

WESTERN AREAS LTD



CORPORATE PRESENTATION

MAY 2019

www.westernareas.com.au



AGENDA



Corporate



Operations



Growth & Exploration



Nickel Market

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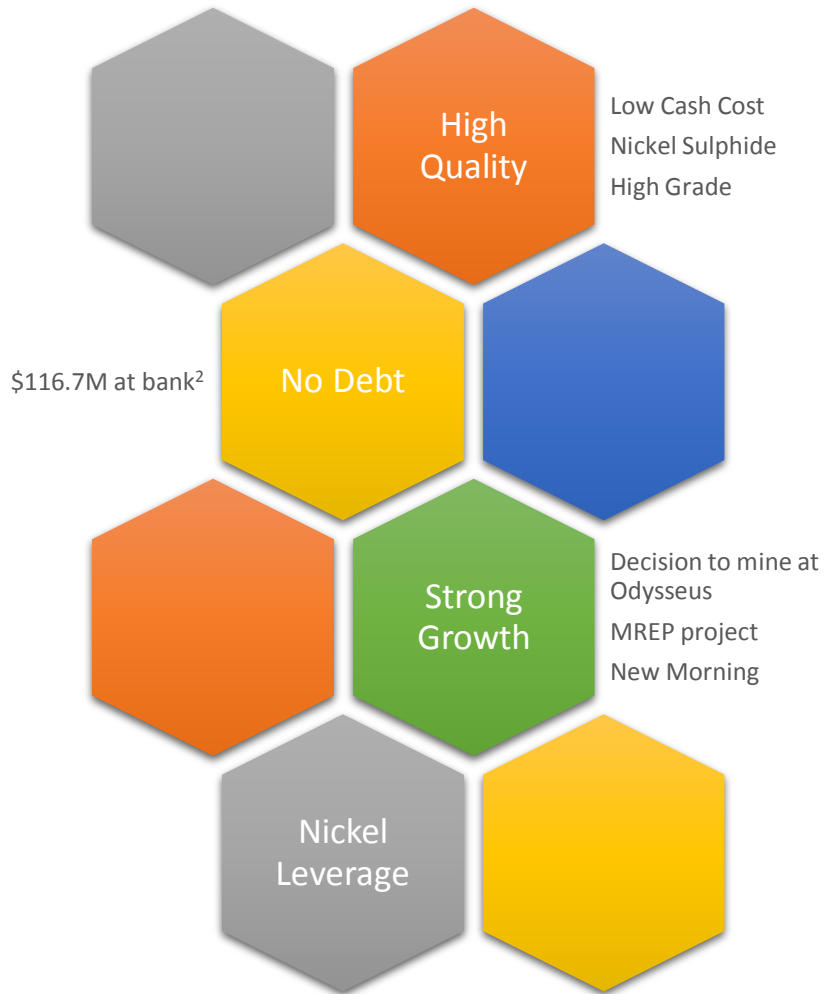
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CORPORATE



CORPORATE OVERVIEW



ASX code	WSA
Share price	2.26
Shares outstanding (m)	273.5
Market Cap (A\$m) ¹	618.1
Cash (A\$m) ²	116.7

COSMOS Complex

592kt Ni Mineral Resources
165kt Ni Ore Reserves
DFS complete

FORRESTANIA

Flying Fox

7.4kt Ni mined YTD
21.5kt Ni reserves
81.7kt Ni resources

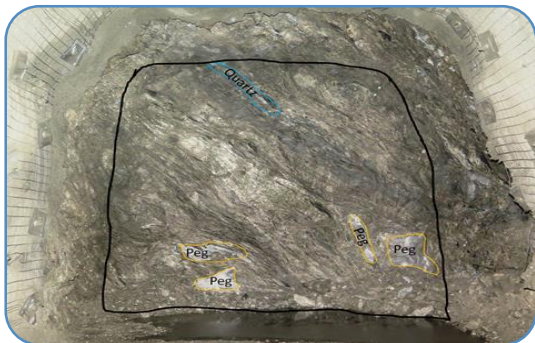
Spotted Quoll

10.3kt Ni mined YTD
59.7kt Ni reserves
79.4kt Ni resources



1. Based on share price on 30 April 2019 2. As at 31 March 2019

KEY TAKEAWAYS – YTD FY19



Operations

- Consistent reliable production, 16.2kt Ni concentrate
- 15.6kt Ni concentrate sales
- FY19 production & unit cash cost guidance on track, unchanged
- Two LTI's – LTIFR at 2.66

1st Half FY19 - Financials

- Cash at bank A\$134.3m, no debt
- Positive cashflow from operations A\$43m
- Sales revenue A\$123.7m
- Realised Ni price A\$7.45/lb
- Cash costs A\$3.07/lb
- EBITDA of A\$30.6m, 25% margin
- NPAT of A\$0.2m

Future Growth

- Odysseus "Decision to mine" announced. Odysseus is a long life, low AISC project
- A\$28.1m invested in Odysseus early works & feasibility
- Scats leaching project for MREP
- MREP premium grade sulphide product sales into spot market
- A\$12.0m exploration

FY19 GUIDANCE

Target	Updated FY19 Guidance
Nickel tonnes in Concentrate Production	20,500 to 22,000
Unit Cash Cost of Production (Nickel in Concentrate)	A\$2.80/lb to A\$3.20/lb
Sustaining and Mine Development Capital Expenditure	A\$32.0m to A\$36.0m
Expansion Projects & Feasibility	A\$23.0m to A\$25.0m
Odysseus Early Works	A\$24.0m to A\$28.0m
Exploration	A\$12.0m to A\$15.0m

- 1H FY19 delivered all metrics within the updated guidance range released during October 2018
- Significant increased expansion project capital expenditure for FY19, as early works at Cosmos are completed and commencement of mine development at the Odysseus mine

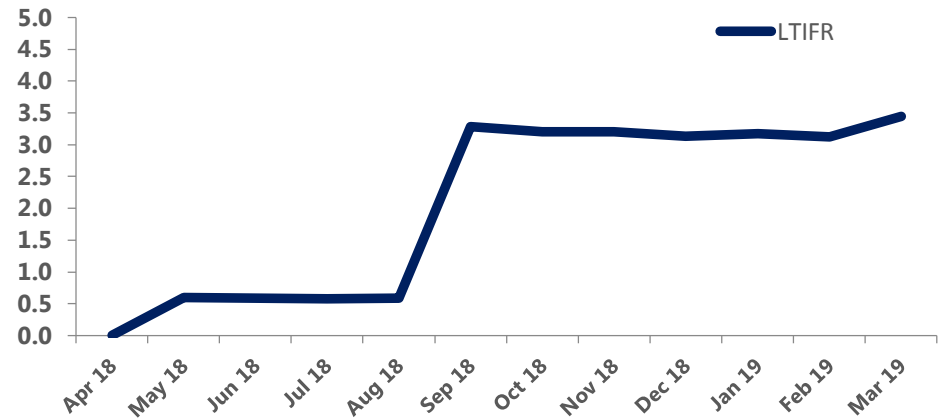
WESTERN AREAS ARE SAFE AREAS



Days LTI free

Spotted Quoll	2,910	Aug-11
Cosmos	1,277	Oct-15 (no injuries)
Cosmic Boy Concentrator	205	May-18
Exploration	191	Sep-18
Flying Fox	9	Mar-19

12 month LTIFR moving average



Safe operations make efficient operations

OPERATIONS

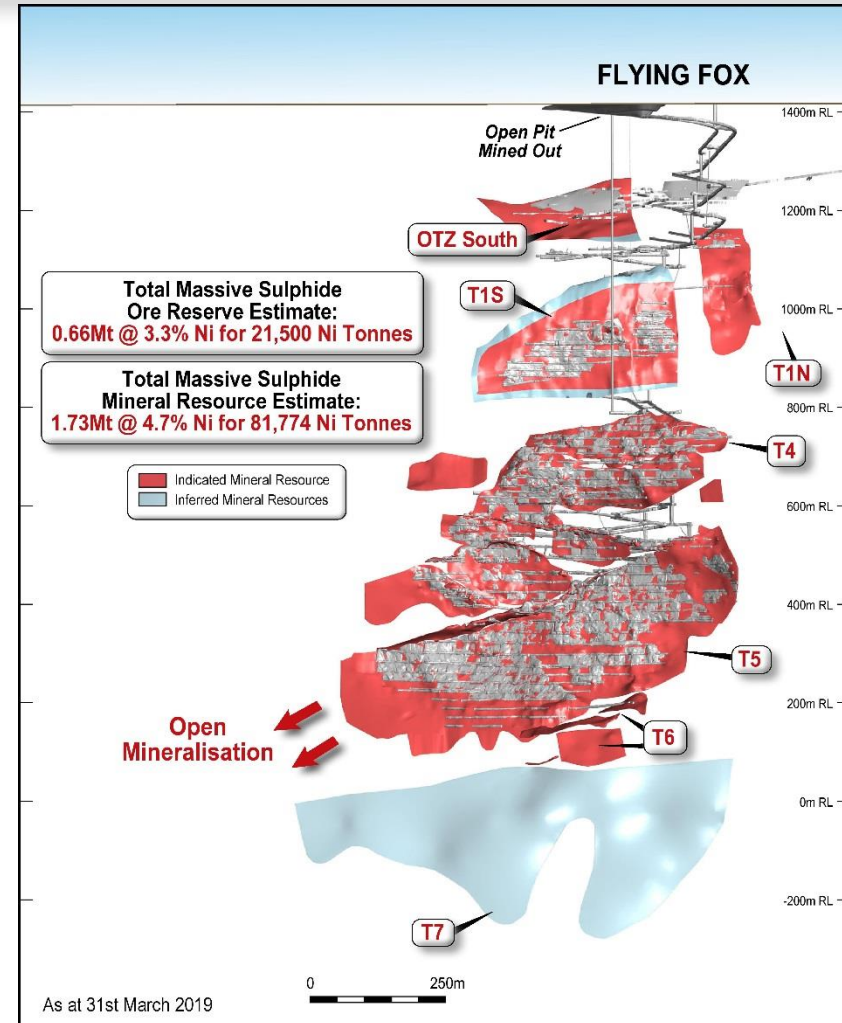


FLYING FOX MINE

Reserve Contained nickel	0.66Mt @ 3.3% 21,500 Ni tonnes
Resource Contained nickel	1.73Mt @ 4.7% 81,774 Ni tonnes
Mine life (on reserves)	3 years

Key points

- FY18 production – 10k Ni tonnes
- Has been operating for over 12 years
- Significant low grade disseminated resource
- Lower grade & heap leach evaluation underway



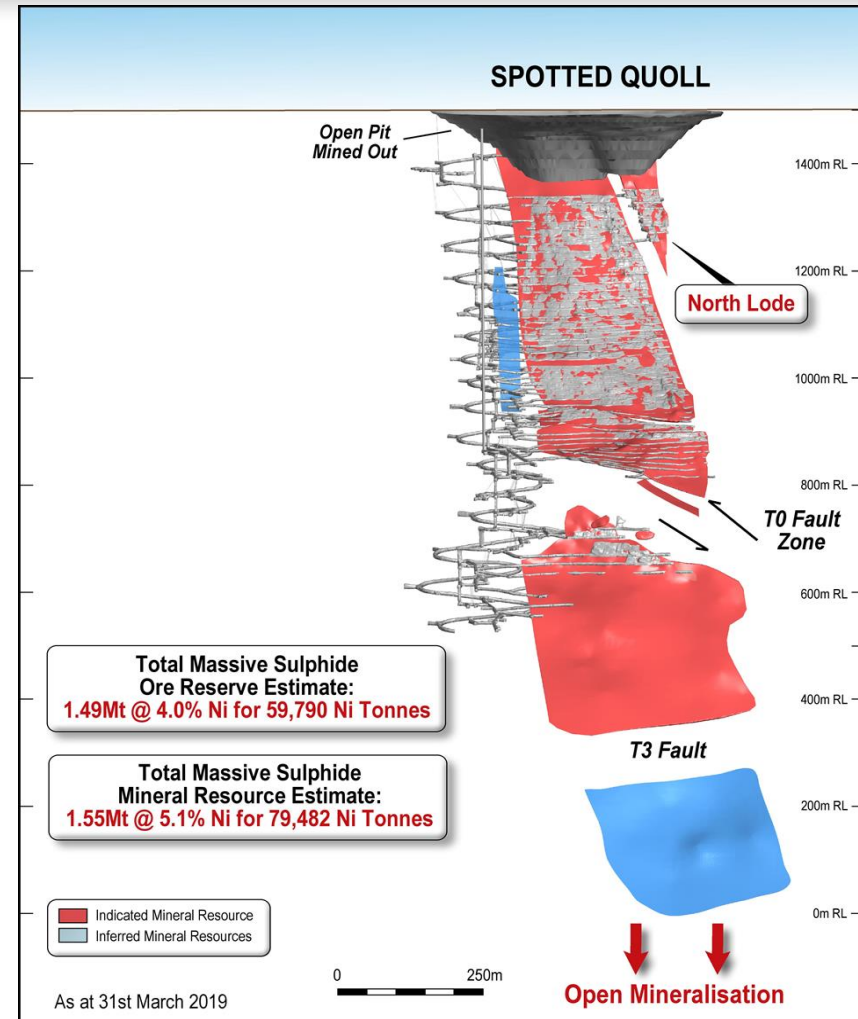
WSA foundation asset within Forrestania

SPOTTED QUOLL MINE

Reserve Contained nickel	1.49Mt @ 4.0% 59,790 Ni tonnes
Resource Contained nickel	1.55Mt @ 5.1% 79,482 Ni tonnes
Mine life	7 years

Key points

- Has never recorded an LTI
- FY18 annual production – 14.4k Ni tonnes
- Production has outperformed reserve tonnes and grade consistently
- Top down mining with paste fill
- Resource extension drilling commenced – first drill hole since 2009



WSA Explored, Discovered and Developed

COSMIC BOY NICKEL CONCENTRATOR

Concentrator Summary

- Mill processed an annual record of 616,598 tonnes of ore in FY18, for 21,060 nickel tonnes
- 12% above name plate capacity of 550,000 tpa
- Concentrate grades of between 15.0% to 16.0% Ni
 - Premium blending product (Fe/Mg ratio >15:1)
 - Desirable to smelters and roasters

Export Infrastructure and Logistics

- Export concentrate transported to Esperance Port in containers and shipped through to China
- BHP Nickel West concentrate delivered to Kambalda by road



WSA produces a high quality and in demand nickel concentrate

OFFTAKE CONTRACTS BEST IN CLASS

Opening new markets

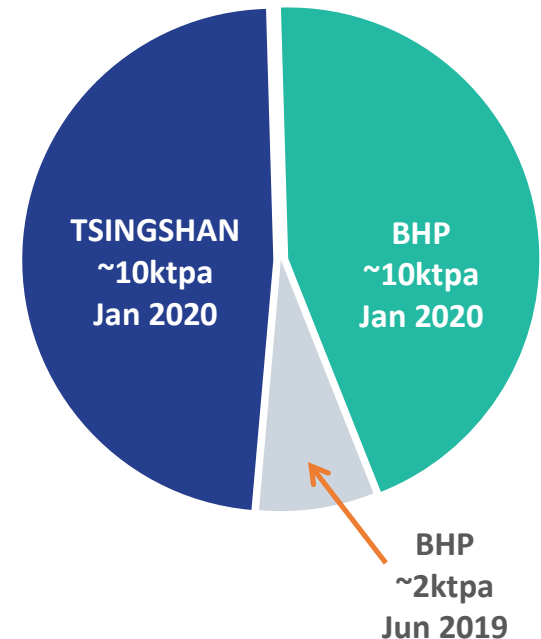
Superior commercial terms

Creating more value from the same nickel product

Existing offtake agreement less than 1 year to expiry

Our Partners:

- **BHP:** 55%
- **Tsingshan:** 45%
- ✓ China's largest stainless steel producer
- ✓ Consumes ~25% of China's nickel demand
- ✓ Revenue RMB85 billion in 2015, 20k employees



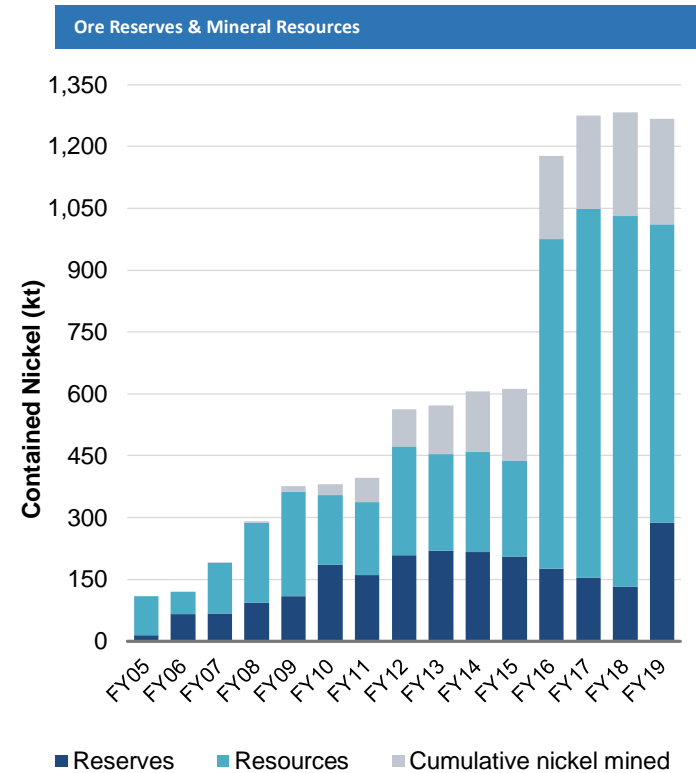
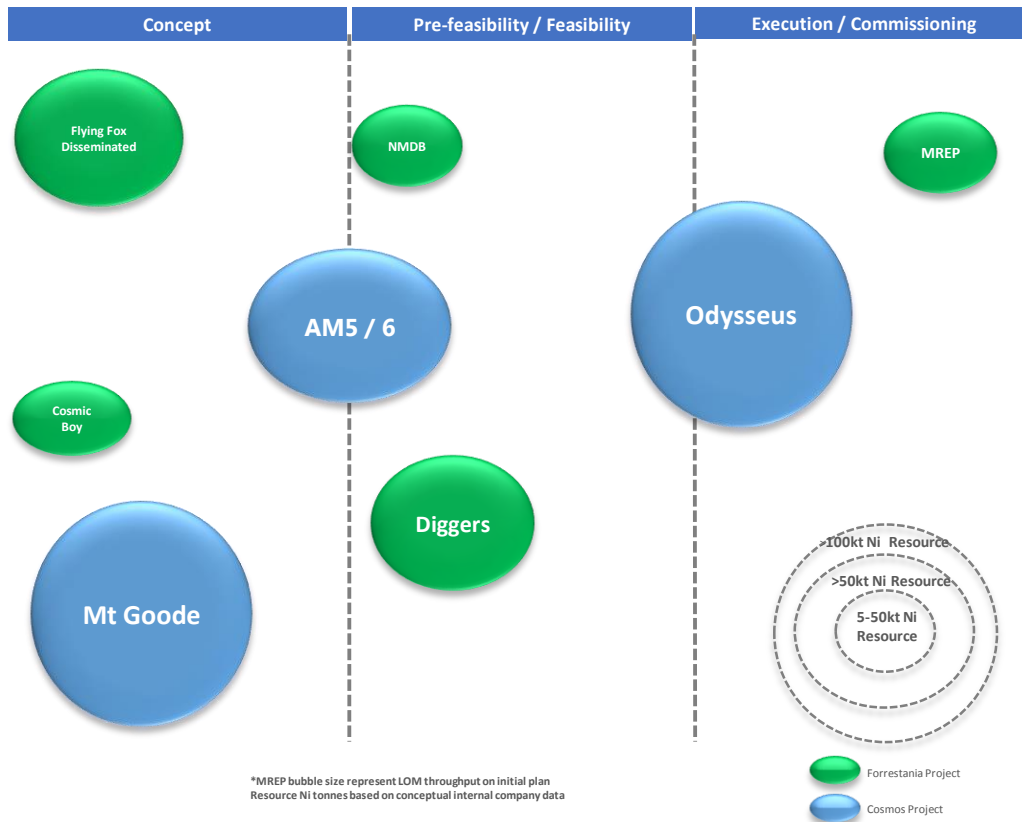
Roasting

- Creates a high grade nickel oxide that can be blended with laterite ore
- By-product of sulphuric acid for 'pickling' stainless steel
- Most concentrates do not suit roasting
- Proven process - opening up opportunities with Tsingshan

GROWTH & EXPLORATION OUTLOOK



NICKEL GROWTH PIPELINE



- Many projects in the pipeline to drive nickel production well into the future
- Ore Reserves have substantially increased in FY19 with Odyssey

ODYSSEUS – EARLY WORKS NEARING COMPLETION

Early Works Activities

- Barminto decline rehabilitation ongoing
- De-watering on schedule
- Water Management Ponds all constructed and operational
- Schlumberger pump for underground dewatering installed and operational
- Camp commissioned with over 150 rooms available out of 520



ODYSSEUS – NOW A LONG LIFE PROJECT

Western Areas' Second Operation

■ Long life, low cost project

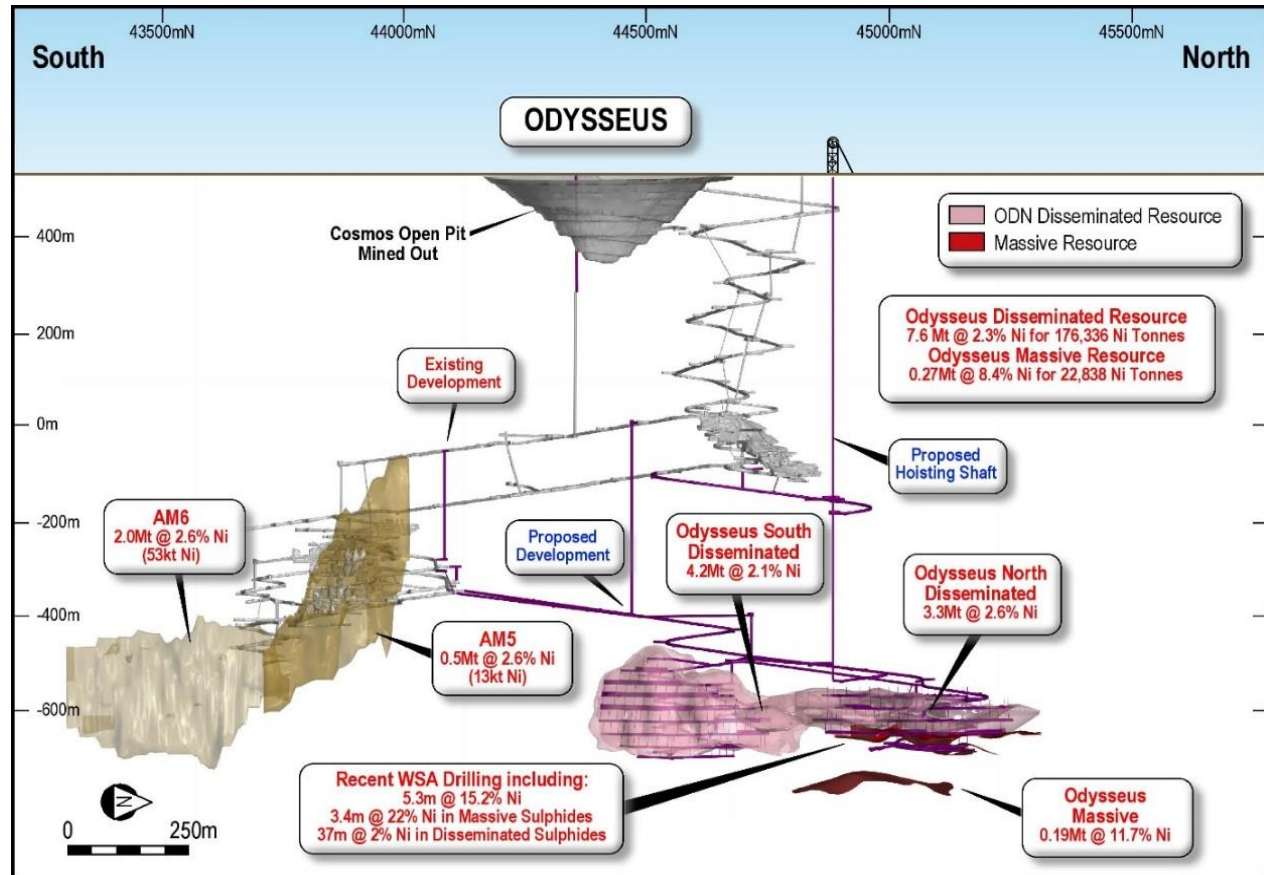
- ✓ Ore Reserve 8.1mt @ 2.0% for 164kt nickel
- ✓ Mine life > 10 years
- ✓ AISC A\$3.50/lb
- ✓ Average nickel in concentrate production >13.0ktpa (14.6ktpa from FY24-FY31)

■ Pre-production capex A\$299m includes:

- ✓ Shaft hoisting
- ✓ Larger mill (900ktpa immediately)

■ Significant upside:

- ✓ AM5 & AM6 deposits contain an Indicated Mineral Resource of 57.6kt of nickel (not included in DFS)
- ✓ Record massive sulphide intersections



SHAFT INFRASTRUCTURE

- WSA has secured a high quality, second hand head gear and winder
- Shaft infrastructure will be dismantled, refurbished in South Africa and shipped to Perth
- Significant economical benefit versus trucking.

Key Metrics:

- 5.5m diam. raise bore;
- 4 guide ropes per conveyance;
- 1.27Mtpa (ore and waste);
- 12 t skips;
- 1 truck required to feed shaft;
- 4.5 MW peak power.



CAPITAL EXPENDITURE PROFILE AND FUNDING

- ✓ WSA is well funded with cash and other liquid investments of over A\$150m
- ✓ Major capex not required until FY21
- ✓ Significant optionality on decision-making and spending
- ✓ Already receiving funding interest from offtake providers and third parties, including banks

Capital Costs	
Pre-production total capital cost	\$299m
Comprising: FY19	\$12m
FY20	\$49m
FY21	\$76m
FY22 – 23	\$162m
Post-production LOM	\$82m

Capital costs (A\$m)	Pre-production	Sustaining	Total
Mine development	148	39	187
Mine infrastructure and services	20	24	44
Shaft infrastructure	63	-	63
Plant	48	6	54
Owner's costs	10	4	14
Mine closure and rehabilitation	-	7	7
Contingency	10	2	12
Total	299	82	381

MILL RECOVERY ENHANCEMENT PROJECT (MREP)

Produces additional new higher-grade product (45%-50% Ni)

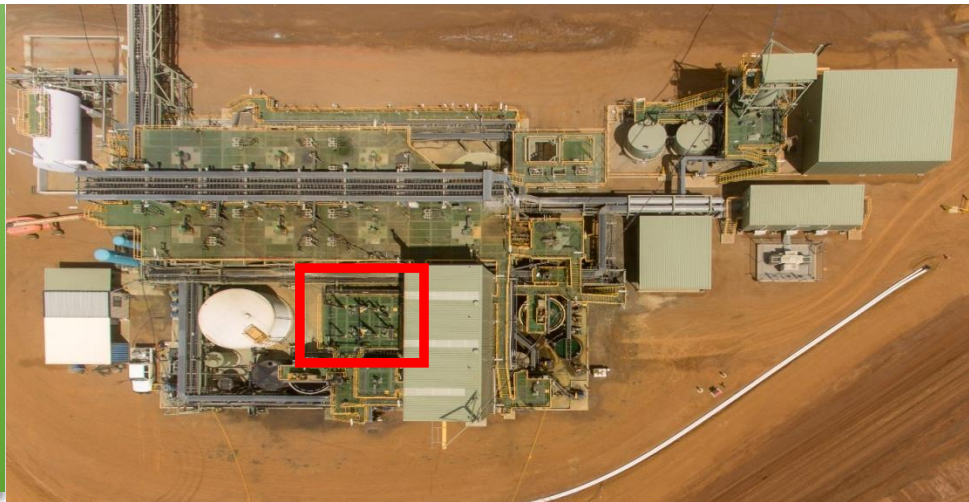
Generating value from waste tailings

New customers - EV battery market

- Product specification achieved. Now ramping up leach volume to nameplate capacity (1,400t nickel pa max)
- Filtration and bagging facilities to sell a new high grade nickel sulphide product complete
- Premium payables versus flotation concentrate
- Back-end of plant capable of up to 4,000t of nickel pa – Mill Scats, New Morning, Flying Fox LG to provide future feed options

Front End – BioHeap Leach

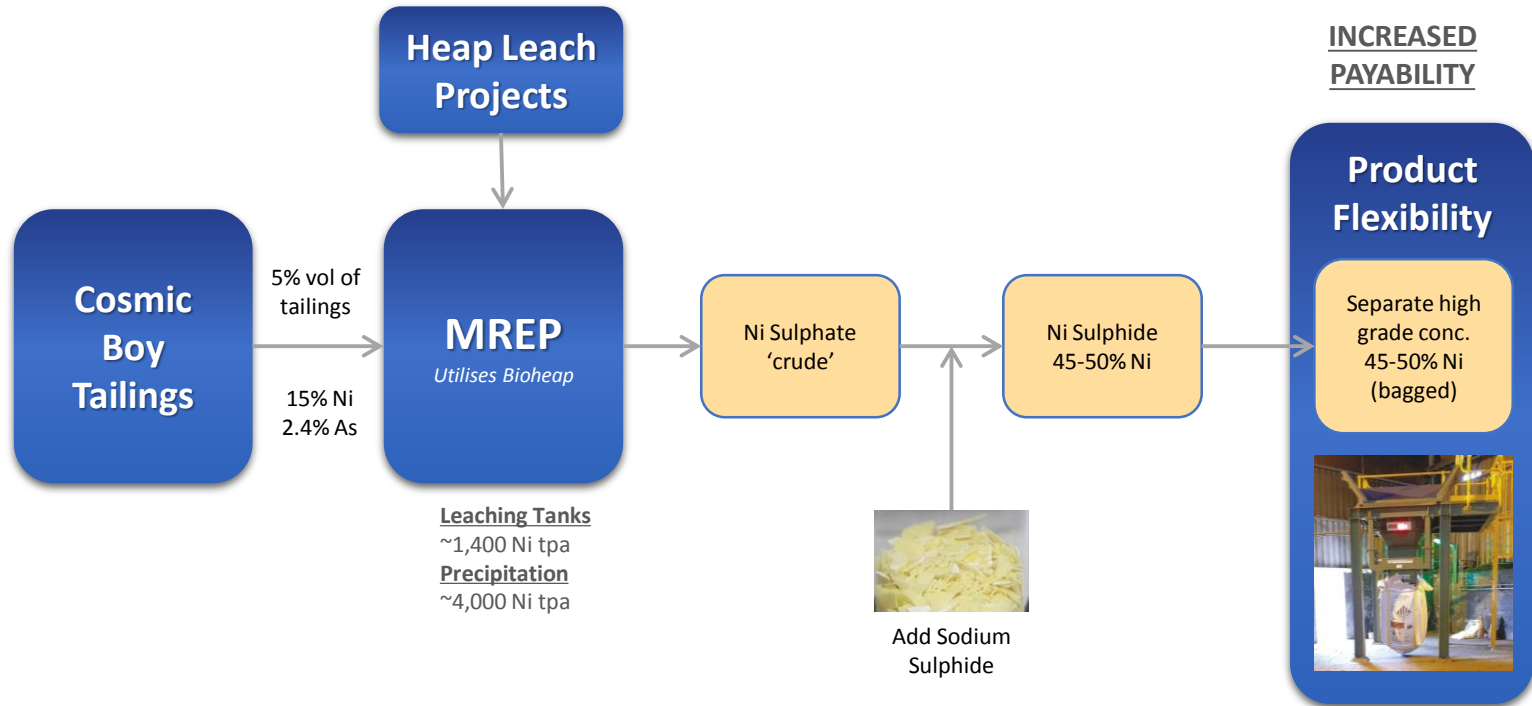
- 1400 tpa capacity
- Tailings stream from Cosmic Boy - applies BioHeap Leach, then passes to precipitation



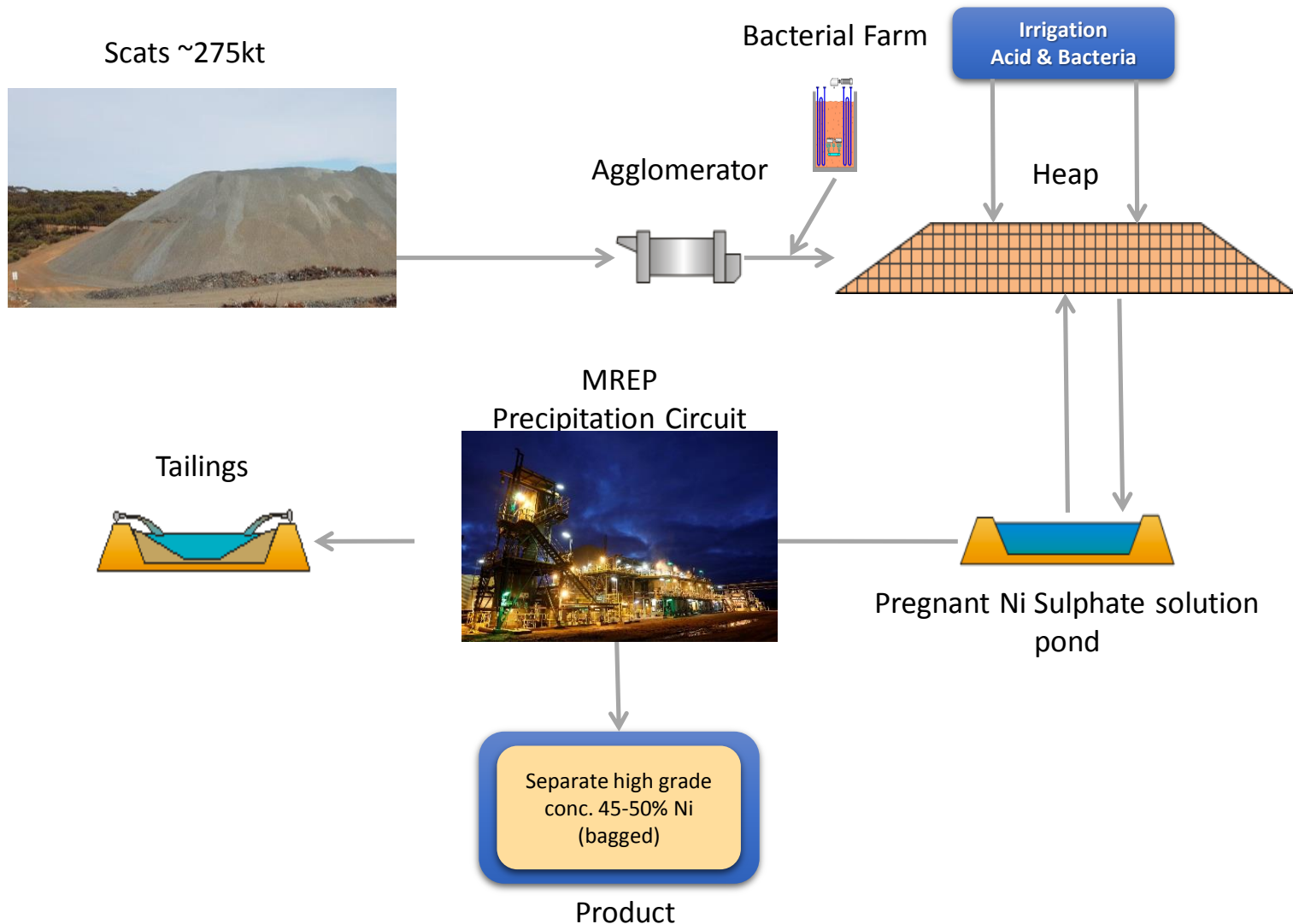
Back End – Precipitation

- 4000 tpa capacity
- 1400 tpa - leached material from BioHeap front end
- 2600tpa - other sources of nickel in solution eg. heap leach elsewhere in Forrestania, or scats treatment

MREP FLOWSHEET

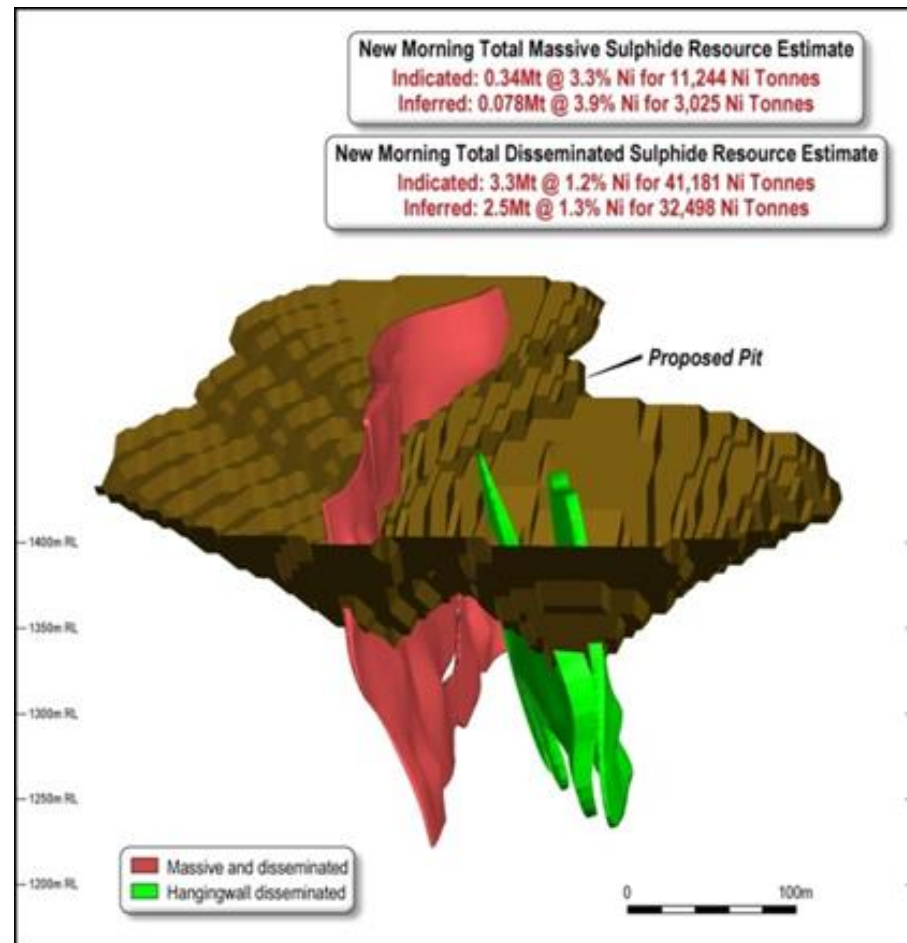


CONCEPTUAL FLOWSHEET – NICKEL SCATS

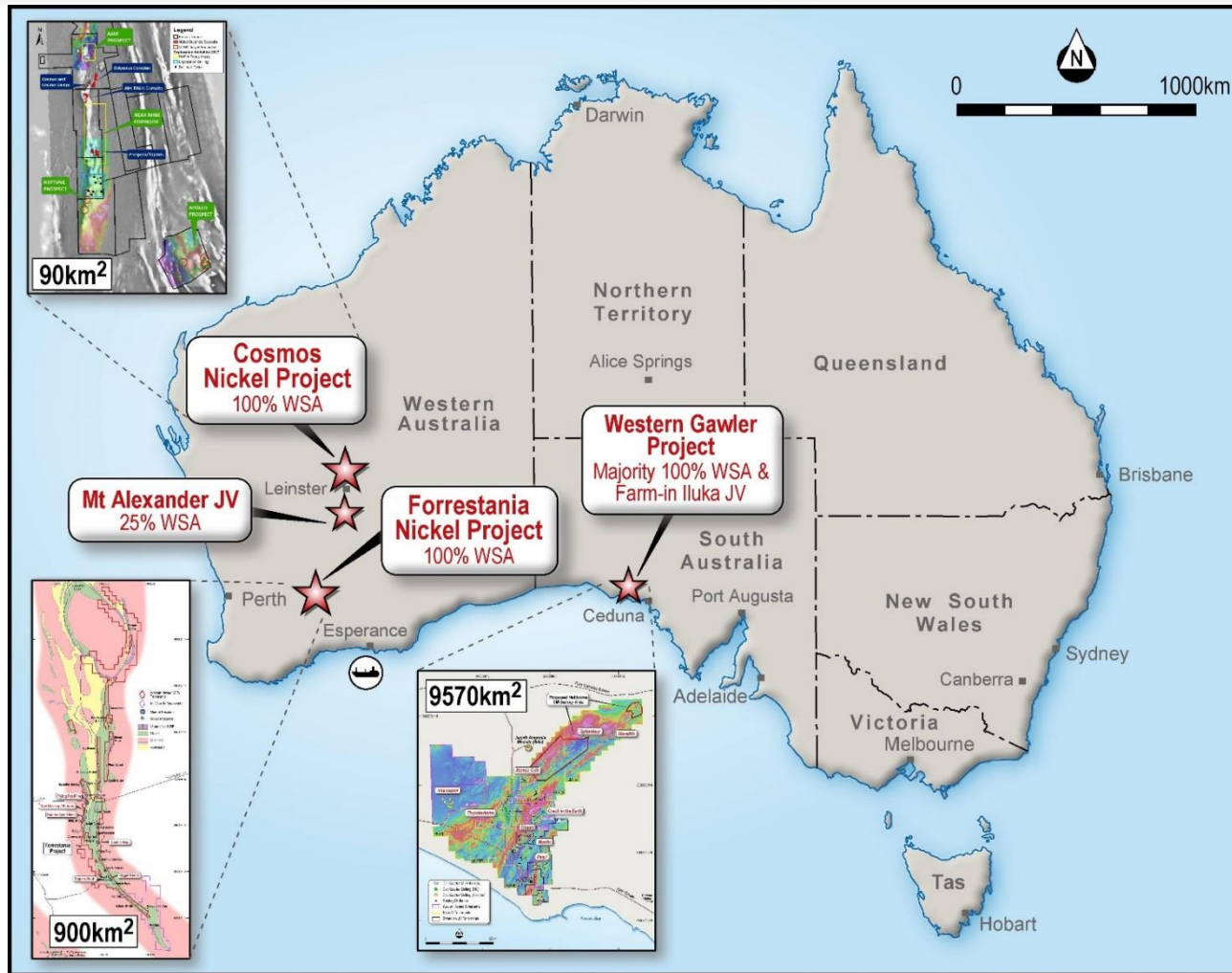


NEW MORNING / DAYBREAK

- Massive sulphide resource of 418kt @ 3.6% for 14,269 nickel tonnes
- Low grade resource (at 0.5% Ni COG) of 5.8m tonnes @ 1.3% for 73,679 nickel tonnes
- Located 2.5km from Flying Fox and 2.8km from Spotted Quoll
- Open Pit Scoping Study commenced
- BioHeap® testwork ongoing to evaluate heap leach criteria



EXPLORATION OVERVIEW – KEY TENEMENT HOLDINGS



Balanced exploration portfolio supporting future growth

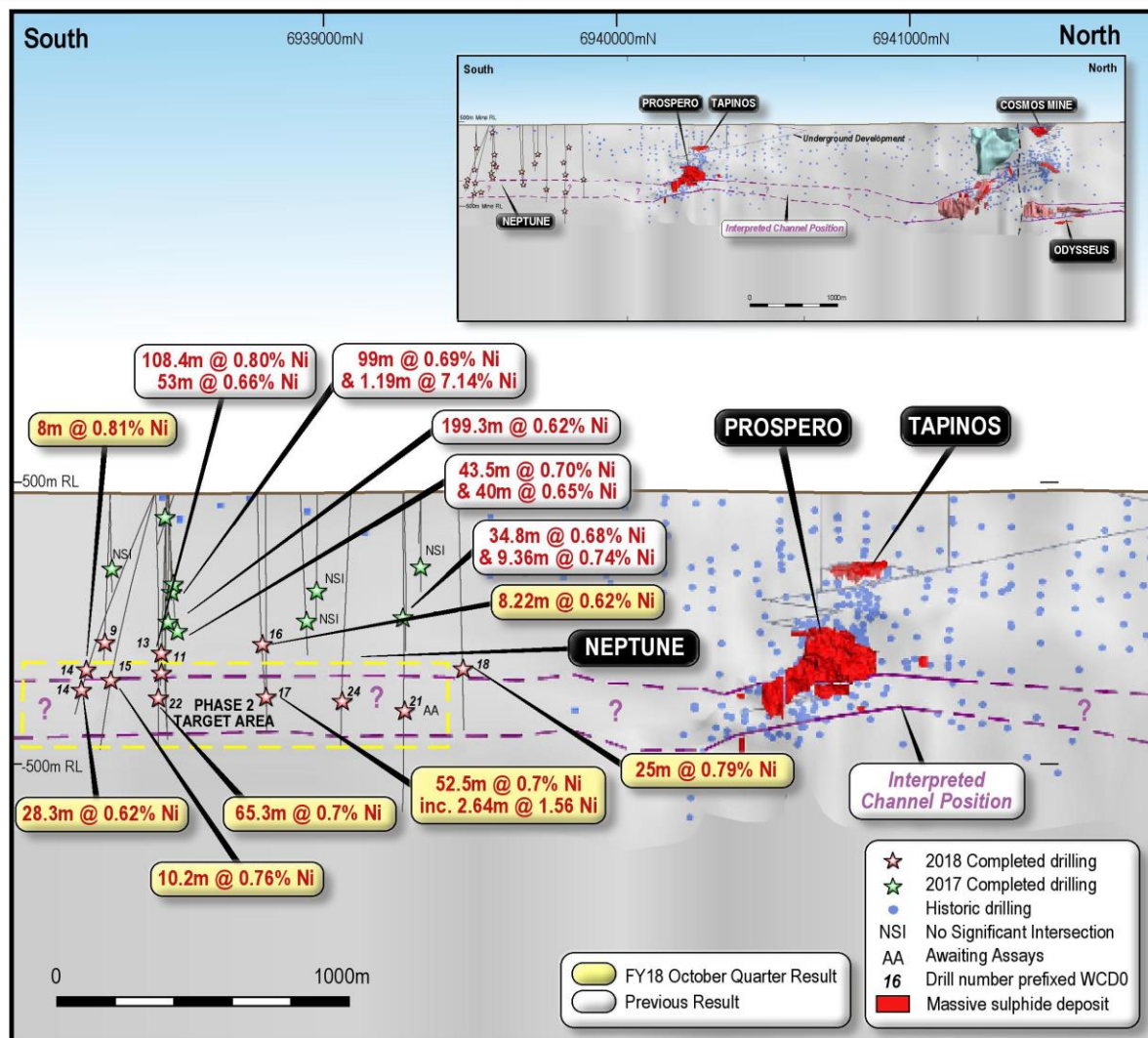
COSMOS EXPLORATION

Drilling Results - Neptune

- Phase 2 drilling campaign at Neptune well advanced with mineralisation confirmed over 1km along strike including
 - ✓ 108m @ 0.8% Ni, incl 0.3m @ 4.64% Ni
 - ✓ 16.5m @ 0.72% Ni; and
 - ✓ 0.55m @ 6.83% Ni

Drilling Results - Odysseus

- Very high grade drill results at Odysseus North, extension to project resource
- Significant exploration upside:**
 - ✓ Recent massive sulphide drilling success beneath Odysseus
 - ✓ 3.4m @ 22% Ni



WESTERN GAWLER PROJECT

Prospective Greenfields Exploration Asset

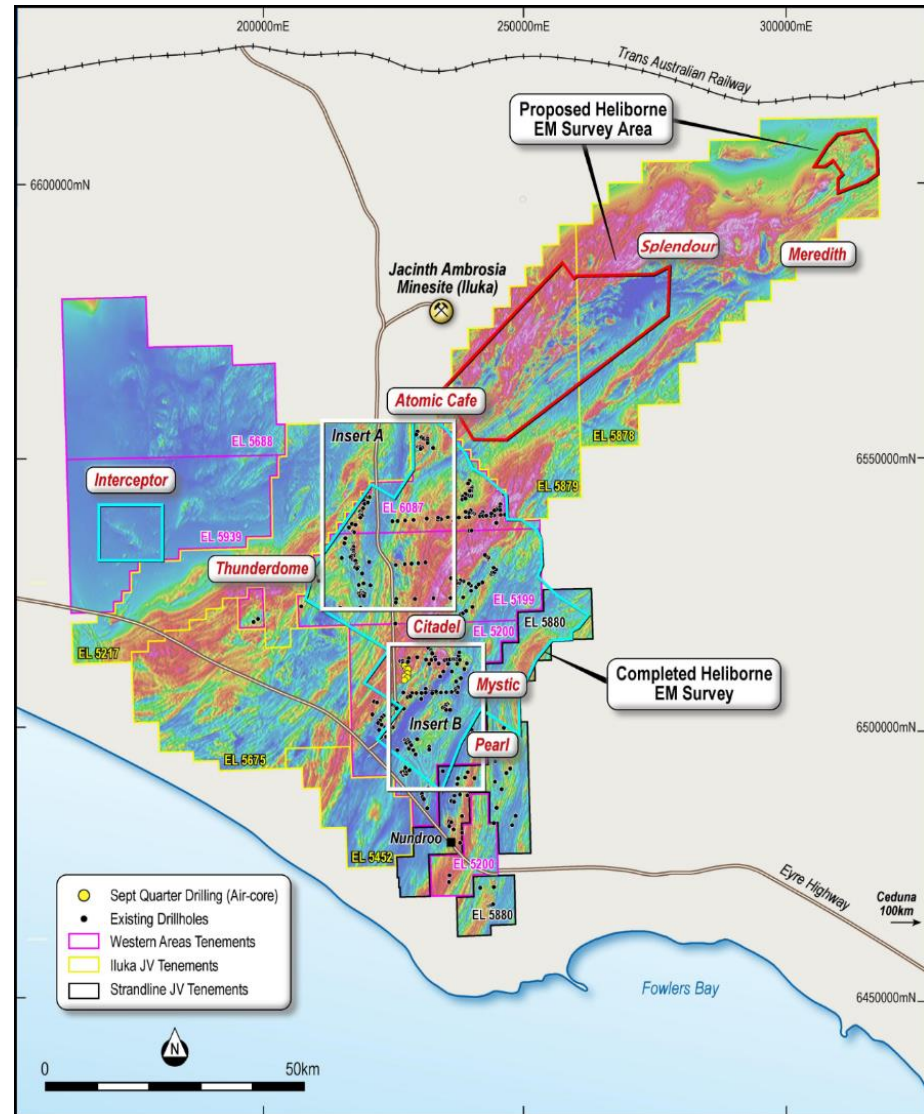
- 4,450km² WSA tenement holding
- Ramp-up of exploration activities across FY18
 - 217 drill holes.
 - 149 line kilometers of Moving Loop EM ground surveys
- Regional scale SkyTEM airborne EM survey completed in early FY19
- Identification of Thunderdome as emerging prospective corridor hosting numerous mafic intrusions

Strategic agreement with Iluka

- Five lease covering an additional 5,070km²
- Two stage Farm-in earning up to 75% base and precious metals rights
- Effectively representing close to 100% of the highly prospective Fowler Domain

Ramp-up of Exploration Activity

- Elevated funding support in FY19
- Integrated series of belt scale exploration campaigns planned
- Strong pipeline of targets identified



NICKEL MARKET



WHAT WE ARE SEEING

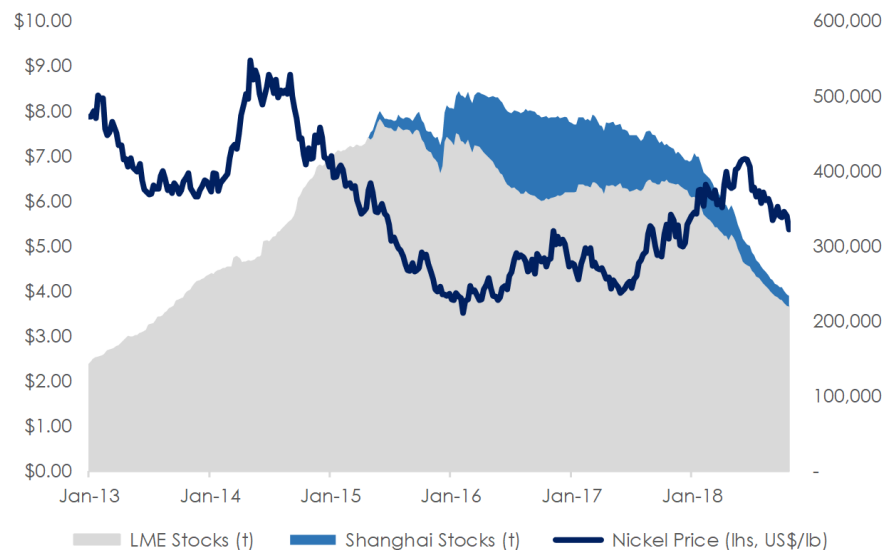
- **Significant increase in inbound off-take enquiries** for Nickel Sulphide concentrate post current contract period, primarily linked to the Electric Vehicle battery sector.
- **Our partner, China's largest stainless steel producer, Tsingshan, has strong growth plan** which will require significant additional nickel units – **reinforcing industry wide trend.**
- **Technology change to NCM 811** which requires even more nickel
- **Current nickel price too low** to incentivise new project development. New mine development can take 3 years – the nickel “pie” is not expanding.
- **May see divergent market in nickel supply** emerging between stainless steel and EV
- **LME and other stockpiles shrinking** on the back of current stainless demand



Estimated electrification impact per vehicle (avg NMC battery)

40-50kg Ni	50-75kg Cu
5-15kg Co	+ Cu for charging point + Cu for grid access

LME and SHFE Nickel Stocks vs Nickel Price*

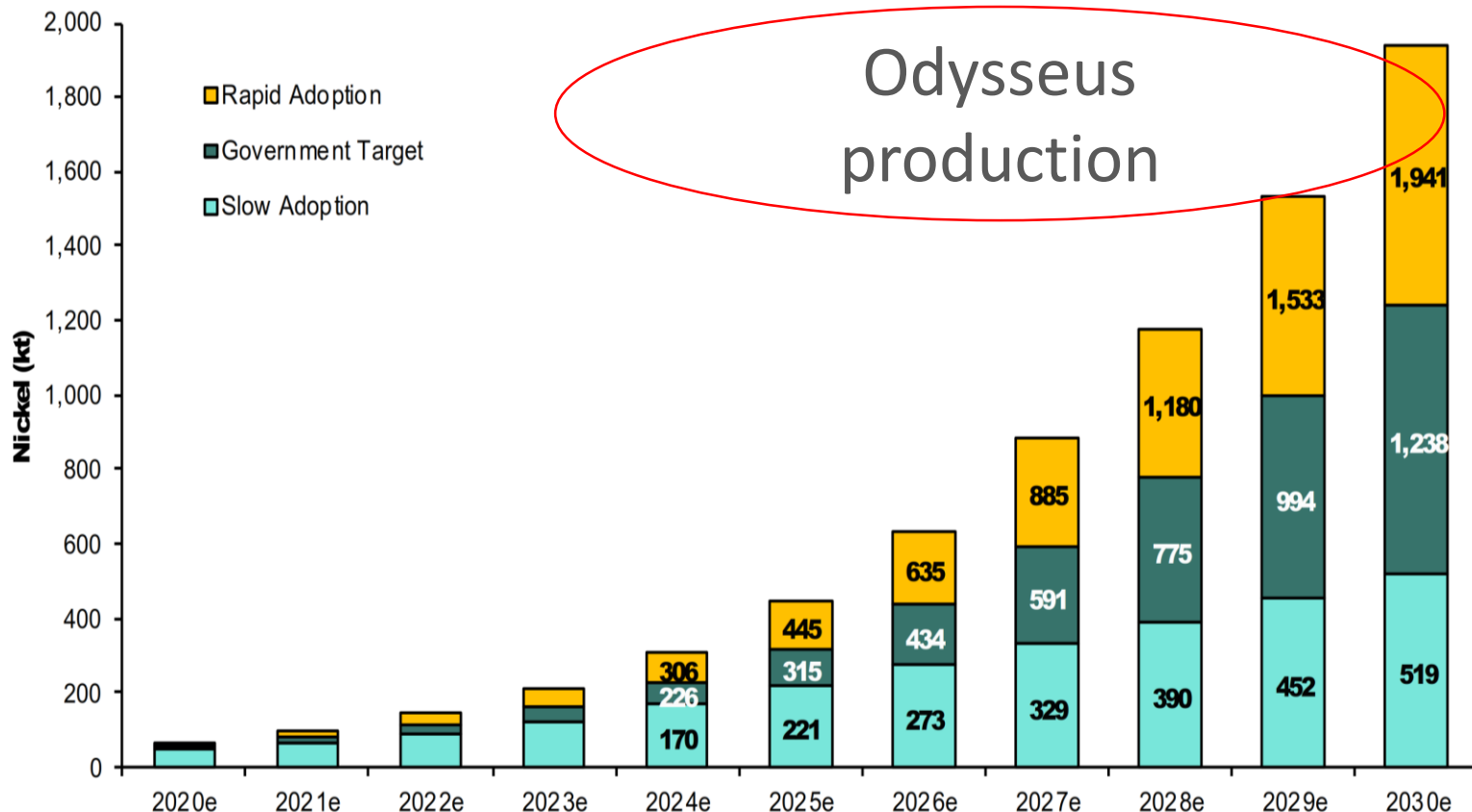


* GMR Research 2018

ODYSSEUS IS PERFECTLY TIMED

- Potentially very significant incremental demand versus a current nickel market size of c.2,200kt
- Research indicates NMC 811 will be the fastest growing battery combination by 2025!

Global Demand for Nickel for Electric Vehicles



Source: Bernstein - June 2018

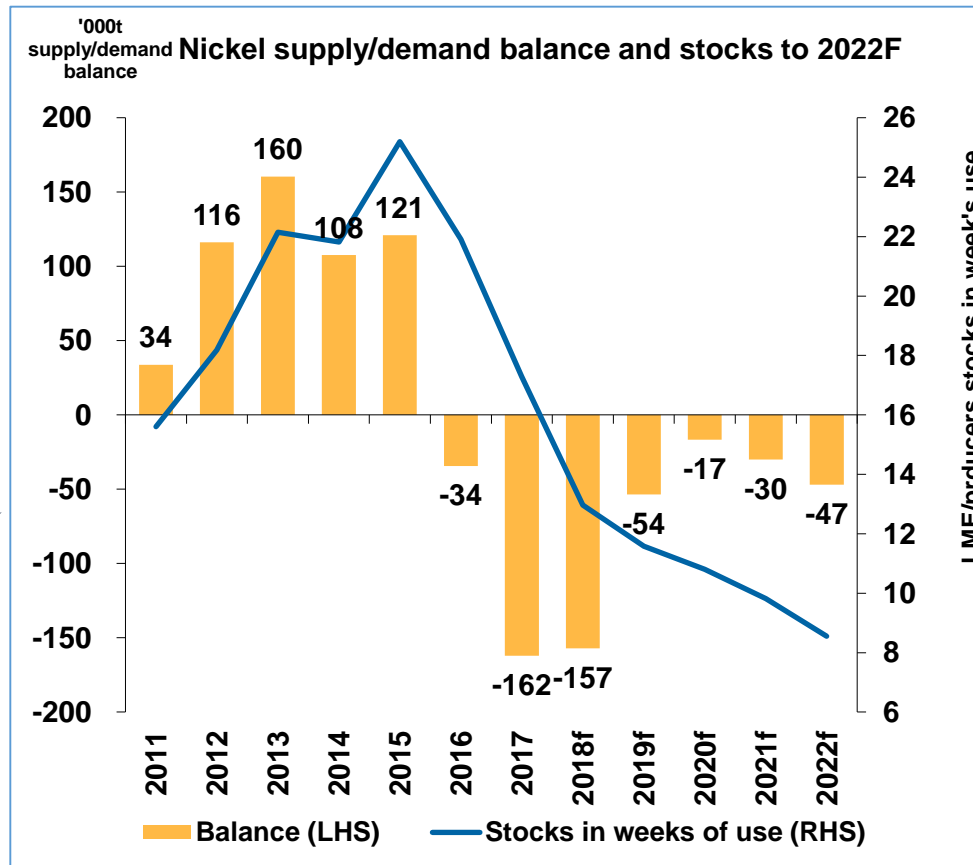
NICKEL DEFICITS ON THE HORIZON!

Two successive sizeable nickel market deficits, both this year and in 2019, combined with **expectations for continued deficits** through the first half of the 2020's ... point to a **necessity for higher prices.**

Deutsche, July 18

There is **consensus** from within the industry, nickel trade bodies and industry consultants, **that the market is in deficit.**

Bernstein, June 18



We expect the nickel market to **remain in deficit beyond 2018**, and we believe **higher prices** are required to incentivise new supply to keep up with demand growth.

J.P. Morgan, July 18

Source: INSG, CRU, LME, Macquarie Strategy, August 2018

APPENDIX



FINANCIAL SNAPSHOT

1st Half Highlights	1H 2019	1H 2018	2H 2018
Mill Production (tonnes Ni)	10,794	10,865	10,195
Sales Volume (tonnes Ni)	10,404	10,614	9,935
Cash Costs (US\$/lb)	2.22	1.94	2.11
Cash Costs (A\$/lb)	3.07	2.49	2.74
Exchange Rate USD/ AUD	0.72	0.78	0.77
Nickel Price (US\$/lb)	5.40	5.31	6.38
Realised Price Before Payability (A\$/lb)	7.45	6.81	8.29
Revenue (\$'000)	123,657	115,812	132,456
EBITDA (\$'000)	30,592	36,384	47,585
EBIT (\$'000)	705	4,846	14,251
NPAT (\$'000)	150	3,506	8,331
Cashflow from Operations (\$'000)	42,994	31,628	45,338
Sustaining Capex ('\$'000)	23,829	28,680	20,132
Growth Expenditure ('\$'000)	29,310	4,990	5,982
Cash at Bank (\$'000)	134,262	132,552	151,643
Dividend (cents)	0.0	0.0	2.0

Key Takeaways – 1H FY19 v 1H FY18

- Consistent and reliable production and sales volumes.
- Realised price (before payability) increased with nickel production deficit confirmed by drop in LME inventory
- EBITDA A\$30.6m and breakeven NPAT, planned higher costs partly offset by higher nickel price
- Odysseus growth expenditure accelerated to \$21.5m during the half. Initial water management and surface infrastructure works completed. Shaft head gear procured
- Sustaining capex at normal levels

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