

WESTERN AREAS LTD



FY18 RESULTS, FY19 GUIDANCE AND CORPORATE PRESENTATION

22 AUGUST 2018

www.westernareas.com.au



AGENDA



Results & Guidance



Corporate



Operations



Growth & Exploration



Nickel Market



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The information within this PowerPoint presentation was compiled by Western Areas management, but the information as it relates to exploration results, mineral resources or ore reserves was prepared by Mr Graeme Gribbin, Mr Andre Wulfse or Mr Marco Orunesu-Preiata respectively. Mr Gribbin, Mr Wulfse and Mr Orunesu-Preiata are full time employees of Western Areas Ltd. Mr Gribbin is a member of Australian Institute of Geoscientists (AIG). Mr Wulfse and Mr Orunesu-Preiata 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 Gribbin, Mr Wulfse and Mr Orunesu-Preiata consent to the inclusion in this presentation of the matters based on the information in the form and context in which it appears.

FY18 RESULTS & FY19 GUIDANCE



KEY TAKEAWAYS – FY18

- One lost time injury in FY18 - LTIFR at 0.91
- Cash at Bank A\$151.6m and ZERO debt
- All updated FY18 guidance metrics met
- 21,060 nickel tonnes in concentrate produced
- Realised nickel price (pre-payability) of A\$7.53/lb, up 23% from FY17
- EBITDA of A\$84.0m, up 62% from FY17 of A\$51.9m*, despite lower sales volume
- EBITDA margin of 33.8%, up 40% from FY17* of 24.2%*
- Underlying Net Profit After Tax (NPAT) of A\$11.8m (FY17 – NLAT A\$11.5m**):
 - A\$23.4m improvement over FY17 when excluding Bluejay and Kidman adjustments
- Fully franked final dividend of 2.0c per share – 46% of NPAT
- Organic growth projects beginning to deliver:
 - MREP constructed on time and budget
 - Odysseus now a larger project with mine life extensions – DFS due late September
 - New Morning gaining momentum on the back of MREP

* FY17 excludes EBITDA impacts of Bluejay equity sale (A\$25.6m) and Kidman equity recognition (A\$7.5m)

** FY17 excludes NPAT impacts of Bluejay equity sale (A\$25.6m) and Kidman equity recognition (A\$5.2m)

THERE ARE NO UNDERLYING ADJUSTMENTS FOR FY18

FINANCIAL SNAPSHOT

Highlights	1H 2018	2H 2018	FY 2018	FY 2017
Nickel in Concentrate Production (tonnes)	10,865	10,195	21,060	23,005
Sales Volume (tonnes Ni)	10,614	9,935	20,549	22,639
Cash Costs (US\$/lb)	1.94	2.11	2.03	1.80
Cash Costs (A\$/lb)	2.49	2.74	2.63	2.38
Exchange Rate USD/ AUD	0.78	0.77	0.77	0.75
Nickel Price (US\$/lb)	5.31	6.38	5.84	4.61
Realised Price Before Payability (A\$/lb)	6.81	8.29	7.53	6.11
Revenue (\$'000)	115,812	132,456	248,268	213,920
EBITDA (\$'000)	36,384	47,585	83,969	51,858
Underlying NPAT/(NLAT) (\$'000)	3,506	8,331	11,837	(11,524)
Pre-tax Investment Income (\$'000)	-	-	-	33,063
NPAT (\$'000)	3,506	8,331	11,837	19,299
Cashflow from Operations (\$'000)	31,628	45,338	76,966	66,190
Growth & Sustaining Capex ('\$'000)	33,670	26,114	59,784	33,966
Cash at Bank (\$'000)	132,552	151,643	151,643	140,294
Dividend (cents)	0.0	2.0	2.0	2.0

Key Takeaways – FY18 v FY17

- Planned lower nickel production and sales with focus on value vs volume.
- Realised price (before payability) improved in FY18, driving the improved financial performance.
- FY18 EBITDA improved by 61% versus FY17.
- Underlying NPAT improved by A\$23.4m.
- Capital expenditure higher in FY18, due to deferrals implemented in FY17.

Key Takeaways – 2HFY18 v 1HFY18

- Physical volumes marginally lower in 2HFY18.
- Nickel price increased A\$1.48/lb which assisted increased EBITDA and NPAT.
- Free cashflow of A\$19.1m in 2HFY18.

Underlying Adjustments

FY17 EBITDA: A\$33.1m of gains from Bluejay sale (A\$25.6m) and Kidman transaction (A\$7.5m)
FY17 NPAT: A\$30.8m of gains from Bluejay sale (A\$25.6m) and Kidman transaction (A\$5.2m)

INCOME STATEMENT

Earnings Data (\$'000)	1H FY 2018	2H FY 2018	FY 2018	FY 2017
Exchange Rate USD/ AUD	0.78	0.77	0.77	0.75
Nickel Price (U\$/lb avg)	5.31	6.38	5.84	4.61
Realised Nickel Price (A\$/lb)	6.81	8.29	7.53	6.11
Revenue	115,812	132,456	248,268	213,920
EBITDA	36,384	47,585	83,969	51,858
EBITDA Margin (%)	31.4%	35.9%	33.8%	24.2%
Depreciation & Amortisation	(31,538)	(33,334)	(64,872)	(66,330)
EBIT / (LBIT)	4,846	14,251	19,097	(14,472)
Investment Income	-	-	-	33,063
Finance, Interest & Other	(961)	(973)	(1,934)	(1,241)
Tax	(379)	(4,947)	(5,326)	1,949
NPAT	3,506	8,331	11,837	19,299
Underlying NPAT/ NLAT	3,506	8,331	11,837	(11,524)
Dividend (cents)	0.0	2.0	2.0	2.0

Underlying Adjustments

FY17 EBITDA: A\$33.1m of gains from Bluejay sale (A\$25.6m) and Kidman transaction (A\$7.5m)
FY17 NPAT: A\$30.8m of gains from Bluejay sale (A\$25.6m) and Kidman transaction (A\$5.2m)

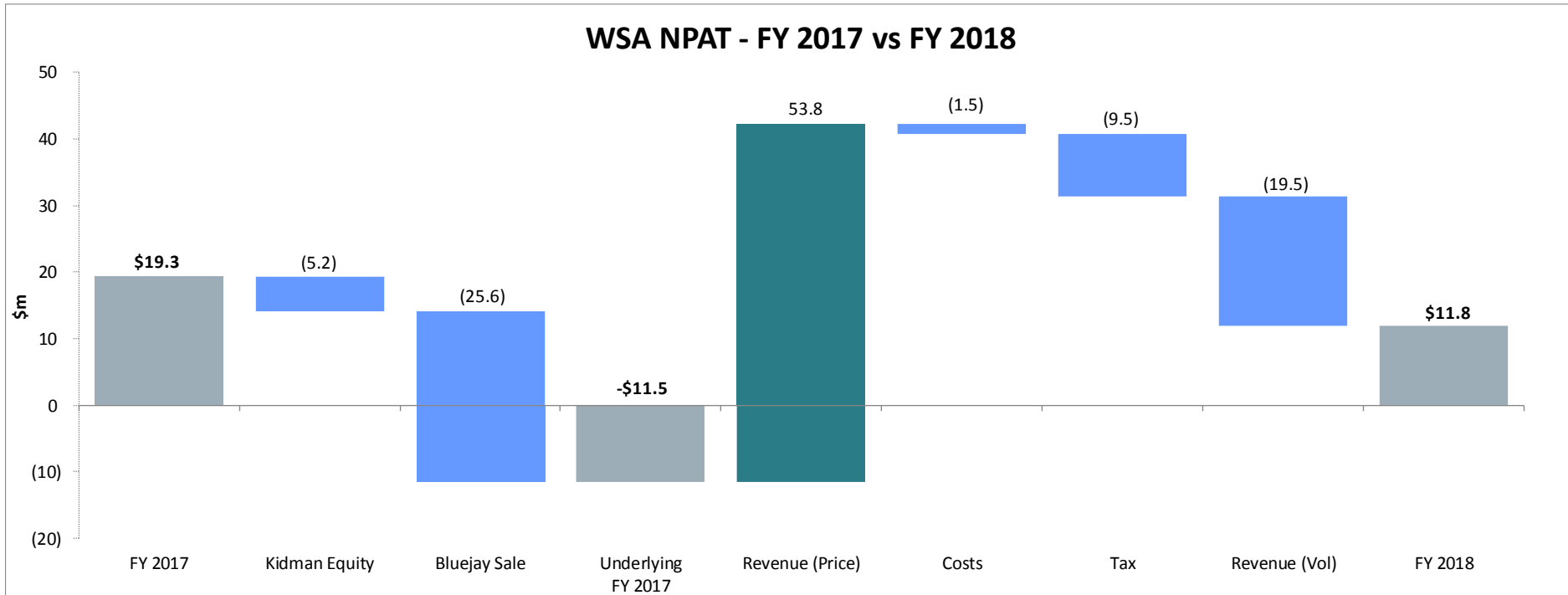
Key Takeaways – FY18 v FY17

- An increased realised nickel price (pre-payability) to A\$7.53/lb, principally drove all the financial improvements, whilst total operating costs were essentially flat
- Revenue up A\$34.3m on lower sales volume
- EBITDA improved A\$32.1m and margin increased to 33.8%
- Tax increased on earnings improvements
- Fully franked dividend maintained at 2.0c

Key Takeaways – 2HFY18 v 1HFY18

- Revenue increase primarily driven by an improved nickel price, partially offset by lower sales volume
- EBITDA margin of 35.9%

NPAT WATERFALL



CASHFLOW STATEMENT

Cashflow Statement (\$'000)	1H FY 2018	2H FY 2018	FY 2018	FY 2017
Operating Cashflow	31,628	45,338	76,966	66,190
Less:				
Exploration	(3,814)	(4,299)	(8,113)	(7,777)
Cosmos Feasibility	(1,176)	(1,683)	(2,859)	(4,206)
Mine Development	(15,172)	(11,096)	(26,268)	(15,703)
Capital Expenditure	(13,508)	(9,036)	(22,544)	(6,280)
Proceeds from sale of assets	4	-	4	-
Pre-Financing Cashflow	(2,038)	19,224	17,186	32,224
Net Proceeds on Bluejay Sale	-	-	-	32,065
Investments	-	-	-	518
Financing Costs	(149)	(133)	(282)	(219)
Dividends Paid	(5,455)	-	(5,455)	-
Borrowing cost & Stamp Duties	(100)	-	(100)	-
Net Cashflow	(7,742)	19,091	11,349	64,588
Cash at Bank	132,552	151,643	151,643	140,294

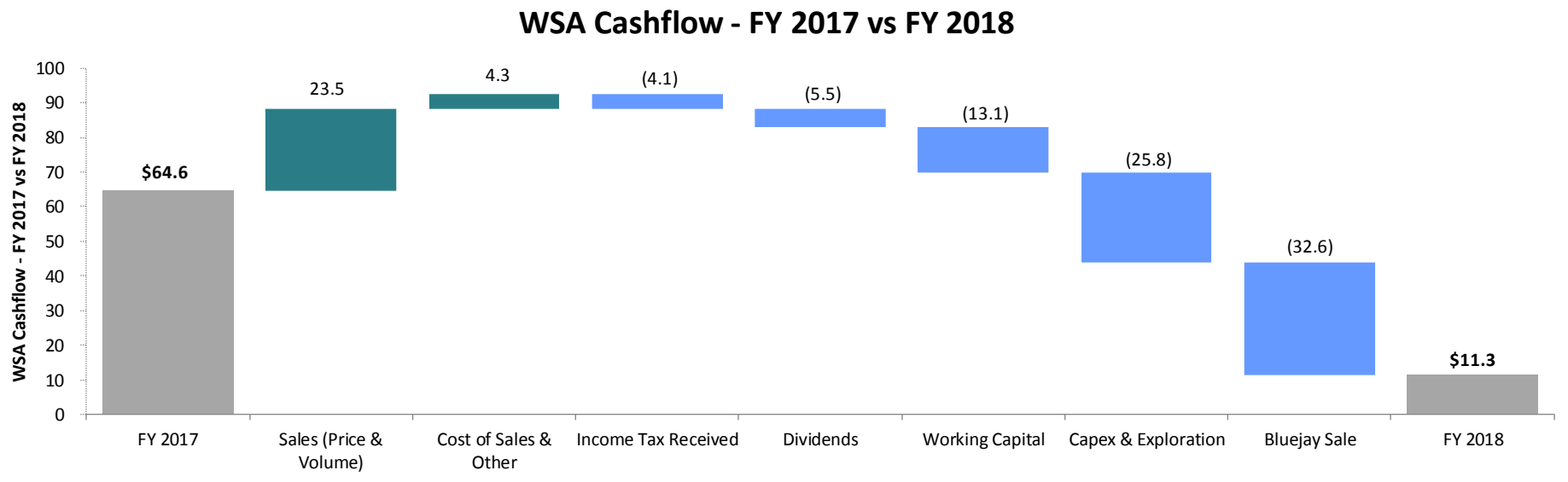
Key Takeaways – FY18 v FY17

- Cashflow from operations increased A\$10.8m - mainly working capital movements and nickel price:
 1. Cash receipts from customers +A\$10.4m
 2. Lower payments to suppliers +A\$3.7m
 3. Tax refund in FY17 –ve A\$4.1m
- Capital expenditure and mine development returned to planned levels for FY18 (A\$26.8m increase) following deferrals implemented in FY17, plus the construction of the MREP
- Bluejay equity sale completed in FY17 for A\$32.1m, which was not repeated in FY18
- Final dividend declared in FY17, paid during FY18

Key Takeaways – 2HFY18 v 1HFY18

- Higher nickel price, lower capital expenditure and no interim dividend increased free cashflow by A\$26.8m in 2HFY18

CASHFLOW WATERFALL



BALANCE SHEET

Balance Sheet (A\$'000)	1H FY 2018	FY 2018	FY 2017
Cash at Bank	132,552	151,643	140,294
Receivables	21,452	22,209	19,182
Stockpiles & Inventory	24,666	34,805	21,280
PP&E	89,825	89,003	82,884
Exploration & Evaluation	91,173	97,784	87,157
Mine Development	150,276	142,673	155,813
Kidman Investment	32,767	32,418	10,632
Other	2,816	1,395	1,690
TOTAL ASSETS	545,527	571,930	518,932
Trade & Other Payables	28,381	41,396	26,345
Derivatives & Other Current Provisions	4,031	6,106	3,950
Short Term Borrowings	128	267	474
Rehabilitation & Other Long Term Provisions	24,493	24,853	22,917
Deferred Tax Liability	6,409	10,496	5,902
TOTAL LIABILITIES	63,442	83,118	59,588
SHAREHOLDERS EQUITY	482,085	488,812	459,344

Key Takeaways – FY18 v FY17

- Refer to slide 9 regarding cash at bank increase
- Ore stockpiles increased with higher volumes and trade creditors returned to go forward normalised levels and reflecting higher capex at end of FY18 versus deferred capex at end of FY17
- PP&E increased with capitalisation of MREP, offset by D&A
- Debt free balance sheet

FY19 GUIDANCE

Metric	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
Feasibility Studies and Other Growth Projects	A\$5.0m to A\$8.0m
Odysseus Early Works	A\$24.0m to A\$28.0m
Exploration	A\$12.0m to A\$15.0m

Comments

- Nickel production marginally higher than FY18, assuming mid-point of guidance. Spotted Quoll contributes around 60% of production in FY19. Mine grades to match reserve grades
- Unit cash costs guidance impacted by a number of factors, with the lower-end range in line with 2HFY18:
 - General increase in contractor rates and rise & fall adjustments
 - Completion of negotiated discounts with major contractors and suppliers during the low nickel price environment
 - Higher proportion of ore development in FY19 and new ore fronts being developed at Flying Fox
 - Increase in labour rates and general consumables
- Total sustaining and mine development similar to FY19
- Feasibility and other growth projects include Odysseus DFS and MREP additional filtration and bagging facilities
- Odysseus early works expenditure relates to Q4 FY18 announcement of A\$32m program over 18 months
- Exploration investment to be higher with additional programs at Cosmos and Western Gawler. First resource extension drilling program at Spotted Quoll in FY19 (not drilled since 2009)

CORPORATE



CORPORATE OVERVIEW



ASX code	WSA
Share price	3.06
Shares outstanding (m)	273.5
Market Cap (A\$m) ¹	836.9
Cash (A\$m) ²	151.6

COSMOS Complex

592kt Ni resources
PFS complete
DFS nearing completion

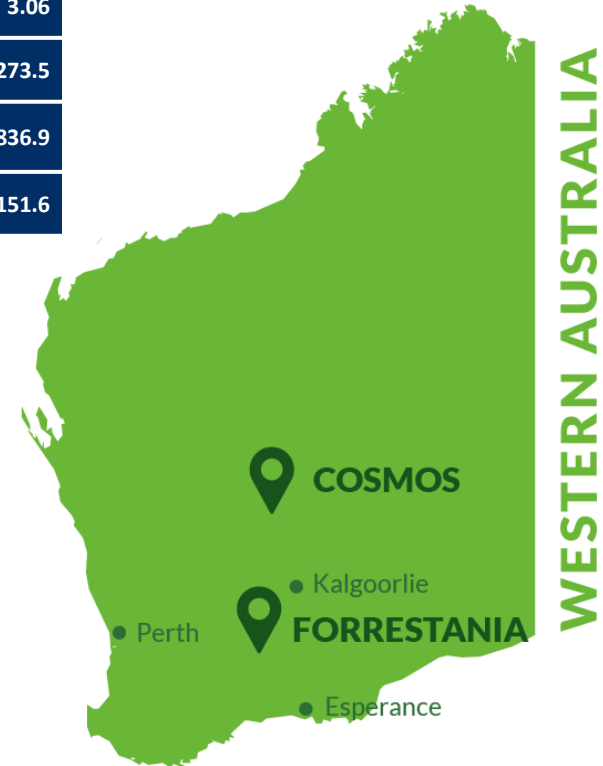
FORRESTANIA

Flying Fox

10.0kt Ni mined FY18
29.2kt Ni reserves
88.9kt Ni resources

Spotted Quoll

14.4kt Ni mined FY18
71.9kt Ni reserves
105.3kt Ni resources

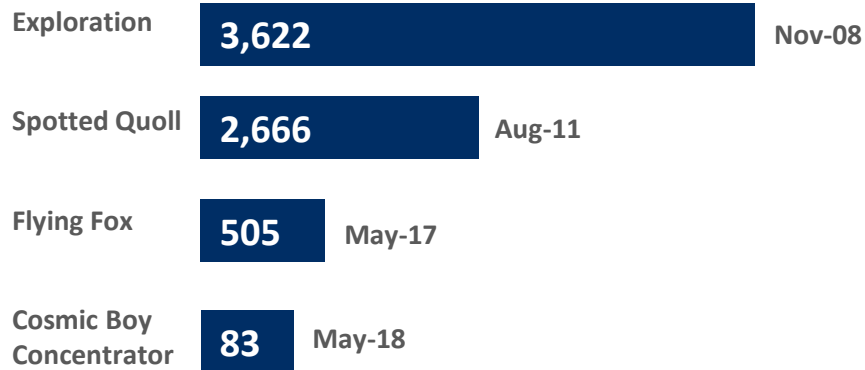


1. Based on share price on 14 August 2018 2. As at 30 June 2018

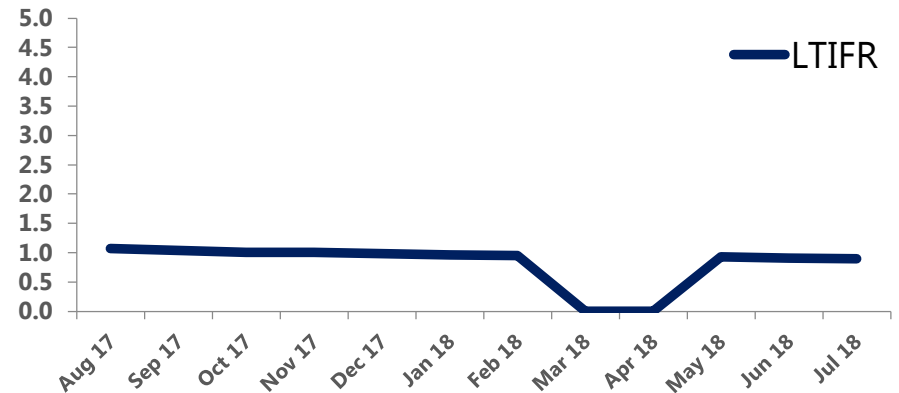
WESTERN AREAS ARE SAFE AREAS



Days LTI free



12 month LTIFR moving average



Safe operations make efficient operations

OPERATIONS

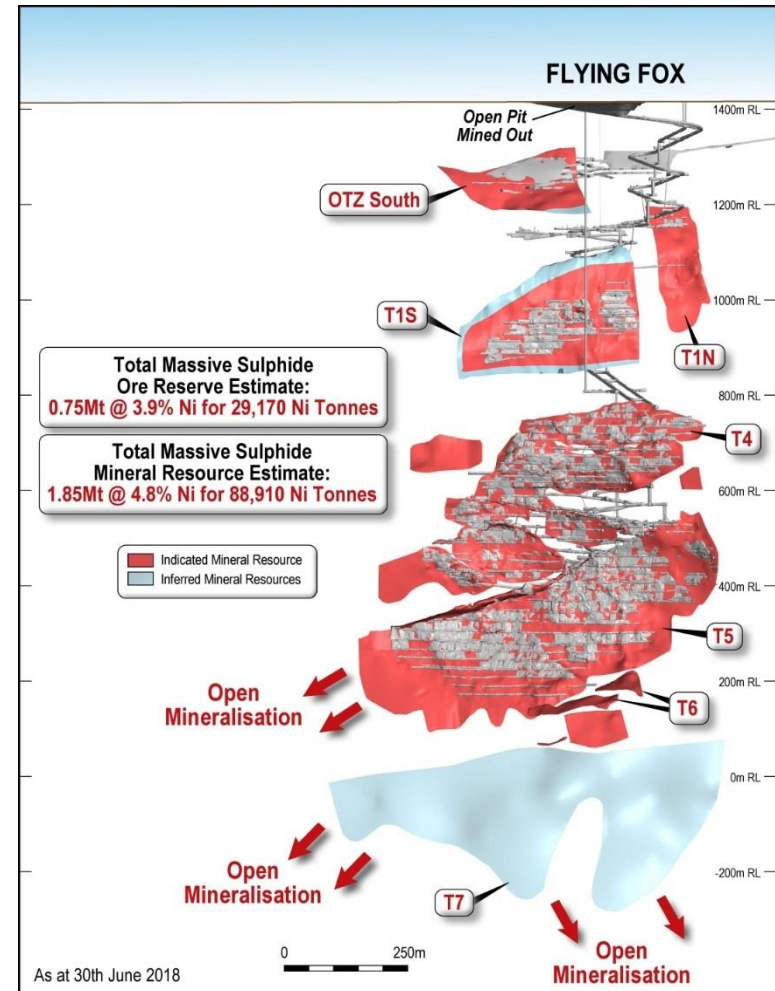


FLYING FOX MINE

Reserve Contained nickel	0.75Mt @ 3.9% 29,170 Ni tonnes
Resource Contained nickel	1.85Mt @ 4.8% 88,910 Ni tonnes
Mine life (on reserves)	3 years

Key points

- FY18 production – 10k Ni tonnes
- 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
- Significant low grade disseminated resource – Heap leach evaluation



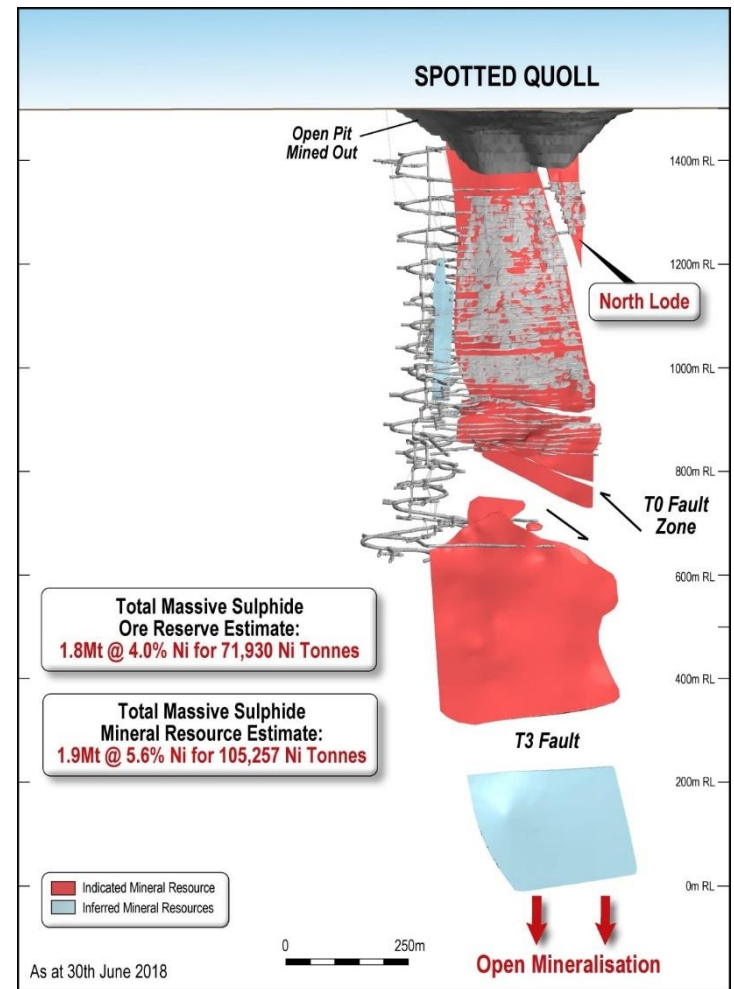
WSA foundation asset within Forrestania

SPOTTED QUOLL MINE

Reserve Contained nickel	1.8Mt @ 4.0% 71,930 Ni tonnes
Resource Contained nickel	1.9Mt @ 5.6% 105,257 Ni tonnes
Mine life	7 years

Key points

- Has never recorded an LTI
- FY18 annual production – 14.4k 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 616,598k 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

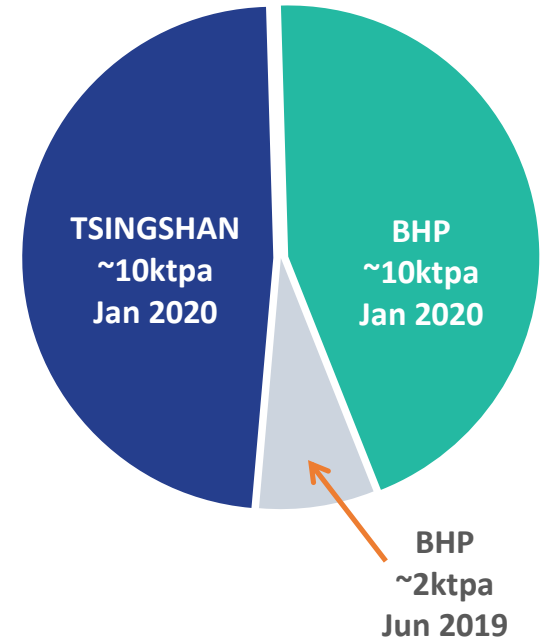
Opening new markets

Superior commercial terms

Creating more value from the same nickel product

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) NOW COMMISSIONED

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

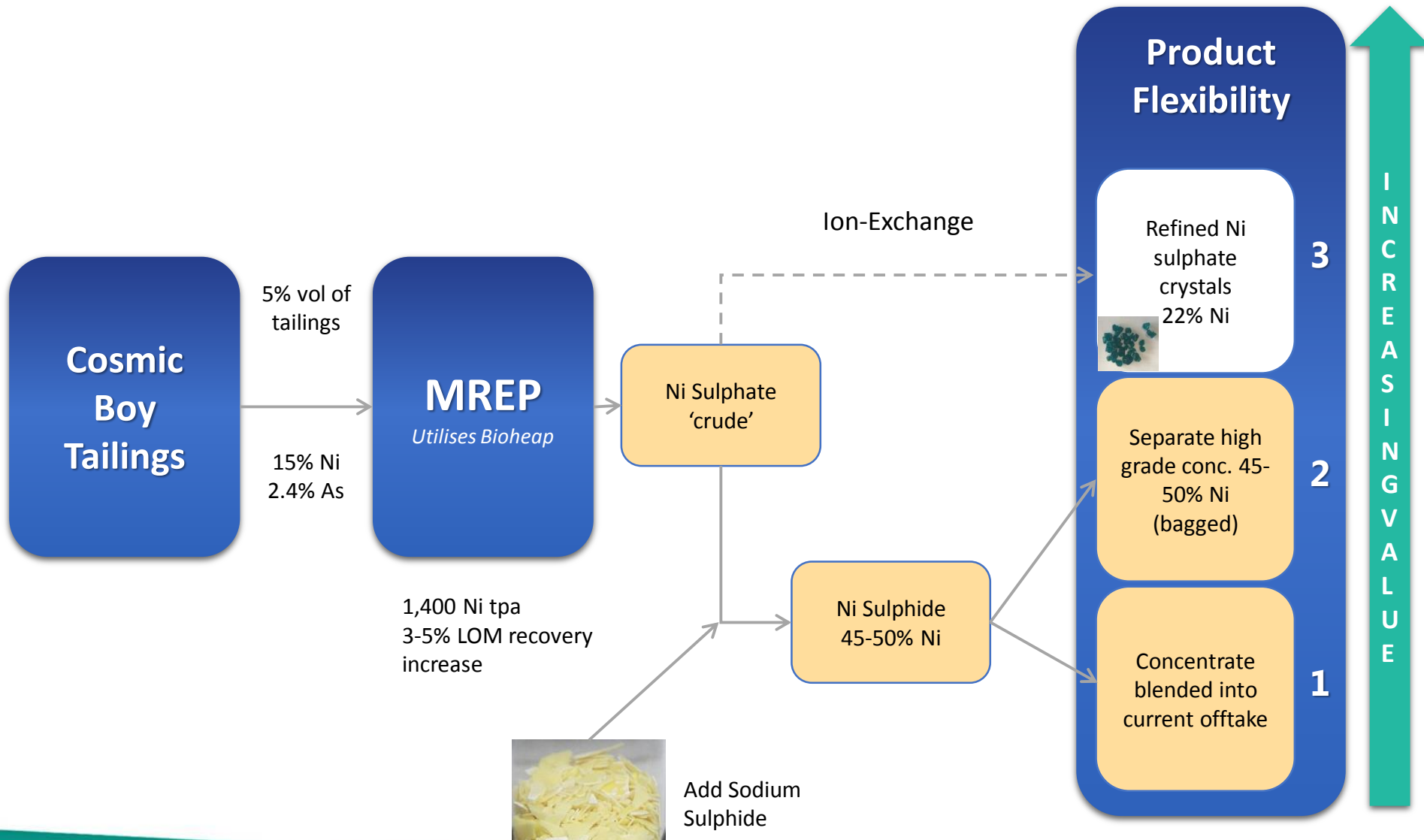
Generating value from waste tailings

New customers - EV battery market

- Construction completed on time and on budget
- Product specification achieved. Now ramping up volume to nameplate capacity (1,400t nickel pa)
- Construct additional filtration and bagging facilities to sell a new high grade nickel sulphide product (completion August 2018)
- Premium payables versus concentrate
- Back-end of plant capable of up to 4,000t of nickel pa – New Morning to potentially provide feed into the future

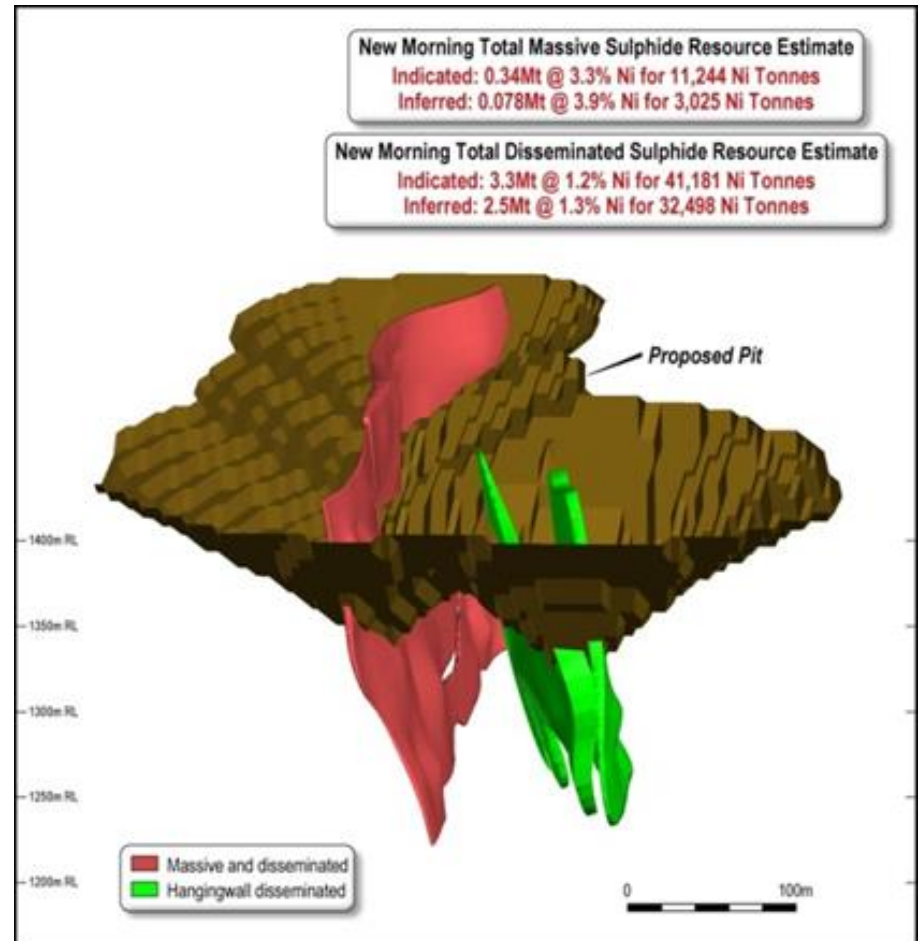


MREP FLOWSHEET

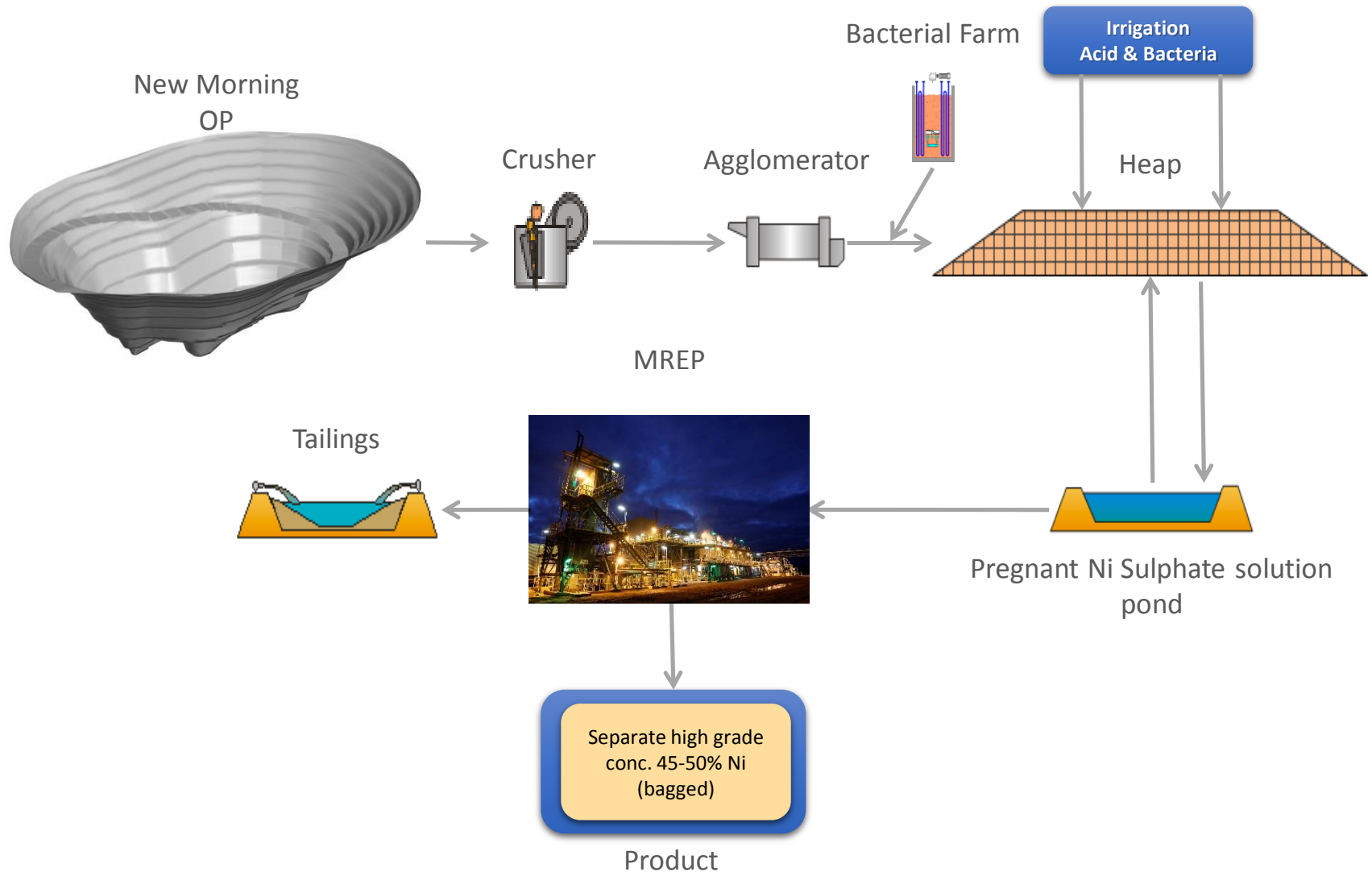


NEW MORNING / DAYBREAK

- Massive sulphide resource of 418kt @ 3.6% for 14,249 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



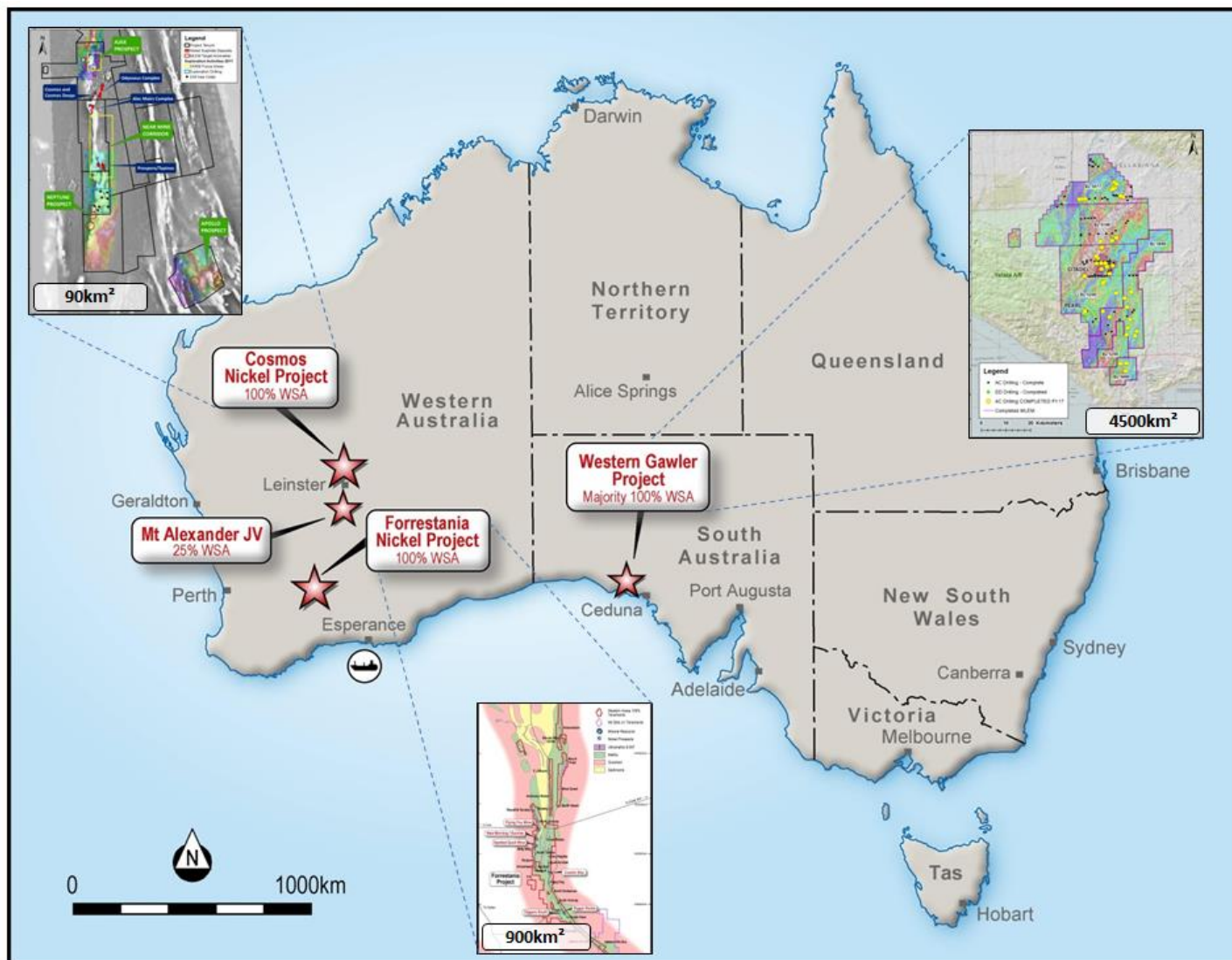
CONCEPTUAL NEW MORNING NICKEL FLOWSHEET



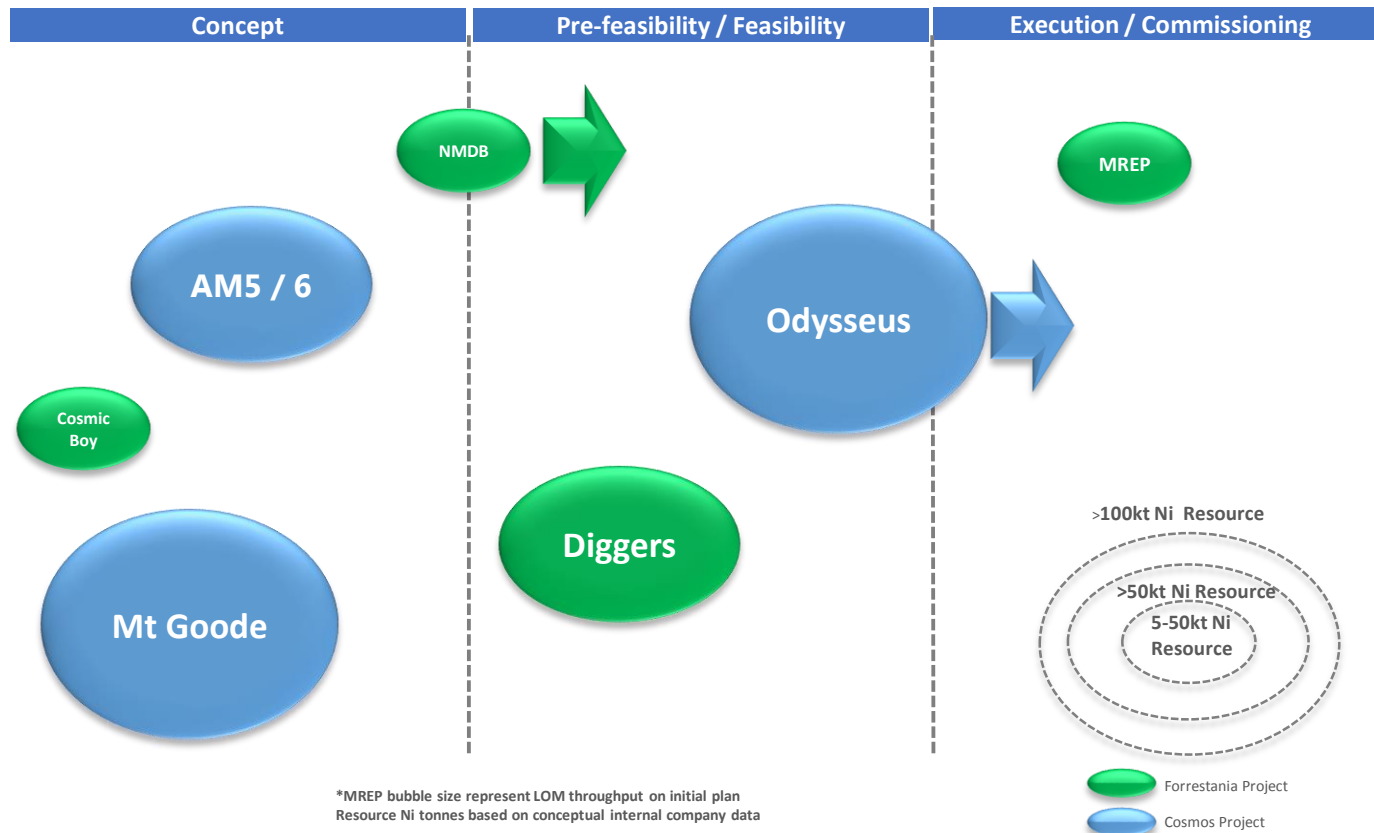
GROWTH & EXPLORATION OUTLOOK



EXPLORATION UPSIDE – KEY TENEMENT HOLDINGS



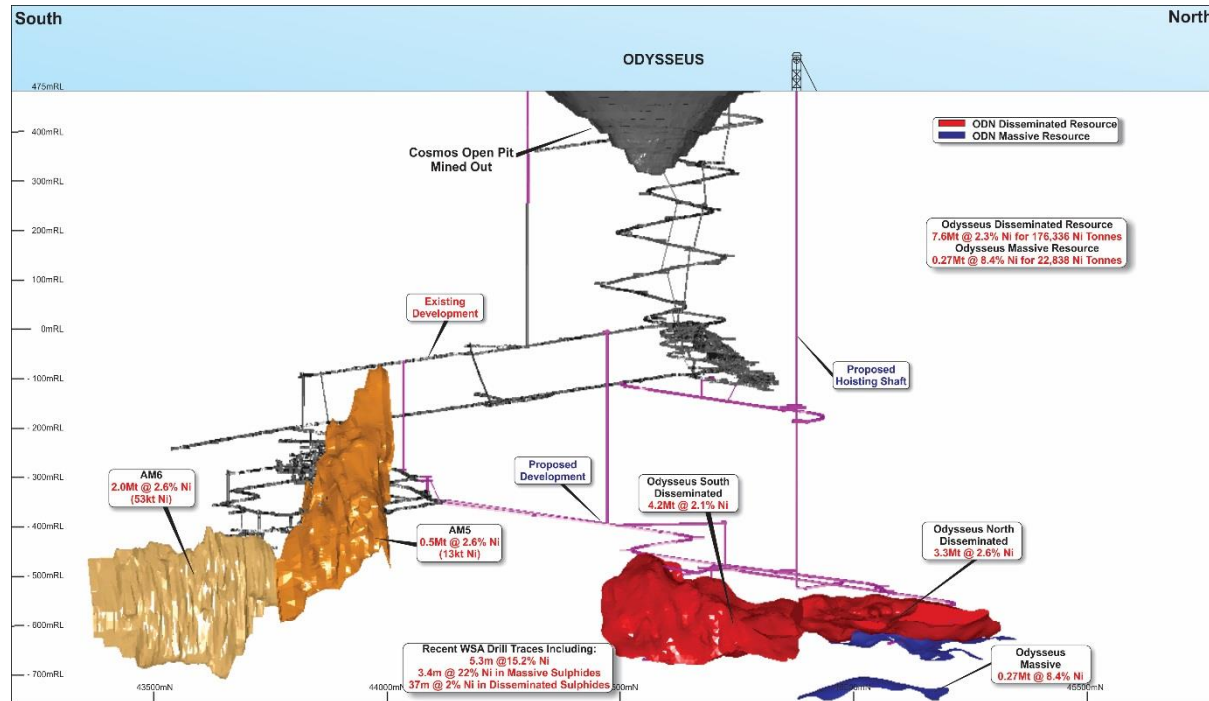
NICKEL GROWTH PIPELINE



COSMOS – ODYSSEUS – NOW A LARGER PROJECT

Western Areas Second Operational Hub

- Mine life anticipated > 10 years
- Once ramped up, average nickel production >12.0ktpa
- DFS scheduled for release in late September CY18
- **Pre-production capex to include:**
 - ✓ Shaft haulage
 - ✓ Larger mill
- **18 month early works program (A\$32m):**
 - ✓ 2 new water management ponds
 - ✓ Dewatering open pit
 - ✓ Underground rehabilitation
- **Significant exploration upside:**
 - ✓ AM5 and AM6 orebodies
 - ✓ Record massive sulphide intersections
 - ✓ Regional drilling success at Neptune



\$32 MILLION IN EARLY SITE WORKS UNDERWAY

Eighteen-month program ...

- Evaporation pond refurbishment and 2 new ponds - construction commenced
- Mine camp (520 rooms) upgrade commenced
- De-watering underway – Cosmos open pit
- Decline rehabilitation to 500m below surface
- Schlumberger high capacity submersible pump to accelerate de-watering

... bringing Odysseus to development ready status



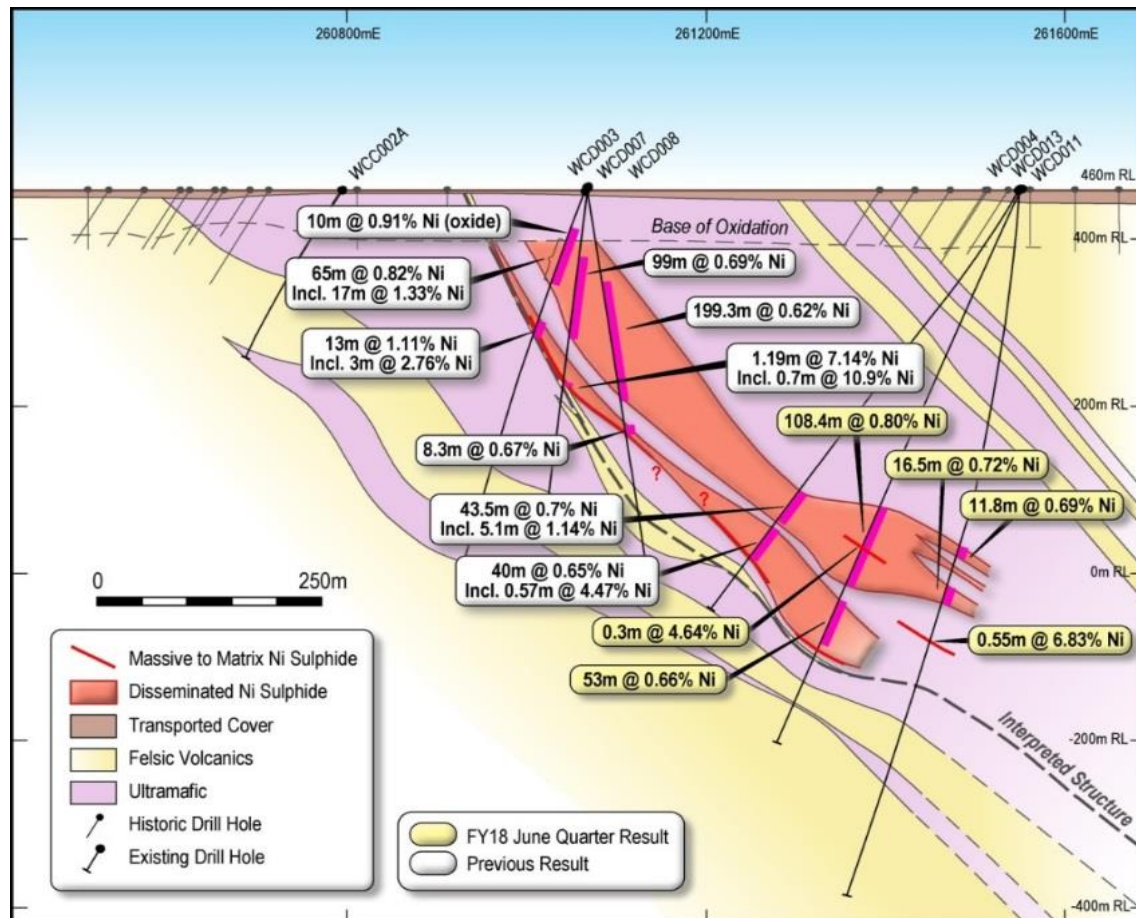
COSMOS EXPLORATION

Drilling Results - Neptune

- Phase 2 drilling campaign at Neptune well advanced with mineralisation confirmed over 1km along strike including
- 108.4m @ 0.8% Ni, including 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:**
 - ✓ AM5 and AM6 orebodies (53kt of contained nickel)
 - ✓ Recent massive sulphide drilling success beneath Odysseus
 - ✓ Opportunities for a roasting concentrate



WESTERN GAWLER PROJECT

Prospective Greenfields Exploration Asset

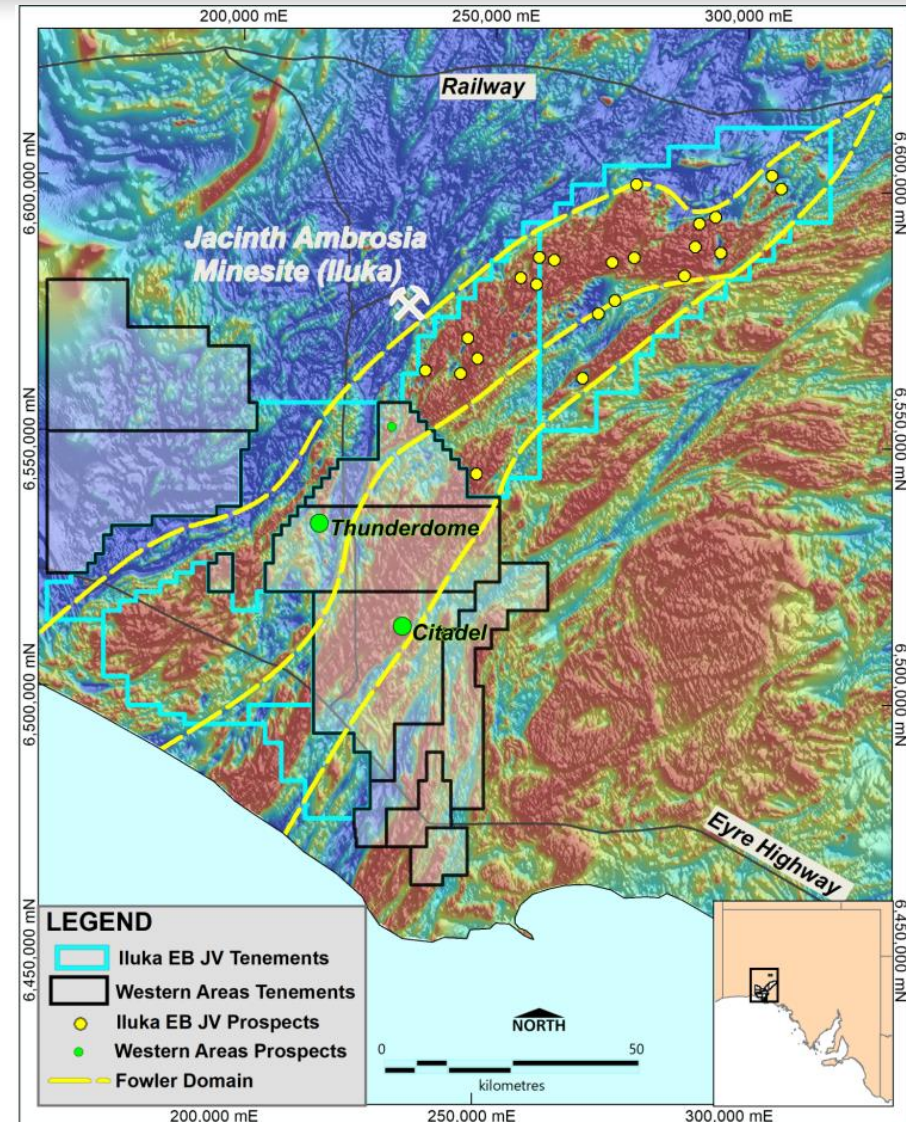
- 4,450km² WSA tenement holding
- Ramp-up of exploration activities across FY18
 - 217 drill holes.
 - 149 line kilometers of Moving Loop EM ground surveys
- Regional scale SkyTEM airborne EM survey completed in early FY19
- Identification of Thunderdome as emerging prospective corridor hosting numerous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



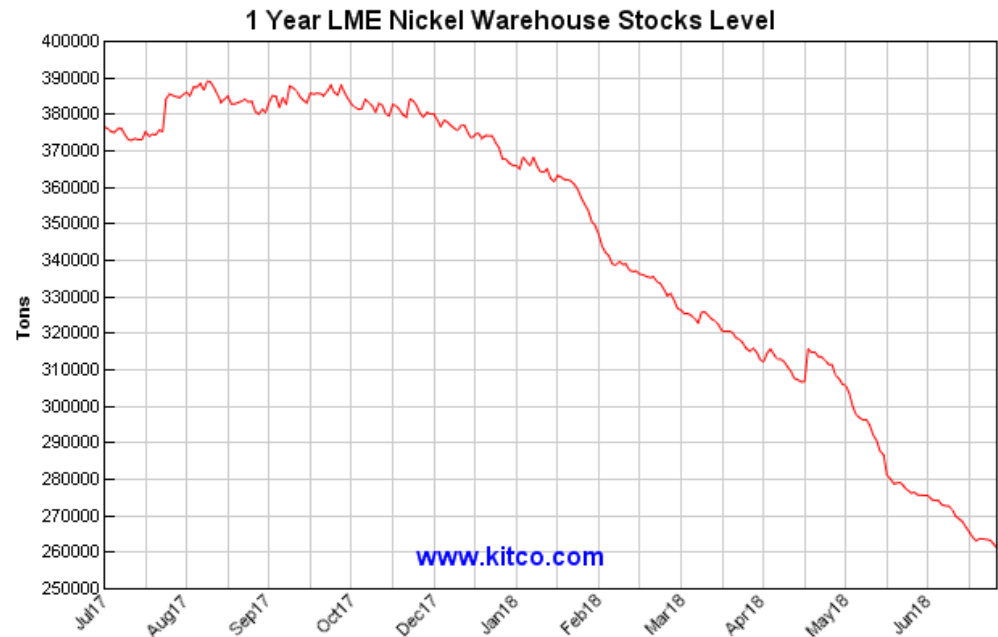
WHAT WE ARE SEEING

- **Significant increase in inbound off-take enquiries** for MREP product and 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



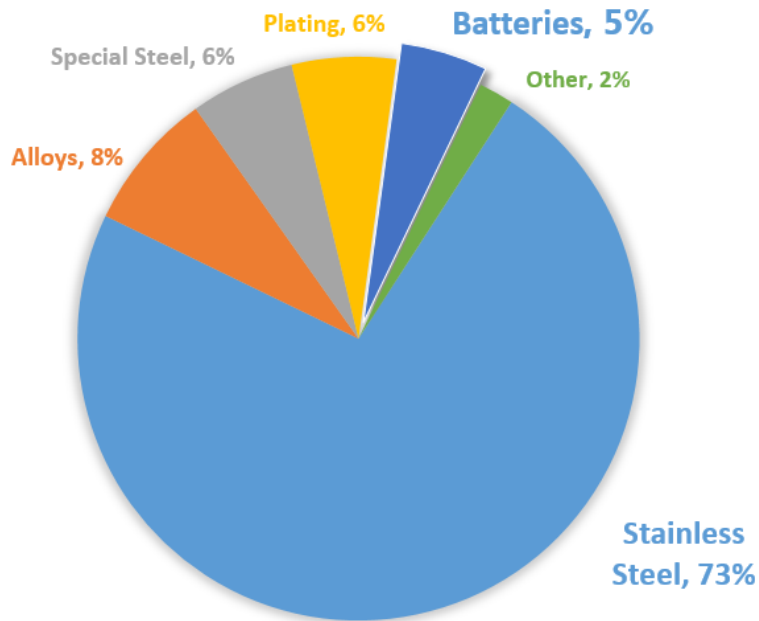
Estimated electrification impact per vehicle (avg NMC battery)

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



STAINLESS STEEL STILL THE KING... FOR NOW

Nickel End Market Demand - 2017

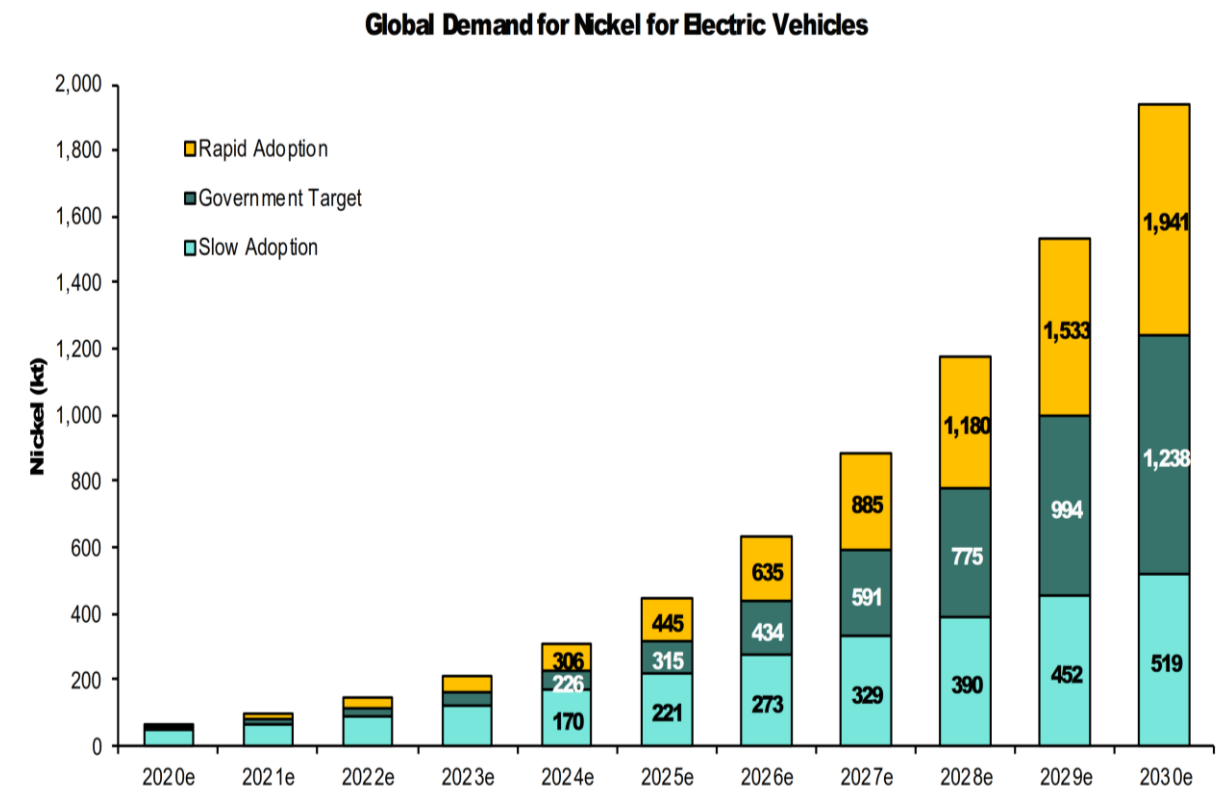


Source: Bernstein - June 2018

- Stainless steel still the main demand driver.
- Nickel demand from EV battery sector could run to 440kt by 2025, against a current total nickel market of 2,200kt.
- Stainless still demand also predicted to increase.
- Becoming apparent that the nickel market is now looking differentiated.
- Nickel sulphate is the most suited to battery sector, and primary nickel source most suited to this is nickel sulphide.

FUTURE ELECTRIC VEHICLE DEMAND FOR NICKEL

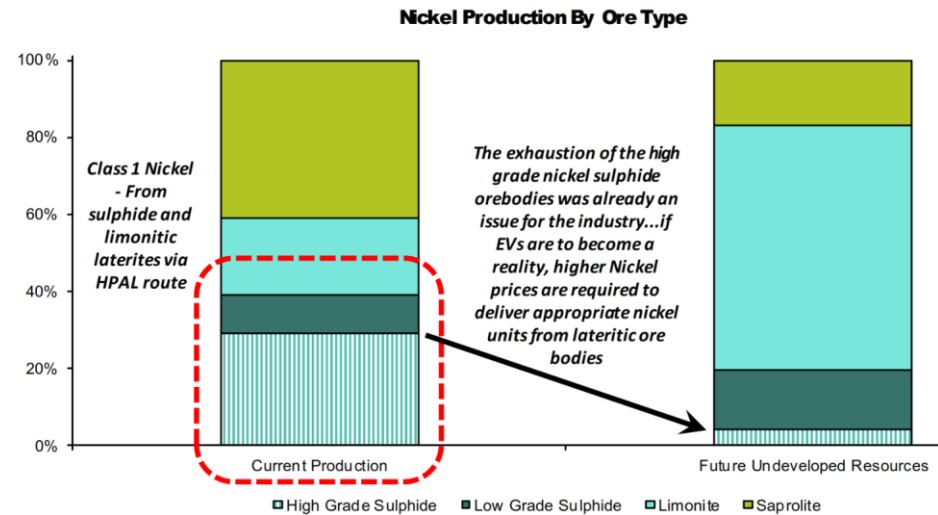
- Potentially very significant incremental demand versus a current nickel market size of c.2,200kt
- Research indicates that NMC 811 to be the fastest growing battery combination by 2025!



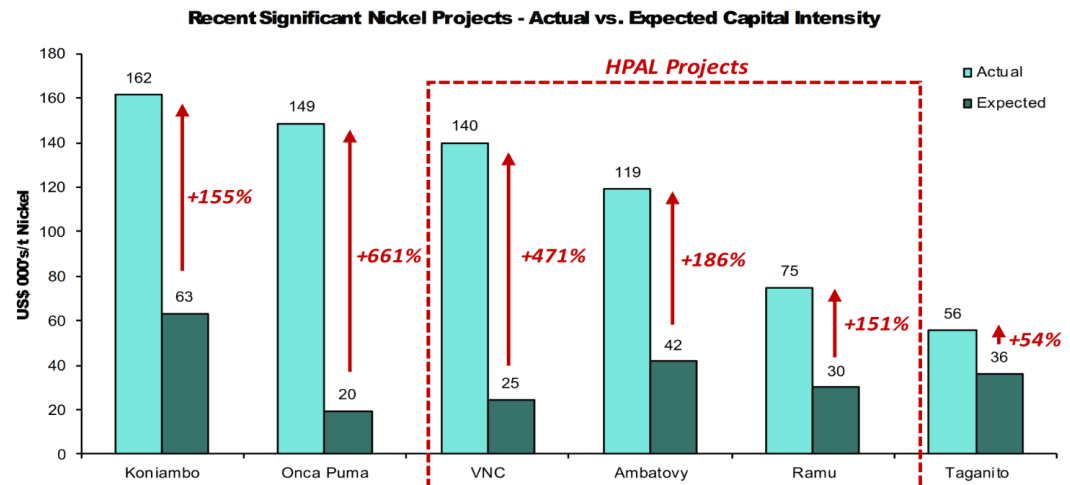
Source: Bernstein - June 2018

CHEMISTRY FAVOURS NICKEL SULPHIDE FOR BATTERIES

.. But there is very little Nickel sulphide left to be developed



And laterites via HPAL are serial disappointments



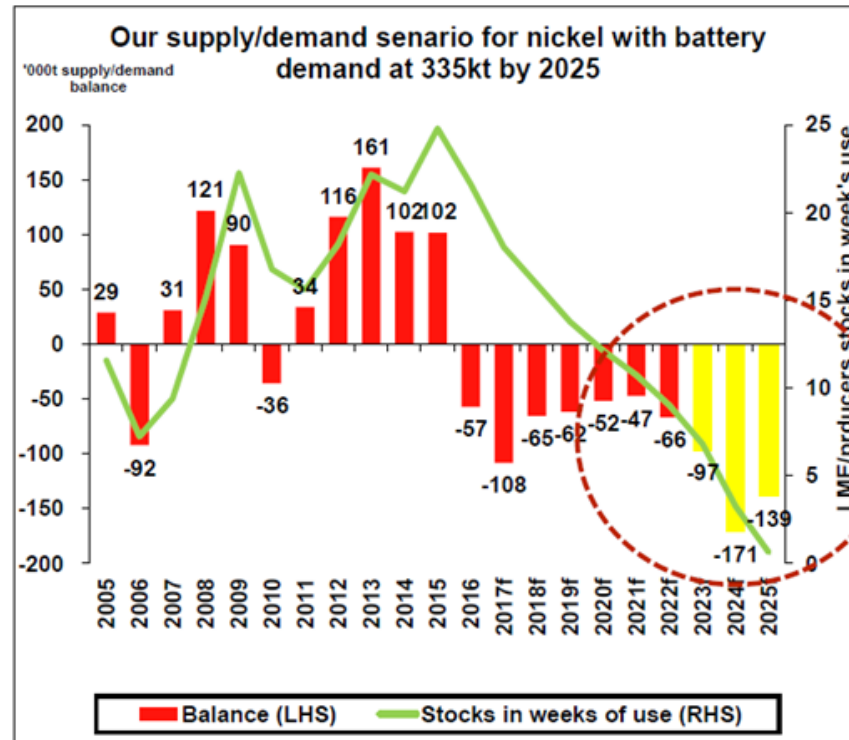
NICKEL DEFICITS ON THE HORIZON!

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



Source: CRU, INSG, Macquarie Research, October 2017

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

THE YEAR AHEAD

- Spotted Quoll
- Flying Fox
- Cosmic Boy Concentrator

Production



- Complete Odysseus DFS
- Ramp up MREP, start bagging
- New Morning Study

Development



- Cosmos Nickel Complex
- Western Gawler JV
- Forrestania

Exploration



- Markets for new product streams
- Battery market potential
- nickel supply now in deficit

Market



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