WESTERN AREAS LTD

APPENDIX 4D **Interim Financial Report for the half year ended 31 December 2018**

20 February, 2019 **ASX: WSA**

Reporting Period

The reporting period is the half year ended 31 December 2018. The previous corresponding period is 31 December 2017.

Results for announcement to the market

		% Change		Amount A$'000
Revenue from ordinary activities	Up	6.8%	to	123,657
Profit from ordinary activities after tax attributable to members of Western Areas Ltd	Down	95.7%	to	150
Net Profit attributable to members of Western Areas Ltd	Down	95.7%	to	150

Dividends

The Directors did not declare a dividend for the half year ended 31 December 2018. No dividends were declared for the half year ended 31 December 2017.

Total dividend per security

	Current year	Previous year
Ordinary securities	0.0 cents	0.0 cents

Net Tangible Asset Backing

	Current half	Previous half
The net tangible assets per security	172.8 cents	176.8 cents

The statement of financial position, balance sheet, cashflow statement and associated notes are contained in the financial statements in the attached Interim Financial Report for the period ended 31 December 2018. Other detailed commentary on the variation between the results for the half year ended 31 December 2018 and the comparative period is provided in the Directors Report of the Interim Financial Report.

Investments in Controlled Entities

Wholly Owned and Controlled Subsidiaries of Western Areas Ltd:

- BioHeap Ltd
- Australian Nickel Investments Pty Ltd
- Western Areas Nickel Pty Ltd
- Western Platinum NL

Investments in Associates & Joint Ventures

Associates of Western Areas Ltd did not contribute to the result of the consolidated group for the half year ended 31 December 2018.

Associates of Western Areas Ltd:

- Grid Metals Corp 12.1% (Canadian Entity)

Audit Review & Accounting Standards

This report is based on Consolidated Financial Statements that have been subject to a half year review by the Company's Auditor.

All entities incorporated into the Consolidated Group's result were prepared under AIFRS.

Date: 20 February 2019

DR Lougher

Daniel Lougher

Managing Director

INTERIM FINANCIAL REPORT FOR THE SIX MONTHS ENDED 31 DECEMBER 2018

WESTERN AREAS LTD

CONTENTS

CORPORATE DIRECTORY

Directors
Ian Macliver (Chairman)
Daniel Lougher
Richard Yeates
Craig Readhead
Tim Netscher
Natalia Streltsova

Share Registry
Computershare Investor Services Pty Ltd
Level 11
172 St Georges Terrace
Perth WA 6000

Company Secretary
Joseph Belladonna

Stock Exchange
Australian Stock Exchange
Code : WSA

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Ashurst Australia
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Auditors
Crowe Horwath Perth
Level 5, 45 St Georges Terrace
Perth WA 6000

Treasury Advisers
KPMG Treasury
235 St Georges Terrace
Perth WA 6000

Bankers
ANZ Banking Group Limited
77 St Georges Terrace
Perth WA 6000

Risk Advisors
Willis Towers Watson
Level 4
88 William Street
Perth WA 6000

DIRECTORS' REPORT

The Directors submit the Western Areas Limited (WSA or the Company) financial report of the consolidated entity for the six months ended 31 December 2018.

The consolidated financial statements are a general purpose financial report prepared in accordance with the Corporations Act 2001, AASB 134 "Interim Financial Reporting", Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report does not include full disclosures of the type normally included in an annual report. It is recommended that this financial report be read in conjunction with the 30 June 2018 annual financial report and any other public announcements made by Western Areas during the half year in accordance with continuous disclosure requirements arising under the Corporations Act 2001. The financial report covers Western Areas and its controlled entities (the "Consolidated Entity"). Western Areas is a listed public company, incorporated and domiciled in Australia. The accounting policies adopted are consistent with those of the previous financial year.

The effective date of this report is 20 February 2019.

All amounts in this discussion are expressed in Australian dollars unless otherwise identified.

Auditor's Declaration

The lead auditor's independence declaration under s307C of the Corporations Act 2001 is set out on page 13 for the half-year ended 31 December 2018.

Directors

The names of the Company's directors in office during the six months ended and until the date of this report are as below. Unless noted, directors were in office for this entire period.

Ian Macliver	Independent Chairman
Daniel Lougher	Managing Director and Chief Executive Officer
Richard Yeates	Independent Director
Craig Readhead	Independent Director
Tim Netscher	Independent Director
Natalia Streltsova	Independent Director
David Southam	Executive Director (Resigned: 26 November 2018)

Company Secretary

Joseph Belladonna	Chief Financial Officer and Company Secretary

REVIEW OF OPERATIONS

The first half of the financial year has continued to deliver reliable and consistent production from the Forrestania operations. When compared to the prior corresponding period, nickel production and sales volumes remained relatively consistent with sales revenue increasing by 7% due to a higher realised nickel price. Unit cost of production remains in line with guidance, noting the comparative 1HFY18 period cost of production included processing of, free carry, low grade stockpiles that followed a highly successful ore sorting campaign. The Company remains in a sound financial position with no debt and the ability to internally fund development and growth initiatives.

31 December 2018 Half Year Operating Metrics:

- One Lost Time Injury, resulting in a Frequency Rate of 3.1.
- Combined mine production of 281,095 ore tonnes at an average nickel grade of 4.2% for 11,719 (25.8M lbs) nickel tonnes.
- The Cosmic Boy concentrator processed 311,223 tonnes of ore at 3.9% head grade at 89% recovery to produce 10,794 (23.8.0m lbs) tonnes of nickel in concentrate.
- Total nickel sales comprised 70,773 tonnes of concentrate containing 10,404 (22.9m lbs) tonnes nickel.

31 December 2018 Half Year Financial Metrics:

- Sales revenue of A$123.7m.
- Average realised price of nickel increased by 9% to A$7.45/lb.
- Reported Net Profit After Tax (NPAT) of A$150k.
- Operating cashflow of A$43.0m.
- Cash at bank was A$134.3m.

Growth Project

Odysseus, located at the Company's 100% owned Cosmos Nickel Complex, was the key focus of the Company's growth plans for the half. Completion of the DFS early in the half culminated in the announcement of a decision to mine the long life, low all-in sustaining cost project. The final DFS included installation of shaft haulage infrastructure for haulage of ore to surface, and late in the half the Company acquired a suitable second hand shaft, located in South Africa, that will be refurbished, delivered and installed at Odysseus. The early works infrastructure programme reached a number of key milestones in the half including installation of pumping and water management ponds, accommodation upgrades and the establishment of surface infrastructure. This enabled Odysseus to advance to the underground decline rehabilitation phase.

During the half the MREP continued in ramp up mode. The filtering and bagging plant was constructed and commissioned, enabling a separate high grade product stream to be manufactured on site. Initially small quantities of the premium high grade product was provided to interested parties, mostly with links into the EV battery market, with larger bulk containers then sold via spot sale contracts to multiple parties. The product being produced is in line with the expected design specification and given its high grade (45%-50%) with low impurities, spot sale contracts are already generating premium payability over and above the Company's existing conventional concentrate offtake contracts. Spot sales contracts will continue while the MREP remains in ramp up mode.

On behalf of the Board

Daniel Lougher
Managing Director
Dated 20 February 2019

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

For The Six Months Ended 31 December 2018

	Notes	Consolidated Entity 6 months ended	
		Dec 2018 $'000	Dec 2017 $'000
Sales		123,657	115,812
Operating costs		(89,173)	(72,065)
Depreciation and amortisation		(29,887)	(31,538)
Other income		2,024	1,779
Finance costs		(791)	(961)
Employee benefit expense		(4,414)	(5,823)
Foreign exchange gain		56	552
Administration and other expenses		(2,341)	(2,243)
Care and maintenance expense		(1,360)	(726)
Share based payments		(1,460)	(1,383)
Realised derivative gain		3,603	481
(Loss) / Profit before income tax		**(86)**	**3,885**
Income tax benefit / (expense)		236	(379)
Profit for the half year		**150**	**3,506**
Other comprehensive (loss) / profit net of tax			
Items that may be reclassified to profit or loss			
Changes in fair value of hedging instruments		1,485	(126)
Changes in fair value of available for sale financial assets		(13,807)	23,236
Total comprehensive (loss) / profit for the half year		**(12,172)**	**26,616**
Basic earnings per share (cents per share)		**0.05**	**1.29**
Diluted earnings per share (cents per share)		**0.05**	**1.27**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As At 31 December 2018

	Notes	Consolidated Entity	
		31 Dec 2018 $'000	30 June 2018 $'000
Current Assets			
Cash and cash equivalents		134,262	151,643
Trade and other receivables		16,618	22,209
Inventories		30,432	34,805
Total Current Assets		**181,312**	**208,657**
Non-Current Assets			
Property, plant and equipment		113,162	89,003
Intangible assets		506	506
Exploration & evaluation expenditure		104,022	97,784
Mine properties		134,909	142,673
Financial assets at fair value through other comprehensive income	6	19,500	33,307
Total Non-Current Assets		**372,099**	**363,273**
Total Assets		**553,411**	**571,930**
Current Liabilities			
Trade and other payables		40,298	41,396
Borrowings		278	267
Provisions		4,197	4,514
Derivatives		107	1,592
Total Current Liabilities		**44,880**	**47,769**
Non-Current Liabilities			
Borrowings		514	445
Provisions		25,127	24,408
Deferred tax liabilities		9,950	10,496
Total Non-Current Liabilities		**35,591**	**35,349**
Total Liabilities		**80,471**	**83,118**
Net Assets		**472,940**	**488,812**
Equity			
Contributed equity		442,963	442,963
Other reserves		33,981	44,533
Retained earnings		(4,004)	1,316
Total Equity		**472,940**	**488,812**

The accompany notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Six Months Ended 31 December 2018

	Issued Capital	Capital Raising Expenses	Share Based Payment Reserve	Hedge Reserve	Investment Reserve	Accumulated Profit/(loss)	Total Equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
TOTAL EQUITY AT 1 JULY 2017	459,184	(16,221)	27,677	420	(6,650)	(5,066)	459,344
COMPREHENSIVE INCOME							
Profit for the period						3,506	3,506
Other comprehensive income for the period				(126)	23,236		23,110
Total comprehensive income for the period	-	-	-	**(126)**	**23,236**	**3,506**	**26,616**
TRANSACTIONS WITH OWNERS							
Share based payments expense			1,383				1,383
Deferred Tax on Performance Rights			197				197
Dividends paid						(5,455)	(5,455)
TOTAL EQUITY AT 31 DECEMBER 2017	**459,184**	**(16,221)**	**29,257**	**294**	**16,586**	**(7,015)**	**482,085**
TOTAL EQUITY AT 1 JULY 2018	459,184	(16,221)	30,864	(1,592)	15,261	1,316	488,812
COMPREHENSIVE INCOME							
Profit for the period						150	150
Other comprehensive income for the period				1,485	(13,807)		(12,322)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	-	-	-	**1,485**	**(13,807)**	**150**	**(12,172)**
TRANSACTIONS WITH OWNERS							
Share based payments expense			1,460				1,460
Deferred Tax on Performance Rights			310				310
Dividends paid						(5,470)	(5,470)
TOTAL EQUITY AT 31 DECEMBER 2018	**459,184**	**(16,221)**	**32,634**	**(107)**	**1,454**	**(4,004)**	**472,940**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For The Six Months Ended 31 December 2018

	Notes	Consolidated Entity 6 months ended	
		Dec 2018 $'000	Dec 2017 $'000
Cash flows from operating activities			
Receipts from customers		132,597	107,757
Payments to suppliers and employees		(88,963)	(74,915)
Interest received		1,600	1,225
Royalties paid		(6,120)	(3,971)
Other receipts		240	510
Interest paid		(19)	(10)
Realisation on settlement of derivatives		3,659	1,032
Net cash inflow from operating activities		**42,994**	**31,628**
Cash flows from investing activities			
Payments for property, plant and equipment		(29,337)	(13,508)
Proceeds from sale of property, plant and equipment		-	4
Mine development expenditure		(14,495)	(15,172)
Exploration & evaluation expenditure		(10,851)	(4,990)
Net cash outflow from investing activities		**(54,683)**	**(33,666)**
Cash flows from financing activities			
Borrowing cost		(50)	(100)
Finance lease payments		(172)	(149)
Dividends paid to company's shareholders		(5,470)	(5,455)
Net cash outflow from financing activities		**(5,692)**	**(5,704)**
Net (decrease) / increase in cash and cash equivalents held		(17,381)	(7,742)
Cash and cash equivalents as at the beginning of the period		151,643	140,294
Cash and cash equivalents at end of the half year		**134,262**	**132,552**

The accompanying notes form part of these financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For The Six Months Ended 31 December 2018

Note 1: Statement of compliance and Basis of preparation

Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 Interim Financial Reporting. The half-year report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report and any public announcements made during the half year.

Basis of preparation

The consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets. All amounts are presented in Australian dollars, unless otherwise noted.

The company is a company of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instruments 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the directors' report and the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's annual financial report for the financial year ended 30 June 2018 except for the new policies resulting from the adoption of new standards effective as of 1 January 2018. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The Group applies, for the first time, AASB 15 Revenue from contracts with customers. As required by AASB 134, the nature and effect of these changes are disclosed below.

AASB 15 Revenue from contracts with Customers

AASB 15 and its related amendments supersede AASB 118 Revenue and related Interpretations. It applies to all revenue arising from contracts with customers and became effective for annual periods beginning on or after 1 January 2018. AASB 15 establishes a five-step model to account for revenue arising from contracts with customers. It requires revenue to be recognised when (or as) control of a good or service transfers to a customer at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

AASB 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires enhanced and extensive disclosures about revenue to help investors better understand the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers.

The Group adopted AASB 15 using the full retrospective method of adoption. The effect of adopting AASB 15 is set out below.

The Group undertook an analysis of the impact of the new revenue standard based on a review of the terms of its principal revenue stream with the focus being to understand whether the timing and amount of revenue recognised could differ under AASB 15. Revenue for domestic sales is recognised when the concentrates are delivered to the customers' premises, which is the point when the customer takes over the risk and rewards of ownership. The Consolidated Entity's assessment indicates that under AASB 15, revenue will continue to be recognised on the same basis when the customer obtains control of the concentrates. Revenue for export sales is recognised when shipments of concentrates are loaded on to the vessel as the risk and reward of ownership is transferred to the customer at that point.

Note 1: Statement of compliance and Basis of preparation (Continued…)

AASB 15 Revenue from contracts with Customers (Continued…)

The Consolidated Entity’s assessment under AASB 15 indicates that the export contracts are made up of two performance obligations. The first obligation to deliver the concentrates to the port of shipment and the second obligation is to organise shipping of the concentrate, which will be satisfied when concentrates are delivered to the destination port. Previously, under AASB 118, the Group recognised such shipping and other freight revenue and accrued the associated costs in full on loading. Under AASB 15, freight and, where applicable, insurance, is now required to be accounted for as separate performance obligations with revenue recognised over time as the service is rendered.

As a result of the above, the impact to the Consolidated Entity’s existing revenue recognition policy was assessed to be not material to the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of financial position, consolidated statement of cashflows or earnings per share.

Note 2: Contingent Liabilities

There has been no change in contingent liabilities since the last annual reporting date.

Note 3: Subsequent Events

There are no events or circumstances that have arisen since the half-year ended 31 December 2018 that have significantly affected or may significantly affect the operation of the Consolidated Entity, the results of those operations or the state of affairs of the Consolidated Entity in the subsequent financial years other than as disclosed elsewhere in this report.

Note 4: Standards Issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Consolidated Entity’s financial statements that the Consolidated Entity reasonably expects will have an impact on its disclosures, financial position or performance when applied at a future date, are disclosed below. The Group intends to adopt these standards when they become effective.

AASB 16 Leases

AASB 16 was issued in January 2016 and it replaces AASB 117 Leases. AASB 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under AASB 117. The standard includes two recognition exemptions for lessees: leases of ’low-value’ assets; and short-term leases (i.e., leases with a lease term of 12 months or less).

At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessors will continue to classify all leases using the same classification principle as in AASB 117 and distinguish between two types of leases: operating and finance leases.

Note 4: Standards Issued but not yet effective (Continued…)

AASB 16 Leases (Continued…)

AASB 16 is effective for annual periods beginning on or after 1 January 2019. The Group has yet to commence an assessment of the impact of AASB 16. Management intend to commence the development of an implementation plan prior to 30 June 2019. It is expected that the plan is likely to involve the establishment of an implementation team whose responsibility will be to firstly gain a clear understanding of the requirements of the new Standards, and thereafter assess the potential impact on the Group (in the form of accounting and disclosure, taxation, systems and processes and internal controls) of this new Standard. This assessment will then establish the areas that require change for the purposes of full implementation. As part of finalising the plan, Management will determine the appropriate adoption date and transition method, as well as ensuring appropriate communication with relevant stakeholders.

Note 5: Statement of Operations by Segments

Identification of reportable segment

The Group identifies its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted

Except for those mentioned in Note 1 or unless otherwise stated, all amounts reported to the Board of Directors, as the chief decision maker, is in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

Note 6: Fair value of financial instruments

		Consolidated Entity Fair value as at	
		Dec 2018 $'000	**June 2018 $'000**
Financial assets through other comprehensive income			
- Kidman Resources		18,997	32,418
- Grid Metals		503	889
		19,500	**33,307**

Kidman Resources is listed on the Australian Securities Exchange and was valued at the closing price on the last date of trade for the Half Year ended 31 December 2018.

Grid Metals is listed on the Toronto Stock Exchange as was valued at the closing price on the last date of trade for the Half Year ended 31 December 2018.

AUDITOR'S INDEPENDENCE DECLARATION

Crowe Horwath.

AUDITOR'S INDEPENDENCE DECLARATION

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Western Areas Ltd and its controlled entities for the half-year ended 31 December 2018, I declare that, to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

b) no contraventions of any applicable code of professional conduct in relation to the review.

Crowe Horwath Perth

CROWE HORWATH PERTH

SEAN MCGURK
Partner

Signed at Perth, 20 February 2019

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INDEPENDENT AUDITOR'S REPORT

Crowe Horwath

INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF WESTERN AREAS LTD AND ITS CONTROLLED ENTITIES

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Western Areas Ltd and its controlled entities (the consolidated entity) which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of changes in equity, the consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the consolidated entity are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of Western Areas Ltd and its controlled entities financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Western Areas Ltd and its controlled entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

INDEPENDENT AUDITOR'S REPORT (CONTINUED…)

Crowe Horwath™

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Western Areas Ltd and its controlled entities is not in accordance with the Corporations Act 2001 including:

(i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and

(ii) complying with AASB 134: Interim Financial Reporting and the Corporations Regulations 2001.

Crowe Horwath Perth

CROWE HORWATH PERTH

SEAN MCGURK
Partner

Signed at Perth, 20 February 2019

DIRECTORS' DECLARATION

The Directors of the Company declare that:

1) The financial statements and notes, as set out on pages 6 to 12 are in accordance with the *Corporations Act 2001*, including:

    (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and

    (ii) complying with Accounting Standard AASB 134 "Interim Financial Reporting";

2) In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

On behalf of the Board

Daniel Lougher
Managing Director
Dated 20 February 2019