



## Strong free cashflow, improved offtake terms and lower unit cash costs

### December quarter 2016 highlights:

- ZERO lost time injuries (LTI's) for the quarter – now 1,004 days without an LTI;
- Increased mine and mill production at 6,867 and 5,844 nickel tonnes respectively;
- Cash cost of nickel in concentrate A\$2.35/lb. Half year unit cash cost of A\$2.44/lb, at the lower end of guidance;
- Strong free cash flow of A\$22.7m generated for the quarter after all capital and exploration expenditure;
- Consolidated cash at bank and receivables of A\$121.6m and debt free;
- New three year offtake contracts with Tsingshan Group and BHPB Nickel West on improved terms and conditions;
- Pre-feasibility study for Odysseus Project due for market release in the March quarter; and
- Drilling commenced in December 2016 at Neptune (Cosmos).

*Managing Director, Mr Dan Lougher, said the Company delivered a strong operational performance for both the December quarter and half year.*

*“A key highlight was the signing of two improved offtake contracts, particularly the agreement with Tsingshan Group, establishing a new relationship with China’s largest stainless steel producer.*

*“With a strong balance sheet and no debt, we are very well positioned to advance our growth projects, including the Odysseus project at Cosmos nearing PFS completion and our exploration activities.”*



Western Areas (“WSA” or the “Company”) (ASX: WSA) is pleased to report strong cost control, safety results and operational performance during the December 2016 quarter. Unit cash costs of production for the quarter were lower compared to the prior quarter and better than guidance at A\$2.35/lb. The HY unit cash cost of A\$2.44/lb, is at the lower end of the FY17 guidance range of A\$2.40/lb to A\$2.75/lb.

Mine and mill physicals for the quarter were in line with forecast at 148,907 and 155,143 ore tonnes respectively and mined ore grade improved at an average of 4.6% Ni. Mine and mill production for the HY were 13,224 and 11,607 nickel tonnes respectively, both ahead of forecast and including record nickel tonnes mined at Spotted Quoll in the December quarter. Consistent with prior reporting, any adjustment to FY17 guidance will be provided with the HY financial results which will be released in late February.

Importantly, there were no lost time injuries for the quarter and the Company is proud to continue to report a LTI frequency rate (LTIFR) of ZERO.

The Company continued to advance a range of organic growth initiatives at Cosmos with the near completion of the Odysseus pre-feasibility study (PFS) and commencement of drilling at Neptune and Odysseus North. The Odysseus PFS is expected to be finalised and released during the March quarter.

Strong free cashflow of A\$22.7m was driven by an increased realised nickel price compared to the prior quarter, lower cash cost of production, higher sales volume and working capital movements. Furthermore the Company completed a partial sell down of its shareholding in FinnAust Mining Plc for A\$5.0m, retaining a 22.4% interest.

The Company is reviewing recent amendments by the Indonesian Government to the Mineral Export ban of January 2014. The Company’s view is that it will take several weeks, possibly months, before the impact is fully understood by all stakeholders. However, it was noted the ban has not been fully relaxed and only selected low grade (<1.7% Ni) laterite ore is allowed to be exported by certain operators building in-country nickel processing infrastructure. Furthermore, the outcome of Philippines mine closures, as a result of the government environmental audit, is understood to be close to being released. With low unit costs, no debt and A\$103.8m cash at bank, the Company is well positioned to manage nickel price volatility whilst still advancing its growth projects.



## Production Overview

Item	Units	2015/2016		2016/2017		FY17 YTD Total
		Mar Qtr	Jun Qtr	Sep Qtr	Dec Qtr	
Total Ore Mined	tonnes	144,728	139,935	153,192	148,907	302,099
Mine Grade	Ni %	4.7%	4.9%	4.1%	4.6%	4.4%
<b>Total Nickel Mined</b>	<b>tonnes</b>	<b>6,798</b>	<b>6,832</b>	<b>6,357</b>	<b>6,867</b>	<b>13,224</b>
Ore Processed (Milling/Concentrator)	tonnes	156,190	154,114	159,616	155,143	314,759
Processed Grade	Ni %	4.4%	4.5%	4.1%	4.2%	4.1%
Average Processing Recovery	%	90%	90%	89%	90%	89%
<b>Total Nickel in Concentrate</b>	<b>tonnes</b>	<b>6,180</b>	<b>6,321</b>	<b>5,763</b>	<b>5,844</b>	<b>11,607</b>
<b>Total Nickel Sold</b>	<b>tonnes</b>	<b>6,011</b>	<b>6,268</b>	<b>5,188</b>	<b>6,249</b>	<b>11,437</b>
Contained Nickel in stockpiles	tonnes	2,674	2,525	2,944	3,074	
<b>Cash Cost Nickel in Concentrate<sup>1</sup></b>	<b>A\$/lb</b>	<b>2.27</b>	<b>2.25</b>	<b>2.53</b>	<b>2.35</b>	<b>2.44</b>
Cash Cost Nickel in Concentrate <sup>1</sup>	US\$/lb	1.64	1.68	1.91	1.76	1.84
Exchange Rate	US\$/A\$	0.72	0.75	0.76	0.75	0.75
<b>Realised Nickel Price</b>	<b>A\$/lb</b>	<b>5.39</b>	<b>5.44</b>	<b>6.54</b>	<b>7.00</b>	<b>6.79</b>

Note 1: Refer page 9 for composition of unit cash costs.

Western Areas (ASX:WSA) is Australia's highest grade, lowest cash cost nickel producer and its main asset, the 100% owned Forrestania Nickel Project, is located 400km east of Perth in Western Australia. Western Areas is also Australia's second largest sulphide nickel miner producing approximately 22,000 to 25,000 nickel tonnes per annum from its Flying Fox and Spotted Quoll mines - two of the lowest cost and highest grade nickel operations in the world.

An active nickel explorer at Cosmos and Western Gawler in Australia, the Company also holds significant exploration interests in Canada, Finland and Greenland through shareholdings in Mustang Minerals and FinnAust Mining Plc.

The Board remains focused on the core business of low cost, long life nickel production, new nickel discoveries and generating returns to shareholders. It has put in place the cost structure and capabilities to prosper throughout the cycle by adopting prudent capital management and an opportunistic approach. Its latest presentation can be found at <http://www.westernareas.com.au/investor-centre/corporate-presentations.html>.

**For further details, please contact:**

Dan Lougher  
 Managing Director & CEO, Western Areas Ltd  
 Telephone +61 8 9334 7777  
 Email: [dlougher@westernareas.com.au](mailto:dlougher@westernareas.com.au)

David Southam  
 Executive Director, Western Areas Ltd  
 Telephone +61 8 9334 7777  
 Email: [dsoutham@westernareas.com.au](mailto:dsoutham@westernareas.com.au)

Shane Murphy  
 FTI Consulting  
 Telephone +61 8 9485 8888 / 0420 945 291  
 Email: [shane.murphy@fticonsulting.com](mailto:shane.murphy@fticonsulting.com)



## Corporate and financing

### Cashflow

Cash at bank increased to A\$103.8m at the end of the quarter (September quarter, A\$81.1m) while cash plus nickel sales receivables increased to A\$121.6m (September quarter, A\$103.0m).

The A\$22.7m increase in the cash position resulted from:

1. An increase in the average nickel price to A\$7.00/lb (September quarter, A\$6.54/lb);
2. Higher sales volume of 6,249 nickel tonnes (September quarter, 5,188 nickel tonnes);
3. Positive quotation period (QP) adjustments of A\$1.6m;
4. Reduction in trade receivables of A\$4.1m as sales contracts reverted to usual payment cycles following the September quarter, where 100% of sales were to BHPB Nickel West (BHPNW); and
5. A\$5.0m realised from the sale of a portion of Western Areas shareholding in FinnAust Mining Plc (see FinnAust section on page 4).

A total of A\$6.0m was invested into capital and exploration expenditure activities in the quarter. Consistent with guidance, capital expenditure is expected to increase in the following quarters as Spotted Quoll recommences decline development activity toward stage two of the ore body and exploration activity at Cosmos and the Western Gawler projects accelerate.

### Bank Facility

The ANZ corporate loan facility remains undrawn at the end of December with the Company continuing to be debt free. As disclosed in prior periods, the bank facility is due to expire in March 2017, and discussions are well advanced regarding improving the facility to provide the Company with a flexible, committed and at call funding solution.

### Hedging

When pricing is supportive, the Company manages nickel price and foreign exchange risk with a combination of short term quotation period (QP) hedging and a set limit of medium term hedging. The policy allows the use of forward sales, bought options and collar style options:

- QP hedging is used to manage the risk of price fluctuations for nickel already shipped to offtake partners that is yet to have its nickel price finalised.
- Medium term hedging is used to manage the risk of nickel price fluctuations with a maximum 25% of expected nickel sales per month hedged out for a maximum of 12 months.

At quarter's end, the hedge book consisted of zero cost nickel collar and US\$ foreign exchange QP hedges. Details of hedging in place at quarter end are as follows:

Hedging Details - FY 2017			
Nickel Hedging - Collar Options		US\$ Hedging - Collar Options	
Nickel Tonnes	1,500	US\$	15,000,000
Average Call	US\$12,105	Average Call	\$0.6989
Average Put	US\$10,750	Average Put	\$0.7550

### Corporate – AGM

During the quarter the Company conducted its Annual General Meeting with all resolutions being well supported by proxy votes and passed on a show of hands. Pleasingly the key resolutions were passed by a 99% majority of votes cast. The Company thanks shareholders that lodged their votes and all those that attended the meeting in person.



## ***FinnAust Mining Plc – (AIM: FAM.L)***

During the period the Company sold 25% of its FinnAust Mining Plc (FinnAust) shares for A\$5.0m (£3.0m). Following the partial sale of the Company's holding and dilution related to capital raisings and other corporate activity, Western Areas maintains 22.4% of FinnAust as at the date of this report. WSA's remaining investment in FinnAust was valued at £9.4m as at 31 December 2016. Western Areas retains a significant ownership position in FinnAust and keenly monitors the exploration progress and activities at FinnAust's Greenland and Finland projects. Further details can be viewed on the FinnAust website at: [www.finnaust.com](http://www.finnaust.com).

## **Offtake Contracts**

The Company continued delivery into the two existing offtake sales agreements with Jinchuan Group and BHPNW; which were due to expire on 31 December 2016. During the quarter these contracts were extended by one month to 31 January 2017 to facilitate the offtake tender process being undertaken.

During the quarter the Company successfully completed the offtake tender process, which resulted in the continuation of the BHPNW contract on improved terms (see ASX announcement on 29 November 2016) and an agreement reached for a new relationship with Tsingshan Group (see ASX announcement on 28 November 2016). Both new arrangements commence on 1 February 2017 with a three year contract term.

The Tsingshan Group is China's largest integrated stainless steel company and utilises roasting technology to convert nickel sulphide into nickel oxide which can then be blended with low grade laterite ore. This process forms part of a proven and highly integrated process to produce 300 series stainless steel. The Agreement with Tsingshan Group was many years in the making and followed the Company's desire to capture as much value as possible for the nickel in concentrate sold.

## **Mine safety and environment**

### ***Safety***

A continued excellent safety performance resulted in no LTIs with the LTIFR remaining at ZERO. Western Areas has now operated 1,004 days without an LTI and also reduced the rate of total recordable injury frequency rate (TRIFR) to 8.5 by the end of the quarter.

Ongoing health and safety training continued with 108 people being trained to use the site's automatic external defibrillators. As part of our ongoing risk management process, a number of audits and inspections were conducted during the quarter regarding the aerodrome, fire risk and explosives management to ensure that appropriate controls are in place to eliminate or manage identified risks.



The Emergency Response Team confined space training exercise



## ***Environment***

No environmental incidents were recorded during the quarter.

A three yearly update of the Cosmos Mine Closure Plan was completed in December and submitted to the Department of Mines and Petroleum (DMP) and Department of Environment Regulation (DER).

## ***Compliance and Approval***

A number of key environmental reports were completed for Forrestania Nickel Operations (FNO) and Cosmos including the Annual Environmental Reports to the DMP and DER plus the Yakabindie Borefield Annual Groundwater Aquifer Review.

A Prescribed Premises Licence Amendment for the Cosmos mine was submitted to the DER to obtain approval to recommence dewatering activities, which included a comprehensive water management plan, water balance, dewatering strategy and contingency planning. A mining proposal was also submitted to the DMP for a new Cosmos water management pond to increase water management capacity.

## ***Community - Cosmos***

The Company obtained Section 18 approval for the Neptune drilling programme at Cosmos during the quarter. The drilling programme commenced late in the quarter after the Tjiwarl native title claimant group provided Aboriginal Cultural Awareness Training to on-site staff and drilling contractors. The training was well received and continued to foster the excellent relationship between Western Areas and the Tjiwarl group.

The Company also employed Tjiwarl group members as Heritage Monitors during the drilling programme. Western Areas staff attended a Tjiwarl native title claimant group meeting in Leinster in December to provide an update to the broader group and to provide information on future exploration programmes.



Tjiwarl cultural awareness training



## Mine and mill production and cash costs

TONNES MINED		2015/2016		2016/2017		FY17 YTD Total
		Mar Qtr	Jun Qtr	Sep Qtr	Dec Qtr	
<b>Flying Fox</b>						
Ore Tonnes Mined	Tns	62,017	68,161	60,731	60,304	121,035
Grade	Ni %	4.6%	4.7%	4.2%	4.6%	4.4%
<b>Nickel Tonnes Mined</b>						
	Tns	2,876	3,218	2,580	2,769	5,349
<b>Spotted Quoll – Underground</b>						
Ore Tonnes Mined	Tns	82,711	71,774	92,461	88,603	181,064
Grade	Ni %	4.7%	5.0%	4.1%	4.6%	4.3%
Nickel Tonnes Mined	Tns	3,922	3,614	3,777	4,098	7,875
<b>Total – Ore Tonnes Mined</b>	Tns	144,728	139,935	153,192	148,907	302,099
<b>Grade</b>	Ni %	4.7%	4.9%	4.1%	4.6%	4.4%
<b>Total Nickel Tonnes Mined</b>	Tns	6,798	6,832	6,357	6,867	13,224

### Flying Fox

#### Mine Production

Flying Fox production was **60,304 tonnes of ore at an average grade of 4.6% nickel for 2,769 nickel tonnes**. Ore production was predominately from long-hole stoping (86%) with the remaining 14% from ore drive development and jumbo wall-stripping.

Longhole production was 100% sourced from the T5 area from the 560, 425N (5,190t @ 5.4% Ni), 285, 295, 255N (10,617t @ 6.2% Ni) and 245N (9,509t @ 5.5%) stopes, with the T4 stoping block completed in the previous quarter. A ground support rehabilitation programme was carried out in the 295 and 285 ore drives (completed mid-October), which delayed production from these areas and in turn necessitated a change in the mining sequence that brought forward the higher grade 245 and 255 stopes during the quarter.

#### Mine Development

Total single-boom jumbo development was 180m with 60m of operating waste development in paste-fill (425, 410, 295, 285, 255 and 245 levels) to facilitate slot drilling, plus 120m of ore drive development at the 230 and 215 levels with the 230S completed in December. Jumbo stripping of the 425FWR air-leg ore drive also started in December to establish a larger profile ore drive for a conventional longhole stope in the 455 stope above.



215 NOD ore drive with an average grade of 8.3% nickel



## Spotted Quoll

### Mine Production

Spotted Quoll production was **88,603 tonnes of ore at an average grade of 4.6% nickel for 4,098 nickel tonnes**. This was the highest quarterly nickel tonnes mined to date with an 8.5% increase in nickel tonnes mined compared to the previous quarter, despite a commensurate 4% drop in ore tonnes. The improved grade is a combination of reduced dilution in the flatter zone with the successful implementation of new drilling and blasting techniques (tried over several months) and additional ore from the 1125 level.

The twin-boom jumbo successfully opened two new stoping levels at the 1125 level (October) and 944 level (December) with ongoing production from the 997, 990, 971, 962 and 955 levels with the 1140 level completed late in the quarter. The single-boom stoping area opened up a fourth stoping level at the 881 level with the successful full extraction of the 881 panel 1 stope in mid-November with ongoing production from the 911, 901 and 890 Levels.

### Mine Development

Total jumbo development for the quarter was 618m with 84m of lateral capital development between the 815 and 750 levels and 164m of operating waste development between the 1140 and 881 levels, which included 121m of paste-fill development to facilitate slot drilling. A highlight for the quarter was the 819 level which continued high-grade development 65m past the northern ore reserve boundary, with quarterly production of 4,507 tonnes of ore at an average grade of 5.0% nickel for 224 nickel tonnes.

A total of 371m of single-boom ore drive development was completed between the 842 and 895 levels.

As part of the mine schedule, the main decline will re-commence early in January 2017.



819 Level (30m north of reserve boundary) with an average face grade of 8.5% nickel

### Infrastructure

The first 45m of the primary return air-way (4.5m diameter) was completed during the quarter. This was achieved by using a blind, crane sink-and-line (concrete) technique. The specialised contractor will start full-face back-reaming early in the new quarter. Impressively the raise-bore pilot hole (16 inch diameter) broke through within 1.0m of the target location in the 795 level early in August after 610m of pilot drilling.



Spotted Quoll primary ventilation return air-way

## Cosmic Boy Nickel Concentrator

TONNES MILLED AND SOLD		2015/2016		2016/2017		FY17 YTD Total
		Mar Qtr	Jun Qtr	Sep Qtr	Dec Qtr	
Ore Processed	Tns	156,190	154,114	159,616	155,143	314,759
Grade	%	4.4%	4.5%	4.1%	4.2%	4.1%
Ave. Recovery	%	90%	90%	89%	90%	89%
Nickel in Concentrate	Tns	6,180	6,321	5,763	5,844	11,607
Total Nickel Sold	Tns	6,011	6,268	5,188	6,249	11,437

The Concentrator processed 155,143 tonnes of ore at an average grade of 4.2% nickel for a total of 38,172 tonnes of concentrate grading 15.3% nickel. This resulted in 5,844 nickel tonnes produced at a metallurgical recovery of 89.6% with an average concentrator availability of 97.6%. A planned 24 hour shutdown occurred in October to re-line the ball mill and inspect the thickeners, tanks and concentrate filter-press. A further Western Power outage (total 24 hours) occurred at the end of November due to a combination of power pole upgrades to mitigate the summer bush-fire risk (planned) and an unexpected Muja power station supply failure.

A total of 41,453 tonnes of concentrate was delivered for sale containing 6,249 nickel tonnes. The concentrate stockpile at quarter end was 1,267 tonnes at an average grade of 15.0% nickel, containing 190 nickel tonnes.

Other sales costs returned to normal levels during the quarter with royalties at A\$0.23/lb and transportation of A\$0.33/lb in concentrate.

## Ore Sorter

In mid-December a two month trial commenced, applying ore-sorting techniques to the Flying Fox low grade stockpile. The trial involves a two-stage process. Initially low-grade ore is crushed to produce a 'fines' product (-20mm and grade approximately 1.5% Ni) and ore sorter feed (+20mm and -90mm), which in turn is fed into the ore-sorter unit that uses an induction/X-ray sensor and compressed air jets to physically separate 'accept' (ore) and 'reject' (waste) rocks. The 'accept' material can be combined with the 'fines' material to produce a medium-grade ore stream for blending purposes at the mill. This combined ore stream is expected to approximately double the grade and halve the tonnes of the low-grade crusher/ore sorter feed, which previously would not have been processed.

# ACTIVITY REPORT

For the period ending 31 December 2016

WESTERN AREAS LTD



Ore sorter in operation at the Flying Fox mine-ore-pad

STOCKPILES		2015/2016		2016/2017	
		Mar Qtr	Jun Qtr	Sep Qtr	Dec Qtr
Ore	Tns	70,307	59,397	56,056	66,974
Grade	%	3.6%	4.0%	4.1%	4.3%
Concentrate	Tns	1,009	1,026	4,434	1,267
Grade	%	14.6%	14.8%	15.0%	15.0%
<b>Contained Nickel in Stockpiles</b>	<b>Tns</b>	<b>2,674</b>	<b>2,525</b>	<b>2,944</b>	<b>3,074</b>

Ore stockpiles at the end of the quarter totalled 66,974 tonnes of ore at 4.3% nickel for 2,884 nickel tonnes, located at the mine ore pads and the concentrator run-of-mine pad. This represents approximately one and a half months of mill feed which enables the selection of an optimal mill feed blend. The Company expects that mine ore production will match mill throughput rates going forward.

## Cash Costs

FINANCIAL STATISTICS		2015/2016		2016/2017		FY17 YTD
		Mar Qtr	Jun Qtr	Sep Qtr	Dec Qtr	
<b>Group Production Cost/lb</b>						
Mining Cost (*)	A\$/lb	1.66	1.60	1.88	1.69	1.78
Haulage	A\$/lb	0.05	0.05	0.06	0.06	0.06
Milling	A\$/lb	0.41	0.44	0.45	0.45	0.45
Admin	A\$/lb	0.17	0.18	0.18	0.18	0.18
By Product Credits	A\$/lb	(0.02)	(0.02)	(0.04)	(0.03)	(0.03)
<b>Cash Cost Ni in Con (***)</b>	<b>A\$/lb</b>	<b>2.27</b>	<b>2.25</b>	<b>2.53</b>	<b>2.35</b>	<b>2.44</b>
<b>Cash Cost Ni in Con/lb (**)</b>	<b>US\$/lb</b>	<b>1.64</b>	<b>1.68</b>	<b>1.91</b>	<b>1.76</b>	<b>1.84</b>
<b>Exchange Rate US\$/A\$</b>	<b>US\$/A\$</b>	<b>0.72</b>	<b>0.75</b>	<b>0.76</b>	<b>0.75</b>	<b>0.75</b>

(\*) Mining Costs are net of deferred waste costs and inventory stockpile movements

(\*\*) US\$ FX for Relevant Quarter is RBA average daily rate (Dec Qtr = A\$1:US\$0.7505)

(\*\*\*) Payable terms are not disclosed due to confidentiality conditions of the offtake agreements.

Cash costs exclude royalties and concentrate logistics costs.

Note. Grade and recovery estimates are subject to change until the final assay data are received.



The unit cash cost of production of nickel in concentrate (excluding smelting/refining charges, concentrate logistic and royalties) was A\$2.35/lb (US\$1.76/lb) for the quarter and A\$2.44/lb (US\$1.84/lb) for the half year which is well towards the lower end of the Company's guidance for FY17.

The lower cost per pound result was primarily due to favourably quarter on quarter mined ore grades reporting to the mill and the associated increase in mill recovery from processing a higher average head grade.

## Forrestania Mineral Resources and Ore Reserves

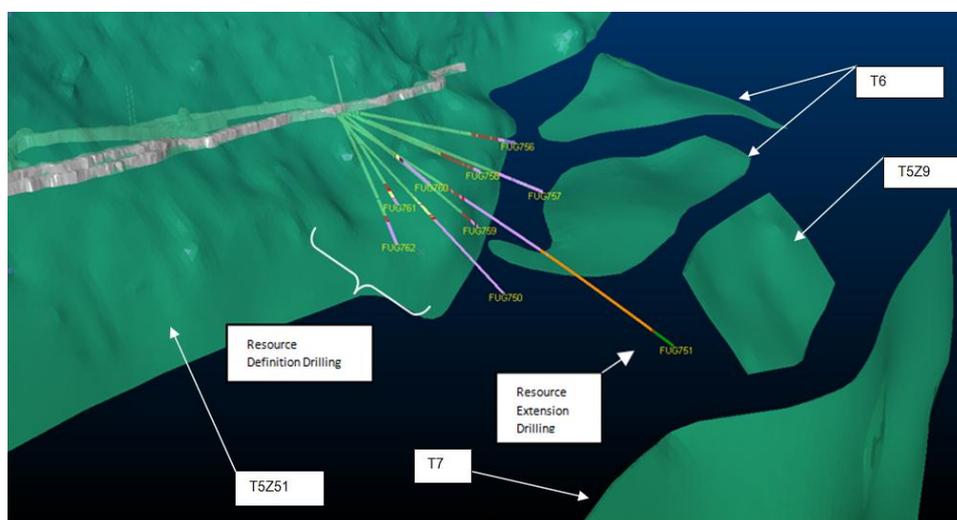
A full summary of the Company's Mineral Resource and Ore Reserve statements are included at the end of this report.

### Flying Fox

A total of 1,125m (10 drill-holes) of underground grade control and resource definition drilling was completed during the quarter, targeting the lower areas of T5, further extensions to the T6 and the T5Z9 domains. Significant massive sulphide intersections from this drilling program are summarised in the table below.

BHID	Ore intersection		Interval (m)	True thickness (m)	Grade (%)	Comment	Target
	From (m)	To (m)					
FUG756	67.55	67.64	0.1	0.1	9.8%	\$M	T5 Resource Definition
	67.73	70.36	2.6	2.6	10.2%	\$M	
	70.9	77.85	6.9	6.8	9.9%	\$M	
	78.61	81.73	3.1	3.1	11.3%	\$M	
FUG757	86.98	87.2	0.2	0.2	1.6%	\$T/\$S	T5 Resource Definition
FUG758	55.49	55.69	0.2	0.2	1.9%	\$S	T5 Resource Definition
	55.69	55.92	0.2	0.2	3.9%	\$M	
FUG759	84.81	90.81	6.0	5.2	11.1%	\$M	T5 Resource Definition
FUG760	47.77	47.81	0.0	0.0	2.4%	\$M	T5 Resource Definition
	44.36	44.75	0.4	0.4	10.8%	\$M	
FUG761	58.83	65.16	6.3	5.8	10.6%	\$M	T5 Resource Definition
FUG762	74.9	78.6	3.7	3.2	10.1%	\$M	T5 Resource Definition

Notes: \$M = Massive Sulphide, \$T/\$S = Matrix and Stringer sulphides.



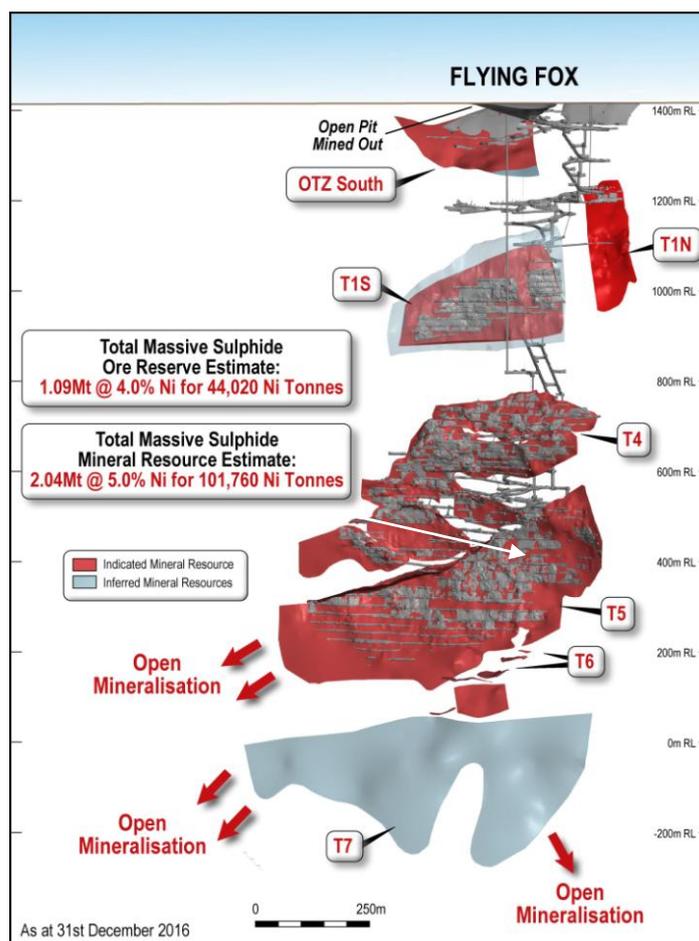
Schematic showing FF grade control program drill traces



There is a possibility of extending the T5Z9 domain further south if significant mineralisation is intersected by an additional drill-hole (FUG764) currently being drilled.

The total Flying Fox massive sulphide Ore Reserve now stands at **1.09 Mt of ore at a grade of 4.0% nickel for 44,020 nickel tonnes**.

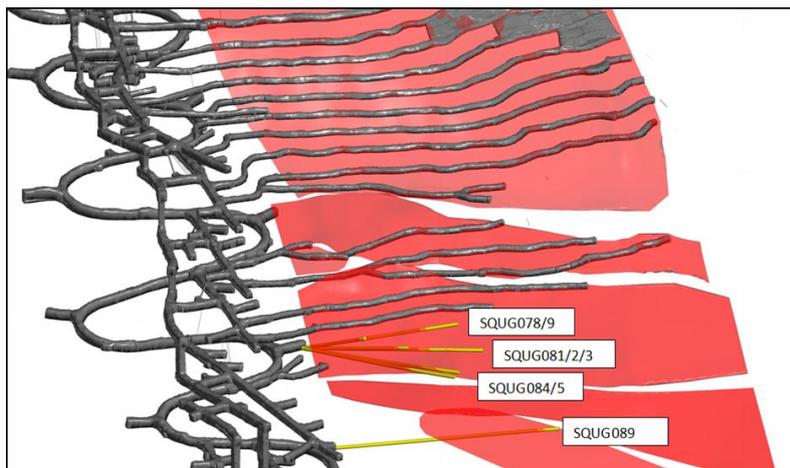
The total Flying Fox massive sulphide Mineral Resource now stands at **2.04Mt of ore at a grade of 5.0% nickel for 101,760 nickel tonnes**.



## Spotted Quoll

A total of seventeen grade control drill-holes (2,241m) were drilled. The main objective of this drilling was to define the southern edge of the orebody and test for any ore off-sets in the 'single-boom area' between the 690m RL and 825m RL, with significant intersections summarised in the table below.

BHID	True width (m)	Grade (Ni%)	From (m)
SQUG078	1.1	6.1	48.07
SQUG079	2.0	8.4	81.20
SQUG081	1.2	6.0	68.87
SQUG082	2.7	8.9	81.18
SQUG083	2.8	6.8	90.79
SQUG084	1.1	5.7	85.74
SQUG085	2.4	8.8	90.81
SQUG089	1.4	6.0	141.44

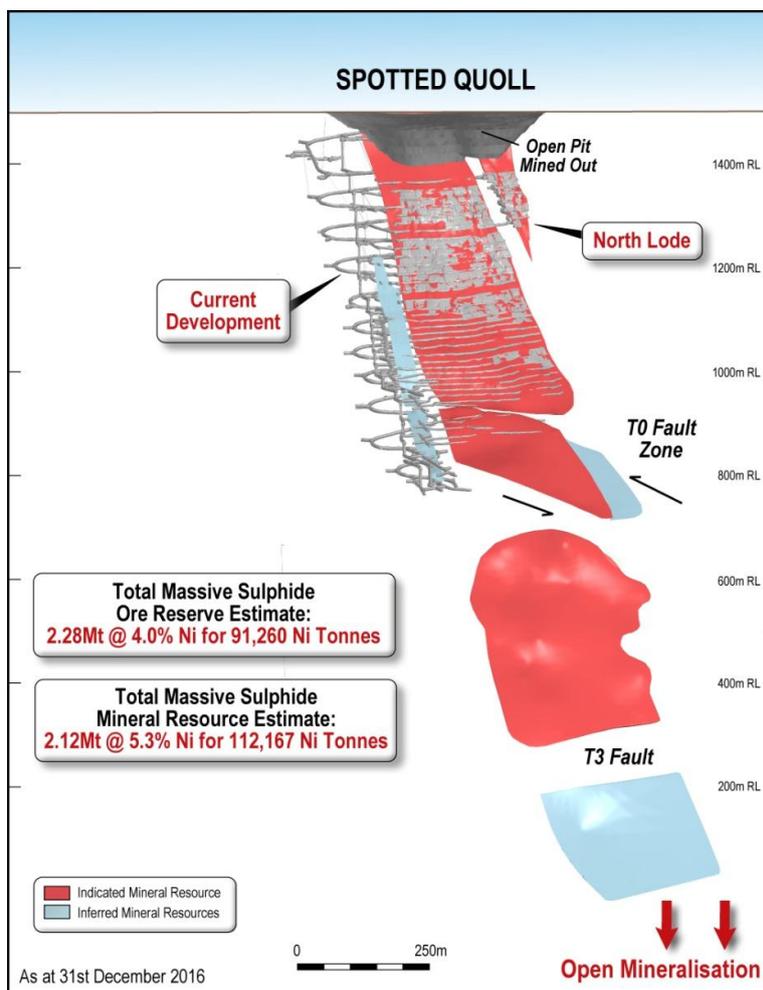


Schematic showing SQ grade control program drill traces

Five resource definition drill-holes (SQUG094 to SQUG098) for a total of 790m were drilled from the 750m RL to test for southern ore extension in this area. The holes did not intersect any significant nickel sulphide mineralisation but drilling was able to close out the southern edge of the massive sulphide mineralisation, as well as define off-set positions through the intersected fault related felsic intrusions.

The Spotted Quoll **Ore Reserve** now stands at **2.28Mt of ore at a grade of 4.0% nickel for 91,260 nickel tonnes.**

The Spotted Quoll **Mineral Resource** now stands at **2.12Mt of ore at a grade of 5.3% nickel for 112,167 nickel tonnes.**





## BioHeap

### *Mill Enhancement Recovery Project (MERP)*

During the quarter a test work program was conducted examining production of nickel sulphate using ion exchange. The original design of the MERP incorporated a sulphide precipitation circuit to generate nickel sulphide that could be blended with the existing concentrate production. The BioHeap® process, provides an intermediate pregnant leach solution that can be used as a feed to a wide range of nickel recovery processes, and the emerging demand for high quality nickel sulphate for use in batteries has provided an incentive to investigate solution purification using ion exchange, in conjunction with a crystallizer to produce this important raw material for battery production.

Preliminary process data has been generated for evaluation of circuit modifications to incorporate a sulphate production facility into the MERP either in place of, or in addition to the nickel sulphide production facility.

Small batches of high grade nickel sulphate grading 20% nickel have been produced at the laboratory with further optimization work, focussing on reducing impurity levels, planned for the next quarter. Furthermore, the Company has commenced discussions with potential offtake partners for nickel sulphate as part of the evaluation process.



High grade nickel sulphate crystals

## Cosmos Nickel Complex (“Cosmos”)

### *Pre-feasibility Study*

The Odyssey Prefeasibility Study (PFS) is nearing completion and the results are expected to be released during the March quarter.

The two (>1,000m) surface diamond-drill holes (resource definition and geotechnical investigation) continued to be drilled during the quarter with planned completion in the March quarter. This drilling is being completed earlier than required in anticipation of starting the feasibility study in CY17.

### *Cosmos Mineral Resources*

A resource drilling program commenced at Cosmos during the quarter to maximise the conversion of the Inferred category of the Odyssey North orebody to Indicated category, located 1,000 vertical metres below the Cosmos open-pit and approximately 500m from existing underground mining infrastructure. The resource parent hole (WAD002) terminated late in December at a downhole depth of 1,402m; intersecting disseminated sulphides in an ultramafic host with up to 3.0% Ni (Niton) from 1,167m for approximately 4.4m vertical thickness. Downhole EM confirmed the existence of high grade massive sulphide lenses below the disseminated deposit and the first of four daughter drill-holes is currently in progress and will be extended to intersect the DHEM plate.



## Exploration

Exploration continued at Cosmos, Forrestania and Western Gawler Projects. St George Mining Limited (SGQ) advised during the quarter that assays had confirmed the high grade nature of the nickel/copper (+PGE) massive sulphides at the Cathedrals and Interceptors prospects on the Mt Alexander JV where WSA holds a 25% free carried interest. SGQ is continuing to explore with a number of geophysical surveys identifying new targets and with further drilling being scheduled.

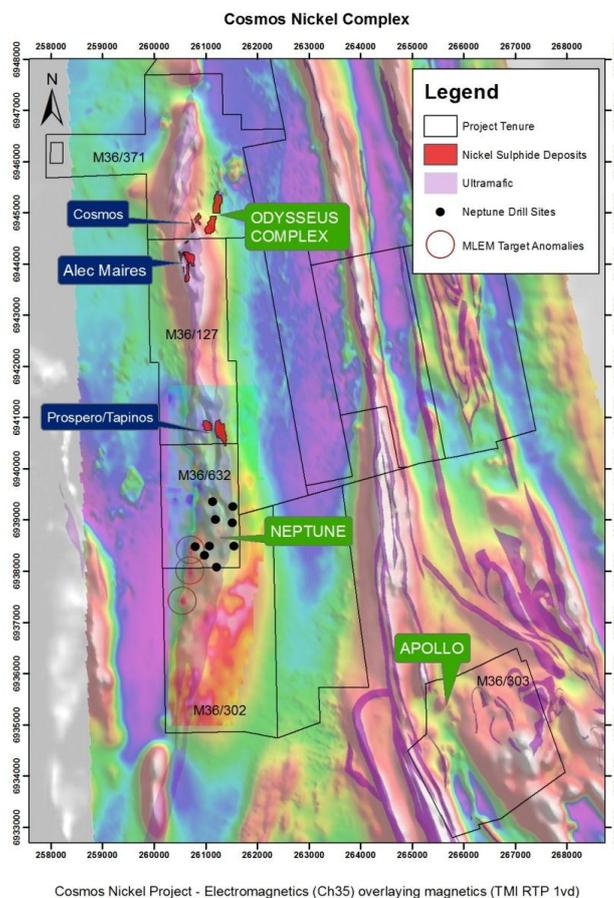
### Cosmos

Key highlights in the quarter include:

- RC drilling commenced at Neptune testing the basal contact where a number of high priority anomalies had been identified from Moving-loop electro-magnetic (MLEM) survey.
- Heritage clearance completed in the Apollo area prior to the planned drill testing.

### Exploration drilling at Neptune and Apollo

The Neptune area lies to the south of the Prospero high grade nickel deposit and is interpreted to contain the highest volume of cumulate ultramafics in the Cosmos nickel belt. A MLEM survey completed by the Company identified a number of high priority anomalies and these, along with nickel sulphides identified in historic drilling, are the focus for the exploration program. The initial drilling commenced in the northern area of the prospect with the approval of a Section 18 and other statutory approvals to access the northern areas of Lake Miranda.



Activity summary and exploration focus areas at the Cosmos Nickel Complex  
Electromagnetics (Ch35) overlaying TMI RTP 1VD magnetics)

# ACTIVITY REPORT

For the period ending 31 December 2016

WESTERN AREAS LTD



At Neptune a total of eight RC holes for 2,003m were completed just prior to the end of the quarter, tabulated below. As anticipated, heavy water flows impacted the final depths of the RC holes with only one hole (WCC002A) effectively testing the contact. The remainder of the holes will be drilled using diamond drilling, scheduled for the March quarter. WCC002A has been lined with PVC in preparation for DHEM (down hole electro-magnetic) surveying, which will be undertaken in January.

HOLE ID	Easting	Northing	RL_Mine	EOH Depth (m) Actual/Planned	Type	DIP	Azimuth	Comments
WCC001	261136	6939351	460	214/420	RC	-70	270	Pre-collar completed
WCD001	261212	6939002	460	256/550	RC/DD	-70	270	Pre-collar completed
WCC002	260800	6938532	460	22/240	RC	-55	240	Hole abandoned
WCC002A	260798	6938532	460	238/240	RC	-55	240	Hole intersected footwall contact at . No visible sulphides. Lined with 40mm PVC for DHEM.
WCD002	260990	6938299	460	286/420	RC/DD	-70	270	Pre-collar completed
WCD003	261074	6938480	460	321/420	RC/DD	-70	270	Pre-collar completed
WCD004	261554	6938485	460	226/750	RC/DD	-60	270	Pre-collar completed
WCD005	261524	6938942	460	232/780	RC/DD	-65	270	Pre-collar completed
WCD006	261510	6939290	460	208/700	RC/DD	-55	270	Pre-collar completed



RC Drilling at Neptune

The Apollo area lies approximately 7km to the southeast of the main Cosmos nickel belt. The stratigraphy is genetically related to the 'Camelot Nickel Camp', known to host significant volumes of high and low grade nickel sulphide mineralisation. The prospective Camelot ultramafics have been interpreted to extend into the Apollo area.

Work has been focused on extending the surface MLEM data coverage to the remainder of the tenement and to cover the area of known ultramafic lithology. Multiple broad, strong and anomalous responses were identified, some of which have been drill tested previously and are interpreted to be associated with sulphidic black shale. A number of moderate to weak, short strike length anomalies were also detected, and some of these lie adjacent to the interpreted Camelot ultramafic stratigraphy and in areas of other known ultramafic rocks.

During the quarter a heritage survey was undertaken prior to the commencement of proposed Apollo drilling. Formal approval of the cleared drill holes has just been received. Drill testing of the anomalies will now commence in the March quarter.

Unfortunately heavy rain at the time of the heritage survey prevented access to drill holes proposed to test the anomalous gold intercepts and zone identified in the historic drilling, as discussed in the September quarterly report. A subsequent survey will be required and this is likely to be undertaken in the March quarter.



## Forrestania Nickel Exploration

A review of the potential for nickel mineralisation in the north-eastern portions of the Forrestania area, such as Northern Estates and Parker Dome, is progressing. Surface geophysical surveys (mainly EM) are planned for some of the northern areas. Statutory approvals to allow this work to be undertaken are progressing.

## Forrestania Lithium Mineralisation

The Forrestania district is emerging as an area of significant lithium bearing pegmatite potential. The process to evaluate the lithium potential at Western Areas' Forrestania tenements and pursue options that will maximise the value of these assets to the Company continued during the quarter.

Three areas were selected for a preliminary assessment to appraise the lithium potential, namely South Ironcap (continuation from the previously reported work, June quarter report), Bounty West and the Northern Estates areas. This preliminary drilling was completed in the December quarter (refer table 1).

Significantly, lithium bearing pegmatites were confirmed in two areas, as demonstrated in the selected intersections shown below from Bounty West and South Ironcap.

Exploration Results - Bounty West 2016										
HOLEID	Easting	Northing	RL_MINE	EOH	Type	DIP	Azimuth	Width (m)	Li2O %	FROM (m)
BWRC002	760090	6446332	430	140.0	RC	-90	0	18	1.234	98
BWRC003	760120	6446770	430	188	RC	-90	0	3	0.72	94
	and							5	0.64	132
BWRC004	760170	6446332	430	122	RC	-90	0	14	0.63	78

Exploration Results - South Ironcap										
HOLEID	Easting	Northing	RL_MINE	EOH	Type	DIP	Azimuth	Width (m)	Li2O %	FROM (m)
SIRC003	760209	6380263	430	200	RC	-90	0	1	2.02	130
SIRC004	760271	6380369	430	207	RC	-55	60	14	0.68	64
	Including							3	1.37	64

Western Areas holds a considerable extent of the prospective Eastern Ultramafic Belt (EUB), which is near 170km in strike length, now with at least two known occurrences of mineralised lithium pegmatites on its ground, as well as those nearby, such as Kidman Resources Early Grey deposit. The Company has received a number of corporate approaches regarding the lithium potential of our tenements and it is Western Areas' intention to identify the most appropriate solution to maximise value of these tenements, with the understanding that Lithium is likely to be a non-core activity for the Company.

## Western Gawler Nickel-Copper Joint Venture (WSA earning up to 100% interest)

Key highlights in the quarter include:

- Detailed surface gravity survey completed between Citadel and Pearl and near completion over Thunderdome
- MLEM surveys completed over the Pearl prospect and commenced at Citadel
- Heritage survey completed with clearance of all proposed drilling in the Yalata Aboriginal Reserve.

The Western Gawler region is known to host mafic-ultramafic intrusive rocks and determining the extent, exact age and prospectivity of these is the primary objective of the exploration activities. The results from the initial phase of exploration are very encouraging, with the identification of olivine gabbro-norite intrusive rocks and geochemical anomalism in a number of areas. The results confirm the initial observations regarding the prospectivity of the Western Gawler region for intrusive related nickel, copper (and gold) mineralisation. These types of mafic intrusives are well

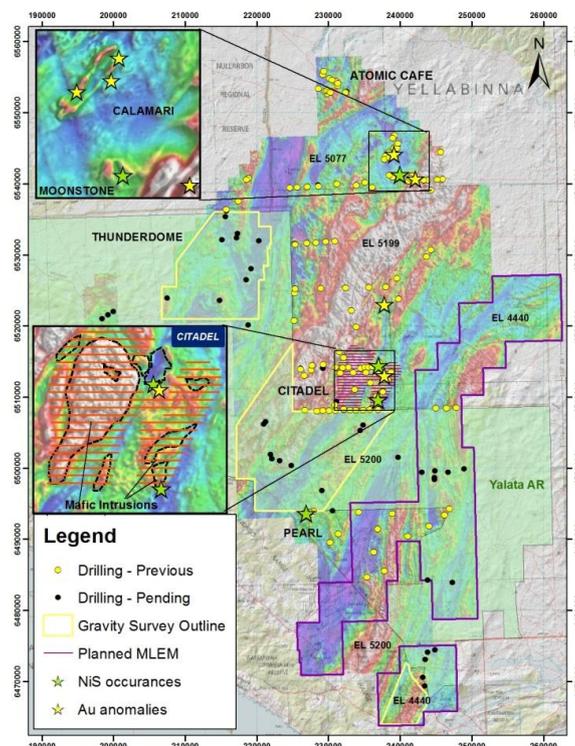


known for hosting significant nickel and copper ore bodies in western and central Australia, including Nova-Bollinger and Nebo-Babel.

Previous work (including detailed magnetic and gravity surveys together with drilling) at Citadel has confirmed an extensive area of prospective intrusive rocks (proxenite and gabbro-norite), some of which are sulphide bearing (trace amounts). This area is now being covered with MLEM surveys in order to locate any mineralised massive sulphides that may be hosted by these intrusive bodies. The MLEM work is at an early stage having commenced late in the quarter and it is expected that this work should be completed in the coming quarter. A review of the survey data to date indicates there are no significant bedrock anomalies present.

Access to the prospective areas south of Citadel, Thunderdome and areas of the Strandline Joint Venture (EL4440) had been dependant on finalising an access agreement to the Yalata Aboriginal Reserve. In discussions with the traditional owners and the Aboriginal Lands Trust (ALT), this was successfully achieved during the quarter. This has not only allowed access to complete the gravity survey between Citadel and Pearl, as well as partially complete (up to the Christmas break) the gravity survey over Thunderdome but also allowed the heritage clearance of the proposed drilling (all proposed holes cleared ) in the Yalata Aboriginal Reserve.

The preliminary results from the detailed surface gravity surveys, designed to generate new targets, has highlighted a number of compelling areas where discrete magnetic anomalies are coincident with gravity highs. These features identified will be ranked for follow-up (infill gravity and MLEM), and these will be tested, along with a number of other targets, in the up-coming drilling program. The planned drilling, scheduled to commence in the coming quarter is shown below.



Western Gawler Project - Exploration Status  
 Coord System: GDA1994 MGA Zone 53S

Western Gawler Project Exploration status plan.  
 (TMI RTP coloured magnetic background)

-ENDS-



## COMPETENT PERSON'S STATEMENT:

The information within this report as it relates to exploration results, mineral resources and ore reserves is based on information compiled by Mr Charles Wilkinson, Mr Andre Wulfse and Mr Marco Orunesu Preiata of Western Areas Ltd. Mr Wulfse and Mr Orunesu Preiata are members of AusIMM and are full time employees of the Company. Mr Wilkinson is a member of AusIMM and a consultant to Western Areas. Mr Wilkinson, Mr Wulfse and Mr Orunesu Preiata 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.' Mr Wilkinson, Mr Wulfse and Mr Orunesu Preiata 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 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: "The Odysseus PFS is expected to be finalised and released during the March quarter" and, "This drilling is being completed earlier than required in anticipation of starting the [Odysseus] feasibility study in CY17" and, "The Company has received a number of corporate approaches regarding the lithium potential of our tenements and it is Western Areas' intention to identify the most appropriate solution to maximise value of these tenements, with the understanding that Lithium is likely to be a non-core activity for the Company".

This announcement does not include reference to all available information on the Company, the Forrestania Nickel Operation or the Cosmos Nickel Complex and should not be used in isolation as a basis to invest in Western Areas. Potential investors should refer to Western Areas' other public releases and statutory reports and consult their professional advisers before considering investing in the 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.

**THIS NEWS RELEASE IS NOT FOR DISTRIBUTION TO THE U.S. NEWSWIRE SERVICES OR FOR DISSEMINATION IN THE U.S**

# ACTIVITY REPORT

For the period ending 31 December 2016

WESTERN AREAS LTD



## Western areas ore reserve / mineral resource statement – Effective date 31<sup>st</sup> December 2016

	Tonnes	Grade Ni%	Ni Tonnes	Classification	JORC Code
<b>Ore Reserves</b>					
1. Flying Fox Area	1,097,740	4.0	44,020	Probable Ore Reserve	2012
2. Spotted Quoll Area	184,780	4.1	7,530	Proved Ore Reserve	2012
	2,096,300	4.0	83,730	Probable Ore Reserve	2012
3. Diggers Area					
Digger South	2,016,000	1.4	28,950	Probable Ore Reserve	2004
Digger Rocks	93,000	2.0	1,850	Probable Ore Reserve	2004
<b>TOTAL FORRESTANIA ORE RESERVE</b>	<b>5,487,820</b>	<b>3.0</b>	<b>166,080</b>		
<b>Mineral Resources</b>					
1. Flying Fox Area					
T1 South	132,279	4.6	6,085	Indicated Mineral Resource	2012
	55,219	3.9	2,154	Inferred Mineral Resource	2012
T1 North	55,779	5.9	3,290	Indicated Mineral Resource	2012
OTZ Sth Massive Zone	20,560	4.1	843	Inferred Mineral Resource	2012
OTZ Sth Massive Zone	162,338	4.0	6,574	Indicated Mineral Resource	2012
T4 Massive Zone	149,503	5.7	8,585	Indicated Mineral Resource	2012
T5 Massive Zone + Pegs	1,164,721	5.7	66,402	Indicated Mineral Resource	2012
T6 Massive Zone	47,840	5.3	2,525	Indicated Mineral Resource	2012
T7 Massive Zone	256,977	2.1	5,303	Inferred Mineral Resource	2012
Total High Grade	2,045,216	5.0	101,760		
T5 Flying Fox Disseminated Zone	197,200	0.8	1,590	Indicated Mineral Resource	2004
	357,800	1.0	3,460	Inferred Mineral Resource	2004
T5 Lounge Lizard Disseminated Zone	4,428,000	0.8	36,000	Indicated Mineral Resource	2004
Total Disseminated Flying Fox/Lounge Lizard	4,983,000	0.8	41,050		
Total FF/LL	7,028,216	2.0	142,810		
New Morning / Daybreak					
Massive Zone	340,126	3.3	11,224	Indicated Mineral Resource	2012
	78,067	3.9	3,025	Inferred Mineral Resource	2012
Disseminated Zone	1,887,691	1.5	29,025	Indicated Mineral Resource	2012
	3,232,693	1.2	38,065	Inferred Mineral Resource	2012
Total New Morning / Daybreak	5,538,577	1.5	81,339		
2. Spotted Quoll Area					
Spotted Quoll	528,556	5.8	30,457	Measured Mineral Resource	2012
	1,414,836	5.1	71,573	Indicated Mineral Resource	2012
	181,013	5.6	10,137	Inferred Mineral Resource	2012
Total Spotted Quoll	2,124,405	5.3	112,167		
Beautiful Sunday	480,000	1.4	6,720	Indicated Mineral Resource	2004
Total Western Belt	15,171,198	2.3	343,036		
3. Cosmic Boy Area					
Cosmic Boy	180,900	2.8	5,050	Indicated Mineral Resource	2004
Seagull	195,000	2.0	3,900	Indicated Mineral Resource	2004
Total Cosmic Boy Area	375,900	2.4	8,950		
4. Diggers Area					
Diggers South - Core	3,000,000	1.5	44,700	Indicated Mineral Resource	2004
Diggers South - Halo	4,800,000	0.7	35,600	Indicated Mineral Resource	2004
Digger Rocks - Core	54,900	3.7	2,030	Indicated Mineral Resource	2004
Digger Rocks - Core	172,300	1.1	1,850	Inferred Mineral Resource	2004
Digger Rocks - Halo	1,441,000	0.7	10,350	Inferred Mineral Resource	2004
Purple Haze	560,000	0.9	5,040	Indicated Mineral Resource	2004
Total Diggers Area	10,028,200	1.0	99,570		
<b>TOTAL FORRESTANIA MINERAL RESOURCE</b>	<b>25,575,298</b>	<b>1.8</b>	<b>451,556</b>		
5. Cosmos Area					
AM5	479,914	2.6	12,430	Indicated Mineral Resource	2012
	26,922	1.9	509	Inferred Mineral Resource	2012
AM6	1,704,548	2.7	45,171	Indicated Mineral Resource	2012
	329,443	2.5	8,203	Inferred Mineral Resource	2012
Odysseus	3,884,857	2.2	84,301	Indicated Mineral Resource	2012
	169,165	2.1	3,603	Inferred Mineral Resource	2012
Odysseus North - Disseminated	1,631,495	2.8	45,519	Indicated Mineral Resource	2012
	1,586,175	2.2	35,054	Inferred Mineral Resource	2012
Odysseus North - Massive	48,043	11.6	5,563	Indicated Mineral Resource	2012
Total Cosmos Area	9,860,562	2.4	240,353		
6. Mt Goode Area					
Mt Goode	13,563,000	0.8	105,791	Measured Mineral Resource	2012
	27,363,000	0.6	158,705	Indicated Mineral Resource	2012
	12,009,000	0.5	62,447	Inferred Mineral Resource	2012
Total Mt Goode Area	52,935,000	0.6	326,943		
<b>TOTAL COSMOS MINERAL RESOURCE</b>	<b>62,795,562</b>	<b>0.9</b>	<b>567,296</b>		
<b>TOTAL WESTERN AREAS MINERAL RESOURCE</b>	<b>88,370,860</b>	<b>1.2</b>	<b>1,018,852</b>		



## JORC 2012 TABLE 1 – Cosmos Nickel Complex Exploration

### Section 1: Sampling Techniques and Data

Criteria	JORC Code explanation	Commentary
Sampling techniques	<ul style="list-style-type: none"> <li>Nature and quality of sampling (e.g. cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc). These examples should not be taken as limiting the broad meaning of sampling.</li> </ul>	<ul style="list-style-type: none"> <li>Exploration targets were sampled using RC drilling and or diamond drilling (DD), and holes were typically drilled perpendicular to the strike (north-south) of the stratigraphy, at angles ranging between 55o and 80o.</li> <li>Drill holes were located initially with hand held GPS and later surveyed by differential GPS. DD holes were used to obtain high quality samples that were fully oriented and logged for lithological, structural, geotechnical attributes. Each sample of diamond drill core submitted to ALS laboratories at Malaga, Perth was weighed to determine density by the weight in air, weight in water method. All sampling was conducted under WSA QAQC protocols which are in accordance with industry best practice.</li> <li>RC drilling is used to obtain 1m samples (or composited over 2 to 4m) from which 3kg is pulverised (total prep) to produce a sub sample for assaying.</li> <li>Diamond drill core (NQ2) is 1/4 core sampled on geological intervals (0.2m - 1.5m) to achieve sample weights under 2kgs.</li> <li>Samples were crushed, dried and pulverised (total prep) to produce a sub sample for analysis by 4 acid digest with an ICP/AES and FA/ICP (Au, Pt, Pd) finish.</li> </ul>
	<ul style="list-style-type: none"> <li>Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.</li> </ul>	<ul style="list-style-type: none"> <li>All samples were prepared and assayed by independent commercial laboratories whose instruments are regularly calibrated</li> <li>Geophysical survey QC parameters were reviewed by independent supervising geophysicists from Newexco Services Pty Ltd</li> </ul>
	<ul style="list-style-type: none"> <li>Aspects of the determination of mineralisation that are Material to the Public Report. In cases where 'industry standard' work has been done this would be relatively simple (e.g. 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (e.g. submarine nodules) may warrant disclosure of detailed information.</li> </ul>	<ul style="list-style-type: none"> <li>Diamond core is typically marked at 1m intervals</li> <li>Sample intervals marked up by geologists based on geology.</li> <li>Sampled mineralisation intervals are sent to a commercial laboratory for crushing and grinding before assaying.</li> </ul>
Drilling techniques	<ul style="list-style-type: none"> <li>Drill type (e.g. core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc) and details (e.g. core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc).</li> </ul>	<ul style="list-style-type: none"> <li>A KWL 700 rig with Hurricane B7-41 booster 1000psi / 350/1150 silenced Sullair combination unit was used.</li> <li>RC drilling comprises nominally 140mm diameter face sampling hammer drilling.</li> <li>Diamond drilling comprises HQ and NQ2 sized core.</li> <li>Historical data is derived from both surface and underground diamond drilling</li> </ul>
Drill sample recovery	<ul style="list-style-type: none"> <li>Method of recording and assessing core and chip sample recoveries and results assessed.</li> <li>Measures taken to maximise sample recovery and ensure representative nature of the samples.</li> <li>Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.</li> </ul>	<ul style="list-style-type: none"> <li>Diamond core recoveries have been logged and recorded in the database</li> <li>Diamond core are logged and recorded in the database. Overall recoveries are &gt;95% and there was no core loss issues or significant sample recovery problems. Core loss is noted where it occurs.</li> <li>Diamond core was reconstructed into continuous runs on an angle iron cradle for orientation marking. Depths are checked against the depth given on the core blocks and rod counts are routinely carried out by the drillers.</li> <li>RC recoveries are logged and recorded in the database and RC samples were visually checked for recovery, moisture and contamination. Drilling close to the lake shore for the Neptune drilling resulted in high water flows which reduced the sample size and loss of fines from the sample.</li> <li>The drilling by diamond core drilling has high recoveries. The massive sulphide style of mineralisation and the consistency of the mineralised intervals are considered to preclude any issue of sample bias due to material loss or gain.</li> <li>Drilling in the oxidised profile results in more incomplete core recoveries.</li> </ul>
Logging	<ul style="list-style-type: none"> <li>Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate</li> </ul>	<ul style="list-style-type: none"> <li>All geological logging was carried out to a high standard using well established geology codes in LogChief software.</li> </ul>

# ACTIVITY REPORT

For the period ending 31 December 2016

WESTERN AREAS LTD



Criteria	JORC Code explanation	Commentary
	<i>Mineral Resource estimation, mining studies and metallurgical studies.</i>	<ul style="list-style-type: none"> <li>All logging recorded Panasonic Toughbook PC logging.</li> </ul>
	<ul style="list-style-type: none"> <li>Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography.</li> </ul>	<ul style="list-style-type: none"> <li>Core is photographed in both dry and wet form and logging is done in detail</li> </ul>
	<ul style="list-style-type: none"> <li>The total length and percentage of the relevant intersections logged.</li> </ul>	<ul style="list-style-type: none"> <li>All diamond drill holes were logged and photographed in full. RC holes are logged in full.</li> </ul>
Sub-sampling techniques and sample preparation	<ul style="list-style-type: none"> <li>If core, whether cut or sawn and whether quarter, half or all core taken.</li> </ul>	<ul style="list-style-type: none"> <li>Diamond core is sampled as quarter core only; cut by the field crew on site by diamond saw.</li> </ul>
	<ul style="list-style-type: none"> <li>If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry.</li> </ul>	<ul style="list-style-type: none"> <li>RC samples were collected on the rig using cone splitters. Composite samples are collected via riffle splitting or spearing to generate a single sample of less than 3kg.</li> </ul>
	<ul style="list-style-type: none"> <li>For all sample types, the nature, quality and appropriateness of the sample preparation technique.</li> </ul>	<ul style="list-style-type: none"> <li>The sample preparation follows industry best practice involving oven drying, coarse crushing and pulverising.</li> </ul>
	<ul style="list-style-type: none"> <li>Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.</li> </ul>	<ul style="list-style-type: none"> <li>The field crew prepares and inserts the QAQC certified reference materials into the relevant calico bags.</li> <li>OREAS and Geostats standards have been selected based on their grade range and mineralogical properties, with approximately 12 different standards used.</li> </ul>
	<ul style="list-style-type: none"> <li>Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling.</li> </ul>	<ul style="list-style-type: none"> <li>Standards and blanks are inserted approximately every 20 samples or at least one every hole for both diamond and RC drilling.</li> </ul>
	<ul style="list-style-type: none"> <li>Whether sample sizes are appropriate to the grain size of the material being sampled.</li> </ul>	<ul style="list-style-type: none"> <li>All geological logging was carried out to a high standard using well established geology codes in LogChief software.</li> </ul>
Quality of assay data and laboratory tests	<ul style="list-style-type: none"> <li>The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.</li> </ul>	<ul style="list-style-type: none"> <li>All samples are assayed by independent certified commercial laboratories.</li> <li>The laboratories used are experienced in the preparation and analysis of nickel sulphide ores.</li> </ul>
	<ul style="list-style-type: none"> <li>For geophysical tools, spectrometers, handheld XRF instruments, etc, the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc.</li> </ul>	<ul style="list-style-type: none"> <li>No Geophysical tools or handheld XRF instruments were used to determine any element concentrations that were subsequently used for MRE or exploration reporting purposes</li> </ul>
	<ul style="list-style-type: none"> <li>Nature of quality control procedures adopted (e.g. standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (i.e. lack of bias) and precision have been established.</li> </ul>	<ul style="list-style-type: none"> <li>Certified reference materials are included in all batches dispatched at an approximate frequency of 1 per 25 samples, with a minimum of two per batch.</li> <li>Field duplicates are inserted into submissions at an approximate frequency of 1 in 25, with placement determined by Nickel grade and homogeneity. Lab checks, both pulp and crush, are taken alternately by the lab at a frequency of 1 in 25.</li> <li>Accuracy and precision were assessed using industry standard procedures such as control charts and scatter plots.</li> <li>Evaluations of standards are completed on a monthly, quarterly and annual basis using QAQCR.</li> </ul>
Verification of sampling and assaying	<ul style="list-style-type: none"> <li>The verification of significant intersections by either independent or alternative company personnel.</li> </ul>	<ul style="list-style-type: none"> <li>Geological interpretation using intersections peer viewed by prior company and WSA geologists.</li> </ul>
	<ul style="list-style-type: none"> <li>The use of twinned holes.</li> </ul>	<ul style="list-style-type: none"> <li>Not applicable</li> </ul>
	<ul style="list-style-type: none"> <li>Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.</li> </ul>	<ul style="list-style-type: none"> <li>All primary geophysical data were recorded digitally and sent in electronic format to Newexco Services Pty Ltd for quality control and evaluation.</li> <li>All geological logging was carried out to a high standard using well established geology codes in LogChief software.</li> <li>All other data including assay results are imported via Dashed software.</li> <li>Drillholes, sampling and assay data is stored in a SQL Server database located in a dedicated data center.</li> </ul>
	<ul style="list-style-type: none"> <li>Discuss any adjustment to assay data.</li> </ul>	<ul style="list-style-type: none"> <li>none</li> </ul>
Location of data points	<ul style="list-style-type: none"> <li>Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation.</li> </ul>	<ul style="list-style-type: none"> <li>Downhole surveys completed using gyroscopic instrument on all resource definition holes. Exploration holes were surveyed downhole using an Eastman single shot camera. Underground drillhole collar locations verified via survey pickup.</li> </ul>
	<ul style="list-style-type: none"> <li>Specification of the grid system used.</li> </ul>	<ul style="list-style-type: none"> <li>MGA94 Zone 51 grid coordinate system is used.</li> </ul>

# ACTIVITY REPORT

For the period ending 31 December 2016

WESTERN AREAS LTD



Criteria	JORC Code explanation	Commentary
		<ul style="list-style-type: none"> <li>A two point transformation is used to convert the data from AMG84_51 mine grid and vice versa.</li> </ul>
	<ul style="list-style-type: none"> <li>Quality and adequacy of topographic control.</li> </ul>	<ul style="list-style-type: none"> <li>The project area is flat and the topo data density is adequate for MRE purposes</li> <li>Collar positions were picked up by suitably qualified surface and underground surveyors</li> </ul>
Data spacing and distribution	<ul style="list-style-type: none"> <li>Data spacing for reporting of Exploration Results.</li> </ul>	<ul style="list-style-type: none"> <li>Not applicable</li> </ul>
	<ul style="list-style-type: none"> <li>Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied.</li> </ul>	<ul style="list-style-type: none"> <li>The available drill data demonstrates sufficient and appropriate continuity for both geology and grade within the CNC deposits to support the definition of Mineral Resources as classified under the JORC Code (2012).</li> </ul>
	<ul style="list-style-type: none"> <li>Whether sample compositing has been applied.</li> </ul>	<ul style="list-style-type: none"> <li>Sampling compositing has been applied to some of the RC sampling (2m to 4m).</li> </ul>
Orientation of data in relation to geological structure	<ul style="list-style-type: none"> <li>Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.</li> </ul>	<ul style="list-style-type: none"> <li>The majority of the drill holes are orientated to achieve intersection angles as close to perpendicular as possible. The steep dipping nature of the stratigraphy at some targets (700 to 800) means this is not always achieved.</li> </ul>
	<ul style="list-style-type: none"> <li>If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material.</li> </ul>	<ul style="list-style-type: none"> <li>No orientation based sampling bias has been observed in the data, intercepts are reported as downhole lengths.</li> </ul>
Sample security	<ul style="list-style-type: none"> <li>The measures taken to ensure sample security.</li> </ul>	<ul style="list-style-type: none"> <li>Standard West Australian mining industry sample security measures were observed</li> </ul>
Audits or reviews	<ul style="list-style-type: none"> <li>The results of any audits or reviews of sampling techniques and data.</li> </ul>	<ul style="list-style-type: none"> <li>Adrian Black of Newexco Pty Ltd (a member of the AIG), an independent exploration company, has reviewed the data and sampling techniques employed by the Company.</li> </ul>

## Section 2: Reporting of Exploration Results

(Criteria listed in Section 1, also apply to this section.)

Criteria	JORC Code explanation	Commentary
Mineral tenement and land tenure status	<ul style="list-style-type: none"> <li>Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings.</li> <li>The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area.</li> </ul>	<ul style="list-style-type: none"> <li>Cosmos Nickel Complex comprises 26 tenements covering some 9,226Ha. The tenements include mining leases and miscellaneous licenses</li> <li>Western Areas wholly owns 23 tenements, which were acquired from Xstrata Nickel Australasia in October 2015. The remainder of the tenements (3) are subject to a Joint Venture with Alkane Resources NL, where Western Areas has earned 80.6% interest</li> <li>All tenements are in good standing</li> </ul>
Exploration done by other parties	<ul style="list-style-type: none"> <li>Acknowledgment and appraisal of exploration by other parties.</li> </ul>	<ul style="list-style-type: none"> <li>Historical nickel exploration has been completed by Glencore PLC, Xstrata Nickel Australasia and Jubilee Mines NL</li> </ul>
Geology	<ul style="list-style-type: none"> <li>Deposit type, geological setting and style of mineralisation.</li> </ul>	<ul style="list-style-type: none"> <li>The deposits form part of the Cosmos Nickel Complex, which lies within the Agnew-Wiluna Belt of the central Yilgarn Craton, Western Australia</li> <li>The deposit style is komatiite hosted, disseminated to massive nickel sulphides.</li> <li>The mineralisation typically occurs in association with the basal zone of high MgO cumulate ultramafic rocks.</li> <li>Many of the higher grade ore bodies in the Cosmos Nickel Complex also show varying degrees of remobilisation, and do not occur in a typical mineralisation profile</li> </ul>
Drill hole Information	<ul style="list-style-type: none"> <li>A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes:                             <ul style="list-style-type: none"> <li>easting and northing of the drill hole collar</li> <li>elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar</li> <li>dip and azimuth of the hole</li> <li>down hole length and interception depth</li> <li>hole length.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>See drill hole summary tables enclosed in the text.</li> </ul>

# ACTIVITY REPORT

For the period ending 31 December 2016

WESTERN AREAS LTD



Criteria	JORC Code explanation	Commentary
	<ul style="list-style-type: none"> <li>If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case.</li> </ul>	
Data aggregation methods	<ul style="list-style-type: none"> <li>In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (eg cutting of high grades) and cut-off grades are usually Material and should be stated.</li> <li>Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail.</li> <li>The assumptions used for any reporting of metal equivalent values should be clearly stated.</li> </ul>	<ul style="list-style-type: none"> <li>Standard weighted averaging of drill hole intercepts were employed. No maximum or minimum grade truncations were used in the estimation.</li> <li>The reported assays have been length and bulk density weighted. A lower arbitrary 0.5% Ni cut-off is applied, with no top cut applied. High grade intercepts internal to broader zones of mineralisation are reported as included intervals. A lower arbitrary 0.5g/t Au cut-off is applied, with no top cut applied. High grade intercepts internal to broader zones of mineralisation are reported as included intervals.</li> <li>Metal equivalents have not been used</li> </ul>
Relationship between mineralisation widths and intercept lengths	<ul style="list-style-type: none"> <li>These relationships are particularly important in the reporting of Exploration Results.</li> <li>If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported.</li> <li>If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (e.g. 'down hole length, true width not known').</li> </ul>	<ul style="list-style-type: none"> <li>Drill hole intersections may not be true widths</li> </ul>
Diagrams	<ul style="list-style-type: none"> <li>Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported. These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views.</li> </ul>	<ul style="list-style-type: none"> <li>Included within report</li> </ul>
Balanced reporting	<ul style="list-style-type: none"> <li>Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results.</li> </ul>	<ul style="list-style-type: none"> <li>Not applicable</li> </ul>
Other substantive exploration data	<ul style="list-style-type: none"> <li>Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances.</li> </ul>	<ul style="list-style-type: none"> <li>Included within report</li> <li>Geophysics</li> <li>Information on structure type, dip, dip direction alpha and beta angles, texture, shape, roughness and fill material is stored in the structural logs in the database.</li> </ul>
Further work	<ul style="list-style-type: none"> <li>The nature and scale of planned further work (eg tests for lateral extensions or depth extensions or large-scale step-out drilling).</li> <li>Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.</li> </ul>	<ul style="list-style-type: none"> <li>Preliminary plans are included within the report</li> <li>Future explorations programs may change depending on results and strategy</li> </ul>



## JORC 2012 TABLE 1 – Forrestania Exploration

### Section 1: Sampling Techniques and Data – Forrestania

Criteria	JORC Code explanation	Commentary
Sampling techniques	<ul style="list-style-type: none"> <li>Nature and quality of sampling (eg cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as downhole gamma sondes, or handheld XRF instruments, etc). These examples should not be taken as limiting the broad meaning of sampling.</li> <li>Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.</li> <li>Aspects of the determination of mineralisation that are Material to the Public Report. In cases where 'industry standard' work has been done this would be relatively simple (e.g. 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (e.g. submarine nodules) may warrant disclosure of detailed information.</li> </ul>	<ul style="list-style-type: none"> <li>Exploration targets were sampled using RC holes. Holes were typically drilled perpendicular to the strike (north-south) of the stratigraphy, at angles ranging between 55o and 75o or vertically</li> <li>Drill holes were located initially with hand held GPS and later surveyed by differential GPS.</li> <li>Samples were logged for lithological, structural, mineralogical and moisture attributes. Each sample is submitted to ALS laboratories at Malaga, Perth. All sampling was conducted under WSA QAQC protocols which are in accordance with industry best practice.</li> <li>Samples were crushed, dried and pulverised (total prep) to produce a sub sample for analysis by 4 acid digest with an ICP/AES or ICP/MS and FA/ICP (Au, Pt, Pd) finish. RC drilling is used to obtain 1m samples (or composited over 2 to 4m) from which 3kg is pulverised (total prep) to produce a sub sample for assaying.</li> </ul>
Drilling Techniques	<ul style="list-style-type: none"> <li>Drill type (eg core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc) and details (eg core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc).</li> </ul>	<ul style="list-style-type: none"> <li>A KWL 350 rig with Atlas Copco 2100CFM / 800PSI Booster / Auxiliary was used.</li> <li>RC drilling comprises nominally 140mm diameter face sampling hammer drilling.</li> </ul>
Drill sample recovery	<ul style="list-style-type: none"> <li>Method of recording and assessing core and chip sample recoveries and results assessed.</li> <li>Measures taken to maximise sample recovery and ensure representative nature of the samples.</li> <li>Whether a relationship exists between sample recovery and grade and whether sample bias.</li> </ul>	<ul style="list-style-type: none"> <li>RC recoveries are logged and recorded in the database.</li> <li>RC samples were visually checked for recovery, moisture and contamination.</li> <li>The style of mineralisation and the consistency of the mineralised intervals are considered to preclude any issue of sample bias due to material loss or gain.</li> <li>Drilling in the oxidised profile can result in more incomplete recoveries.</li> </ul>
Logging	<ul style="list-style-type: none"> <li>Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies.</li> <li>Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc).</li> <li>The total length and percentage of the relevant intersections logged.</li> </ul>	<ul style="list-style-type: none"> <li>Logging of samples recorded lithology, mineralogy, mineralisation, structural, weathering, colour and other features of the samples.</li> <li>RC holes are logged in full.</li> </ul>
Sub-sampling techniques and sampling preparation	<ul style="list-style-type: none"> <li>If core, whether cut or sawn and whether quarter, half or all core taken.</li> <li>If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry.</li> <li>For all sample types, the nature, quality and appropriateness of the sample preparation technique.</li> <li>Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.</li> <li>Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling.</li> <li>Whether sample sizes are appropriate to the grain size of the material being sampled.</li> </ul>	<ul style="list-style-type: none"> <li>RC samples were collected on the rig using cone splitters. Composite samples are collected via riffle splitting or spearing to generate a single sample of less than 3kg.</li> <li>The sample preparation of samples follows industry best practice in sample preparation involving oven drying, coarse crushing of the half core sample down to ~10 mm followed by pulverisation of the entire sample (total prep) using Essa LMS grinding mills to a grind size of 85% passing 75 micron.</li> <li>Field QC procedures involve the use of certified reference material as assay standards, along with blanks, duplicates and barren washes. The insertion rate of these averaged 1:20, with an increased rate in mineralised zones.</li> <li>Field duplicates were conducted on approximately 1 in 10 drill intersections. During assessment of mineralised areas 10% of samples were also selected for umpire sampling. All QAQC samples were returned within acceptable statistical ranges.</li> <li>Standards are inserted approximately every 20 samples or at least one every hole for both diamond and RC drilling. Duplicates are normally inserted every 20 samples in RC drilling Blanks are inserted selectively in RC and diamond programs, at least one and sometimes two samples per hole for regular monitoring and to detect smearing in the laboratory processing.</li> <li>The sample sizes are considered to be appropriate to correctly represent the style of mineralization, the thickness and consistency of the intersections, the sampling methodology and percent value assay ranges for the primary elements.</li> </ul>

# ACTIVITY REPORT

For the period ending 31 December 2016

WESTERN AREAS LTD



Criteria	JORC Code explanation	Commentary
Quality of assay data laboratory tests	<ul style="list-style-type: none"> <li>The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.</li> <li>For geophysical tools, spectrometers, handheld XRF instruments, etc, the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc.</li> <li>Nature of quality control procedures adopted (eg standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (ie lack of bias) and precision have been established.</li> </ul>	<ul style="list-style-type: none"> <li>All base metal samples were subjected to ICP-AES analysis using nitric, perchloric, hydrofluoric and hydrochloric acid digest. Samples which assayed greater than 10,000ppm Ni were treated to OG62 near total digest using the same 4 acids, suitable for silica based samples, and analysed using conventional ICP_AES analysis. Samples were routinely assayed for Au and PGE's using PGM-ICP23. Au samples reporting &gt;10g/t were assayed using Fire Assay and AAS finish. Lithium samples were subject to four acid digest ICP-MS 48 element analysis - ME-MS61. Samples which assayed greater than 10,000ppm Li were treated to ME-ICP82b B/Li - Na2O2 Fusion - ICP High Grade. Selected samples with greater than 100ppm Ta and 500ppm Cs were subject to Lithium Borate Fusion - ME-MS85 with ICP-MS finish.</li> <li>No Geophysical tools were used to determine any element concentrations relating to this exploration target estimate. A handheld NITON XRF instrument was used to determine the approximate nature of the mineralisation. Appropriate QAQC techniques were used to validate any portable XRF analysis. However, NITON XRF data is only used as an approximate guide. All reported intersections are gathered using industry best practice laboratory assay techniques.</li> <li>Standards and blanks were routinely used to access company QAQC (approx 1 std for every 12-15 samples).</li> </ul>
Verification of sampling and assaying	<ul style="list-style-type: none"> <li>The verification of significant intersections by either independent or alternative company personnel.</li> <li>The use of twinned holes.</li> <li>Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.</li> <li>Discuss any adjustment to assay data.</li> </ul>	<ul style="list-style-type: none"> <li>Adrian Black of Newexco Pty Ltd (a member of the AIG), an independent exploration company, has visually verified significant intersections in diamond core.</li> <li>Primary data was collected using Excel templates utilising lookup codes, on laptop computers. All data was validated by the supervising geologist, and sent to Newexco for validation and integration into an SQL database.</li> <li>No adjustments were made to assay data compiled for this estimate.</li> </ul>
Location of data points	<ul style="list-style-type: none"> <li>Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation.</li> <li>Specification of the grid system used.</li> <li>Quality and adequacy of topographic control.</li> </ul>	<ul style="list-style-type: none"> <li>Hole collar locations were surveyed using Western Areas surveyors under the guidelines of best industry practice. The Leica GPS1200 was use for all surface work has an accuracy of +/- 3cm.</li> <li>Elevation data were collected in AHD RL and a value of 1,000m was added.</li> <li>MGA94 Zone 50 grid coordinate system is used.</li> <li>The accuracy of the pillars used in WSA's topographical control networks operate within the Mines Regulations accuracy requirement of 1:5000 for control networks.</li> </ul>
Data spacing and distribution	<ul style="list-style-type: none"> <li>Data spacing for reporting of Exploration Results.</li> <li>Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied.</li> <li>Whether sample compositing has been applied.</li> </ul>	<ul style="list-style-type: none"> <li>Drill holes spacing were varied according to target type. Where initial drilling was undertaken holes are nominally 100m to 400m apart. Where mineralisation is identified holes are spaced at an approx. 50m (northing) x60m (relative level) grid.</li> <li>Sampling compositing has been applied to some of the RC sampling, following initial testing using a handheld NITON XRF instrument.</li> <li>Samples were composited to one metre lengths, making adjustments to accommodate residual sample lengths.</li> </ul>
Orientation of data in relation to geological structure	<ul style="list-style-type: none"> <li>Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.</li> <li>If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material.</li> </ul>	<ul style="list-style-type: none"> <li>The majority of the drill holes are orientated to achieve intersection angles as close to perpendicular as possible. The steep dipping nature of the stratigraphy at some targets (700 to 800) means this is not always achieved.</li> <li>No orientation based sampling bias has been observed in the data, intercepts are reported as downhole lengths.</li> </ul>
Sample Security	<ul style="list-style-type: none"> <li>The measures taken to ensure sample security.</li> </ul>	<ul style="list-style-type: none"> <li>All samples are prepared onsite under the supervision of Newexco/Western Area staff.</li> <li>All samples are collected in sealed task specific containers (Bulk bags – plastic pallets) and delivered from site to Perth and then the assay laboratory by transport contractor, NEXUS.</li> </ul>
Audits and Reviews	<ul style="list-style-type: none"> <li>The results of any audits or reviews of sampling techniques and data.</li> </ul>	<ul style="list-style-type: none"> <li>Adrian Black of Newexco Pty Ltd (a member of the AIG), an independent exploration company, has reviewed the data and sampling techniques employed by WSA.</li> </ul>



## Section 2: Reporting of Exploration Results

(Criteria listed in the preceding section also apply to this section.)

Criteria	JORC Code explanation	Commentary																																																																																																																																																																																																																																																																																								
Mineral tenement and land tenure status	<ul style="list-style-type: none"> <li>Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings.</li> <li>The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area.</li> </ul>	<ul style="list-style-type: none"> <li>Forrestania Nickel Operations comprises approximately 98 tenements covering some 800km<sup>2</sup> within the Central Yilgarn Province. The tenements include exploration licences, prospecting licences, general purpose leases, miscellaneous licences and mining leases.</li> <li>Western Areas wholly owns 81 tenements, 55 tenements of which were acquired from Outokumpu in 2002 and a further 19 tenements acquired from Kagara in March 2012 (some which are subject to various third party royalty agreements). The remaining tenements are subject to a Joint Venture (Mt Gibb – WSA 90%) or nickel rights agreements.</li> <li>A number of the Kagara tenements are subject to third party royalty agreements.</li> <li>All the tenements are in good standing. Six tenements are pending grant.</li> </ul>																																																																																																																																																																																																																																																																																								
Exploration done by other parties	<ul style="list-style-type: none"> <li>Acknowledgment and appraisal of exploration by other parties.</li> </ul>	<ul style="list-style-type: none"> <li>Western Areas has been exploring its wholly owned tenements since 2002. The tenements subject to the Kagara sale which took place in March 2012 were explored by Kagara since 2006 and LionOre and St Barbara prior to that time.</li> <li>Western Areas has managed both the Mt Gibb JV since 2009 (Great Western Exploration explored the ground prior to that time) and the Lake King JV since 2007 (A small amount of work carried out by WMC prior to that date).</li> </ul>																																																																																																																																																																																																																																																																																								
Geology	<ul style="list-style-type: none"> <li>Deposit type, geological setting and style of mineralisation.</li> </ul>	<ul style="list-style-type: none"> <li>The FNO lies within the Forrestania Greenstone Belt, which is part of the Southern Cross Province of the Yilgarn Craton in Western Australia. The main deposit type is the komatiite hosted, disseminated to massive Nickel sulphide deposits, which include the Flying Fox and Spotted Quoll deposits which are currently being mined. The mineralisation occurs in association with the basal section of high MgO cumulate ultramafic rocks.</li> <li>The greenstone succession in the FNO district also hosts a number of orogenic lode gold deposits of which Bounty Gold Mine is the biggest example. Some exploration for this style of deposit is undertaken by Western areas from time to time in the FNO tenements.</li> </ul>																																																																																																																																																																																																																																																																																								
Drill hole Information	<ul style="list-style-type: none"> <li>A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes:                             <ul style="list-style-type: none"> <li>easting and northing of the drill hole collar</li> <li>elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar</li> <li>dip and azimuth of the hole</li> <li>downhole length and interception depth</li> <li>hole length.</li> </ul> </li> <li>If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case.</li> </ul>	<ul style="list-style-type: none"> <li>See drill hole table below.</li> </ul> <table border="1"> <thead> <tr> <th colspan="8">Exploration Drilling – Bounty West 2016</th> </tr> <tr> <th>HOLEID</th> <th>Easting</th> <th>Northing</th> <th>RL_MINE</th> <th>EQH</th> <th>Type</th> <th>DIP</th> <th>Azimuth</th> </tr> </thead> <tbody> <tr><td>BWRC001</td><td>760100</td><td>6445870</td><td>430</td><td>124</td><td>RC</td><td>-90</td><td>0</td></tr> <tr><td>BWRC002</td><td>760090</td><td>6446332</td><td>430</td><td>140.0</td><td>RC</td><td>-90</td><td>0</td></tr> <tr><td>BWRC003</td><td>760120</td><td>6446770</td><td>430</td><td>188</td><td>RC</td><td>-90</td><td>0</td></tr> <tr><td>BWRC004</td><td>760170</td><td>6446332</td><td>430</td><td>122</td><td>RC</td><td>-90</td><td>0</td></tr> <tr><td>BWRC005</td><td>760260</td><td>6445870</td><td>430</td><td>100</td><td>RC</td><td>-90</td><td>0</td></tr> <tr><td>KWRC006</td><td>760960</td><td>6448580</td><td>432</td><td>80</td><td>RC</td><td>-90</td><td>0</td></tr> <tr><td>KRC033</td><td>761710</td><td>6447783</td><td>430</td><td>100</td><td>RC</td><td>-90</td><td>0</td></tr> <tr><td>KRC034</td><td>761480</td><td>6449180</td><td>432</td><td>80</td><td>RC</td><td>-90</td><td>0</td></tr> </tbody> </table> <table border="1"> <thead> <tr> <th colspan="8">Exploration Drilling – Northern Estates</th> </tr> <tr> <th>HOLEID</th> <th>Easting</th> <th>Northing</th> <th>RL_MINE</th> <th>EQH</th> <th>Type</th> <th>DIP</th> <th>Azimuth</th> </tr> </thead> <tbody> <tr><td>NSRC001</td><td>763105</td><td>6461706</td><td>420</td><td>89</td><td>RC</td><td>-90</td><td>0</td></tr> <tr><td>NSRC002</td><td>762588</td><td>6461553</td><td>425</td><td>80</td><td>RC</td><td>-90</td><td>0</td></tr> <tr><td>NSRC003</td><td>762812</td><td>6460934</td><td>410</td><td>100</td><td>RC</td><td>-90</td><td>0</td></tr> <tr><td>NSRC004</td><td>761474</td><td>6460800</td><td>430</td><td>88</td><td>RC</td><td>-90</td><td>0</td></tr> <tr><td>NSRC005</td><td>761177</td><td>6459493</td><td>445</td><td>137</td><td>RC</td><td>-90</td><td>0</td></tr> <tr><td>NSRC006</td><td>761382</td><td>6455582</td><td>429</td><td>80</td><td>RC</td><td>-90</td><td>0</td></tr> </tbody> </table> <table border="1"> <thead> <tr> <th colspan="8">Exploration Drilling – South Incecap</th> </tr> <tr> <th>HOLEID</th> <th>Easting</th> <th>Northing</th> <th>RL_MINE</th> <th>EQH</th> <th>Type</th> <th>DIP</th> <th>Azimuth</th> </tr> </thead> <tbody> <tr><td>SIRC003</td><td>760209</td><td>6380263</td><td>430</td><td>200</td><td>RC</td><td>-90</td><td>0</td></tr> <tr><td>SIRC004</td><td>760271</td><td>6380369</td><td>430</td><td>207</td><td>RC</td><td>-55</td><td>60</td></tr> <tr><td>SIRC005</td><td>760079</td><td>6380358</td><td>430</td><td>131</td><td>RC</td><td>-90</td><td>0</td></tr> <tr><td>SIRC006</td><td>760114</td><td>6380517</td><td>430</td><td>216</td><td>RC</td><td>-55</td><td>60</td></tr> <tr><td>SIRC007</td><td>760027</td><td>6380472</td><td>430</td><td>149</td><td>RC</td><td>-90</td><td>0</td></tr> <tr><td>SIRC008</td><td>759905</td><td>6380405</td><td>430</td><td>119</td><td>RC</td><td>-90</td><td>0</td></tr> <tr><td>SIRC009</td><td>759954</td><td>6380704</td><td>430</td><td>140</td><td>RC</td><td>-90</td><td>0</td></tr> <tr><td>SIRC010</td><td>759440</td><td>6380436</td><td>430</td><td>100</td><td>RC</td><td>-90</td><td>0</td></tr> <tr><td>SIRC011</td><td>759746</td><td>6380180</td><td>430</td><td>100</td><td>RC</td><td>-90</td><td>0</td></tr> <tr><td>SIRC012</td><td>760128</td><td>6379825</td><td>430</td><td>125</td><td>RC</td><td>-90</td><td>0</td></tr> <tr><td>SIRC013</td><td>760443</td><td>6379474</td><td>430</td><td>100</td><td>RC</td><td>-90</td><td>0</td></tr> <tr><td>SIRC014</td><td>761898</td><td>6378957</td><td>430</td><td>65</td><td>RC</td><td>-90</td><td>0</td></tr> <tr><td>SIRC015</td><td>762205</td><td>6378240</td><td>430</td><td>100</td><td>RC</td><td>-90</td><td>0</td></tr> <tr><td>SIRC016</td><td>761624</td><td>6380350</td><td>430</td><td>95</td><td>RC</td><td>-90</td><td>0</td></tr> <tr><td>SIRC017</td><td>760426</td><td>6381615</td><td>430</td><td>109</td><td>RC</td><td>-90</td><td>0</td></tr> </tbody> </table>	Exploration Drilling – Bounty West 2016								HOLEID	Easting	Northing	RL_MINE	EQH	Type	DIP	Azimuth	BWRC001	760100	6445870	430	124	RC	-90	0	BWRC002	760090	6446332	430	140.0	RC	-90	0	BWRC003	760120	6446770	430	188	RC	-90	0	BWRC004	760170	6446332	430	122	RC	-90	0	BWRC005	760260	6445870	430	100	RC	-90	0	KWRC006	760960	6448580	432	80	RC	-90	0	KRC033	761710	6447783	430	100	RC	-90	0	KRC034	761480	6449180	432	80	RC	-90	0	Exploration Drilling – Northern Estates								HOLEID	Easting	Northing	RL_MINE	EQH	Type	DIP	Azimuth	NSRC001	763105	6461706	420	89	RC	-90	0	NSRC002	762588	6461553	425	80	RC	-90	0	NSRC003	762812	6460934	410	100	RC	-90	0	NSRC004	761474	6460800	430	88	RC	-90	0	NSRC005	761177	6459493	445	137	RC	-90	0	NSRC006	761382	6455582	429	80	RC	-90	0	Exploration Drilling – South Incecap								HOLEID	Easting	Northing	RL_MINE	EQH	Type	DIP	Azimuth	SIRC003	760209	6380263	430	200	RC	-90	0	SIRC004	760271	6380369	430	207	RC	-55	60	SIRC005	760079	6380358	430	131	RC	-90	0	SIRC006	760114	6380517	430	216	RC	-55	60	SIRC007	760027	6380472	430	149	RC	-90	0	SIRC008	759905	6380405	430	119	RC	-90	0	SIRC009	759954	6380704	430	140	RC	-90	0	SIRC010	759440	6380436	430	100	RC	-90	0	SIRC011	759746	6380180	430	100	RC	-90	0	SIRC012	760128	6379825	430	125	RC	-90	0	SIRC013	760443	6379474	430	100	RC	-90	0	SIRC014	761898	6378957	430	65	RC	-90	0	SIRC015	762205	6378240	430	100	RC	-90	0	SIRC016	761624	6380350	430	95	RC	-90	0	SIRC017	760426	6381615	430	109	RC	-90	0
Exploration Drilling – Bounty West 2016																																																																																																																																																																																																																																																																																										
HOLEID	Easting	Northing	RL_MINE	EQH	Type	DIP	Azimuth																																																																																																																																																																																																																																																																																			
BWRC001	760100	6445870	430	124	RC	-90	0																																																																																																																																																																																																																																																																																			
BWRC002	760090	6446332	430	140.0	RC	-90	0																																																																																																																																																																																																																																																																																			
BWRC003	760120	6446770	430	188	RC	-90	0																																																																																																																																																																																																																																																																																			
BWRC004	760170	6446332	430	122	RC	-90	0																																																																																																																																																																																																																																																																																			
BWRC005	760260	6445870	430	100	RC	-90	0																																																																																																																																																																																																																																																																																			
KWRC006	760960	6448580	432	80	RC	-90	0																																																																																																																																																																																																																																																																																			
KRC033	761710	6447783	430	100	RC	-90	0																																																																																																																																																																																																																																																																																			
KRC034	761480	6449180	432	80	RC	-90	0																																																																																																																																																																																																																																																																																			
Exploration Drilling – Northern Estates																																																																																																																																																																																																																																																																																										
HOLEID	Easting	Northing	RL_MINE	EQH	Type	DIP	Azimuth																																																																																																																																																																																																																																																																																			
NSRC001	763105	6461706	420	89	RC	-90	0																																																																																																																																																																																																																																																																																			
NSRC002	762588	6461553	425	80	RC	-90	0																																																																																																																																																																																																																																																																																			
NSRC003	762812	6460934	410	100	RC	-90	0																																																																																																																																																																																																																																																																																			
NSRC004	761474	6460800	430	88	RC	-90	0																																																																																																																																																																																																																																																																																			
NSRC005	761177	6459493	445	137	RC	-90	0																																																																																																																																																																																																																																																																																			
NSRC006	761382	6455582	429	80	RC	-90	0																																																																																																																																																																																																																																																																																			
Exploration Drilling – South Incecap																																																																																																																																																																																																																																																																																										
HOLEID	Easting	Northing	RL_MINE	EQH	Type	DIP	Azimuth																																																																																																																																																																																																																																																																																			
SIRC003	760209	6380263	430	200	RC	-90	0																																																																																																																																																																																																																																																																																			
SIRC004	760271	6380369	430	207	RC	-55	60																																																																																																																																																																																																																																																																																			
SIRC005	760079	6380358	430	131	RC	-90	0																																																																																																																																																																																																																																																																																			
SIRC006	760114	6380517	430	216	RC	-55	60																																																																																																																																																																																																																																																																																			
SIRC007	760027	6380472	430	149	RC	-90	0																																																																																																																																																																																																																																																																																			
SIRC008	759905	6380405	430	119	RC	-90	0																																																																																																																																																																																																																																																																																			
SIRC009	759954	6380704	430	140	RC	-90	0																																																																																																																																																																																																																																																																																			
SIRC010	759440	6380436	430	100	RC	-90	0																																																																																																																																																																																																																																																																																			
SIRC011	759746	6380180	430	100	RC	-90	0																																																																																																																																																																																																																																																																																			
SIRC012	760128	6379825	430	125	RC	-90	0																																																																																																																																																																																																																																																																																			
SIRC013	760443	6379474	430	100	RC	-90	0																																																																																																																																																																																																																																																																																			
SIRC014	761898	6378957	430	65	RC	-90	0																																																																																																																																																																																																																																																																																			
SIRC015	762205	6378240	430	100	RC	-90	0																																																																																																																																																																																																																																																																																			
SIRC016	761624	6380350	430	95	RC	-90	0																																																																																																																																																																																																																																																																																			
SIRC017	760426	6381615	430	109	RC	-90	0																																																																																																																																																																																																																																																																																			
Data aggregation methods	<ul style="list-style-type: none"> <li>In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (eg cutting of high grades) and cut-off grades are usually Material and should be stated.</li> <li>Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail.</li> <li>The assumptions used for any reporting of metal equivalent</li> </ul>	<ul style="list-style-type: none"> <li>Standard weighted averaging of drill hole intercepts were employed. No maximum or minimum grade truncations were used in the estimation.</li> <li>The reported assays have been length and bulk density weighted. A lower arbitrary 0.5% Ni (0.45% Li<sub>2</sub>O) cut-off is applied, with no top cut applied. High grade intercepts internal to broader zones of mineralisation are reported as included intervals. A lower arbitrary 0.5g/t Au cut-off is applied, with no top cut applied. High grade intercepts internal to broader zones of mineralisation are</li> </ul>																																																																																																																																																																																																																																																																																								

# ACTIVITY REPORT

For the period ending 31 December 2016

WESTERN AREAS LTD



Criteria	JORC Code explanation	Commentary
	<i>values should be clearly stated.</i>	<ul style="list-style-type: none"> <li>reported as included intervals.</li> <li>No metal equivalent values are used.</li> </ul>
Relationship between mineralisation widths and intercept lengths	<ul style="list-style-type: none"> <li><i>These relationships are particularly important in the reporting of Exploration Results.</i></li> <li><i>If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported.</i></li> <li><i>If it is not known and only the downhole lengths are reported, there should be a clear statement to this effect (e.g. 'downhole length, true width not known').</i></li> </ul>	<ul style="list-style-type: none"> <li>The incident angles to mineralisation are considered moderate.</li> <li>Due to the often steep dipping nature of the stratigraphy reported downhole intersections are moderately greater (m/1.5 ratio on average) than the true width.</li> </ul>
Diagrams	<ul style="list-style-type: none"> <li><i>Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported. These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views.</i></li> </ul>	<ul style="list-style-type: none"> <li>Shown on the long section included in this report.</li> </ul>
Balanced reporting	<ul style="list-style-type: none"> <li><i>Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results.</i></li> </ul>	<ul style="list-style-type: none"> <li>Not Applicable.</li> </ul>
Other substantive exploration data	<ul style="list-style-type: none"> <li><i>Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances.</i></li> </ul>	<ul style="list-style-type: none"> <li>Multi-element analysis was conducted routinely on all samples for a base metal suite and potentially deleterious elements including Al, As, Co, Cr, Cu, Fe, Mg, Ni, S, Ti, Zn, Zr and Si for New Morning.</li> <li>Information on structure type, dip, dip direction alpha and beta angles, texture, shape, roughness and fill material is stored in the structural logs in the database.</li> </ul>
Further work	<ul style="list-style-type: none"> <li><i>The nature and scale of planned further work (eg tests for lateral extensions or depth extensions or large-scale step-out drilling).</i></li> <li><i>Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.</i></li> </ul>	<ul style="list-style-type: none"> <li>Exploration within the tenements continues to evaluate the prospective stratigraphic succession containing the cumulate ultramafic rocks and other rock types for various styles of mineralisation using geochemical and geophysical surveys and drilling.</li> <li>At this stage of the exploration program, the nature of the geological model is evolving. Details of further work will be forthcoming as the project progresses.</li> </ul>