



May 11, 2009

ASX & TSX: WSA

**News Release**

**WESTERN AREAS AND KAGARA REACH AGREEMENT  
TO MINE THE LOUNGE LIZARD NICKEL DEPOSIT**

The respective Boards of Western Areas NL (“Western Areas”) and Kagara Ltd (“Kagara”) are pleased to announce that they have executed a Heads of Agreement (“Agreement”) to enable Kagara’s Lounge Lizard nickel deposit to be mined using access from Western Areas’ Flying Fox decline. The Agreement is expected to deliver major benefits to both companies and is subject to Kagara raising finance to refund the pro rata cost of Flying Fox mine development.

The Agreement will result in the consolidation of one of Australia’s largest, high grade nickel mines with a combined Mineral Resource of over **2.5 million tonnes at an average grade of 5.5% nickel containing approximately 140,140 tonnes nickel** (Table 1, Table 2, Figure 1). In addition to the high grade massive sulphide mineralisation there is a large volume of low grade disseminated mineralisation at Lounge Lizard and Flying Fox containing approximately 53,650 tonnes nickel in previously announced Mineral Resources (Table 1, Table 2).

**Expected benefits include:**

- 1 Western Areas will receive staged refunds of capital costs for developing the Flying Fox decline including an initial non refundable \$20M payment from Kagara
- 2 The Agreement will enable Kagara to gain early nickel production from Lounge Lizard accessed from Flying Fox decline at an initial production rate of 50,000tpa ore
- 3 Production from Lounge Lizard is not expected to have any significant impact on the rate of production from Flying Fox
- 4 Flying Fox decline development costs will be shared pro rata based on relative tonnes of ore mined, increasing profitability for both parties
- 5 Western Areas will manage and operate all aspects of the combined Flying Fox/Lounge Lizard mine including production schedules and mining rates
- 6 Lounge Lizard ore will be treated at Western Areas’ Cosmic Boy nickel concentrator and concentrate will be sold into Western Areas’ nickel offtake agreements
- 7 Western Areas will charge a 20% management fee on all Kagara’s costs relating to development, production and ore treatment at Lounge Lizard
- 8 Kagara will benefit from Western Areas’ established infrastructure and cost efficiencies by being party to an integrated, long life mining and processing operation
- 9 In the event that Kagara wishes to sell its nickel interest at Lounge Lizard, Western Areas will have a right of first refusal to match any offers from third parties

Western Areas’ production from Flying Fox alone (assuming a base case of up to 300,000tpa ore only) is targeted to be 9,000 tonnes nickel in 2009, 12,000 tonnes nickel in 2010 and 16,000 tonnes nickel in 2011. The Flying Fox decline is currently at 780m depth and Western Areas is mining the T1 and T4 ore bodies and developing T2. T5, which is the largest and highest grade deposit at Flying Fox, is expected to be accessed in the December Q 2009.

# WESTERN AREAS NL



Drilling conducted by Kagara has confirmed that the high grade T4 and T5 ore bodies (and potentially T1 and T2) extend southwards across the Western Areas/Kagara tenement boundary (Figure 1). Kagara will fund an access drive from the decline starting in September quarter 2009 to use as a drilling platform to infill and define ore reserves at Lounge Lizard.

Excellent potential remains to increase mineral resources at Flying Fox and Lounge Lizard and both companies are planning substantial surface and underground drilling programs to test this potential beyond the current limits of drilling. The approximate dimensions of Flying Fox and Lounge Lizard combined (T4/T5) are 600 – 700m in width and 600m in vertical extent.

**Significant drill hole intersections** previously reported by Kagara include (refer Figure 1):

LFPD18 W2/W1	27m @ 6.5% Ni (from 822.0m depth)	incl 8.0m @ 8.5% Ni 3.0m @ 7.0% Ni
LFPD18 W3/W3/W1	62.0m @ 2.7% Ni (from 850.0m depth)	incl 10.0m @ 6.9% Ni 14.0m @ 4.4% Ni 4.5m @ 6.0% Ni
LFPD 18 W2/W1/W1	140.3m @ 1.5% Ni (from 901.7m depth)	incl 9.0m @ 7.8% Ni 5.0m @ 3.7% Ni
LFPD 18 W3/W1	3.2m @ 3.4% Ni (from 997.0m depth)	and 9.0m @ 6.8% Ni

**Table 1 – Flying Fox Mineral Resources** reported by Western Areas in March Q 2009 Activities Report

Flying Fox	Deposit	Mineral Resource Category	Tonnes	Grade Ni%	Contained Ni tonnes
	<b>T1 South</b>	Indicated	132,600	4.5	5,920
		Inferred	35,200	4.9	1,720
	<b>T1 North</b>	Indicated	45,400	4.2	1,900
		Inferred	12,700	4.8	610
	<b>T4 (upper)</b>	Indicated	152,680	6.0	9,190
		Inferred	78,400	5.5	4,290
	<b>T5</b>	Indicated	906,500	6.7	60,750
		Inferred	55,000	4.8	2,660
<b>TOTAL</b>	<b>High Grade</b>		<b>1,418,480</b>	<b>6.1</b>	<b>87,040</b>
	<b>Disseminated</b>	Indicated	197,200	0.9	1,590
		Inferred	357,800	1.0	3,460
<b>TOTAL</b>	<b>Disseminated</b>		<b>555,000</b>	<b>1.0</b>	<b>5,050</b>

**Table 2 – Lounge Lizard Mineral Resources** reported by Kagara in announcement on 10 February 2009

Lounge Lizard	Deposit	Mineral Resource Category	Tonnes	Grade Ni%	Contained Ni tonnes
	<b>Massive</b>	Indicated	625,000	4.8	30,200
		Inferred	524,000	4.4	22,900
<b>TOTAL</b>	<b>High Grade</b>		<b>1,149,000</b>	<b>4.6</b>	<b>53,100</b>
	<b>Disseminated</b>	Indicated	4,497,000	0.8	35,000
		Inferred	1,904,000	0.7	13,600
<b>TOTAL</b>	<b>Disseminated</b>		<b>6,401,000</b>	<b>0.8</b>	<b>48,600</b>

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**Main terms of the Agreement are:**

- Subject to financing, Kagara will make a non refundable \$20M payment to Western Areas as part refund of the capital cost of developing the Flying Fox decline and related mine infrastructure. This will enable minimum ore production of 50,000tpa ore from Lounge Lizard. Western Areas can increase production from Lounge Lizard in units of 25,000tpa ore subject to approval by Kagara and payment of further refunds of capital costs at the rate of \$10M for each additional unit of 25,000tpa ore mined.
- Western Areas will manage and operate all aspects of the combined Flying Fox/Lounge Lizard mine and will determine the mining schedule and appropriate pro rata production levels from Flying Fox and Lounge Lizard. Kagara will pay all costs relating to developing, mining and treating ore from Lounge Lizard including royalties and Western Areas will charge Kagara a 20% management fee on all invoices.
- Lounge Lizard ore will be treated at Western Areas' Cosmic Boy nickel concentrator and is expected to be blended with ore from other mines at Forrestania. Western Areas will charge an ore tolling fee including a pro rata amortisation fee for the cost of the plant and related infrastructure. The resulting concentrate will be blended with other ores from Forrestania and sold into Western Areas' nickel offtake contracts.
- At 3 yearly intervals, Western Areas and Kagara will make adjustment payments so the total Flying Fox development costs are shared pro rata to the amounts of ore produced.

**For further details, please contact:**

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**COMPETENT PERSONS STATEMENT:** The information within this report is based on information compiled by Mr Julian Hanna of Western Areas NL and Mr Joe Treacy. Mr Hanna and Mr Treacy are members of AusIMM and are full time employees of Western Areas and Kagara. Mr Hanna and Mr Treacy have sufficient experience which is relevant 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 Hanna and Mr Treacy 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. These include: "The Agreement is expected to deliver major benefits for both companies and is subject to Kagara raising finance to refund the pro rata cost of Flying Fox mine development.", and "Western Areas will receive staged refunds of capital costs for development of the Flying Fox decline including an initial non refundable \$20M payment from Kagara", and "Production from Lounge Lizard is not expected to have any significant impact on the rate of production from Flying Fox", and "Kagara will benefit from Western Areas' established infrastructure and cost efficiencies by being party to an integrated, long life mining and processing operation", and "Production from Flying Fox alone (assuming the base case model of up to 300,000tpa ore only) is targeted to be 9,000 tonnes nickel in 2009, 12,000 tonnes nickel in 2010 and 16,000 tonnes nickel in 2011".

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 Western Areas NL or Kagara Ltd or the Flying Fox and Lounge Lizard nickel deposits and should not be used in isolation as a basis to invest in Western Areas or Kagara. Any potential investors should refer to Western Area's and Kagara's other public releases and statutory reports and consult their professional advisers before considering investing in either 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

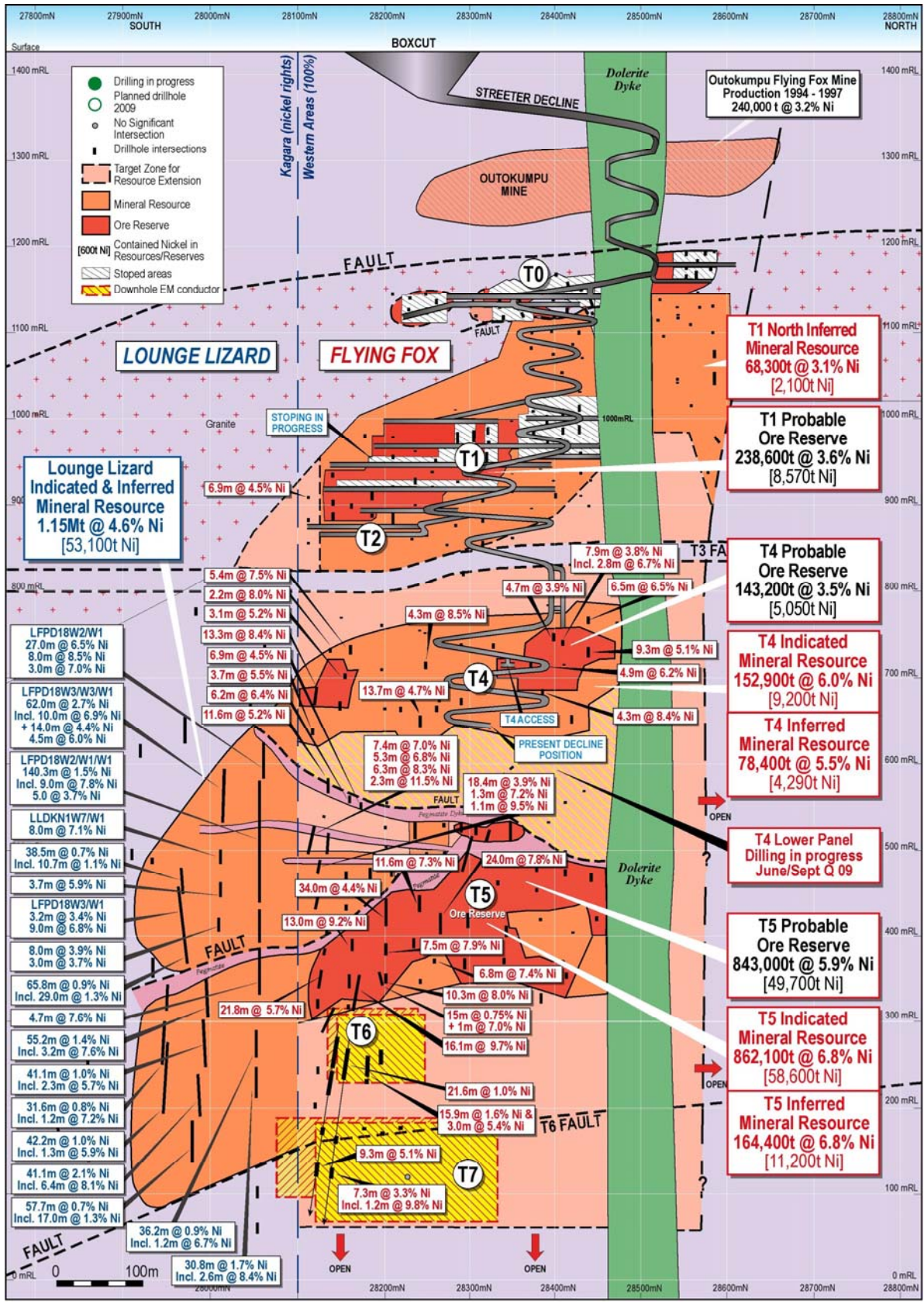
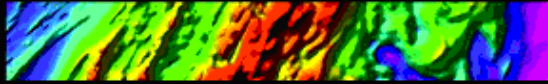


Figure 1 – Interpreted Long Projection – Flying Fox and Lounge Lizard  
(Note: All drill hole intersections shown are down hole widths)

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### ***About Western Areas NL***

*Western Areas owns two of the world's highest grade and lowest cost nickel deposits (Flying Fox and Spotted Quoll) at the Forrestania Nickel Project, 400km east of Perth. Flying Fox is in its second year of full scale production and Spotted Quoll is scheduled for development in the second half 2009. Initial surface development has been completed for two additional planned underground mines (Cosmic Boy and Diggers South) and potential exists to develop the high grade New Morning underground mine depending on improved nickel prices.*

*The Company has completed commissioning of Stage One of the Forrestania nickel concentrator. Western Areas plans to upgrade the nickel concentrator (with current capacity of approximately 300,000tpa ore) in two stages to a target of 750,000tpa ore. All other major infrastructure items including a high quality accommodation village for 460 people, grid power, roads, water, tailings disposal, airstrip etc are already established.*

*The site operations are managed by an experienced technical and management team. In 2008, Western Areas' exploration consultants Newexco were awarded the 'Australian Explorer of the Year Award' for the discovery of the Spotted Quoll deposit. Western Areas was also awarded the prestigious 'Digger of the Year Award' at the Diggers and Dealers conference in August 2008 for the successful development of the Flying Fox mine.*

*Western Areas is one of Australia's most active nickel explorers and is targeting to increase the total of high quality mineral resources at Forrestania to 400,000t Ni in 2009.*

### ***About Kagara Ltd***

*Kagara is one of Australia's leading mid-tier mining groups with a strong, low cost production base in North Queensland, a commitment to organic growth through exploration and selective acquisition, and a focus on shareholder returns.*

*Kagara's 100%-owned North Queensland base metal operations are located within an extensive tenement package stretching some 500km and lying 100km to the west of Cairns and Townsville. The Company operates several mining operations and three base metal treatment facilities in this region, giving it a highly flexible and adaptable production base.*

*The Company is targeting copper production of 38,000 tonnes and zinc production of 30,000 tonnes in FY2009, with zinc production targeted to increase to 100,000tpa by FY2012.*

*Kagara's growth pipeline encompasses the Lounge Lizard Nickel Project and the world-class Admiral Bay Zinc Project (Resource of 72Mt @ 3.1% Zn, 2.9% Pb, 18g/t Ag, 20% barite). Both of these projects are located in Western Australia.*

*Kagara has announced plans to partially divest its high quality gold assets in Queensland through the proposed spin-off of Mungana Goldmines Limited. These advanced assets include a combined resource base of 1.6Moz gold, 90,000t of copper and 14Moz silver.*