mineral resources at Flying Fox now comprise:

Flying Fox Deposit	Category (JORC)	Tonnes	Nickel grade (Ni%)	Contained Ni (tonnes)
T1 *	Indicated Mineral Resource	285,900	5.9%	16,900
T1/T2	Inferred Mineral Resource	29,700	5.7%	1,700
T5 **	Indicated Mineral Resource	523,700	6.7%	35,000
T5 South	Indicated Mineral Resource	141,600	9.0%	12,700
T5	Inferred Mineral Resource	115,800	6.5%	7,500
TOTAL		**1,096,700**	**6.7%**	**73,900 tonnes nickel (163 million pounds)**

Notes: * Includes a Probable Ore Reserve of 314,500 tonnes at an average grade of 4.8% nickel.
** Includes a Probable Ore Reserve of 606,000 tonnes at an average grade of 5.3% nickel.

T5 South - Mineral Resource

Based on drilling carried out in the December quarter, an Indicated Mineral Resource of 141,600 tonnes at an average grade of 9.0% nickel containing approximately 12,700 tonnes (28 million pounds) of nickel has been estimated for T5 South. T5 South is continuous with the other T5 mineral resources listed above. The tonnes and grade figures of the resource have been rounded to reflect the precision of the calculations.

T5 South - Mineral Resource Parameters

Item	Details	Comments
Cell Size	5m (X) x 5m (Y) x 5m (Z)	Sub-cell to honour wireframes.
Interpolation Method	Inverse Distance	Power = 2.
Search Radii	30m x 45m x 5m (1st Pass)	Empirically determined. Three (3) passes (2nd x2 and 3rd x2.5). Validated with variography ranges.
Ellipse Orientation	Strike: Various; Dip: Various	Empirically determined. Validated with variography axes directions.
Nominal Drill Hole Spacing	~25m x ~25m	Average actual distance approximately 25m.
Check Estimations	Micromine polygonal and Datamine Ordinary Kriging	Close correlation between all estimates with respect to tonnes and grade.

The Flying Fox T5 South mineralised zones were modelled as discrete wire frames. A block model was created using 'Datamine' software filling the wire frames with cells and sub-cells. Geological continuity of the mineralisation in T5 is very good with average true widths of 4m and a maximum true width of approximately 10m. The average dip is 75 to 80 degrees and the strike length tested to date is up to 300m. Surface diamond drill hole collar surveys used differential GPS, downhole surveys used a gyroscopic instrument; comprehensive density database; high assay confidence with systematic QA/QC procedures; validated acQuire database.

2 Flying Fox - Exploration Update

The Company has set a goal for 2006 to attempt to increase the total mineral resources at Flying Fox from the current 73,800 tonnes of contained nickel to 100,000 tonnes of contained nickel.

A number of areas have been identified for testing during the next 12 months:

- T4 – drilling is in progress to define a potential resource in the area of a recent drill hole FFD 168 W2 which intersected 13.7m @ 4.6% nickel (down hole width) hosted mainly by granite.
- T4 and T5 north of the dolerite dyke – A program of several planned drill holes is underway. The first drill hole in this area is expected to reach target depth at approximately 650m RL, in early February.
- T5 South extensions – drilling is in progress to test above a recent drill hole FFD 163 W9/W1/W1/W1 which intersected two zones: 16.4m @ 5.9% nickel and 21.8m @ 6.0% nickel (down hole widths).
- T1 North – underground drilling planned to start in February to test an area of known, high grade mineralization with previous intersections including 1.7m @ 7.8% nickel (down hole width).
- T5 'Deeps' – widely spaced drilling will probably be carried out to test the potential for extensions below the limit of current drilling at T5, at about 1100m depth. T5 remains open at depth.
- WSA has requested geological consultants Newexco to design a program to test for other Flying Fox type deposits below the horizontal T1 granite sill, up to 4 km north and south along strike from Flying Fox. (The majority of drilling conducted by previous explorers was terminated above the granite sill.)

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3 Flying Fox - Project Development Update

Stage One Mine Development

Mine development at Flying Fox commenced just over 12 months ago. In this time, the 35m deep boxcut, 1.7km of underground development and significant underground and surface infrastructure have been completed. The mine is designed to service a long life operation and to extend at least to the depth of the T5 deposit. The decline has haulage capacity in excess of the 200,000 tpa ore production envisaged for T5.

In mid December, an inflow of water in the main decline coincident with a series of pump failures, power outages and electrical problems with the new jumbo drill rig resulted in below forecast rates of advance for the month. A number of actions have been taken to rectify the problem including plugging drill holes and installing backup equipment (pumps, a generator and a second jumbo) on site. In addition, three dewatering bores will be installed in the mine with the aim of providing surplus dewatering capacity, if required. The company considers that the mine is now well equipped to deal with anticipated future water inflow and the main decline development routine has been re established.

A drilling drive off the main decline was completed in mid January. Underground drilling will commence in February to infill and possibly extend the T1 North mineralisation adjacent to the decline path, up to 150m above the main T1 deposit. Previous intersections from surface drilling at T1 North include 1.0m @ 9.9% nickel, 1.7m @ 7.8% nickel and 3.8m @ 5.9% nickel (down hole widths). If this program is successful, potential exists to start production several months before production from the main T1 orebody.

Treatment Plant

On 11 January, WSA announced a decision to construct a nickel sulphide treatment plant at Cosmic Boy 20km south of Flying Fox, subject to environmental approvals and finance. The plant will be built on the site of Outokumpu's previous plant site and will benefit from significant existing infrastructure including roads, grid power, borefields, a fine ore bin and a large tailings storage dam. The intention is to have the 250,000 tonnes per annum plant commissioned by the end of 2006 to treat ore from T1.

Total capital cost for the plant construction including tailings disposal and a significant expansion of the Cosmic Boy village is estimated to be between $20 and $25 million. The company has already acquired many of the major components for the plant (flotation plant, filtration plant, ball mill and conveyor system) and has commenced discussions with financiers to fund the plant construction.

Stage Two Feasibility Study

As a result of recent drilling success at T5 South and the decision to build a nickel sulphide treatment plant at Cosmic Boy, the scope of the Stage Two feasibility study has been expanded to incorporate the high grade T5 South deposit into the T5 ore reserve. Results from the Stage Two feasibility study that were previously due in January are now expected to be released in mid February.

Julian Hanna, Managing Director
20 January 2006

Jumbo drill rig in the Flying Fox decline

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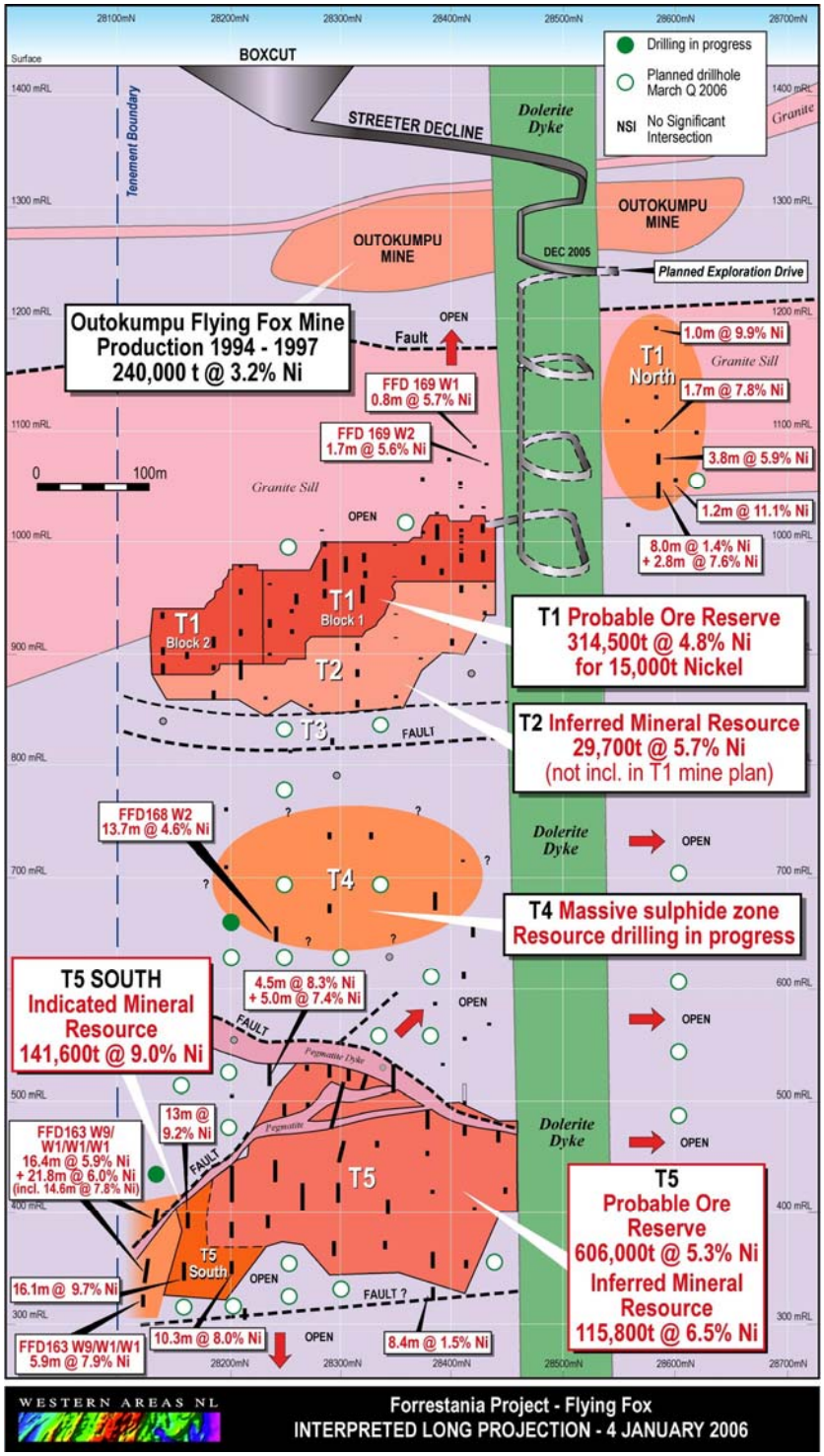

Flying Fox Interpreted Longitudinal Projection. (Drill hole intersections are down hole widths).

QA-QC STATEMENT: Mr Adrian Black from geological consultants Newexco Pty Ltd is responsible for the verification and quality assurance of the Company's exploration data and analytical results from the Forrestania Nickel Project. 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.

FORWARD LOOKING STATEMENT: This release contains certain forward-looking statements. 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. In this release, the statements referring to 'the Company goal in 2006 to increase mineral resources at Flying Fox to 100,000 tonnes of contained nickel and production from T1 is estimated to commence by the end of December 2006' are examples of forward-looking statements.

DISCLAIMER: The information within this report as it relates to geology was compiled by Mr Julian Hanna and Mr Adrian Black from Newexco. The information in this report as it relates to Mineral Resources is based on information compiled by Mr Peter Kitto who is a Fellow of The Australasian Institute of Mining and Metallurgy and is a consultant to the Company. Mr Kitto has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves'. Messrs Hanna, Black and Kitto consent to the inclusion in the report of the matters based on this information in the form and context in which it appears. This announcement does not include reference to all available information on the Company or the Forrestania Nickel Project and should not be used in isolation as a basis to invest in Western Areas. Any potential investors should refer to Western Area's other public releases and statutory reports and consult their professional advisers before considering investing in the Company.

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