

WESTERN AREAS LTD



Level 2, 2 Kings Park Road / PO BOX 1891 West Perth WA 6872

West Perth, WESTERN AUSTRALIA, 6005

Ph: (08) 9334 7777 Fax: (08) 9486 7866

Website: www.westernareas.com.au

5 April 2013

Dear Fellow Shareholders,

As Non-Executive Chairman of your Company, and a significant shareholder in my own right, I would like to address the recent movement in our share price. The decline has been mirrored across the entire resource sector, and whilst we are by no means the worst impacted, the Board believes the sell down does not reflect the strong position of your company.

First and foremost, I can reassure our shareholders that the Company remains in sound financial shape with operations remaining profitable and cash flow positive. There are few companies I can think of that have delivered nine consecutive quarterly reports with no adverse production surprises, whilst running an operation that has a preeminent safety record including a Lost Time Injury Frequency Rate of zero.

There is no doubt the Company's share price has been impacted by poor market sentiment towards the resources sector and a static nickel price coupled with the high Australian dollar. However I believe the recent Western Areas' share price movement has now created a significant disconnect between the share price and the underlying fundamental value of your company which is not justified.

I would like to take this opportunity to highlight and reflect on a number of the significant strengths of your company:

1. The Company has completed a lot of the "heavy lifting" to underwrite the longer term future of the business over the last 18 months:
 - a. Repaid over A\$150m of debt, principally through free cashflow generation
 - b. Purchased Kagara Ltd's nickel assets, including the high grade Lounge Lizard deposit, for an attractive price
 - c. Extinguished a life of mine royalty obligation to Outokumpu, improving current and future cashflow generation
 - d. Commissioned the Spotted Quoll Underground mine on time and budget while also upgrading the resource to well in excess of a 10 year mine life
 - e. Signed a new offtake contract with Jinchuan Group on improved commercial terms
 - f. Continued to invest in our future with exploration and receiving early encouragement from New Morning. Significant infrastructure is in place should the New Morning deposit become a mining operation
 - g. Executed a Strategic Alliance with Jinchuan Group to examine potential new investment opportunities in base metals

2. The Company remains the lowest cash cost nickel producer in Australia with the highest grade mines. It remains on track to produce around 25,500t of nickel in concentrate this year, which represents a near threefold increase over the past five years.
3. Western Areas continues to have strong cashflow from operations and continues to generate free cashflow and pay dividends despite the static nickel price environment. Given the points referred to above (regarding the last 18 months) are largely behind us, cash reserves are expected to increase over the next year.
4. The balance sheet is strong and flexible. A new banking facility established with ANZ provides the flexibility to fully retire or refinance our outstanding convertible bond due in July 2014. In addition, the Company's cash reserves are expected to continue to increase over the next years, providing even greater financial flexibility.

The Management Team and Board are committed to creating shareholder value and rest assured we maintain an unrelenting focus on cost management, capital management, production, exploration and safety across all aspects of our activities.

Our Quarterly Report will be published during the third week of April and this will provide a full update on activities for shareholders to digest.

In the meantime I want to thank shareholders for their continued support and understanding during difficult times on the equity market that bear no current relationship to how your business is performing. I reiterate, that we are strong company with first class mines and people whom are 100% focussed on achieving outcomes to benefit you, our shareholders.

Kind Regards

Terry Streeter
Non-Executive Chairman