WESTERN AREAS LTD

20 February 2019 **ASX: WSA**

News Release

FY2019 HALF YEAR FINANCIAL RESULTS

Western Areas Ltd (ASX: WSA, "Western Areas" or the "Company") is pleased to announce the Company's financial results for the half year ended 31 December 2018 ("1HFY19").

Western Areas continued to deliver reliable and consistent production from the Forrestania operations, while also making excellent progress toward advancing the Odysseus Project ("Odysseus") following release of the definitive feasibility study (DFS) and announcement of a decision to mine in October 2018. The half year financial results reflect a volatile nickel price during the period and the expected increase in unit cost of nickel production in line with guidance provided for financial year 2019 (FY19). The Company remains in a strong, debt free, financial position to continue to fund its active growth projects, such as Odysseus, and exploration in the near term.

Key Metrics for 1HFY19:

- **Nickel production into concentrate 10.8kt (10.9kt);**
- **Strong, debt free, balance sheet with cash at bank of A$134.3m, plus A$16.6m in receivables;**
- **Increase in sales revenue to A$123.7m (A$115.8m);**
- **Average realised price of nickel (before payability) of A$7.45/lb (A$6.81/lb);**
- **EBITDA of A$30.6m (A$36.4m);**
- **NPAT of A$0.2m (A$3.5m);**
- **Odysseus Project DFS completed and decision to mine announced for a long life, low all-in sustaining cost project;**
- **Bagging facility completed for the Mill Recovery Enhancement Project (MREP), enabling spot sales to commence during the half.**

(Comparisons in brackets refer to the corresponding period 1HFY18)

The 1HFY19 nickel production and sales volumes remained relatively consistent when compared to 1HFY18, with sales revenue increasing by 7% due to a higher realised (pre-payable) nickel price of A$7.45/lb (1HFY18 A$6.81/lb). The Company generated EBITDA for the half of A$30.6m at an EBITDA margin of 25%, reflecting the guided increase in cost of production, partly offset by a higher nickel price, compared to the prior corresponding half. Unit costs of production remain in line with guidance, noting that cost inflation has been experienced across the entire Western Australian mining sector over the past 18 months, and that the comparative 1HFY18 period unit cost of production included processing of free carry, low grade stockpiles that followed a highly successful ore sorting campaign.

The Company's balance sheet remains strong with cash at bank of $134.3m and no debt. The Company generated positive cashflow from operations of $43.0m for the half. As planned, 1HFY19 saw significant investment into our growth assets, with A$21.5m spent on feasibility and the early works programme for Odysseus, and a further A$10.8m invested into exploration and feasibility studies across the portfolio. Forrestania mine development expenditure trended lower over 1HFY19 following completion of Spotted Quoll's final major capital item, the primary return airway ventilation shaft. Mine development activities have returned to their normal sustaining levels. The final A$5.5m dividend relating to FY18 was paid in October 2018.

The Company believes that the forecast demand and price outlook for nickel in the medium term remains positive as the electric vehicle (EV) and energy storage sectors continue to gain momentum. Governments around the world continue to favour and incentivise longer range EV's, which require high energy density batteries, using increased quantities of nickel. The nickel market has moved into a supply deficit which is clearly visible via the falling LME and SHFE nickel stockpiles. While remaining volatile throughout 1HFY19, the nickel price has commenced the second half of FY19 on a positive note, currently trading around A$8.00/lb. Western Areas is of the view that, while new demand from the EV market develops, the nickel price is likely to remain volatile over the near term.

Given the recent nickel price volatility and near term capital requirements for the Company's growth projects, the Board has decided to defer any dividend decision to the end of FY19. No interim dividend was declared for 1HFY18.

1st Half Highlights	1H 2019	2H 2018	1H 2018
Mill Production (tonnes Ni)	10,794	10,195	10,865
Sales Volume (tonnes Ni)	10,404	9,935	10,614
Cash Costs (US$/lb)	2.22	2.11	1.94
Cash Costs (A$/lb)	3.07	2.74	2.49
Exchange Rate USD/ AUD	0.72	0.77	0.78
Nickel Price (U$/lb)	5.40	6.38	5.31
Realised Price Before Payability (A$/lb)	7.45	8.29	6.81
Revenue ($'000)	123,657	132,456	115,812
EBITDA ($'000)	30,592	47,585	36,384
EBIT ($'000)	705	14,251	4,846
NPAT ($'000)	150	8,331	3,506
Cashflow from Operations ($'000)	42,994	45,338	31,628
Sustaining Capex ('$'000)	23,829	20,132	28,680
Growth Expenditure ('$'000)	27,810	5,982	4,990
Cash at Bank ($'000)	134,262	151,643	132,552

Western Areas' Managing Director, Dan Lougher, said that it has been an exciting half with the Company making excellent progress toward its growth objectives, significantly increasing Ore Reserves at Cosmos post-completion of the Odysseus DFS, announcing a decision to mine and moving into the mine development phase of the project.

"By maintaining focus on Western Areas' core operating assets at Forrestania, another consistent production outcome has been achieved in line with plan. Maintaining stable and predictable operations remains a key performance indicator, which allows us to receive the full benefits of favourable nickel price movements as they occur."

"The robust and positive DFS results released for the Odysseus project during the first half of the financial year is a credit to the dedicated team that completed the study. Refurbishment of the mine decline has now commenced, as this long life, low cost, mining project is prepared for construction to commence. Importantly Odysseus establishes the Company's pathway to long-term sustainable nickel production."

"The nickel market has started the calendar year with an increasing price trend, and future demand appears strong, both from the existing stainless steel market and the emerging EV battery sector. Significant offtake interest remains for both our nickel concentrate and high grade MREP product, which is a good indication that favourable outcomes may be achieved when offtake contracts are put out to tender and negotiated later in the year" said Mr Lougher.

Growth Projects – Odysseus

Odysseus, located at the Company's 100%-owned Cosmos Nickel Complex, was the key focus of the Company's growth plans during 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. Western Areas also commenced evaluation of the multiple upside opportunities at Odysseus, including mining optimisation assessments for additional production from the adjacent AM5 and AM6 deposits, which contain 57.6kt of nickel classified in the Indicated Mineral Resource category that were not included in the DFS.

The final DFS included installation of shaft haulage infrastructure for underground ore haulage to surface. Late in the half the Company was fortunate to acquire a suitable second hand, headframe and hoisting equipment, located in South Africa, which will be refurbished, delivered and installed at Odysseus. This acquisition represented a significant saving in both time and cost when compared to a new installation. The early works infrastructure programme also reached a number of key milestones in the half, which included 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, with Barminco being awarded the contract to complete the initial underground works.

Mill Recovery Enhancement Program

During 1HFY19 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 and packaged on site. Initially, small quantities of the premium product were 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% Ni) with low impurities, spot sale contracts are already generating premium payability terms, exceeding the Company's existing conventional concentrate offtake contracts. Spot sales contracts will continue while MREP remains in ramp up mode.

FY19 Guidance

Full year guidance targets remain unchanged, with the exception of capitalised Expansion Projects and Feasibility Study expenditure. Planned Odysseus activities remain on time and budget, however, capitalised expenditure allocated to the project is forecast to be higher, simply due to the reclassification of the Cosmos site overhead costs. Following the decision to mine, these costs, originally budgeted as care and maintenance operating costs, are now allocated to the Odysseus mine capital budget.

Target	Updated FY19 Guidance	Comment
Nickel tonnes in Concentrate Production	20,500 to 22,000	Unchanged
Unit Cash Cost of Production (Nickel in Concentrate)	A$2.80/lb to A$3.20/lb	Unchanged
Sustaining and Mine Development Capital Expenditure	A$32.0m to A$36.0m	Unchanged
Expansion Projects & Feasibility	A$23.0m to A$25.0m	A$5m overhead reallocation
Odysseus Early Works	A$24.0m to A$28.0m	Unchanged
Exploration	A$12.0m to A$15.0m	Unchanged

Results Presentation

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 13 February 2019.

-ENDS-

For further details, please contact:
Dan Lougher
Managing Director – Western Areas Ltd
Telephone +61 8 9334 7777
Email: dlougher@westernareas.com.au

Joseph Belladonna
Chief Financial Officer – Western Areas Ltd
Telephone +61 8 9334 7777
Email: jbelladonna@westernareas.com.au

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

Or visit: www.westernareas.com.au

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

Examples of forward looking statements used in this report include: “The nickel market has moved into a supply deficit which is clearly visible via the falling LME and SHFE nickel stockpiles. While remaining volatile throughout 1HFY19, the nickel price has commenced the second half of FY19 on a positive note, currently trading around A$8.00/lb.” and, “The MREP product being produced is in line with the expected design specification and, given its high grade (45-50% Ni) with low impurities, spot sale contracts are already generating premium payability terms, exceeding the Company’s existing conventional concentrate offtake contracts.”

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

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