NEWS RELEASE

24 August 2021

WESTERN AREAS LTD

ASX: WSA

WESTERN AREAS REPORTS FULL YEAR FINANCIAL RESULTS

Western Areas Ltd (ASX: WSA, "Western Areas" or the "Company") announces the Company's financial results for the year ended 30 June 2021 ("FY21").

Key Metrics & Activities

- Sales revenue of A\$257.2m (A\$308.4m)
- Average realised price of nickel (before payability) of A\$10.07/lb (A\$9.42/lb)
- Nickel produced in concentrate 16.2kt (20.9kt), nickel in concentrate sales 15.5kt (19.9kt).
 - Nickel production impacted by lower grades due to unplanned operational issues at Forrestania in 1H FY21, but a significant improvement in 2H FY21, with production up 22% from the first half
- EBITDA A\$73.5m (A\$121.9m) and EBITDA margin of 29% (39%)
- Net Loss After Tax of A\$7.7m (NPAT A\$31.9m)
- Strong balance sheet with cash at bank of A\$151m and no debt
- A\$75m Revolving Credit Facility terms agreed with CBA, now proceeding to fully executed documentation
- Odysseus mine well advanced with over 3km of underground development completed and shaft haulage infrastructure substantially progressed
- AM6 Ore Reserve of 47kt nickel adds further value as third mining area to Odysseus with work on an integrated 10 plus year mine plan progressing well
- First ore from Odysseus on target this September quarter and offtake tender process commenced for new Odysseus nickel concentrate

(Comparisons in brackets refer to the corresponding period FY20)

Western Areas Managing Director, Dan Lougher, said FY21 was a tale of two halves for the mature Forrestania mining operation.

I am proud of the professional and resilient performance of the technical team which successfully overcame the mine production difficulties encountered in the first half to enable the improved second half production and costs performance. Ultimately it was this turn around that allowed us to deliver into updated guidance for FY21.

"At Odysseus, our new long life mine continues to advance towards production of first ore in this September quarter, which will mark a very significant milestone in its expected 10 plus year mine life. Odysseus remains one of the few long-dated supplies of nickel sulphide to enter the market in the coming years, just as the EV market continues to drive nickel demand for delivery into the EV battery supply chain."

FY21 marked the start of the Company's transition toward production from the long-life Odysseus mine located at Cosmos. Capital investment at Cosmos totalled \$84.0m for the year as the Odysseus mine construction activity increased, including full mobilisation of the underground mining contractor with over 3km of underground decline and capital development being completed. Odysseus remains on track to reach first ore in the first quarter of FY22. Shaft haulage infrastructure also saw significant progress, including, completion of the winder house civil concrete works, delivery of the major headframe assets to site and the first leg of the shaft raisebore nearing completion.

The Forrestania Nickel Operation (FNO) result was a year of two halves. The first half was impacted by unplanned geotechnical and geological challenges being encountered at the Flying Fox mine and its Spotted Quoll mine respectively. Pleasingly, the FNO mining team was able to reset the mine plan and deliver a much improved second half of the financial year, delivering into the updated production and cost guidance range issued on release of the Company's half year results in February. FNO produced 16.2kt nickel and delivered 15.5kt of nickel in concentrate to customers in FY21. The final sales tonnage was impacted by a timing variance related to a final 820 nickel tonne shipment to China leaving port after 30 June 2021, which will now report into FY22.



FY21 Key Metrics	1H FY 2021	2H FY 2021	FY 2021	FY 2020
Mine Production (tonnes Ni)	7,665	9,147	16,812	23,391
Mill Production (tonnes Ni)	7,291	8,889	16,180	20,926
Recovery (%)	84%	89%	87%	89%
Sales Volume (tonnes Ni)	7,400	8,109	15,509	19,857
Cash Costs (US\$/lb)	3.29	3.05	3.16	2.10
Cash Costs (A\$/lb)	4.56	3.95	4.23	3.13
Exchange Rate USD/ AUD	0.72	0.77	0.75	0.67
Nickel Price (U\$/lb)	7.09	7.92	7.52	6.33
Realised Price Before Payability (A\$/lb)	9.83	10.27	10.07	9.42
Revenue (\$'000)	122,712	134,461	257,173	308,352
EBITDA (\$'000)	24,038	49,482	73,520	121,864
(LBIT) / EBIT (\$'000)	(14,855)	5,750	(9,105)	46,233
(NLAT) / NPAT (\$'000)	(11,964)	4,254	(7,710)	31,868
Cashflow from Operations (\$'000)	27,474	32,243	59,717	120,364
Growth & Sustaining Capex (\$'000)	69,368	73,925	143,293	115,340
Cash at Bank (\$'000)	97,972	151,052	151,052	144,792

Western Areas remains positive on the nickel price, believing the outlook for the commodity remains strong, with the fundamental drivers over the medium and long-term remaining supportive. While acknowledging that the broader global markets have been significantly impacted by COVID-19 and volatile trading will continue for the near term, the Company is confident that stainless steel demand will continue to grow while the EV battery market moves toward higher nickel content batteries.

The earnings results of the Company were impacted by the lower year-on-year nickel production and tonnes sold as outlined above. Accordingly, Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") was down on the prior year to \$73.5m. However, performance significantly improved in the second half, with EBITDA more than doubling to \$49.5m for the six-month period. While the Company reported a net profit for the second half of the year, earnings for the full year was a statutory Net Loss After Tax of \$7.7m.

Western Areas continues to maintain a strong balance sheet with closing cash at bank of A\$151.1m and zero drawn debt. The FY21 cashflow result included operating cashflow of \$59.7m assisted by an increase in the year-on-year nickel price, offset by a lower sales volume (noting the final nickel sales timing variance). Capital invested into the new long life Odysseus project increased to A\$84.0m. Furthermore, sustaining capital at Forrestania totalled A\$43.6m and exploration & feasibility expenditure totalled \$15.7m. The Company completed a \$100m capital raising in March primarily to de-risk the ongoing development funding for the Odysseus construction programme. Including the proceeds of the capital raising, the Company recorded a net increase in cash at bank of A\$6.3m remaining well positioned to continue investing in growth and funding the Odysseus mine development during FY22.



FY22 Guidance

Western Areas previously provided FY22 guidance and accompanying commentary on 30 July 2021, alongside a 10 year nickel in concentrate production target. The Company has guided production for FY22 at a similar level to FY21 and has set a path for steady, long term nickel exposure as Western Areas transitions its principal production from Forrestania to Cosmos in the coming years.

Category	Market Guidance
Nickel Tonnes in Concentrate Production	16,000 to 17,000
Unit Cash Cost of Production (Nickel in Concentrate)	A\$4.25/lb to A\$4.65/lb
Forrestania Mine Development	A\$5m to A\$10m
Other Capital & Growth	A\$5m to A\$10m
Odysseus Pre-Production Development	A\$150m to A\$170m
Exploration & Feasibility Studies	A\$15m to A\$20m

Note: Guidance is unchanged from the 30 July 2021 announcement "Western Areas Long Term Production Profile & FY22 Guidance Metrics"

Results Presentation

A **Results Presentation** has been released today and will be followed by a **conference call at 10.30am AEDT**, details of which were announced on 17 August 2021. Participants can pre-register immediately by visiting this link: <u>https://s1.c-conf.com/diamondpass/10014554-s5f8u2.html</u> or can listen to the live stream directly at <u>http://www.openbriefing.com/OB/4278.aspx</u>.

-ENDS-

This release has been authorised by the officers below. For further details, please contact:

Dan Lougher Managing Director – Western Areas Ltd Telephone +61 8 9334 7777 Email: <u>dlougher@westernareas.com.au</u>

Shane Murphy FTI Consulting Telephone +61 8 9321 8533 / 0420 945 291 Email: <u>shane.murphy@fticonsulting.com</u> Joseph Belladonna Chief Financial Officer – Western Areas Ltd Telephone +61 8 9334 7777 Email: <u>jbelladonna@westernareas.com.au</u>

Or visit: www.westernareas.com.au

FORWARD LOOKING STATEMENT:

This release contains certain forward-looking statements including nickel production targets. Often, but not always, forward looking statements can generally be identified by the use of forward looking words such as "may", "will", "expect", "intend", "plan", "estimate", "anticipate", "continue", and "guidance", or other similar words and may include, without limitation, statements regarding plans, strategies and objectives of management, anticipated production and expected costs.

Examples of forward looking statements used in this report include: "First ore from Odysseus on target this September quarter and offtake tender process commenced for new Odysseus nickel concentrate", and, "The Company has guided production for FY22 at a similar level to FY21 and has set a path for steady, long term nickel exposure as Western Areas transitions its principal production from Forrestania to Cosmos in the coming years", and "the Company is confident that stainless steel demand will continue to grow while the EV battery market moves toward higher nickel content batteries".

These 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. Western Areas Ltd undertakes no obligation to revise these forward-looking statements to reflect subsequent events or circumstances.

This announcement does not include reference to all available information on the Company and should not be used in isolation as a basis to invest in Western Areas. Any potential investors should refer to Western Area's other public releases and statutory reports and consult their professional advisers before considering investing in the Company.