



Activities Report

For the period ending 30 September 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 35,000t of nickel from 2011 at the 100% owned Forrester 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 with production expected to reach the target 8,000t nickel in CY 2008. Production is scheduled to ramp up to 14,000 tpa nickel in 2011. A number of 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 1.0Mt at an average grade of 7.2% nickel containing approx. 75,140t nickel. The target is to increase mineral resources at Spotted Quoll to 100,000t nickel to support a substantial, long life underground mine.

A scoping study for an initial open pit mine indicates production of 8,000 tpa nickel at a cash cost of about US\$1.50/lb. Production is due to start in the September Q 2009. Drilling is testing extensions between 300–600m depth with excellent high grade results intersected in the September Q.

ASX & TSX code: WSA
Shares on issue: 168m shares,
 5m options. **Market capitalisation:**
 A\$1.0Bn @ \$6.00 per share.

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The September Q was another period with excellent progress in all areas of Western Areas many activities. It coincided with a challenging period when the price of nickel dropped from US\$21,700/tonne on 1 July to US\$15,700/tonne on 30 September.

Recent falls in the nickel price have been largely offset by the weaker Australian dollar so that Western Areas is still receiving a reasonable price for nickel which is approximately 10% below our budget. This is largely compensated by the very high ore grades currently being mined at the Flying Fox T1 orebody.

As stated in a recent letter to shareholders, we believe your Company is in a very strong position to achieve its goals and to become one of Australia's premier nickel producers. We are focused on generating substantial profits from long term mining of our two key mines, Flying Fox and Spotted Quoll and on being in a position to pay dividends.

Drilling is increasing high grade mineral resources at Flying Fox and Spotted Quoll and we consider the exploration potential at Western Areas projects is unrivalled. During the quarter, your company was awarded the prestigious "Digger Award" at the Diggers and Dealers conference in Kalgoorlie for the successful development of Flying Fox and Newexco was awarded the "Discovery of the Year" award for Spotted Quoll.

Flying Fox

- 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. Cash costs are already amongst the lowest in Australia.
- All major capital development work at the high grade Flying Fox T1 ore body is now complete and stoping of the two main ore blocks commenced in late September. The decline is rapidly advancing to access the large T4 deposit.
- Invoiced production during the September Q was 48,400 tonnes of ore at an average mined grade of 3.9% nickel. The grade reflects a combination of lower grade development ore plus high grade (6% nickel) stope ore from T1.

Spotted Quoll

- Mineral resource doubled to >1.0Mt at an average grade of 7.2% nickel for 75,140t nickel making it one of the highest grade deposits in the world. Deeper drilling producing excellent results with resource upgrade due in December Q.
- Permitting is underway for initial open pit planned to be in production in the September Q 2009. Preliminary work underway for underground mine which could increase production in excess of target 8,000tpa nickel from the open pit.

Diggers South

- Early site works for the underground mine comprising an evaporation pond, pipe lines, waste dump and other surface infrastructure almost complete. Plan is for a staged development of this mine to minimise early capital expenditure.

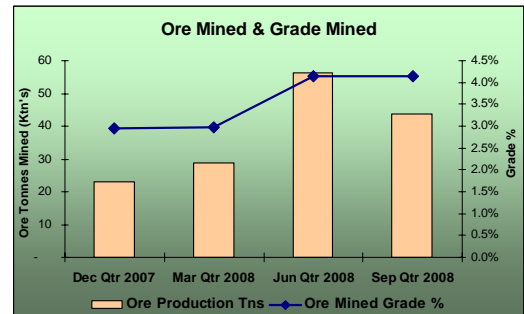
Nickel Concentrator

- Nickel concentrator at Cosmic Boy is 75% complete and is on budget and on target to be commissioned in the March Q 2009. Significant additional infrastructure includes expansion of the accommodation village to 450 rooms.

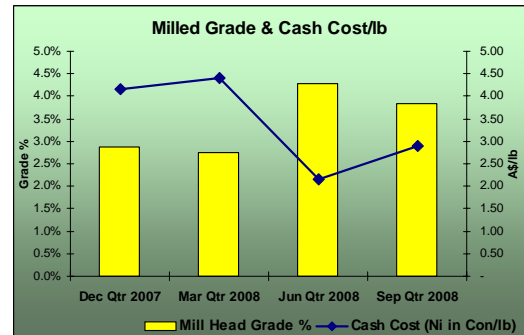
Exploration

- The major success was doubling the mineral resource at Spotted Quoll to 320m depth. Excellent results continue with high grade intersections in all drill holes to the limit of drilling at 600m depth. Spotted Quoll has the potential to be one of the largest, highest grade nickel discoveries in recent times.
- Encouraging results from diamond drilling at Koolyanobbing, 200km north of Forrester. The first drill hole in current program intersected multiple narrow zones of high grade nickel sulphides with spot values up to 9.2% nickel (Niton).

Production Statistics - Flying Fox			
Sep Qtr			
Flying Fox - Ore Tonnes Mined			
T1			40,854
Ni %			4.15%
T Zero			2,959
Ni %			4.01%
Tn's			43,813
Ni %			4.14%
Ni Tonnes Mined			1,812
Flying Fox - Ore Tonnes Invoiced			
T1			44,789
Ni %			3.85%
Recovery			91.1%
			1,571
T Zero			3,616
Ni %			3.82%
Recovery			85.0%
			117
Tn's			48,405
Ni %			3.85%
Ave. Recovery			90.6%
Ni Tonnes in Concentrate			1,688
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			
Group Cost/lb			
Mining Cost (*)	A\$/lb		2.28
Haulage	A\$/lb		0.23
Milling	A\$/lb		0.33
Admin	A\$/lb		0.13
By Product Credit	A\$/lb		(0.06)
Cash Cost Ni in Con (**)	A\$/lb		2.91
Cash Cost (Ni in Con/lb)	US\$/lb (**)		2.59
(*) Mining Costs are net of deferred waste costs and inventory stockpile movements			
(**) US\$ FX for the Relevant Quarter is the RBA average daily rate. (Sep Qtr = AUD\$1:US\$0.89)			
(***) Payable terms are not disclosed due to confidentiality conditions of the offtake agreement.			



Quarterly ore and grade mined at Flying Fox



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

1. FLYING FOX MINE PRODUCTION

Stope of high grade ore commenced in late September from two large ore blocks at the T1 ore body which is now effectively fully developed. The ore reserve grade to be mined from these two stope blocks is expected to average approximately 5% nickel. Production from T1 and the underlying T2 deposit is planned to continue throughout 2009.

A total of 43,813 tonnes at an average grade of 4.1% nickel was mined from T1 and T Zero during the quarter. Ore milling continued at Norilsk's Lake Johnston concentrator with 48,405 tonnes at 3.9% nickel invoiced during the September Q.

Operating development will continue into the lower levels of T1 whilst the existing ore drives have been set up for stoping operations in the December Q. The overall grade from Flying Fox is expected to increase during the December and March 2009 quarters due to the increase in stope ore planned to be produced. The mine is on schedule to reach the first production target of 8,000 tonnes of nickel in concentrate for the full year ending 31 December 2009. T4 is on track to be intersected by December 2008 with level development due to commence in March Q 2009.



Figure 1: Loading Flying Fox nickel concentrate onto a ship at Esperance Port for export to Finland.

2. FORRESTANIA PRODUCTION TARGETS

Western Areas has previously announced a target to produce 35,000tpa of nickel in concentrate from a number of mines at Forrestania from 2011 (Figure 2). The majority of this production is expected to come from the Flying Fox, Spotted Quoll and Diggers South deposits with additional production planned to come from the Cosmic Boy and New Morning deposits.

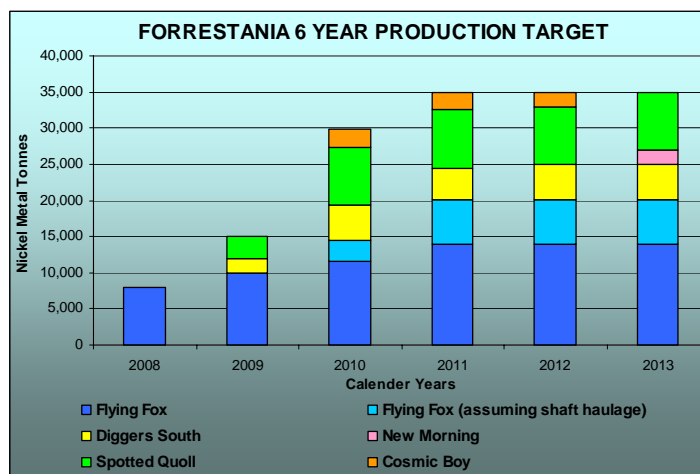


Figure 2: Forrestania 6 Year Production Targets based on mineral resources, feasibility studies, production estimates and assumptions of potential mineral resource extensions. (Refer to Disclaimer at end of release).

During the September Q and since these production targets were announced, a number of events have occurred which could change and possibly improve the various mine targets, as follows:

- Flying Fox:** A new fleet of faster and larger capacity trucks (60 tonnes) has been installed in the mine. In addition, a review of stoping methods in the T1 and T5 ore bodies and a plan to increase ventilation capacity has indicated that the haulage capacity on the decline may be increased by more than 30% above what was assumed in the original feasibility study. The 14,000tpa nickel production target in Figure 2 is based on the original feasibility study.
- Spotted Quoll:** During the quarter, the high grade mineral resource at Spotted Quoll doubled to over 75,000 tonnes contained nickel and the deposit remains open at depth and along strike. Feasibility studies for an initial open pit mine are now well advanced. A scoping study is also underway for an underground mine which has the potential to significantly increase production beyond the target 8,000tpa nickel assumed in Figure 2.
- Diggers South:** With the nickel price currently below US\$8/lb, Western Areas is undertaking a staged development program to minimise initial capital expenditure. Early site work including a 40ha evaporation pond and a pipeline system to dewater the existing Digger Rocks underground mine will be completed in October. When the existing mine is dewatered and the underground portal is exposed, a decision will be made to rehabilitate the existing decline and extend it 400m to access the Diggers South deposit.

3. MINE DEVELOPMENT AND INFRASTRUCTURE

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

Flying Fox Mine

The mine decline has advanced below the T3 fault zone (650m below surface) with no geotechnical or water issues and is already approaching the large T4 deposit (Figures 3 and 4). Level development at T4 is due to start in the March Q 2009 with production on track to commence in July 2009.

The proposed ore haulage shaft from T4 is being reviewed and may be postponed which would save around \$50M in capital costs. This is based on utilising an improved trucking fleet and ventilation system which could increase decline haulage capacity from 240,000tpa ore to potentially 350,000tpa ore from the T4 and T5 deposits.

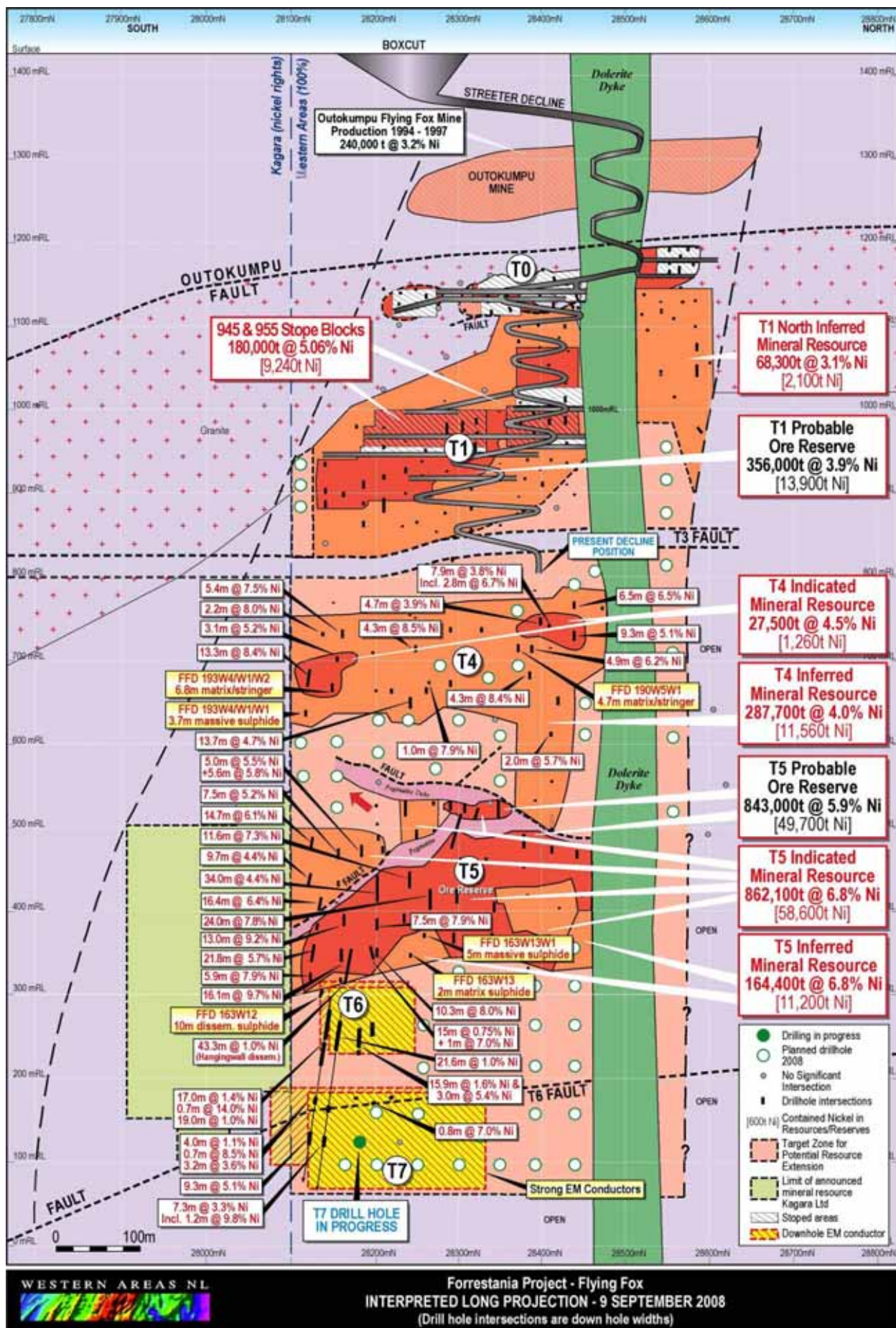


Figure 3: Interpreted longitudinal projection of Flying Fox Mine.

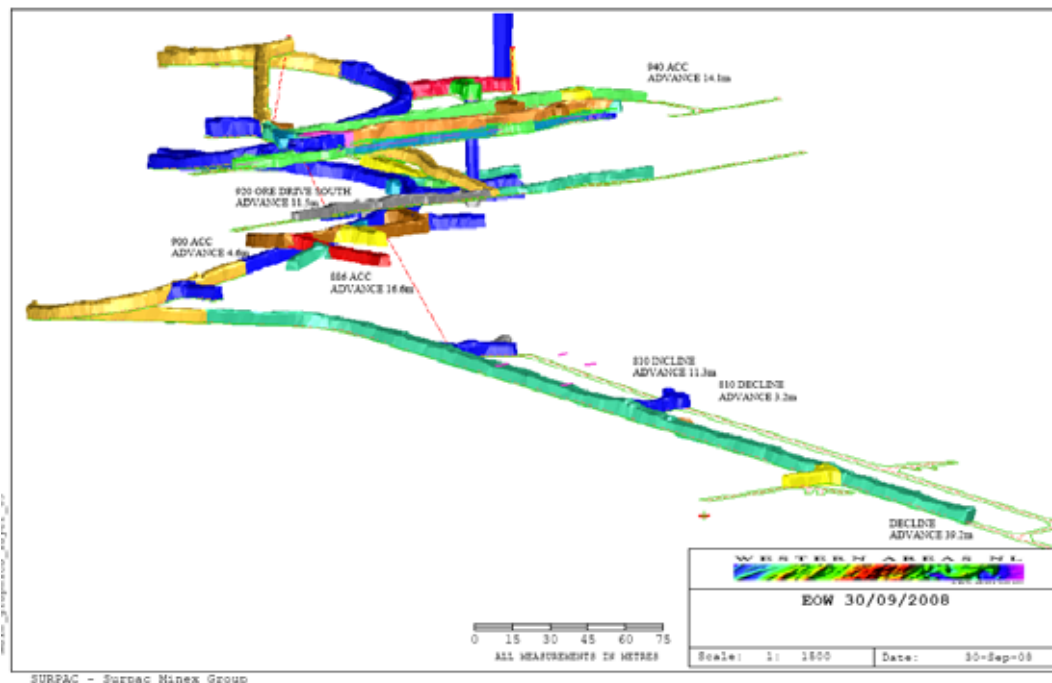


Figure 4: Isometric view of Flying Fox T1 development with decline extending towards T4.

Spotted Quoll Deposit

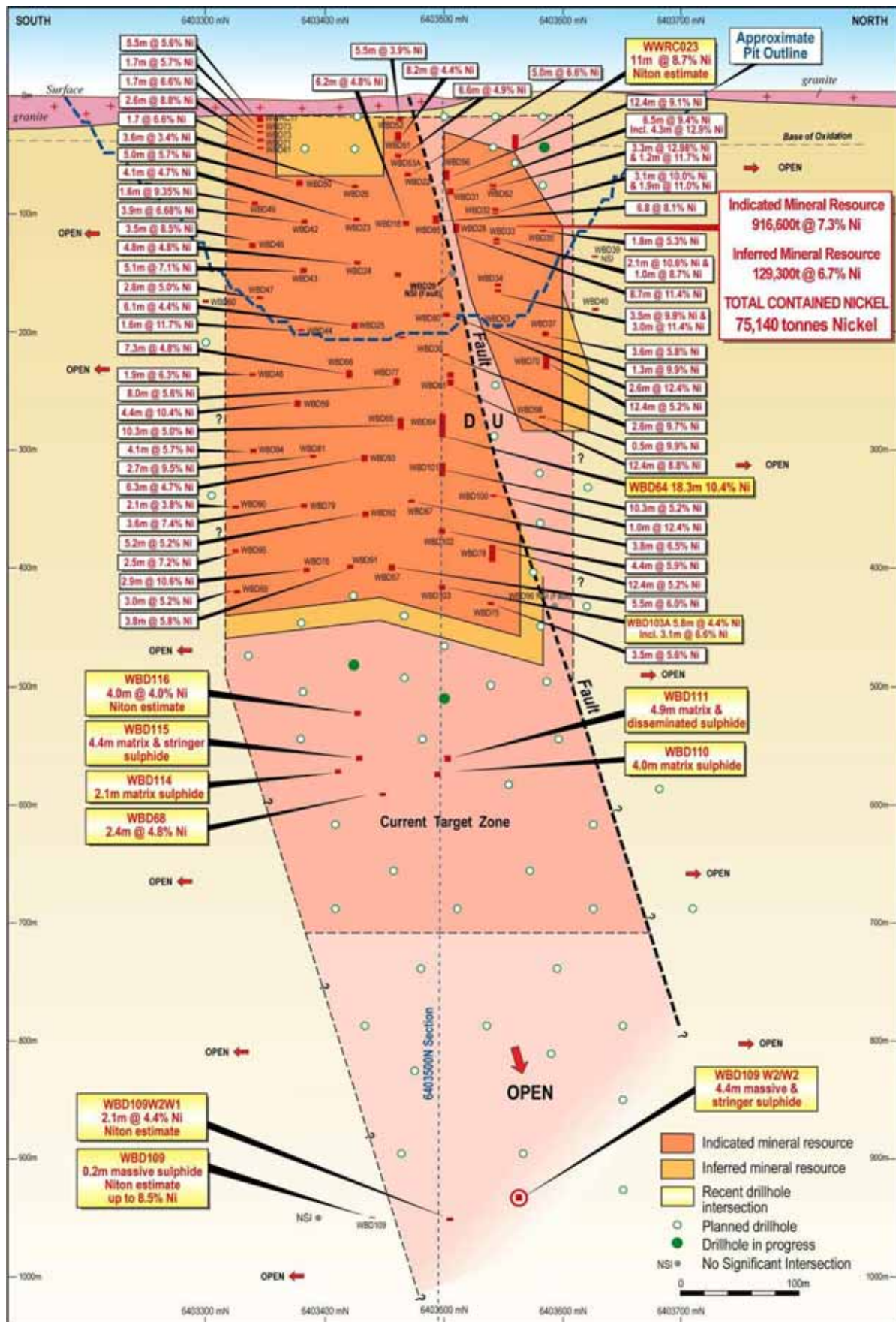
The mining proposal for the Spotted Quoll open pit has been lodged for approval and all permitting is expected to be completed by the end of 2008. The open pit is planned to be mined in two stages with an initial design to access shallow ore followed by a cut back to access deeper ore. Pre strip mining of the open pit is planned to commence in February 2009 which should result in first ore production from Spotted Quoll in the September Q 2009.

Metallurgical testwork, geotechnical and hydrological drilling is already well advanced. Initial results indicate a 14% to 16% nickel concentrate grade is achievable from primary sulphide ore and that most of the gersdorffite (nickel arsenic sulphide) can be removed during flotation.

The very robust economics of the open pit will benefit significantly by using existing infrastructure at Forrestania. Ore from Spotted Quoll will be treated at the Cosmic Boy concentrator 15km to the south. The Cosmic Boy village is being upgraded to 450 rooms to accommodate the Spotted Quoll work force and grid power and a dewatering pipeline will be extended from Flying Fox to Spotted Quoll in the December Q 2008.



Drill rig at Spotted Quoll



Diggers South

Surface infrastructure works commenced in the September Q on the construction of a 40ha evaporation pond on the same site as Outokumpu's previous evaporation pond (Figure 7). All other associated infrastructure works are complete. Mine dewatering will commence in the December Q.

The feasibility programme is well advanced with the geotechnical and hydrogeological aspects of the study complete. Ongoing studies will focus on optimising the underground mine design and milling characteristics of the Diggers South ore.

Preliminary indicative offers have been received from a number of parties to purchase the nickel concentrate produced from Diggers South. Negotiations are ongoing.



Figure 7: Diggers South Surface Infrastructure team.

Cosmic Boy

A contract has been awarded to excavate the old Outokumpu box cut (Figure 8) to allow access to the Cosmic Boy underground mine. Material excavated from the boxcut will be used to build the ROM pad at the Cosmic Boy nickel concentrate plant. Work is scheduled to commence in the December Q.

The current Indicated Mineral Resource is 180,900 tonnes at 2.8% nickel containing 5,000 tonnes nickel. Western Areas is also evaluating additional mineralisation within the mine environment with the aim of converting this to further Mineral Resources.

Cosmic Boy Mine was Outokumpu's largest mine and produced 1.9 million tonnes ore at 2.0% nickel.

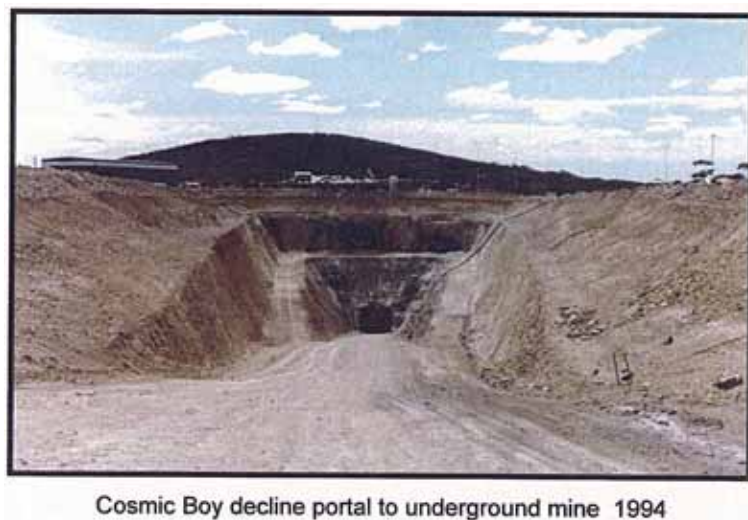


Figure 8: Cosmic Boy Portal – planned to be excavated and rehabilitated in September Q

Cosmic Boy Concentrator

Construction of the Stage One Cosmic Boy Concentrator continued with the project 75% complete at the end of the quarter. The concentrator is on target for commissioning in the March Q 2009.

Progress over the past quarter has seen the completion of civil works, buried services, installation of structural steel in the crushing, flotation, thickening and concentrate storage areas. This has enabled some of the major equipment items to be installed. These include the Primary Crusher, Sag Mill, Flotation cells, tailings and concentrate thickeners and the concentrate storage shed. The concentrator office and laboratory were also installed during the quarter.

Installation of the concentrate filter, reverse osmosis plant and conveyor galleries will be completed in the December Q along with the plant electrical reticulation and pipe works.

The tailings storage facility is scheduled to commence in the December Q along with the completion of the ROM pad construction.



Figures 9 and 10: Cosmic Boy Concentrator Plant. Figure 9 shows the coarse ore bin on LHS background, concentrate shed on LHS foreground, workshop/store on RHS foreground, the SAG mill to RHS of crane, flotation plant and thickener in centre and ROM pad and crusher in background. Figure 10 shows installation of the SAG mill in September.

4. MINE SAFETY AND ENVIRONMENT

Safety

Safety continues to be a priority at the Forresteria site. There was one LTI (lost time injury) during the quarter when a surface drilling technician crushed a thumb. No long term injury resulted and he has since returned to site. Elsewhere on site there were 5 medically treated (MTI) or minor injuries that did not result in losing time. Continuing with the trend of the previous quarter, rig inspections and safety meetings have been held with all drilling operators and the standard of workplace safety is continuously being monitored and improved.

The emergency response team consists of 23 members who are all in the process of being trained in all required disciplines for emergency preparedness. Training during this quarter included Underground Search and Rescue, Vehicle Extrication, Rope Handling exercises, BG4 usage & Identification of Mine Gases.

Environment

The Environmental Dept activities for the September Q consisted mainly of permit applications and onsite auditing of activities to ensure compliance. No significant environmental incidents occurred during the September Q. The main activities are listed below:

- An operating licence which will allow pit dewatering operations to commence at Digger Rocks is expected to be received from the DEC in early November.
- Development of a new surface waste dump at Flying Fox was approved by DoIR.

- The Mining Proposal for development of an open pit at Spotted Quoll was submitted to the WA regulators (EPA, DoIR and DEC) and to the Commonwealth Department of Environment, Water, Heritage and the Arts (DEWHA). At this stage the level of Environmental Impact Assessment required for the project has not been set by the EPA or DEWHA.
- The Mining Proposal for the development of evaporation ponds on company owned farmland to the west of Digger Rocks (Mossco Farm) was submitted in July. This proposal was determined to not require formal assessment by the EPA and is to be managed through Part V of the Environmental Protection Act 1986 under a works approval and licence.
- A proposal has been received from the DEC and UWA regarding implementation of a monitoring program for the marsupial Western Quoll at Forrestania. The first phase of this program is expected to commence in February 2009.

5. FORRESTANIA MINERAL RESOURCES AND EXPLORATION

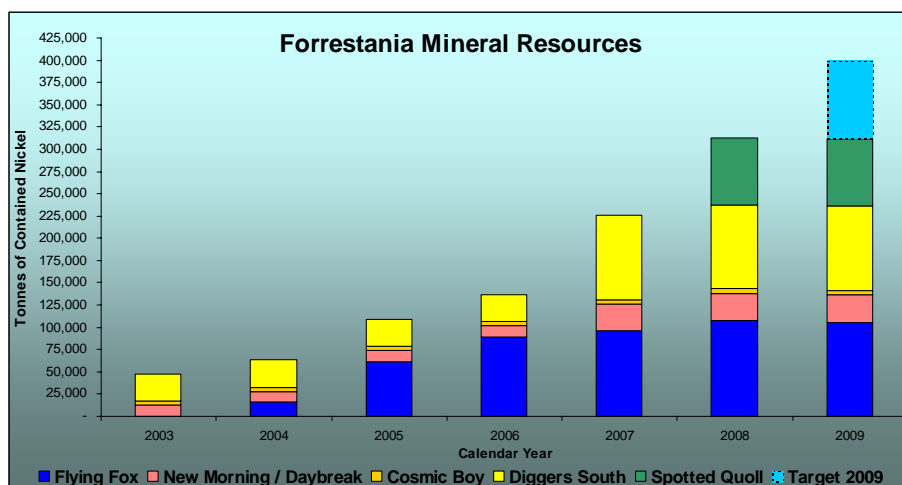


Figure 11: Growth of Forrestania Mineral Resources over 6 years. Showing target of 400,000 t nickel in CY 2009

During the quarter an updated Spotted Quoll Mineral Resource was announced for 1,045,900 tonnes at an average grade of 7.2% Nickel, containing 75,140 tonnes nickel to a vertical depth of 320m below surface. This represents a rapid increase of 118% in the Mineral Resource since the initial estimate in April 2008. The Spotted Quoll deposit exhibits exceptional continuity of width and grade throughout and remains open at depth, with the current deepest intercept in WBD109W2W1 being approximately 950m down-dip from surface.

Significantly, the current **drilling cost to date for Spotted Quoll is only 3 cents/lb nickel** for Mineral Resource definition, and the **Mineral Resource averages 206t (454,000lb) of contained nickel per vertical metre**.

The increase at Spotted Quoll increases the total contained nickel in Mineral Resources at Forrestania to 311,018 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 11).

The revised mineral resource estimate for Spotted Quoll is based on results of 88 surface diamond drillholes and 8 surface RC drillholes between October 2007 and August 2008.

<i>Mineral Resource Statement 1 September 2008 Spotted Quoll Deposit above lower cut-off of 2% Ni</i>									
	Measured			Indicated			Inferred		
	Tonnes	Ni (%)	Ni (tonnes)	Tonnes	Ni (%)	Ni (tonnes)	Tonnes	Ni (%)	Ni (tonnes)
TOTAL	-	-	-	916,600	7.3	66,540	129,300	6.7	8,600

Flying Fox Exploration

Drilling recommenced towards the end of the quarter at T5 to test a large previously undrilled area between the upper Mineral Resource limit of T5 and below the T4 Mineral Resource at the southern end of the deposit. The first drill hole in this program is expected to reach target in mid October.

Additional drilling was carried out to test the T6 Fault and T7 deposit. The two most recent drill holes at T7, FFD 195 W1/W1 and FFD 195 W1/W3 intersected 1.9m of massive sulphide and 2.0m of massive sulphide respectively. Assay results are required to confirm what are expected to be high grade nickel intersections in these drill holes. Further details on the drilling at T6 Fault and T7 will be released when data is available.

Drilling is in progress to test the southern part of the T6 ore zone, immediately below the T5 orebody.

In summary, drilling during the December Q will be focussed on the following areas (Figure 3):

- Two underground drill rigs will commence drilling T4 to define ore reserves.
- One surface drill rig is testing the area between T5 and T4 at the south of the deposit.
- One surface drill rig is currently testing the T6 deposit below T5 ore body.

Spotted Quoll Exploration

Four drill rigs are currently operating at the Spotted Quoll deposit. Drilling during the quarter resulted in a significant increase in the Mineral Resource and focused on further extensions to the deposit.

Infill RC and diamond drilling commenced to define the near surface area of the deposit as part of the feasibility study for the proposed open pit mine. Drilling between 40-50m vertical depth intersected significant mineralisation outside the current mineral resource including drill hole WWRC 023 which intersected **11m @ 8.7% nickel** (Niton estimate – refer to disclaimer).

In addition, all recent deeper drill holes below the mineral resource have intersected high grade nickel sulphides or sulphide intervals for which assay results are awaited to confirm nickel grades. The deepest intersection at Spotted Quoll is now equivalent to the base of the Flying Fox T1 orebody.

Importantly, WBD 109W2W2, one of the deepest drill holes at Spotted Quoll to date intersected 4.4m of massive and stringer sulphides at approximately 640m vertical depth, twice the depth of the current mineral resource (Figure 6). This indicates the mineralisation is thickening north towards the interpreted fault and clearly shows the potential for a significant mineral resource upgrade at what is developing into a large, high grade and very continuous nickel deposit.

Recent drilling below the current Mineral Resource includes significant intersections listed below:

Drillhole	Width
WBD 110	4.0m matrix sulphide
WBD 111	4.9m matrix and disseminated sulphide
WBD 114	2.1m matrix sulphide
WBD 115	4.4m matrix and stringer sulphide
WBD 116	4.0m @ 4.0% Ni (Niton XRF estimate)
WBD 109W2W1	2.1m @ 4.4% Ni (Niton XRF estimate)
WBD 109 W2/W2	4.4m massive and stringer sulphide

The locations of these drill hole intersections are shown on Figure 6. Formal assay results are required to confirm Niton estimates – (refer to disclaimer in this release).

Drilling of the upper zone of the proposed open pit mine will be completed during the December Q. Drilling is now concentrating on extending the depth of the mineral resource with a planned update to the Mineral Resource estimate expected by the end of the December Q.

6. REGIONAL EXPLORATION PROJECTS

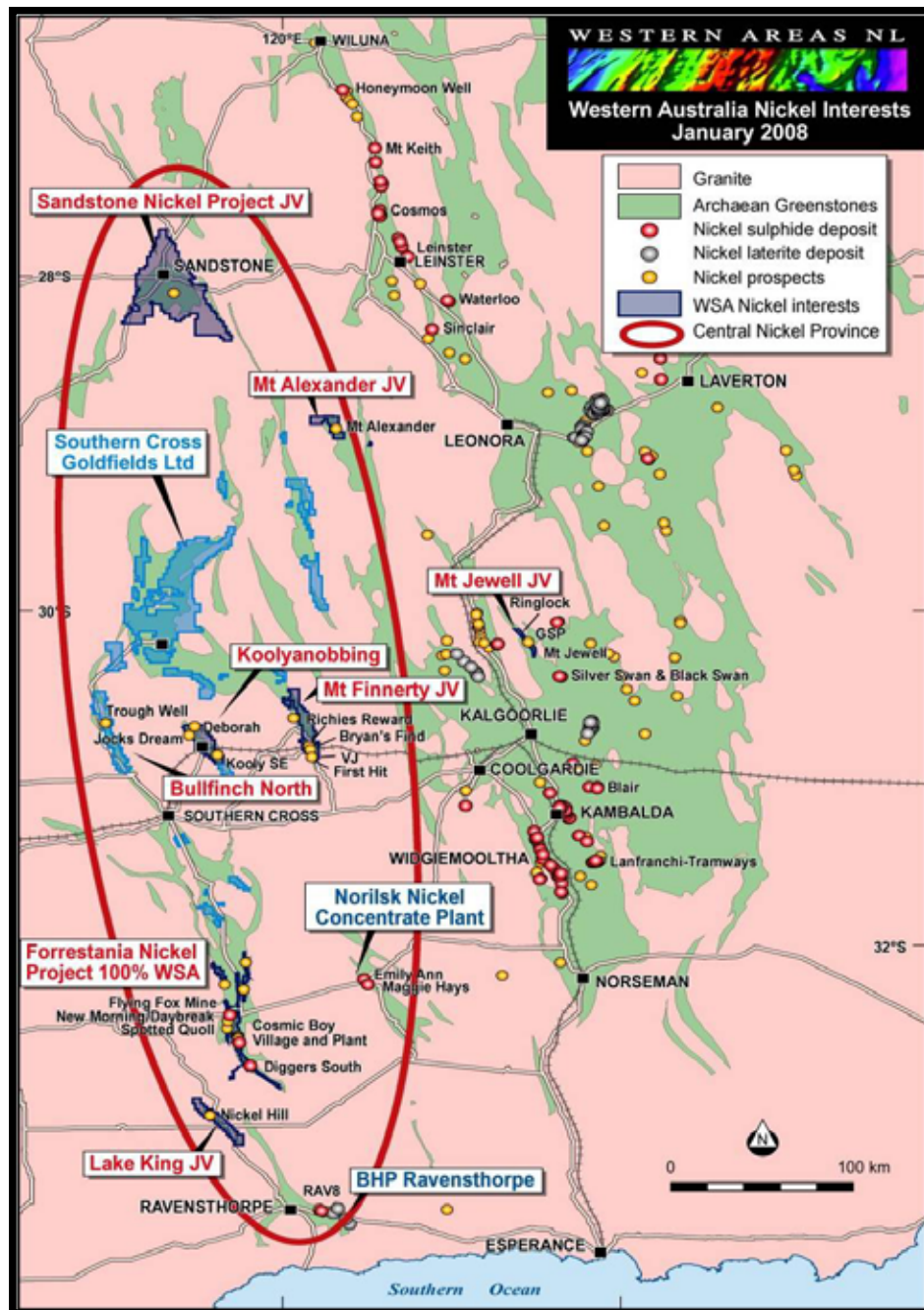


Figure 12: Regional Nickel Province showing Western Areas projects, joint ventures and other interests.

Koolyanobbing Nickel Project (WSA 100% of Nickel rights)

Diamond drilling is underway at the Jocks Dream prospect at Koolyanobbing, 200km north of Forrestania. Drilling is testing 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 mineralisation in structurally controlled deposits similar to Spotted Quoll (Figure 13).

The first diamond drill hole (KNDD 004) below the previous nickel intersections drilled several narrow zones (up to 0.5m) of high grade stringer nickel sulphides at approximately 260m down hole depth. Spot values up to 9.2% nickel (Niton estimates – refer to disclaimer) have been returned from these intervals. Assays are required to confirm the Niton estimates. A second hole KNDD005 is currently testing the zone below and along strike from KNDD004.

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.

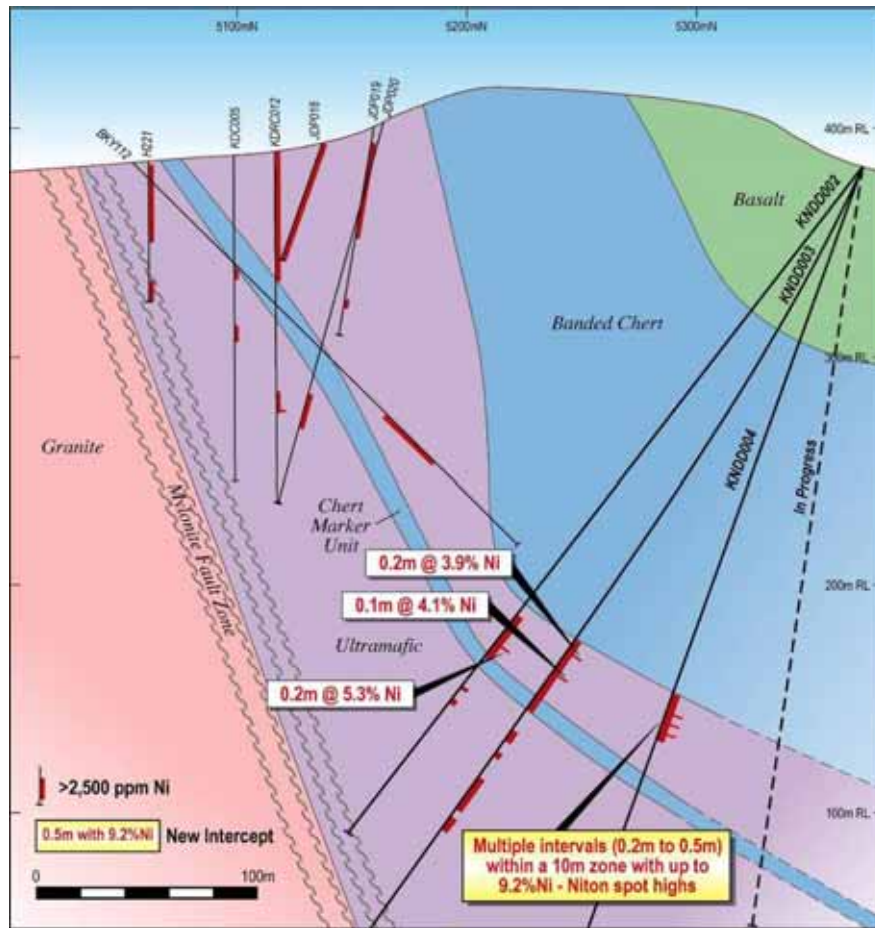


Figure 13: Interpretative Cross Section of Jocks Dream showing recent intersections and planned drilling.

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 Forresteria. The area was last explored for nickel by WMC in the 1970's.

A RAB drilling program testing the prospective basal ultramafic contact commenced late in the September Q. Assay results from the drilling are not yet available. In addition a RC drilling program (four holes for 682m) was undertaken to test the anomalous nickel values in MFR064 (MFR064 (226250mE 6591400mN) intersected 25m @ 0.91% Ni (up to 31ppb PGE) from 6m). The initial elevated values were not confirmed in the RC drilling. RC drilling of the two IP anomalies west of the interpreted basal ultramafic contact intersected non nickeliferous sulphides.

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 a project with minimal previous 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 planned for the December 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 yet to be received but is expected in the December Q. 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.

Western Areas can earn a 65% interest in the project by funding up to C\$4.5M in two stages over five years. The project includes net smelter royalty interests. The main purpose of the joint venture is to drill out a number of high quality nickel-copper-platinum group metals ("PGM") targets already defined by Mustang. Several of the targets coincide with highly anomalous sulphide hosted mineralisation in surface samples and in shallow drilling. The targets are also associated with previously unrecognised VTEM anomalies identified in a survey flown by Mustang in 2007.

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 (the first of which is scheduled to commence in the December Q) are being initiated to test the potential for high grade sulphide hosted nickel-copper-PGM deposits associated with VTEM conductors in three different 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).

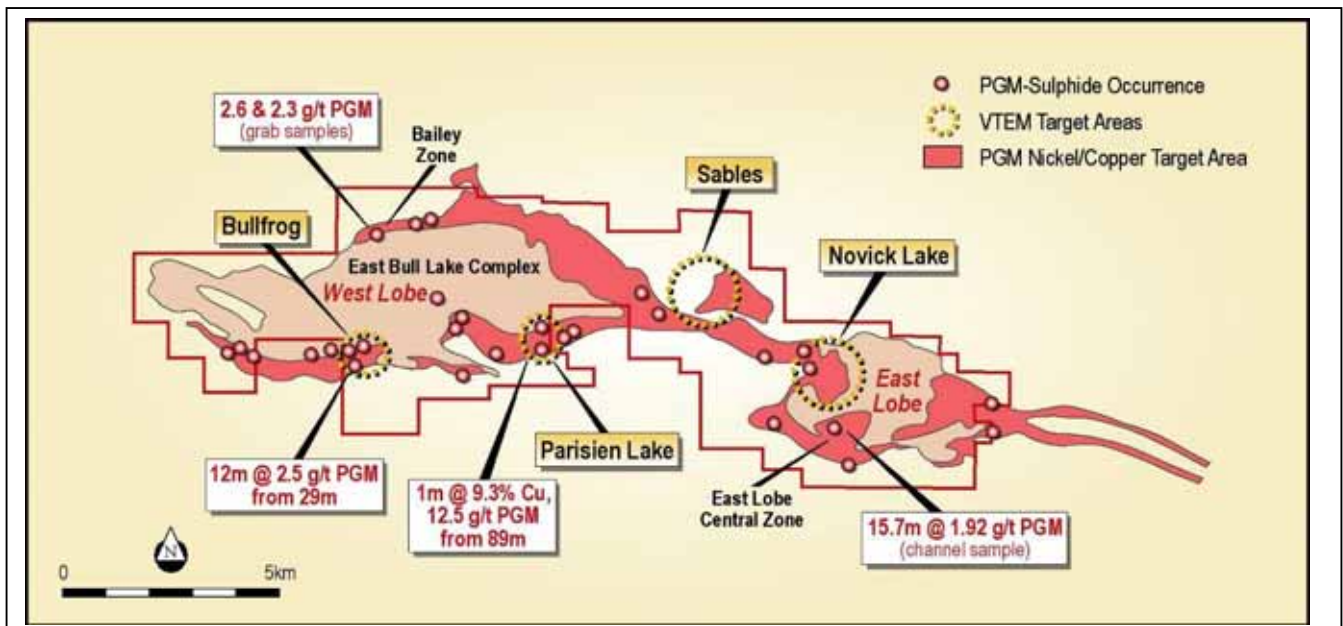


Figure 14: Simplified geology of East Bull Lake intrusion showing initial drilling targets and locations of known copper/nickel sulphide and PGM mineralisation based on surface samples and drilling

Maskwa Project, Manitoba (Western Areas ~17% of Mustang Minerals Corp.)

Mustang Minerals continued to progress the Maskwa Project with a feasibility study and permitting activities. A project manager has been appointed to get the project into production.

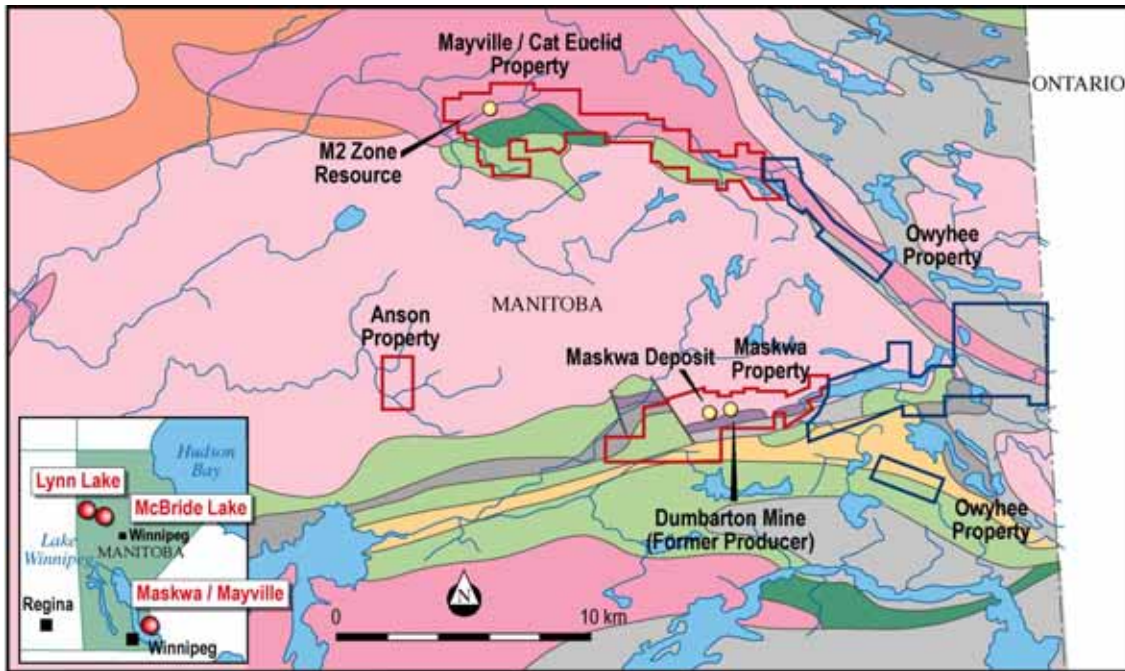


Figure15. Mustang Maskwa and Mayville Projects – Manitoba Canada

8. CORPORATE AND FINANCING

Bond Cash Settlement, Buyback and Changes to Terms

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 30 September 2008 there remains 838 Bonds with the principal amount owing reduced from \$A225.0M to \$A209.5M.

ANZ Debt Facility and Cash Balance

At 30 September 2008 the \$A80M ANZ Facility was drawn to \$A54M; unchanged from 30 June 2008. Western Areas has available cash of approximately \$A100M.

Hedging

Western Areas remains unhedged for nickel price and exchange rates. Falls in the nickel price since 30 June 2008 have been offset by the weaker Australian dollar so Western Areas is still receiving a reasonable price for nickel. This is largely compensated for by the excellent ore grades currently being mined from the T1 ore body.

Dividend Policy and Capital Management

Western Areas has announced a Dividend Policy of 50% of Net Profit after Tax. The Board is still looking forward to the 31 December 2008 half year report and hopes to be in a position to declare the first dividend in January 2009.

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

-ENDS-

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QA-QC STATEMENT:

Note: The nickel grade estimates for drill holes WWRC 023, WBD 116, WBD 109 W2/W1 and KNDD004 quoted in this release are indicative only and have been estimated in the case of Spotted Quoll from systematic readings and in the case of Koolyanobbing from spot readings using a NITON XLt 592 portable analyser which is not JORC compliant. Formal assays are required to confirm the nickel values estimated using the Niton.

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 2. 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 "we believe your Company is in a very strong position to achieve its goals and to become one of Australia's premier nickel producers", 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 "Preliminary work for an underground mine which could increase production in excess of target 8,000t nickel pa from the open pit", and "The overall grade from Flying Fox is expected will increase during the December and March 2009 quarters due to the increase in stope ore planned to be produced", and "This indicates the mineralisation is thickening north towards the interpreted fault and clearly shows the potential for a significant mineral resource upgrade at what is developing into a large, high grade and very continuous nickel deposit", and "Initial results indicate a 14% to 16% nickel concentrate grade is achievable from primary sulphide ore and that most of the gersdorffite (nickel arsenic sulphide) can be removed during flotation", and "provide further encouragement on the prospectivity of this project and the potential for a discovery below the area of the drilling", and "The Board is still looking forward to the 31 December 2008 half year report and hopes to be in a position to declare the first dividend in January 2009".

This announcement does not include reference to all available information on the Company or the Forrestania Nickel Project or the Koolyanobbing 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.

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 - 30 September 2008

Deposit	Tonnes	Grade Ni%	Ni Tns	JORC Classification
Ore Reserves				
1. Flying Fox Area				
T1 South	307,901	3.8	11,613	Probable Ore Reserve
T5	843,000	5.9	49,700	Probable Ore Reserve
2. 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	3,259,901	2.8	92,113	Probable Ore Reserve
Mineral Resources				
1. Flying Fox Area				
T1 South - Core	244,758	5.9	14,358	Indicated Mineral Resource
T1 South - Halo	67,659	1.9	1,260	Indicated Mineral Resource
T1 North	68,300	3.1	2,100	Inferred Mineral Resource
T4	27,500	4.5	1,250	Indicated Mineral Resource
	287,700	4.0	11,560	Inferred Mineral Resource
T5 Massive Zone	862,100	6.8	58,800	Indicated Mineral Resource
	164,400	6.8	11,220	Inferred Mineral Resource
T5 Disseminated Zone	197,200	0.9	1,590	Indicated Mineral Resource
	357,800	1.0	3,460	Inferred Mineral Resource
Total Flying Fox	2,277,417	4.6	105,598	
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				
	916,600	7.3	66,540	Indicated Mineral Resource
	129,300	6.7	8,600	Inferred Mineral Resource
Total Spotted Quoll	1,045,900	7.2	75,140	
Beautiful Sunday				
	480,000	1.4	6,720	Indicated Mineral Resource
TOTAL FLYING FOX AREA	5,947,217	3.7	218,158	
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 ROCKS	10,028,200	1.0	99,570	
TOTAL WESTERN AREAS RESOURCES	16,351,317	2.0	326,678	