

**22 August 2018****ASX: WSA****News Release****WESTERN AREAS REPORTS FULL YEAR FINANCIAL RESULTS AND FY19 GUIDANCE**

Western Areas Ltd (ASX: WSA, “Western Areas” or the “Company”) is pleased to announce the Company’s financial results for the year ended 30 June 2018 (“FY18”) and key operational guidance metrics for the year ending 30 June 2019 (“FY19”).

Western Areas has delivered a robust financial result, with a strong return to underlying profitability following an improved, but still volatile, nickel price compared to the prior financial year ending 30 June 2017 (“FY17”). Key financial metrics have improved, including EBITDA and EBITDA margin growth, which have flowed through to a A\$23.4m improvement in underlying profitability. The Company also generated strong cashflows, increasing operating cashflow to A\$77.0m for the year, and is well positioned to fund and complete several organic growth projects.

Key Metrics for FY18

- ✓ **Strong balance sheet with cash at bank of A\$151.6m**
- ✓ **Sales revenue of A\$248.3m (A\$213.9m)**
- ✓ **Average realised price of nickel (before payability) of A\$7.53/lb (A\$6.11/lb);**
- ✓ **EBITDA of A\$84.0m (underlying A\$51.9m¹)**
- ✓ **EBITDA margin improved by 40.0% to 33.8% (underlying 24.2%)**
- ✓ **Underlying and statutory NPAT of A\$11.8m (underlying NLAT A\$11.5m²)**
- ✓ **Fully franked final dividend of 2.0c per share has been declared**
- ✓ **Primed and well-funded for growth, with a focus on the Odysseus Project development at Cosmos**

(Comparisons in brackets refer to the corresponding period FY17)

The second half of FY18 saw an improvement in key financial results versus the first half with net profit after tax (NPAT) increasing by A\$4.8m to A\$8.3m and free cashflow of A\$19.1m after all capital expenditure, feasibility study and exploration costs, due mainly to an improved realised nickel price.

Based on the return to underlying profitability, strong financial position of the Company and balancing future capital requirements of Western Areas’ growth projects, the Board has decided to declare a fully franked 2.0c per share dividend. This represents a payout ratio of approximately 46% on FY18 NPAT.

Western Areas focused on a return to underlying profitability for FY18 and, unlike recent years where the low nickel price has halted the development of new projects, a specific objective was to advance the Company’s organic growth projects. In this regard, the Mill Recovery Enhancement Project (MREP) is now commissioned, with production of a new high grade nickel sulphide product ramping up, and the definitive feasibility study (“DFS”) for the Odysseus Project is nearing completion, with a significant early capital works program underway.

From a nickel market perspective, the volatility remains. However, the Company’s view on the medium to long-term outlook has never been more positive. This view is supported by independent research but, more importantly, customer feedback and the increasing number of new customers expressing interest for nickel concentrate offtake and investment. As an example, Tsingshan Group, the world’s

¹ Underlying FY17 EBITDA excludes A\$33.1m of non-core gains associated with the Bluejay equity sale (A\$25.6m) and recognition of the original Kidman equity transaction (A\$7.5m). There is no underlying adjustment for FY18.

² FY17 NPAT includes A\$30.8m of gains associated with non-core activities from the Bluejay sale (A\$25.6m) and Kidman transaction (A\$5.2m). There is no underlying adjustment for FY18



largest stainless steel company and a key offtake customer of Western Areas, is planning to substantially increase its high nickel content stainless steel capacity over the next few years on the back of robust, end-user demand.

Importantly, over the last year, we have witnessed a substantial decline in LME warehouse nickel stocks (from around 400kt to 251kt currently), with this trend being replicated on the Shanghai Futures Exchange. This is further evidence that nickel demand is materially outstripping supply.

While stainless steel is still the main nickel demand driver, enquiries from new customers for high quality nickel concentrate are also increasing, mainly from companies involved in the electric vehicle battery supply chain, but also from vehicle manufacturers. Further, the EV battery industry is moving to higher nickel content batteries (NMC811), with nickel sulphides being the preferred route to source nickel sulphate for these batteries.

With the MREP commissioned and producing high-grade nickel sulphide to specification, the emphasis now turns to ramping up production volumes to nameplate and completing construction of separate bagging facilities. These facilities will enable the negotiation of a new offtake contract attracting higher payabilities with companies likely to be associated with the EV battery supply chain.

At Odysseus, the DFS is scheduled to be released late September 2018 and is anticipated to deliver a larger and longer mine life project beyond 10 years. Earlier in the year, the Company announced the A\$32m early works program at Odysseus, which is expected to near completion by the end of FY19. This program is fully funded from the Company's strong balance sheet. It will bring Odysseus to development ready status and demonstrates confidence in the project becoming Western Areas' third operating mine and second production centre.

A **Results Presentation** has been released today and will be followed by a **conference call at 9.30am AEDT**, details of which were announced on 15 August 2018.

Key Metrics

Full Year Highlights	FY 2018	FY 2017
Nickel in Concentrate Production (tonnes)	21,060	23,005
Sales Volume (tonnes Ni)	20,549	22,639
Cash Costs (US\$/lb)	2.03	1.80
Cash Costs (A\$/lb)	2.63	2.38
Exchange Rate USD/ AUD	0.77	0.75
Nickel Price (U\$/lb)	5.84	4.61
Realised Price Before Payability (A\$/lb)	7.53	6.11
Revenue (\$'000)	248,268	213,920
EBITDA (\$'000)	83,969	51,858
Underlying NPAT/(NLAT) (\$'000)	11,837	(11,524)
Pre-tax Investment Income (\$'000)	-	33,063
NPAT (\$'000)	11,837	19,299
Cashflow from Operations (\$'000)	76,966	66,190
Growth & Sustaining Capex ('\$'000)	59,784	33,966
Cash at Bank (\$'000)	151,643	140,294
Dividend (cents)	2.0	2.0



Western Areas Managing Director, Dan Lougher, said that the Company welcomed the improved financial metrics and earnings margins following a number of challenging years driven by the unsustainably low nickel price.

“Western Areas continues to efficiently operate its core assets and has an exciting period ahead with the upcoming Odysseus DFS, a new offtake agreement to be secured for our high nickel grade MREP product, plus the commencement of more formal discussions on our existing concentrate offtake contracts with BHPB Nickel West and Tsingshan Group, which expire towards the end of CY19.”

“Whilst our balance sheet is in a strong position to facilitate funding organic growth initiatives, we remain disciplined in our capital management and must balance the improved financial results and future capital requirements with dividends to shareholders. We believe that a 2.0 cent fully franked dividend strikes the appropriate balance.”

“From an operational perspective, we maintain our 100% focus on operating safely and in a responsible manner, whilst supporting our local communities. There is no doubt that cost pressures are now being experienced by all Western Australian resource operations with rising input costs for fuel, labour, parts and other consumables. We are also cognisant of the increasing challenges to access experienced professional labour and the diminishing pipeline of industry graduates. We continue to value our outstanding workforce, and to sponsor new initiatives to attract undergraduates and other professionals to the industry” said Mr Lougher.

FY19 Guidance

Metric	FY19 Guidance
Nickel tonnes in Concentrate Production	20,500 to 22,000
Unit Cash Cost of Production (Nickel in Concentrate)	A\$2.80/lb to A\$3.20/lb
Sustaining and Mine Development Capital Expenditure	A\$32.0m to A\$36.0m
Feasibility Studies and Other Growth Projects	A\$5.0m to A\$8.0m
Odysseus Early Works	A\$24.0m to A\$28.0m
Exploration	A\$12.0m to A\$15.0m

Commentary on FY19 Guidance is provided as follows:

- **Nickel in Concentrate** – Production is expected to be broadly in line with FY18 with the mid-point of guidance slightly higher than FY18. Spotted Quoll will account for approximately 60% of ore feed, with Flying Fox providing the balance. A focus in FY19 will be the ramping up of production volumes at MREP following the achievement of product specification in FY18. MREP volume is forecast to contribute between 300 to 400 nickel tonnes, but nearing nameplate output towards the back half of FY19.



- **Unit Cash Costs** – Unit cash costs are expected to rise versus FY18 based on a number of contributing factors, with the lower end of the range expected to be in line with Q3 and Q4 FY18 results. Contributing factors include increases in contractor rates, plus rise and fall allowances based on forward trends in the resource industry. Furthermore, given the improved nickel price and outlook, certain major contractor rate discounts, negotiated during the last two years of low nickel prices, have now ceased. WSA’s labour costs will marginally increase as the Company implements additional retention strategies. Furthermore, FY19 mine plans contain a higher proportion of ore development than recent years, as ore drives are sequentially developed in the stage two area of Spotted Quoll and new ore fronts are accessed at Flying Fox. Ore development inherently has a higher cost per tonne mined than stope ore tonnes. Mined ore head grade is expected to trend in line with published Reserves.
- **Sustaining and Mine Development** – Overall expenditure will be in line with FY18. While major infrastructure capital expenditure at Flying Fox is essentially complete, Flying Fox will have increased mine development activity versus FY18 as it accesses new production areas. A tailings wall lift at Forrestania is planned at an approximate cost of A\$2.0m.
- **Feasibility Studies and Other Growth** – This includes the completion of the Odysseus DFS, study advancement for the New Morning project and other leaching projects. Also included is expenditure for the additional precipitation and separate bagging facilities at MREP of around A\$3.0m.
- **Odysseus Early Works** – Spend is in line with previous ASX announcements outlining a total of A\$32m being invested over an 18-month work program.
- **Exploration** – The Company has committed to increase investment in exploration in FY19, including the first resource extension drilling program at Spotted Quoll since the underground Mineral Resource was delineated back in 2009. There will also be an increase in activity at Cosmos and Western Gawler following the farm-in and joint venture agreement with Iluka Resources recently announced.

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FORWARD LOOKING STATEMENT:

This release contains certain forward-looking statements. 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: “From a nickel market perspective, the volatility remains. However, the Company’s view on the medium to long-term outlook has never been more positive”, and, “the EV battery industry is moving to higher nickel content batteries (NMC811), with nickel sulphides being the preferred route to source nickel sulphate for these batteries”.

These forward-looking statements are subject to a variety of risks and uncertainties beyond the Company’s ability to control or predict which could cause actual events or results to differ materially from those anticipated in such forward-looking statements. Western Areas Ltd undertakes no obligation to revise these forward-looking statements to reflect subsequent events or circumstances.

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