

**WESTERN AREAS LTD**



# **DIGGERS & DEALERS – KALGOORLIE**

AUGUST 2017

[www.westernareas.com.au](http://www.westernareas.com.au)



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The information within this PowerPoint presentation was compiled by Western Areas management, but the information as it relates to mineral resources and reserves was prepared by Mr Marco Orunesu-Preiata and Mr Andre Wulfse. Mr Orunesu-Preiata and Mr Wulfse are full time employees of Western Areas Ltd. Mr Orunesu-Preiata and Mr Wulfse are members of Australian Institute of Mining and Metallurgy (AusIMM) and 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 2012 Edition of the ‘Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves’ (2012 JORC Code). Mr Orunesu-Preiata and Mr Wulfse consent to the inclusion in this presentation of the matters based on the information in the form and context in which it appears.

For the 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.

# AGENDA

Corporate



Innovation & Success



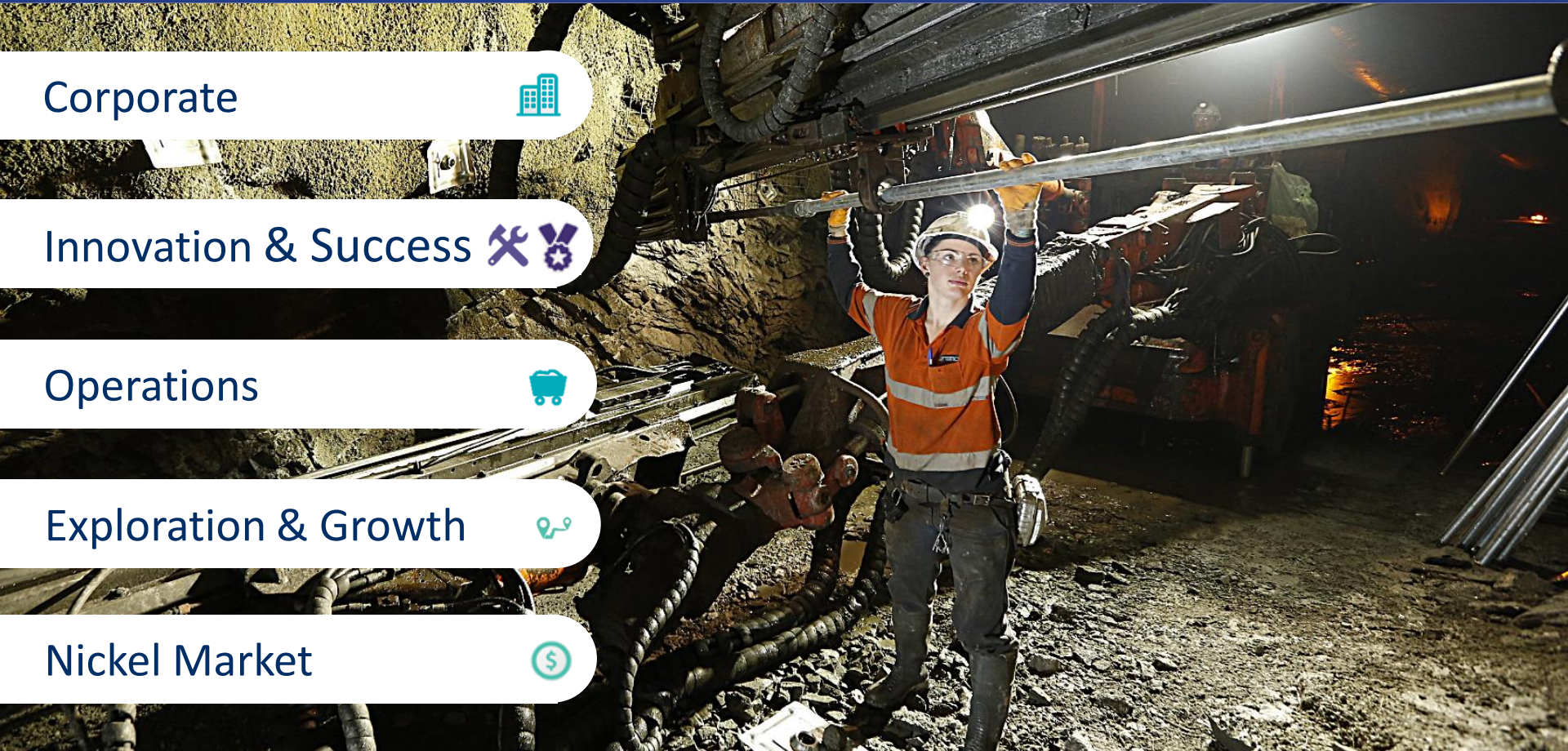
Operations



Exploration & Growth



Nickel Market







# CORPORATE

# CORPORATE OVERVIEW

## High quality assets

- Highest grade, low cash cost nickel producer
- Free cashflow positive

## No debt, clean balance sheet, low costs

- Low unit cash cost producer
- A\$140.3m cash at bank

## Organic growth options and innovation

- Exciting exploration hits
- Odysseus DFS and Mill Enhancement project

## Positioned for nickel recovery

- A\$1/lb lift in nickel price = circa A\$35m EBITDA
- New and improved offtake contracts implemented

ASX code	WSA
Share price	2.37
Shares outstanding (m)	272.2
Market Cap (A\$m) <sup>1</sup>	645.1
Cash (A\$m) <sup>2</sup>	140.3

### Cosmos Nickel Complex

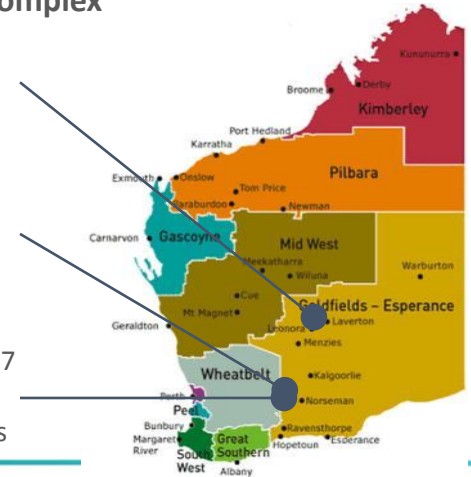
592kt Ni resources  
PFS complete  
DFS underway

### Flying Fox

10kt Ni mined FY17  
38kt Ni reserves  
99.8kt Ni resources

### Spotted Quoll

15.5kt Ni mined FY17  
85.6kt Ni reserves  
118.6kt Ni resources



**A leading mid-tier base metal producer**

1. Based on share price on 31 July 2017 2. Cash as at 30 June 2017



**INNOVATION**



**SUCCESS**



# KEEPING ACTIVE IN A VOLATILE MARKET

*Innovation, adding value, finding new opportunities, doing things differently...*

New and improved  
offtake deals

MREP – a new,  
higher grade and  
value product  
stream

Advancing Cosmos  
– a third potential  
mine

Greater operational  
efficiency

Lithium  
investments

Value from non-  
core assets

*Delivering on our promises...*

Targets	Completed
Offtake contracts	✓
Cost control	✓
Prudent capital management	✓
Innovation	✓
Building our portfolio	✓
New products and markets	✓

# NEW AND IMPROVED OFF-TAKE CONTRACTS

*Opening new markets*

*Superior commercial terms*

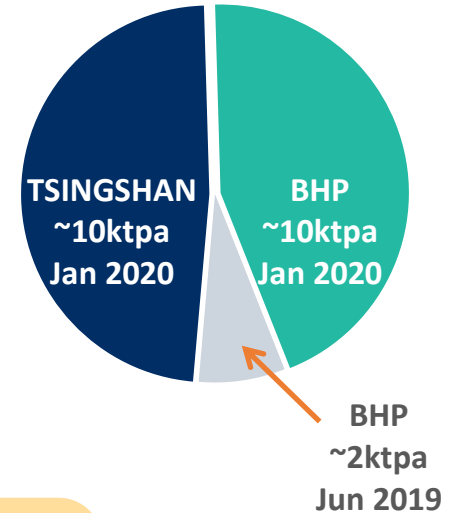
*Creating more value from the same nickel product*

## 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





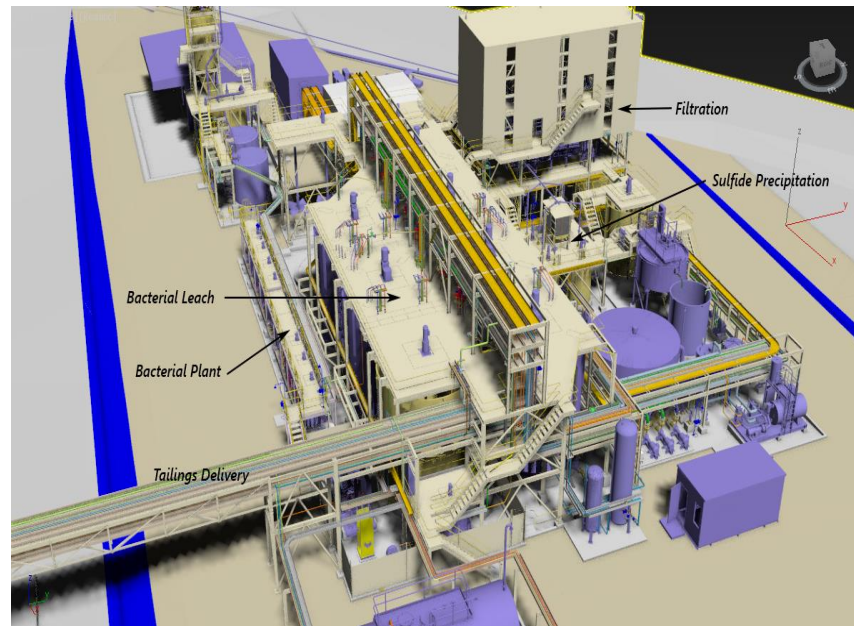
# MILL RECOVERY ENHANCEMENT PROJECT (MREP)

*Produces additional new higher-grade product*

*Generating value from waste tailings*

*New customers eg EV battery market*

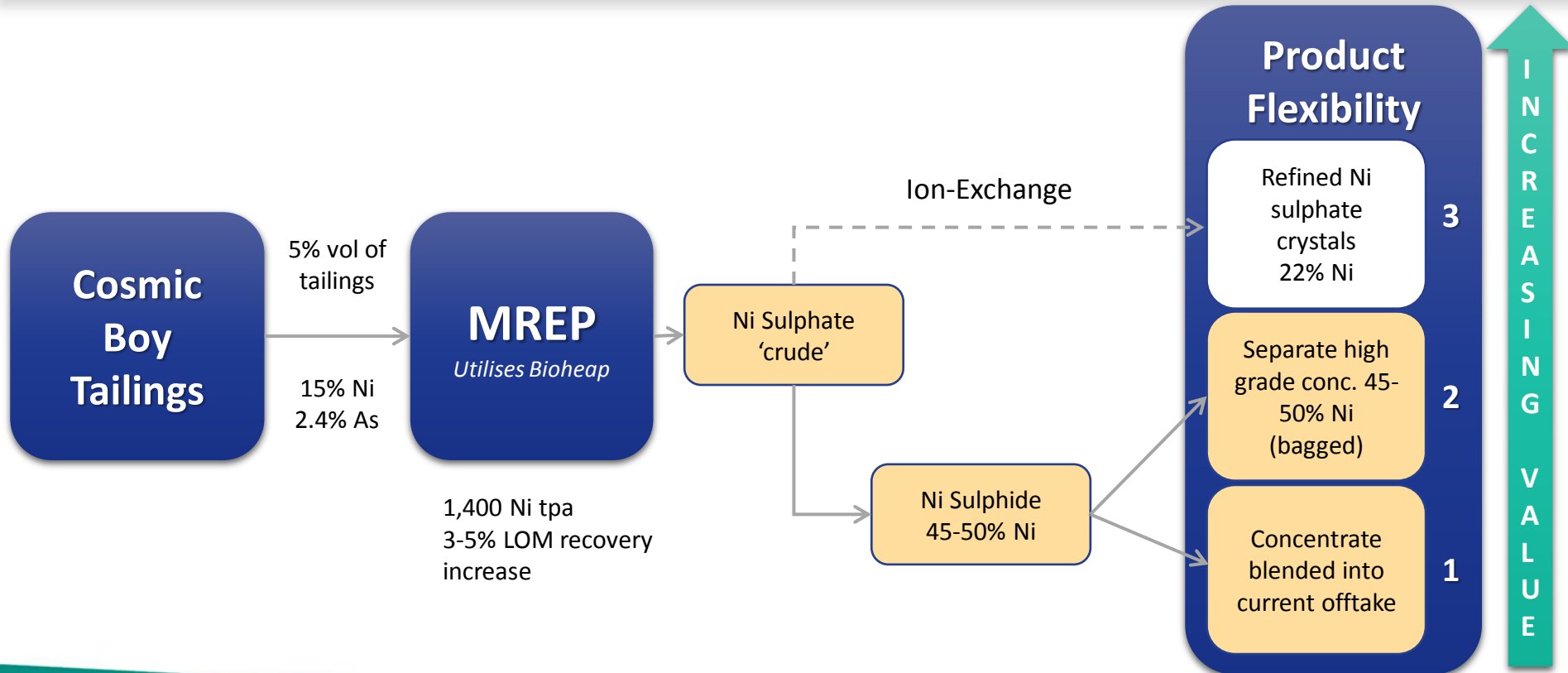
- Located next to Cosmic Boy Nickel Concentrator
- Construction has commenced on site
- First production of high grade nickel sulphide in Q1 2018
- Utilises BioHeap® process to leach waste tailings
- A\$17.5m completion cost, unit cost A\$2.44/lb, 3 year payback



# MREP SITE WORKS

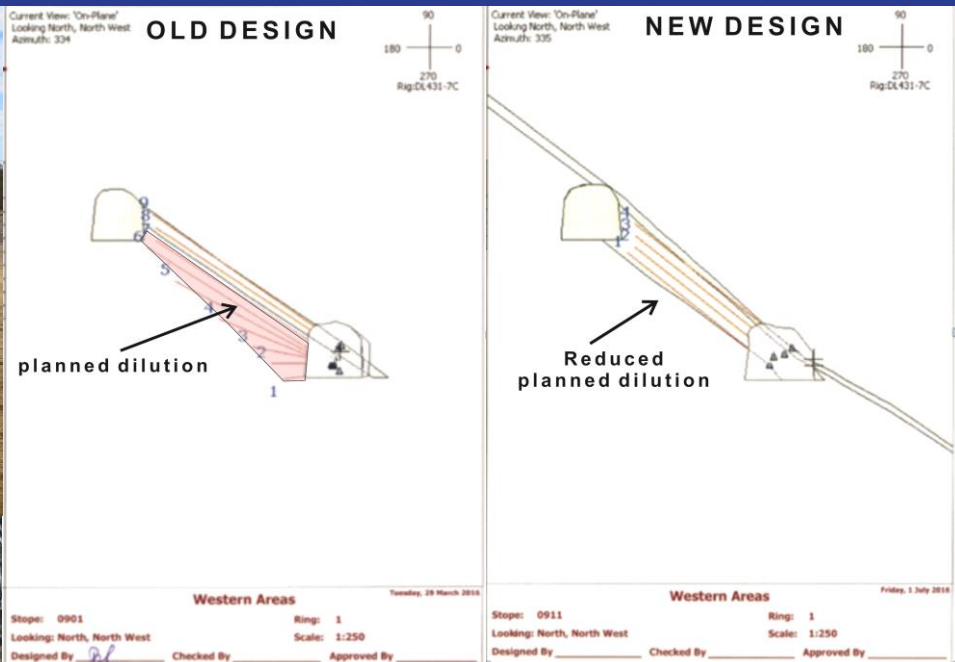
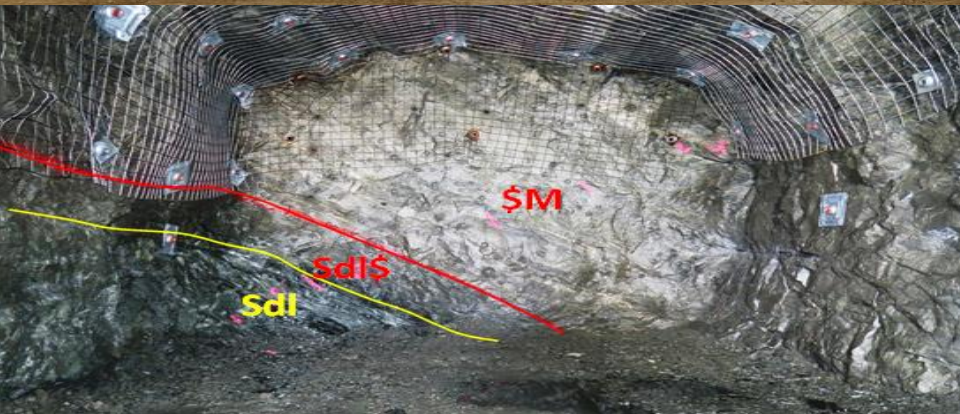


# MREP FLOWSHEET





# OPTIMISING OPERATIONS



Original design for budget

Mining method change  
currently implemented



# REALISING VALUE FROM NON CORE ASSETS

## Kidman Resources

- Farm-in and joint venture with Kidman Resources for lithium/by-product rights over WSA's northern Forrestania tenements.
- WSA stake in Kidman at 5.2%
- Deal signed with SQM

*"We believe that Kidman is the right exploration joint venture partner for Western Areas, with the capacity and motivation to build a robust lithium business through exploration on our pegmatite rich tenements."*

- *"This is another excellent outcome for Western Areas as it allows the Company to realise early value for lithium prospectivity from our northern tenements at Forrestania."*

## Bluejay Mining plc

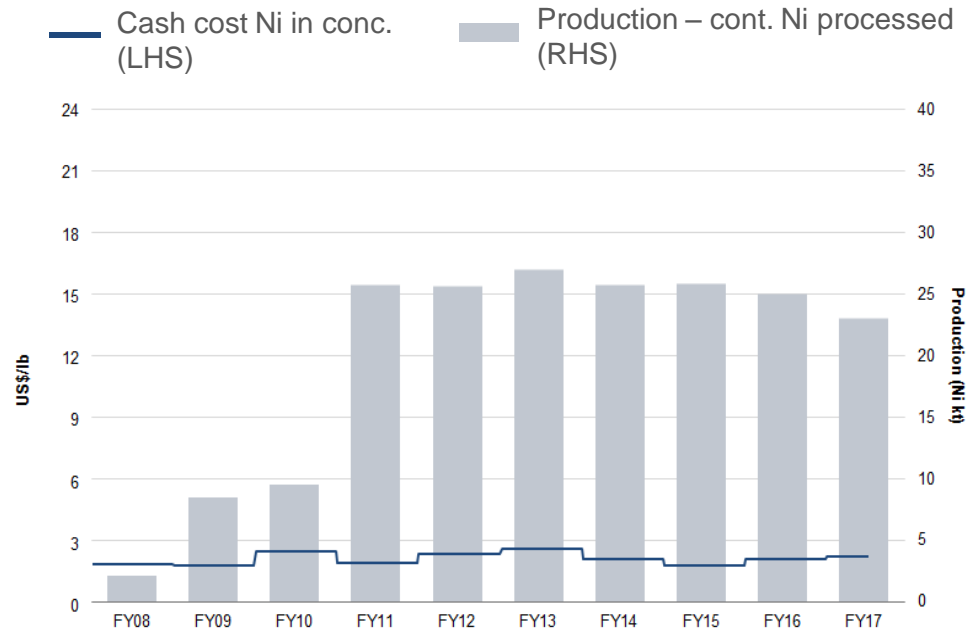
- Sold entire shareholding in Bluejay Mining plc for A\$32.1m net of fees.
- Returned material value to WSA

## St George Mining

- Retain free carried 25% JV position in Mt Alexander project in Western Australia

# CONSISTENT DELIVERY

- Seven years delivering or exceeding guidance
- Remain debt free
- Consistent low cost producer
- Mill performs well above nameplate capacity
- Ore sorter initiative
- Innovation – ‘pinch valve’ and mining optimisation at SQ



A management team that consistently delivers on guidance



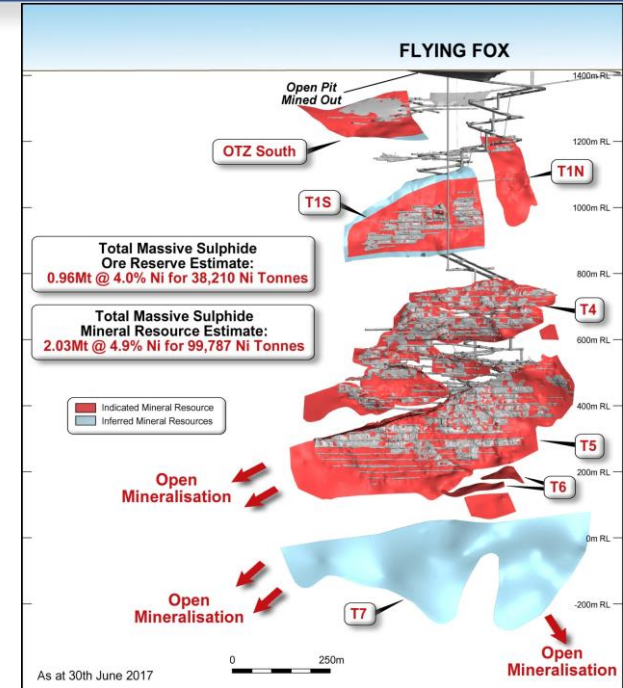
# OPERATIONS

# FLYING FOX MINE

Reserve Contained nickel	0.96Mt @ 4.0% 38,210 Ni tonnes
Resource Contained nickel	2.03Mt @ 4.9% 99,787 Ni tonnes
Mine life	4 years

## Key points

- FY17 production – 10,486 Ni tonnes
- Reserve life has a demonstrated history of replenishment
- Added OTZ South Massive Zone – 182,898t @ 4.1% Ni for 7,417 nickel tonnes
- Recent resource extension drilling into T6 domain has been encouraging, **including 8.0m @ 10.7% Ni**
- Has been operating for over 12 years



The heart of Western Areas' Operations

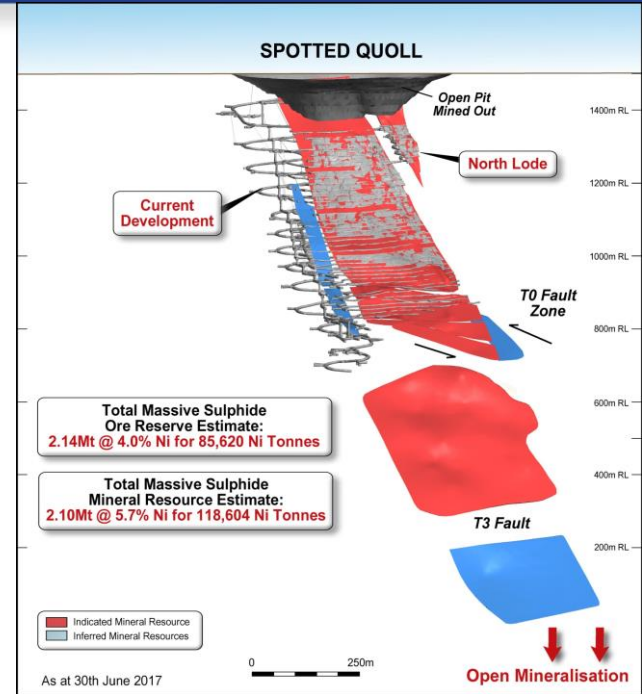


# SPOTTED QUOLL MINE

Reserve Contained nickel	2.14Mt @ 4.0% 85,620 Ni tonnes
Resource Contained nickel	2.10Mt @ 5.7% 118,604 Ni tonnes
Mine life	7years

## Key points

- March Mineral Resource upgrade +12,650 nickel tonnes
- Has never recorded an LTI
- FY17 record annual production – 15,510 Ni tonnes
- Remains open at depth and to the North
- Production has outperformed reserve tonnes and grade consistently
- Top down mining with paste fill



WSA explored, discovered and developed

# COSMIC BOY NICKEL CONCENTRATOR

## Concentrator Summary

- Mill processed an annual record of 617,808k tonnes of ore in FY17, for 23,005 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 half height 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



# EXPLORATION AND GROWTH



# ORGANIC GROWTH PROFILE

## Large holding in 2 significantly endowed nickel provinces

### Forrestania Operations – Western Australia

- New Morning project – Near mine leveraging existing infrastructure with studies underway to evaluate Bioheap options
- History of reserve/resource extension

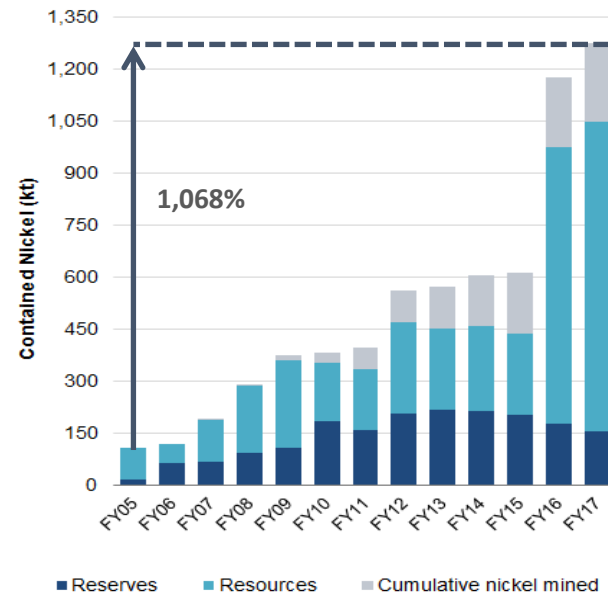
### Cosmos Nickel Complex / Odysseus – Western Australia

- Existing resources and infrastructure (previous Glencore/Xstrata/Jubilee Operation)
- DFS underway and significant high grade intersections
- Successful first pass drilling at Neptune

### Western Gawler – South Australia

- First mover advantage
- Intrusive style and geologically similar to Nova

## Historic reserves & resources



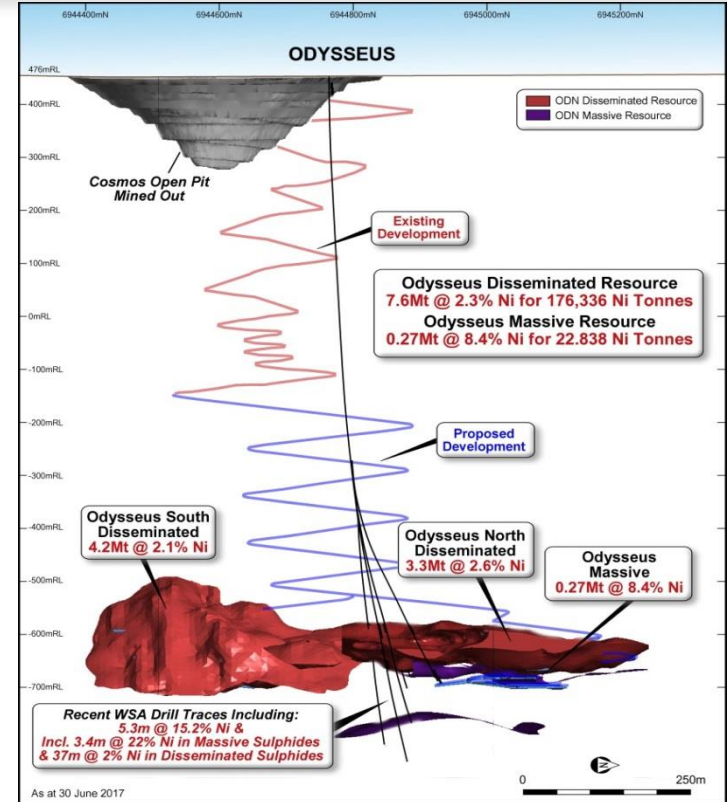
WSA has a track-record of discovery and development



# COSMOS

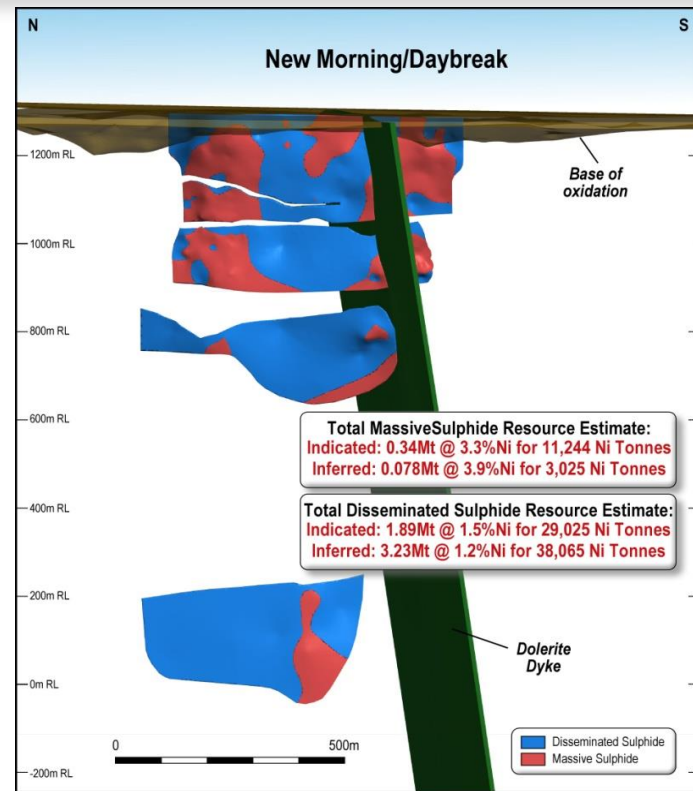
## *A potential new (third) nickel operation on the horizon...*

- Covers 88km<sup>2</sup> in prolific nickel belt, including the Odysseus deposit
- Odysseus PFS shows financially and economically robust project and nickel production metrics
- Very low sustaining capital expenditure after initial pre-production capex
- Very low all-in unit sustaining costs **of A\$3.69/lb (US\$2.70/lb)**
- Odysseus DFS underway, to be completed March 2018
- Very high grade drill results at Odysseus North, extension to project resource
- **Significant exploration upside:**
  - ✓ AM5 and AM6 orebodies (53kt of contained nickel)
  - ✓ Recent massive sulphide drilling success beneath Odysseus
  - ✓ Regional drilling success at Neptune
  - ✓ Opportunities for a roasting concentrate

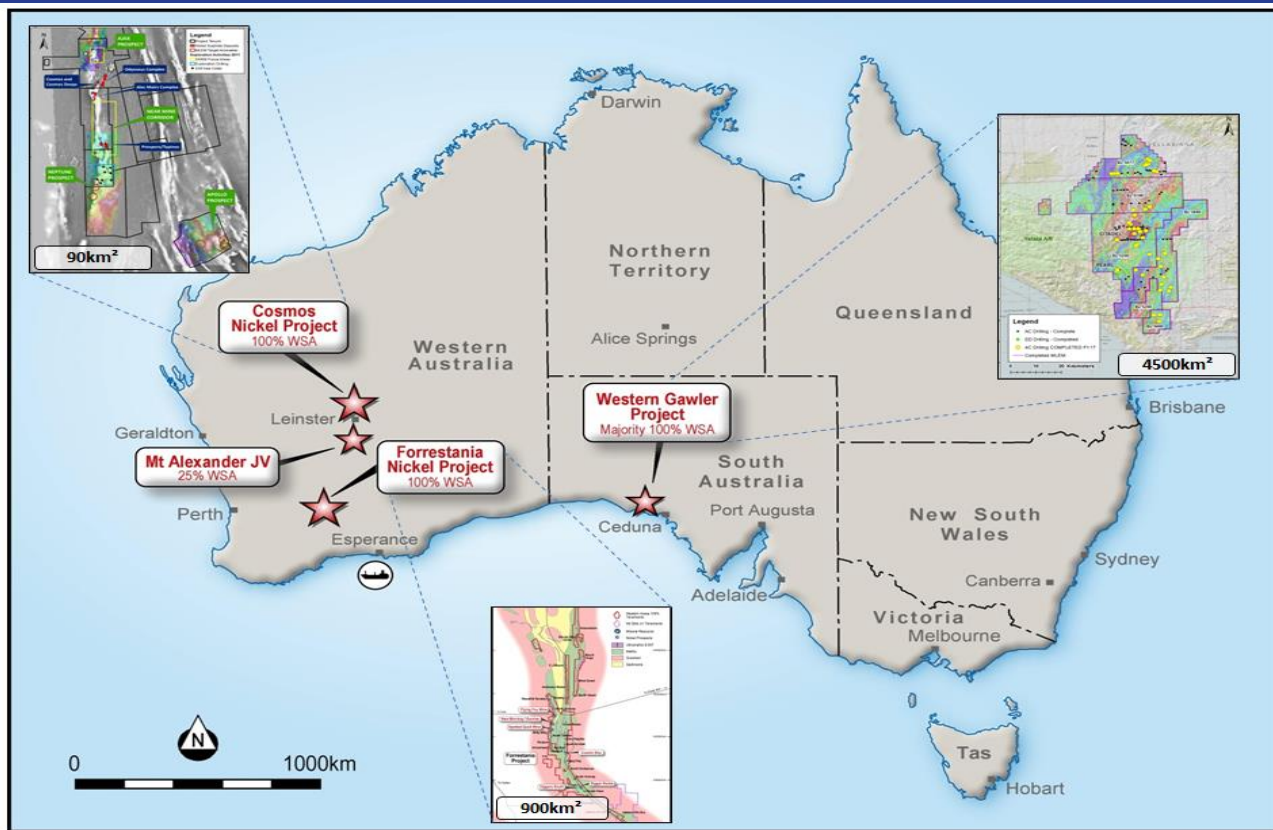


# NEW MORNING / DAYBREAK

- Massive sulphide Resource of 418kt @ 3.4% for 14,249 nickel tonnes
- Low grade resource (at 0.5% Ni COG) of 5.1m tonnes @ 1.3% for 67,090 nickel tonnes
- 2.5km from Flying Fox and 2.8km from Spotted Quoll
- Open Pit and shallow underground studies commenced
- BioHeap® testwork ongoing to evaluate heap leach criteria



# EXPLORATION UPSIDE – KEY TENEMENT HOLDINGS





# NICKEL MARKET





# GEO-POLITICAL FORCES, BUT STRONG DEMAND

## Indonesia relaxes the laterite ore export ban implemented in 2014

- This is **not a reversal** of the ban and exports allowed under certain circumstances;
  - Exporter must show plans and demonstrate progress to constructing in-country processing facilities
  - Only impacts ore <1.7% nickel
  - Exporters must prove 30% of low grade is processed in-country
  - Rules on majority ownership transfer over 10 years
- **Only around 5.0 Mt of <1.7% nickel laterite to be exported per annum announced – immaterial!**

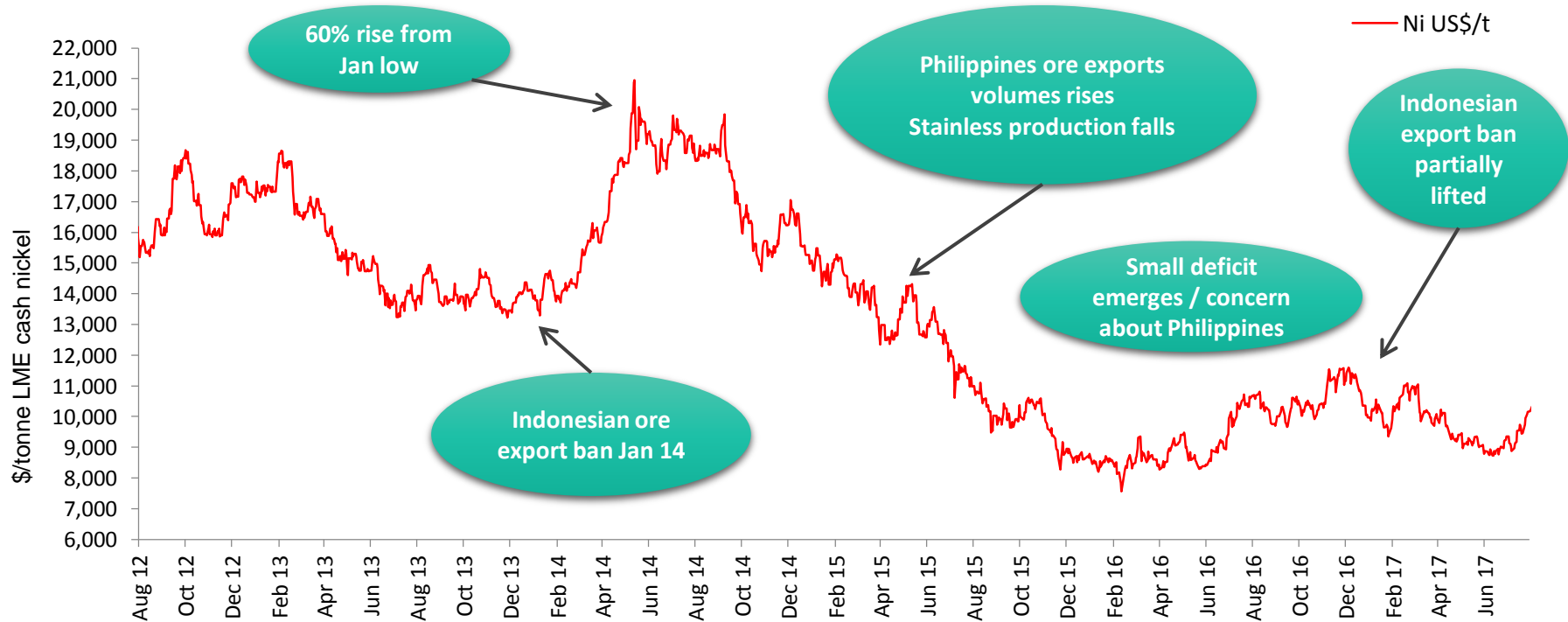


## Philippines due to announces significant nickel mine closures and suspensions

- Mining and Resources Secretary Lopez announces closures and suspensions that could impact 50% of domestic laterite nickel exports
- Strong opposition from mining groups - Lopez not supported by Senate (2 May 2017) and replaced by Roy Cimatu
- Strong comments by Duterte and Cimatu regarding taxation of miners and continuation of environmental review (July 2017)



# NICKEL PRICE “ROLLER COASTER”

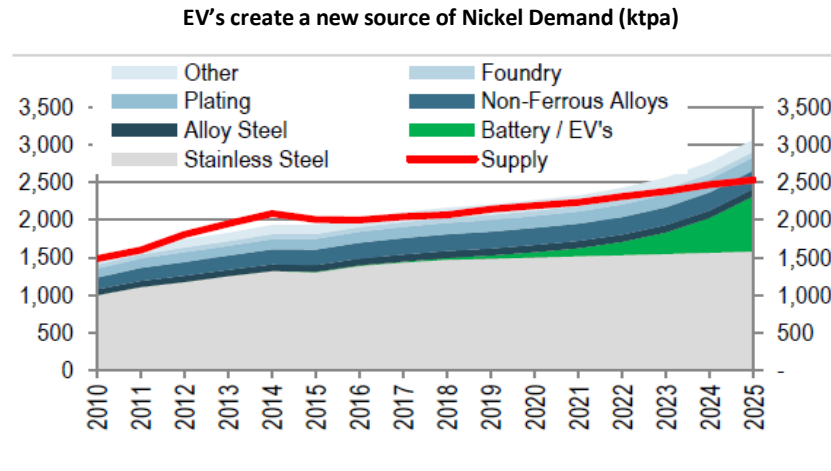


# NI GROWTH FROM THE EV BATTERY SECTOR

- Nickel is a key ingredient in lithium-ion batteries (~50kg per car)
- EV battery manufacture could drive +10-40% of incremental nickel demand by 2025 – *UBS, July 2017*
- ~15m EV production in 2025 would mean an additional ~300- 900ktpa of incremental nickel demand – *UBS, July 2017*

**“It’s not just the demand for nickel – it’s the form as well”**

Source: UBS Global Commodities – July 2017



Source: Nickel Supply & Demand (ktpa); AME, WBMS, UBS.

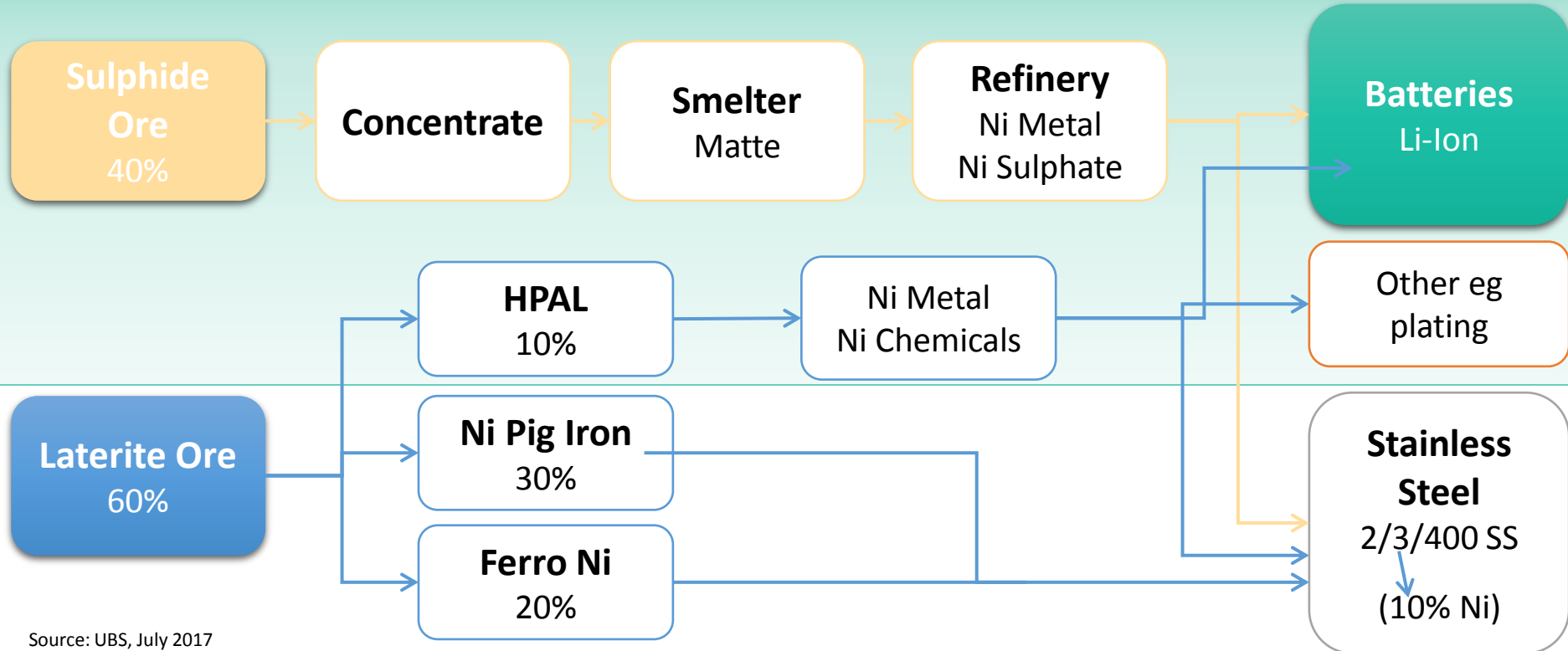
**“Asian Battery Makers Eye Nickel Top-Up As Cobalt Price Bites”**

Source: Mitsui Bussan Commodities - August 2017

**“Big Winner from Electric Vehicles”**

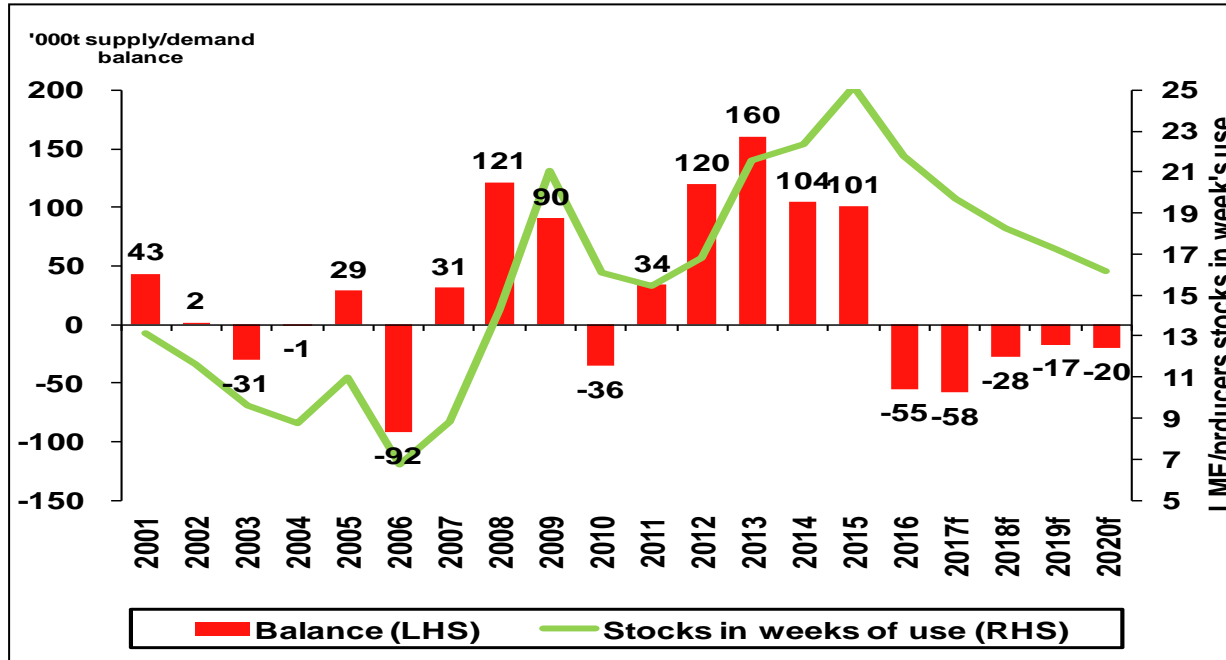
Source: UBS Global Commodities – July 2017

# ONLY ~50% OF NICKEL WILL BE AVAILABLE FOR EV ?



Source: UBS, July 2017

# NICKEL DEFICITS ON THE HORIZON !



Source: CRU, INSG, Red Door Research, July 2017



# THE YEAR AHEAD

- Spotted Quoll
- Flying Fox
- Cosmic Boy Concentrator

## Production



- Complete Odysseus DFS
- Commission MREP
- New Morning Study

## Development



- Cosmos Nickel Complex
- Western Gawler JV
- Forrestania

## Exploration



- Markets for new product streams
- Battery market potential
- Potential for nickel to move to supply deficit

## Market



# THANK-YOU

**B**arminco



**Bis**  
INDUSTRIES



Merchant Shipping

**Skippers**

**action**  
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