

FY2019 RESULTS PRESENTATION

August 2019

WESTERN AREAS LTD



AGENDA

FY19 RESULTS



CORPORATE



GROWTH AND EXPLORATION



OPERATIONS



THE NICKEL MARKET



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The information within this PowerPoint presentation was compiled by Western Areas management, but the information as it relates to exploration results, mineral resources or ore reserves was prepared by Mr Graeme Gribbin, Mr Andre Wulfse or Mr Marco Orunesu-Preiata respectively. Mr Gribbin, Mr Wulfse and Mr Orunesu-Preiata are full time employees of Western Areas Ltd. Mr Gribbin is a member of Australian Institute of Geoscientists (AIG). Mr Wulfse and Mr Orunesu-Preiata are members of Australian Institute of Mining and Metallurgy (AusIMM) and 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’(2012 JORC Code). Mr Gribbin, Mr Wulfse and Mr Orunesu-Preiata consent to the inclusion in this presentation of the matters based on the information in the form and context in which it appears.



FY19 RESULTS & FY20 GUIDANCE



Key takeaways – FY19

- **All guidance metrics met**
- **Year on year increase in nickel tonnes sold 21,675 (FY18 – 21,060)**
- **Higher realised nickel price (pre-payability) of A\$7.84/lb (FY18 - A\$7.53/lb)**
- **Net Profit After Tax (NPAT) of A\$14.2m (FY18 – NPAT A\$11.8m)**
- **Cash at Bank A\$144.3m and debt free**
- **EBITDA of A\$80.8m & EBIT A\$20.6 (FY18 – A\$84.0m & A\$19.1m)**
- **Fully franked final dividend of 2.0c per share – 38% of NPAT**
- **Odysseus project secures long term nickel production:**
 - Decision to mine and development commenced following DFS completion in October 2018
 - Minimum 10 year mine life, low all-in cash cost, commencing concentrate production in FY23
 - Significant mine life upside potential being evaluated – AM5 and AM6 not included in current mine plan
- **New offtake customer for MREP premium nickel sulphide precipitate secured**



Financial snapshot

Highlights	1H 2019	2H 2019	FY 2019	FY 2018
Nickel Production (tonnes)	10,794	10,881	21,675	21,060
Sales Volume (tonnes Ni)	10,404	11,079	21,483	20,549
Cash Costs (US\$/lb)	2.22	2.03	2.13	2.03
Cash Costs (A\$/lb)	3.07	2.88	2.98	2.63
Exchange Rate USD/ AUD	0.72	0.71	0.72	0.77
Nickel Price (US\$/lb)	5.40	5.79	5.59	5.84
Realised Price Before Payability (A\$/lb)	7.45	8.20	7.84	7.53
Revenue (\$'000)	123,657	145,059	268,716	248,268
EBITDA (\$'000)	30,592	50,159	80,751	83,969
EBIT (\$'000)	705	19,874	20,579	19,097
NPAT (\$'000)	150	14,044	14,194	11,837
Cashflow from Operations (\$'000)	42,994	55,303	98,297	76,966
Growth & Sustaining Capex ('\$'000)	54,683	44,619	99,302	59,784
Cash at Bank (\$'000)	134,262	144,261	144,261	151,643
Dividend (cents)	0.0	2.0	2.0	2.0

Key Takeaways – FY19 v FY18

- Higher nickel production and sales, due to better grade and recovery
- Realised price (before payability) improved in FY19
- A\$14.2m NPAT driven by higher nickel price - costs in line with guidance
- Planned capital expenditure increased as organic growth projects advanced. Odysseus project expenditure A\$35.2m (ex Feasibility)

Key Takeaways – 2HFY19 v 1HFY19

- Physical volumes higher in 2HFY19 as a result of higher ore grades
- Nickel price increase and lower costs increased EBITDA and NPAT
- Free cashflow of A\$10m in 2HFY19



Income Statement

Earnings Data (\$'000)	1H FY 2019	2H FY 2019	FY 2019	FY 2018
Exchange Rate USD/ AUD	0.72	0.71	0.72	0.77
Nickel Price (US\$/lb avg)	5.40	5.79	5.59	5.84
Realised Nickel Price (A\$/lb)	7.45	8.20	7.84	7.53
Revenue	123,657	145,059	268,716	248,268
EBITDA	30,592	50,159	80,751	83,969
<i>EBITDA Margin (%)</i>	<i>24.7%</i>	<i>34.6%</i>	<i>30.1%</i>	<i>33.8%</i>
Depreciation & Amortisation	(29,887)	(30,285)	(60,172)	(64,872)
EBIT	705	19,874	20,579	19,097
Finance, Interest & Other	(791)	(771)	(1,562)	(1,934)
Tax	236	(5,059)	(4,823)	(5,326)
NPAT	150	14,044	14,194	11,837
Dividend (cents)	0.0	2.0	2.0	2.0

Key Takeaways – FY19 v FY18

- Higher nickel sales volume delivered to offtake customers
- Realised price (before payability) improved in FY19, driving increased revenue and improved financial performance
- NPAT improved to A\$14.2m following increased nickel price and costs tracking in line with plan
- 2 cent per share dividend

Key Takeaways – 2HFY19 v 1HFY19

- Nickel price increase resulted in significant turn around in EBITDA and NPAT
- 2HY19 EBITDA margin increased by 40% over 1HFY19



Cashflow Statement

Cashflow Statement (\$'000)	1H FY 2019	2H FY 2019	FY 2019	FY 2018
Operating Cashflow	42,994	55,303	98,297	76,966
<i>Less:</i>				
Exploration	(7,807)	(5,304)	(13,111)	(8,113)
Investment in Listed Companies	-	(536)	(536)	-
Feasibility	(1,544)	(725)	(2,269)	-
Odysseus Mine Development	(21,503)	(13,693)	(35,196)	(2,859)
Mine Development	(14,495)	(17,975)	(32,470)	(26,268)
Capital Expenditure	(9,334)	(6,922)	(16,256)	(22,544)
Proceeds from sale of assets	-	-	-	4
Pre-Financing Cashflow	(11,689)	10,148	(1,541)	17,186
Financing Costs	(172)	(149)	(321)	(282)
Dividends Paid	(5,470)	-	(5,470)	(5,455)
Borrowing cost & Stamp Duties	(50)	-	(50)	(100)
Net Cashflow	(17,381)	9,999	(7,382)	11,349
Cash at Bank	134,262	144,261	144,261	151,643

Key Takeaways – FY19 v FY18

- Cashflow from operations increased A\$21.3m from FY18. Primarily due to the increased sales and nickel price providing higher revenue
- Capital expenditure and mine development costs in line with full year guidance
- Increasing growth expenditure for Odysseus mine development:
 - A\$27.3m early works completed on time and on budget
 - Mine development expenditure including acquisition and design of Shaft Haulage infrastructure and pump station works \$7.9m

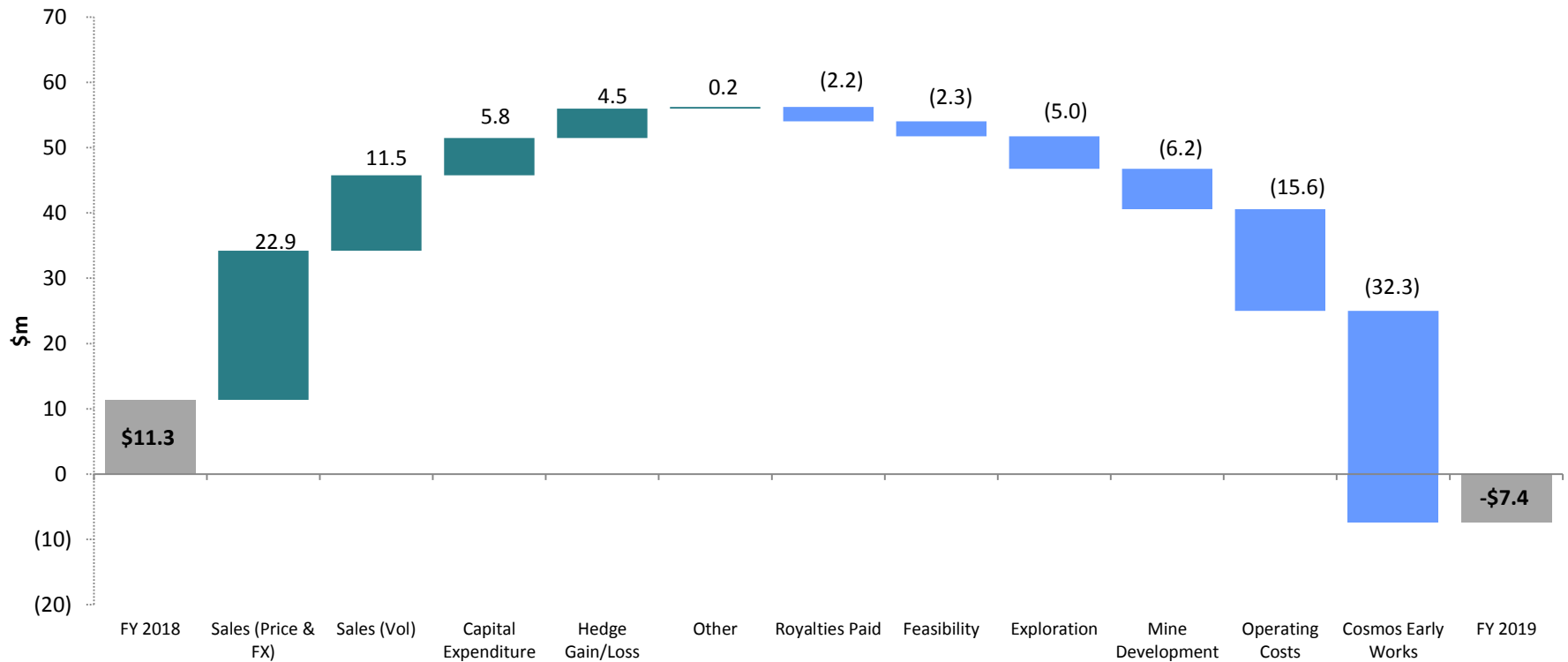
Key Takeaways – 2HFY19 v 1HFY19

- Higher nickel price and a moderation in organic growth related capital expenditure increased free cashflow to A\$10.0m in 2HFY18



Cashflow waterfall

WSA Cashflow - FY 2018 vs FY 2019



Balance Sheet

Balance Sheet (A\$'000)	FY 2019	FY 2018
Cash at Bank	144,261	151,643
Receivables	22,888	22,209
Stockpiles & Inventory	22,483	34,805
PP&E	131,394	89,003
Exploration & Evaluation	110,444	97,784
Mine Development	130,790	142,673
Kidman Investment	32,767	32,418
Other	1,503	1,395
TOTAL ASSETS	596,530	571,930
Trade & Other Payables	48,974	41,396
Derivatives & Other Current Provisions	4,076	6,106
Short Term Borrowings	399	267
Rehabilitation & Other Long Term Provisions	26,442	24,853
Deferred Tax Liability	15,062	10,496
TOTAL LIABILITIES	94,953	83,118
SHAREHOLDERS EQUITY	501,577	488,812

Key Takeaways – FY19 v FY18

- Strong cash at bank position maintained
- Flexible debt free balance sheet
- Inventory drawdown over the FY as a portion of ore stockpiles awaiting treatment were consumed
- PP&E increased with capitalisation of the Odysseus early works programme and purchase of the shaft ore haulage infrastructure assets
- Increased trade creditors reflecting increase activity across multiple operations



FY20 Guidance

Category	FY20 Guidance
Nickel tonnes in Concentrate Production	21,000 to 22,000
Unit Cash Cost of Production (Nickel in Concentrate)	A\$2.90/lb to A\$3.30/lb
Mine Development	A\$33m to A\$38m
Capital & Growth	A\$7m to A\$10m
Odysseus Development	A\$75m to A\$85m
Exploration	A\$14m to A\$17m

Comments

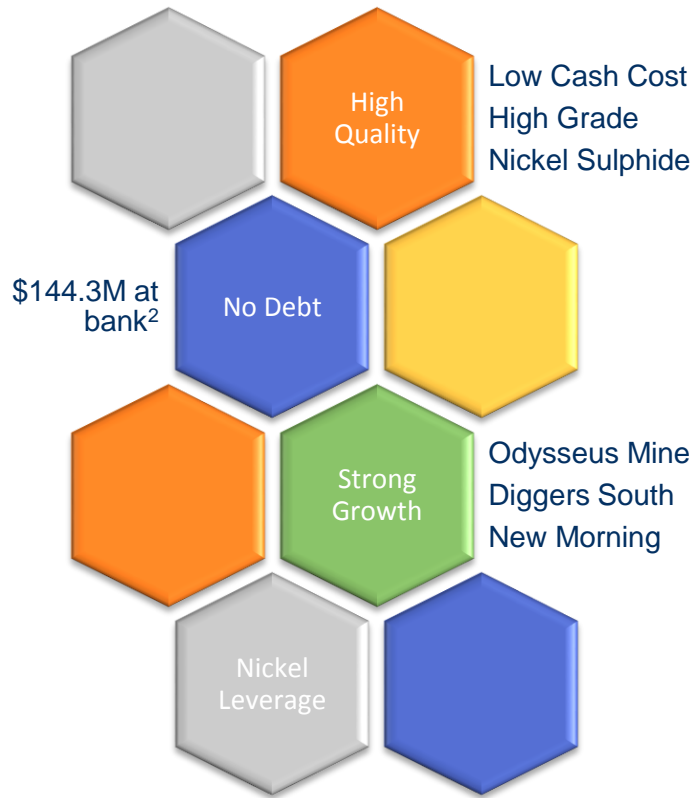
- **Nickel Production** - guidance in line with the prior year
- **Unit cash costs** - guidance reflects:
 - Increased proportion of Spotted Quoll material being mined from the lower stage two area of the mine
 - Expected cost trends for rise & fall, labour rates and mining consumables
- **Mine Development** - sustaining and mine development similar to FY19
- **Capital and Growth** - includes feasibility studies across the group and capital expenditure modifications at the Cosmic Boy Concentrator and scat leach trail
- **Odysseus Development** - expenditure relates to continued development of the Odysseus mine. Selected activities, largely the shaft haulage equipment, have been bought forward in the schedule, total pre-production capital remains unchanged
- **Exploration** - investment materially in line with the prior year, includes Spotted Quoll extension drilling



CORPORATE



Corporate overview



ASX code	WSA
Share price	2.49
Shares outstanding (m)	273.5
Market Cap (A\$m) ¹	681.1
Cash (A\$m) ²	144.3

COSMOS

Odysseus

165kt Ni Ore Reserves
199kt Ni Mineral Resource
Early works complete

FORRESTANIA

Flying Fox

9.8kt Ni mined FY19
21.1kt Ni Ore Reserves
79.3kt Ni Mineral Resource

Spotted Quoll

13.3kt Ni mined FY19
64.2kt Ni Ore Reserves
78.9kt Ni Mineral Resource



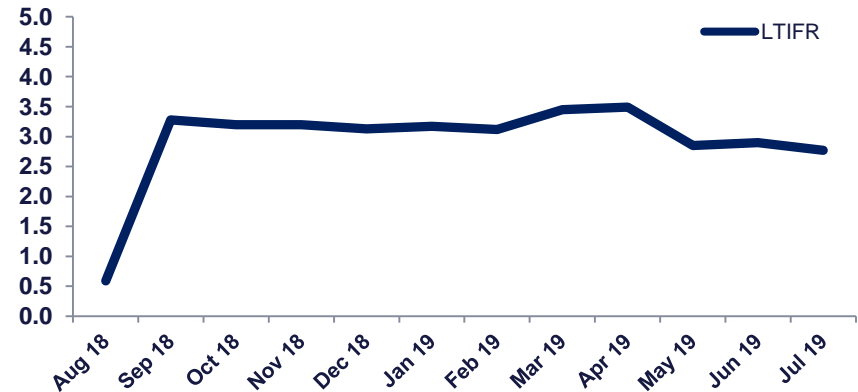
Western Areas are safe areas



Days LTI free

Spotted Quoll	3,032	Aug-11
Cosmos	1,399	Oct-15 (no injuries)
Cosmic Boy Concentrator	327	May-18
Exploration	313	Sep-18
Flying Fox	131	Mar-19

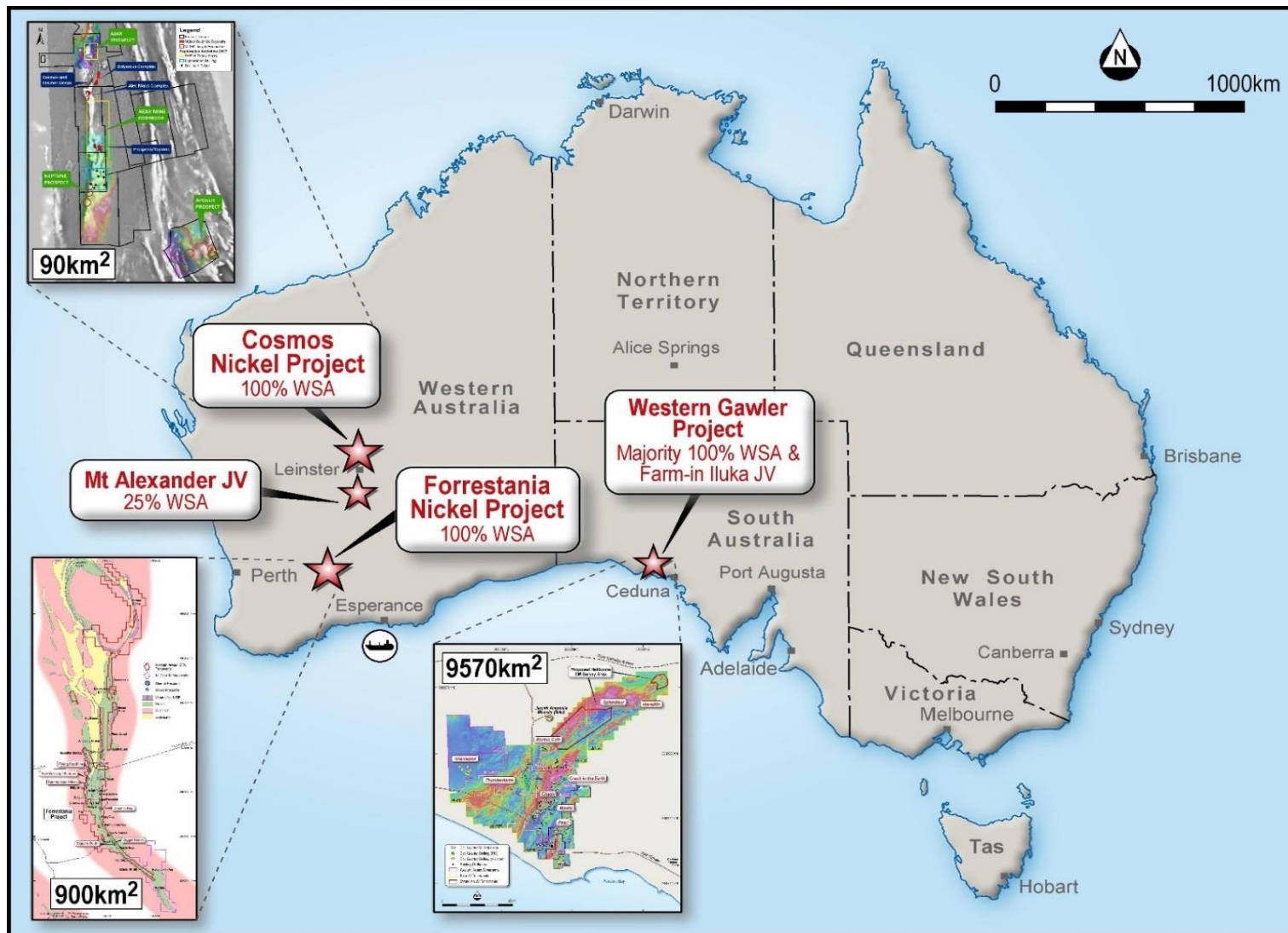
12 month LTIFR moving average



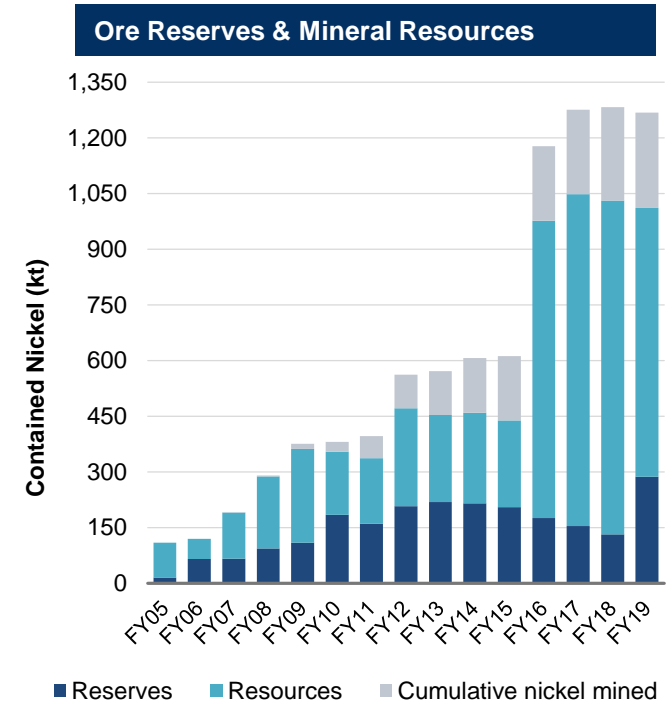
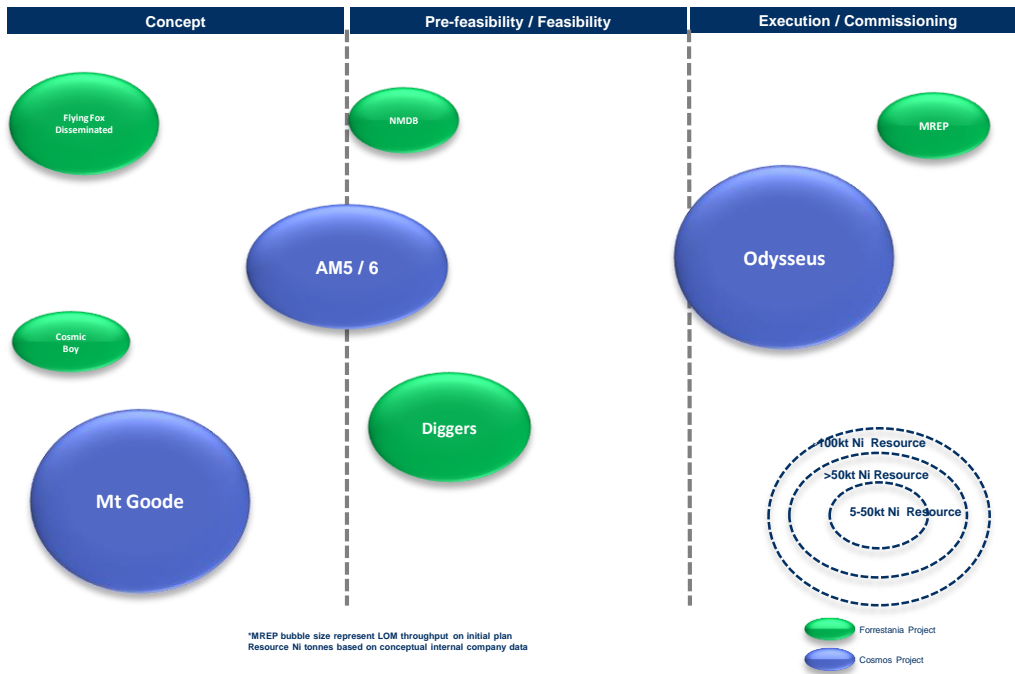
GROWTH AND EXPLORATION



Key tenement holdings



Nickel growth pipeline



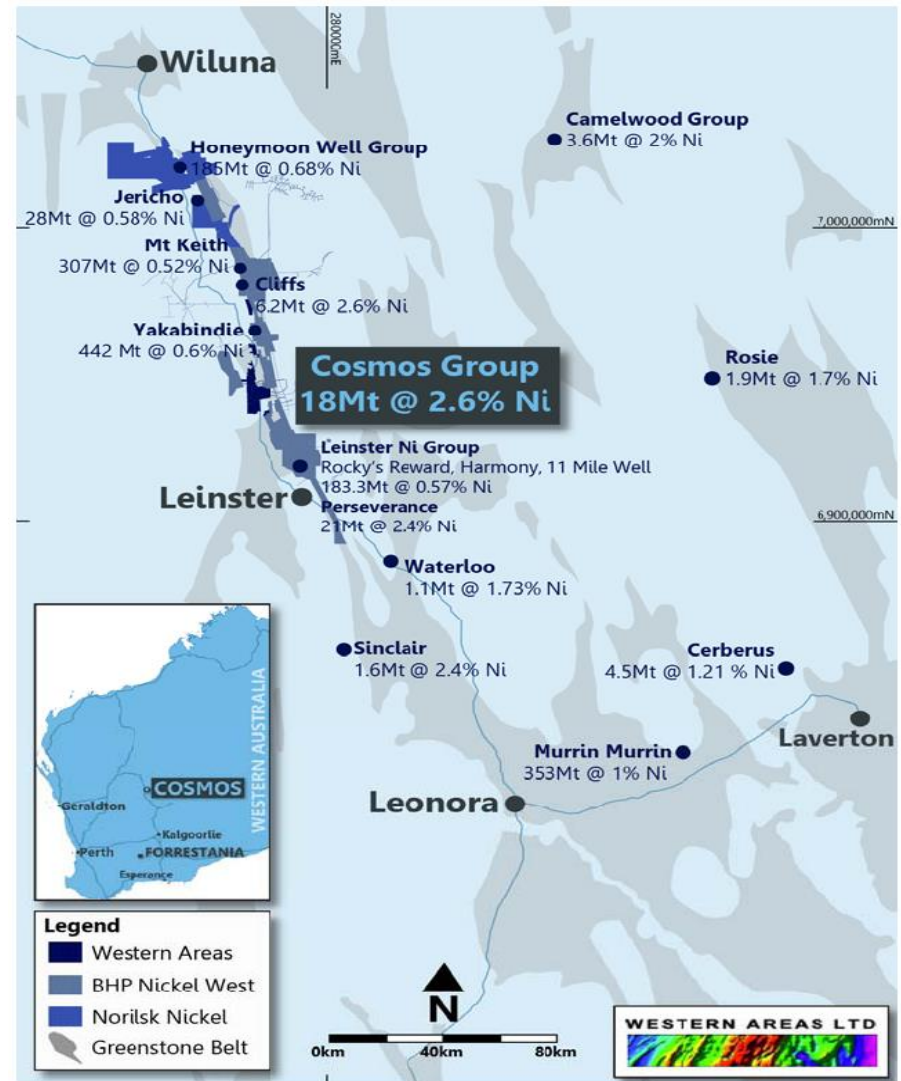
- Many projects in the pipeline to drive nickel production well into the future
- Ore Reserves have substantially increased in FY19 with Odysseus



Cosmos – the new hub!

WESTERN AREAS' SECOND OPERATION

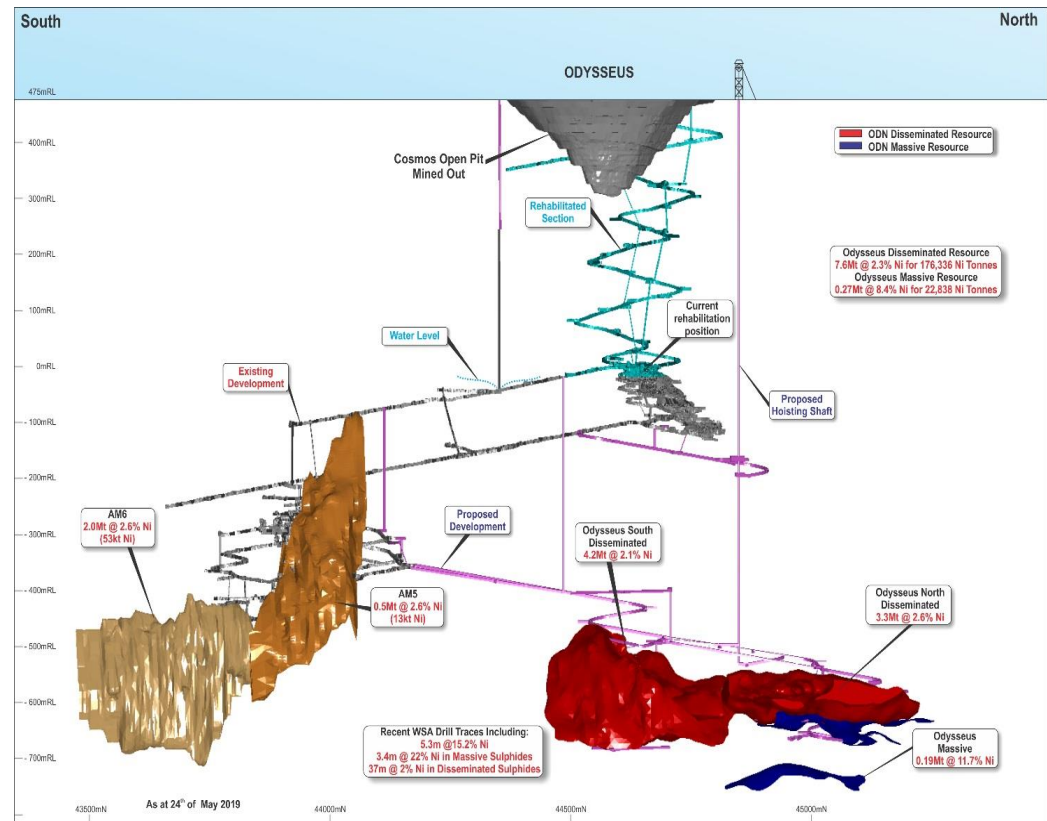
- Outstanding nickel address
- Early works completed on schedule-Decline rehabilitation to 500m below surface and underground pump station construction commenced
- Camp commissioned with over 150 rooms available out of 520. Additional 106 rooms being upgraded



Odysseus – now a long life project > 10yrs

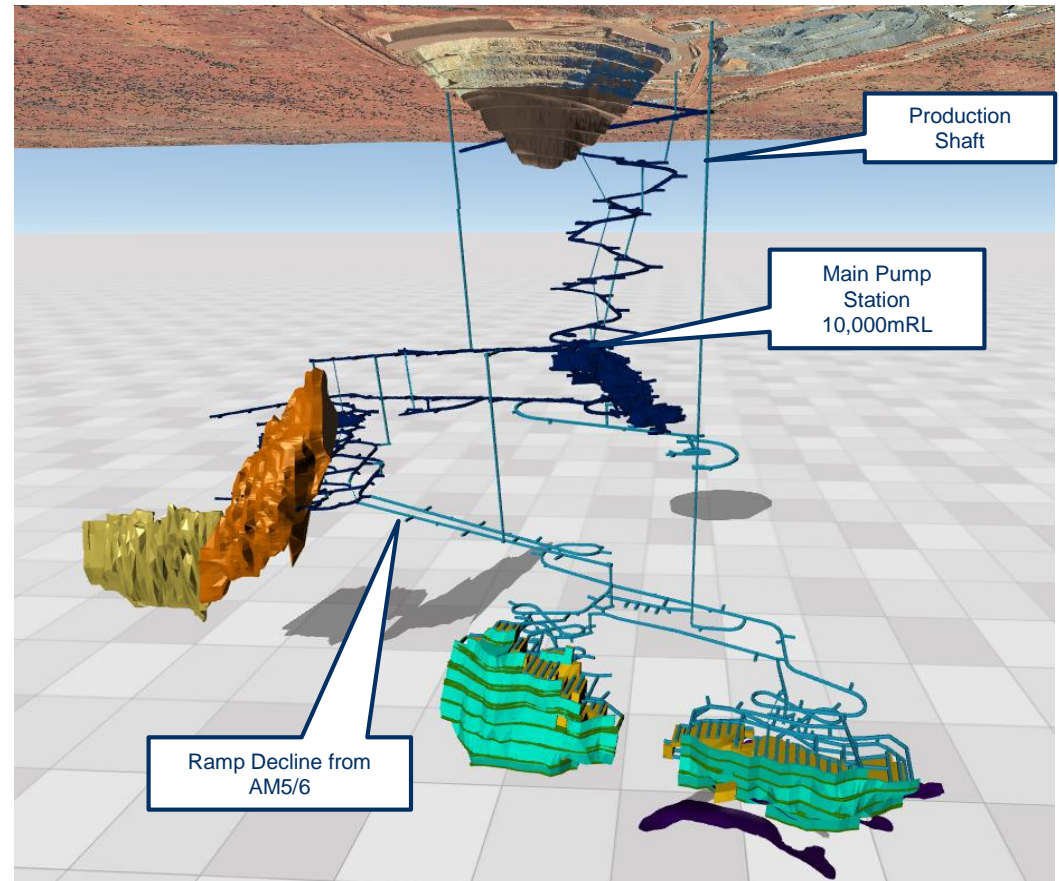
Western Areas' Second Operation:

- Long life, low cost project:
 - ✓ Ore Reserve 8.1mt @ 2.0% for 164kt nickel
 - ✓ Mine life > 10 years
 - ✓ AISC A\$3.50/lb
 - ✓ Average nickel in concentrate production >13.0ktpa (14.6ktpa from FY24-FY31)
- Significant upside:
 - ✓ AM5 & AM6 deposits contain an Indicated Mineral Resource of 57.6kt of nickel (not included in DFS)
 - ✓ Record massive sulphide intersections



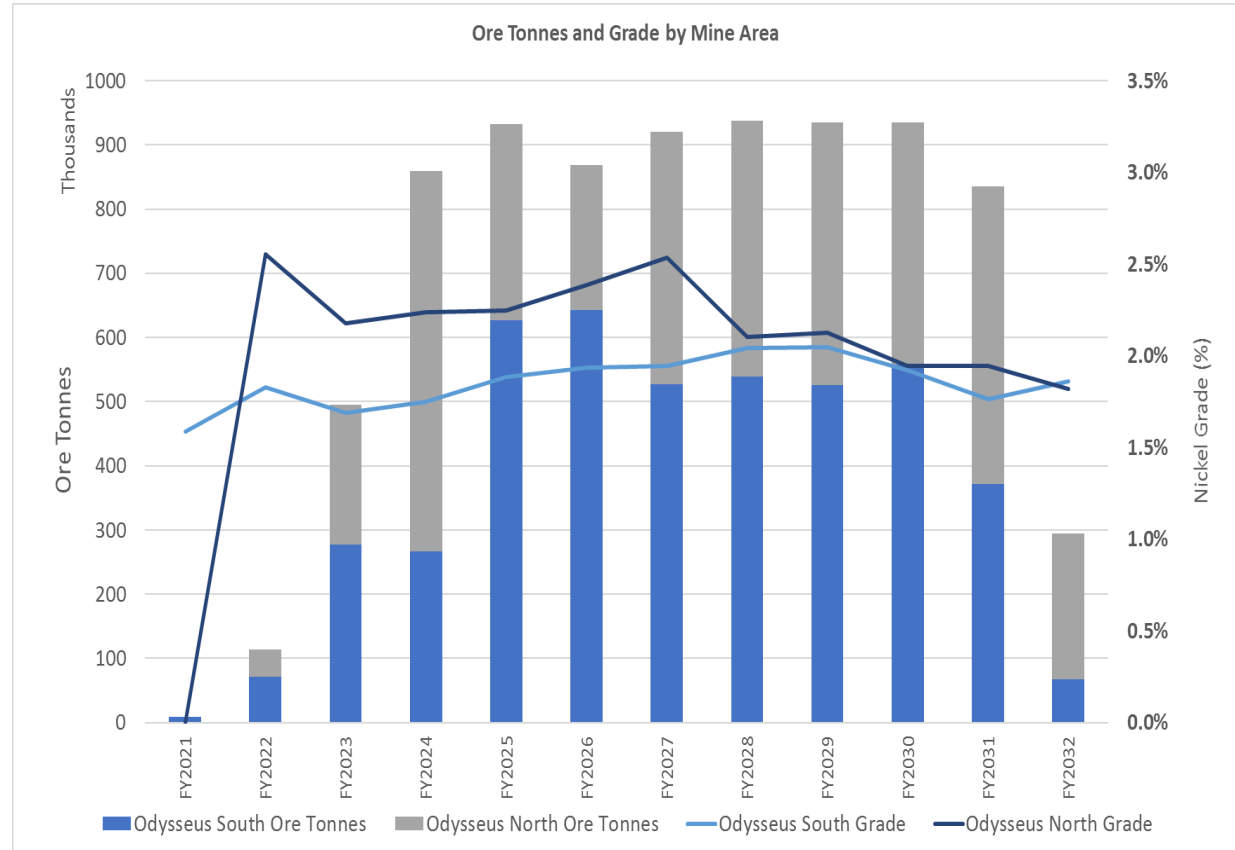
Odysseus

- Pre-production capex A\$299m includes:
 - ✓ **Shaft hoisting**
 - ✓ **Larger mill (900ktpa immediately)**
 - ✓ **WSA is well funded with cash and other liquid investments**
 - ✓ **Updated development expenditure profile is now FY20 – A\$80m, FY21 – A\$66m, FY22/23 – A\$143m**
 - ✓ **Significant optionality on decision-making and spending**
 - ✓ **Already receiving funding interest from offtake providers and third parties, including banks**



Production ~900K tpa ore

- Annual ore production of 900kt
- Minimum 10 year mine life on reserves
- First Ni concentrate late 2022
- Consistent annual nickel production



Shaft infrastructure

- WSA has purchased a high quality, second hand head gear and winder
- Shaft infrastructure dismantling commenced and will be refurbished in South Africa and shipped to Perth
- Significant economical benefit versus trucking.



Key Metrics:

- ✓ *5.5m diam. raise bore;*
- ✓ *4 guide ropes per conveyance;*
- ✓ *1.27Mtpa (ore and waste);*
- ✓ *12 t skips;*
- ✓ *1 truck required to feed shaft;*
- ✓ *4.5 MW peak power.*



The benefits of shaft hoisting!

Electrical power vs diesel

- Future proofing the operation
- Combined with renewable power = energy efficient site, 85% reduction in CO₂
- Low, consistent opex and proven technology
- Fully automated winder and materials handling system direct to mill
- Cycle time: ~3 mins

Equivalent truck fleet ~ 8 trucks

- Save 1.5 ML diesel burnt pa (DPM)
- Remove 5 MW of heat generated from diesel engines
- Remove minimum 200m³/s of additional ventilation requirement (another vent shaft)
- Removes issue of existing decline constraints



OPERATIONS

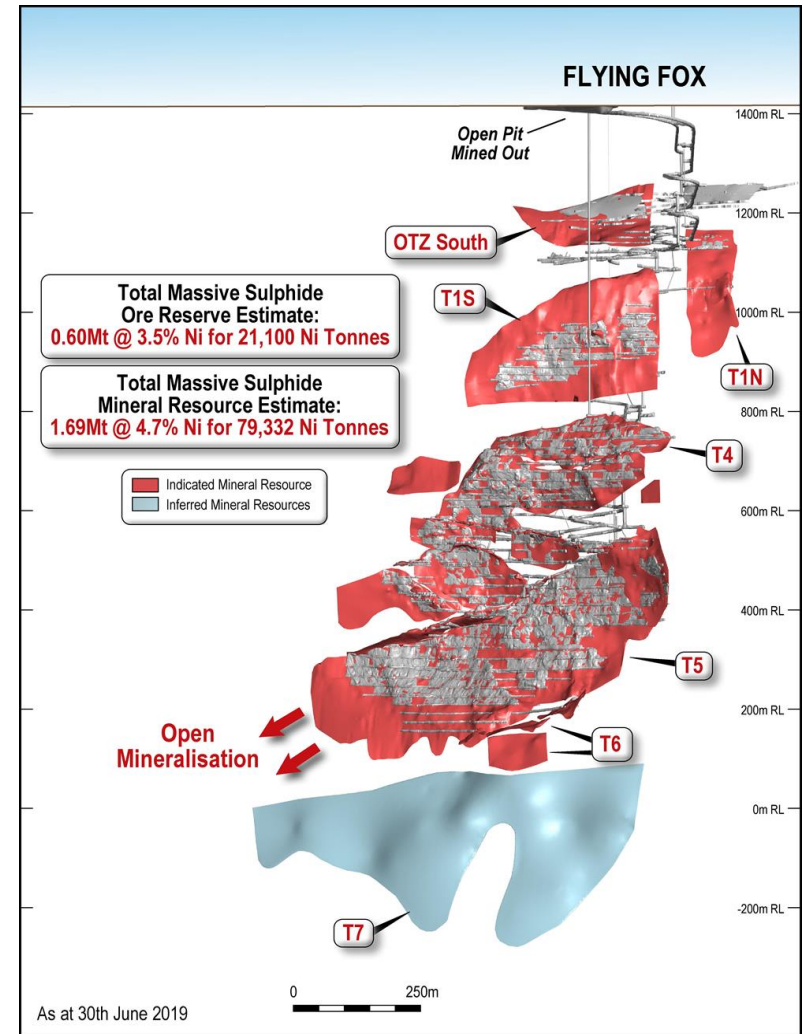


Flying Fox mine

Reserve Contained nickel	0.60Mt @ 3.5% 21,100 Ni tonnes
Resource Contained nickel	1.69Mt @ 4.7% 79,332 Ni tonnes
Mine life (on reserves)	3 years

Key points

- FY19 production – 9.9k Ni tonnes
- Has been operating for over 13 years
- Significant low grade disseminated resource
- Lower grade & heap leach evaluation underway

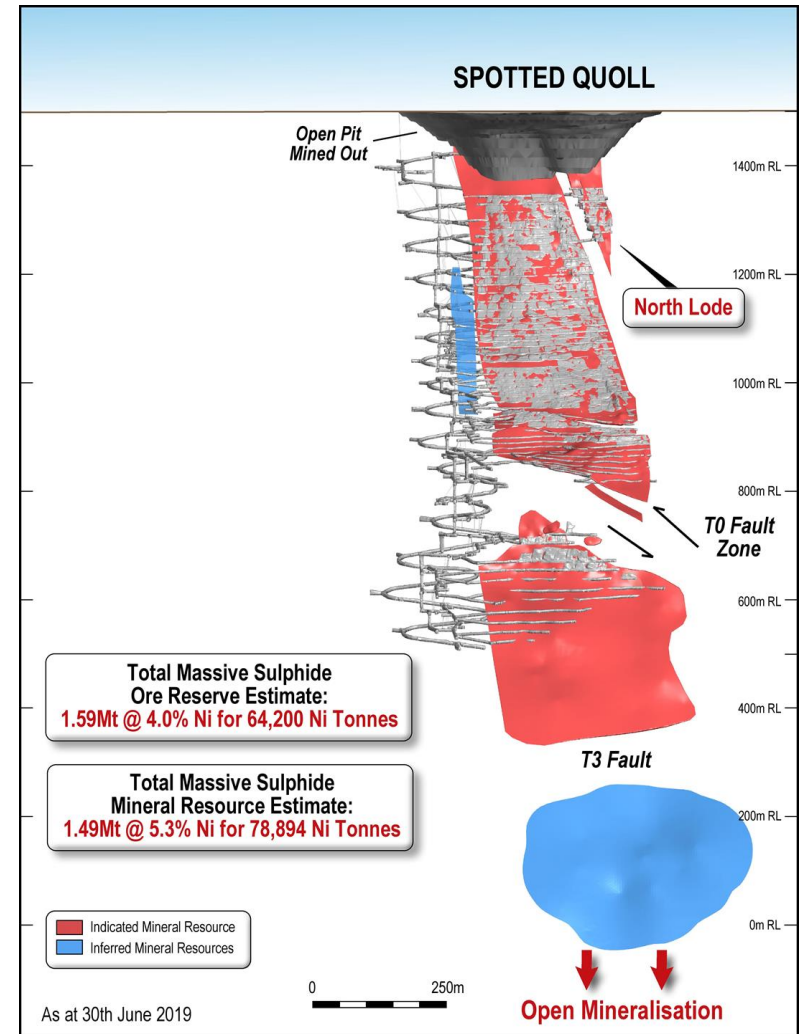


Spotted Quoll mine

Reserve Contained nickel	1.59Mt @ 4.0% 64,200 Ni tonnes
Resource Contained nickel	1.49Mt @ 5.3% 78,894 Ni tonnes
Mine life (on reserves)	7 years

Key points

- Has never recorded an LTI
- FY19 production – 13.3k Ni tonnes
- Production has outperformed reserve tonnes and grade consistently
- Top down mining with paste fill
- Resource extension drilling commenced – Nickel tonnes being added to Resource



Cosmic Boy nickel concentrator

Concentrator Summary

- 12% above name plate capacity of 550,000 tpa
- Concentrate grades of between 15.0% to 16.0% Ni
 - ✓ Premium blending product (Fe/Mg ratio >15:1)
 - ✓ Desirable to smelters and roasters

Export Infrastructure and Logistics

- Export concentrate transported to Esperance Port in containers and shipped through to China
- BHP Nickel West concentrate delivered to Kambalda by road



Offtake contracts best in class

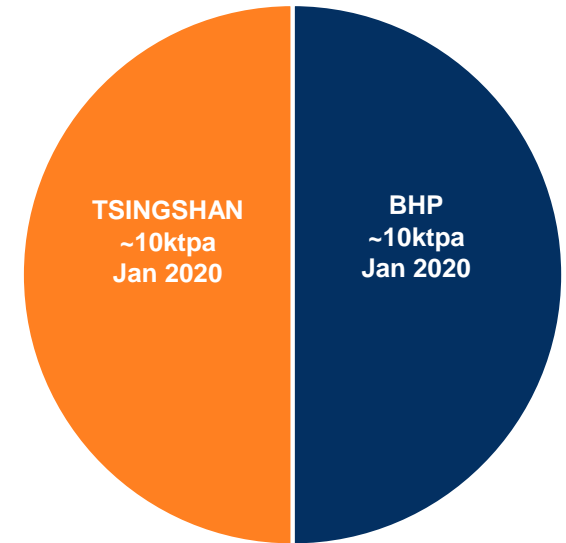
Opening new markets - Creating more value from the same nickel product

Superior commercial terms

Existing offtake agreement 6 months to expiry

Our Partners:

- **BHP:** 50%
 - **Tsingshan:** 50%
- ✓ China's largest stainless steel producer
 - ✓ Consumes ~25% of China's nickel demand
 - ✓ Revenue RMB85 billion in 2015, 20k employees



Roasting

- Creates a high grade nickel oxide that can be blended with laterite ore
- By-product of sulphuric acid for 'pickling' stainless steel
- Most concentrates do not suit roasting
- Proven process - opening up opportunities with Tsingshan



THE NICKEL MARKET



What we are seeing

▪ Recently visited

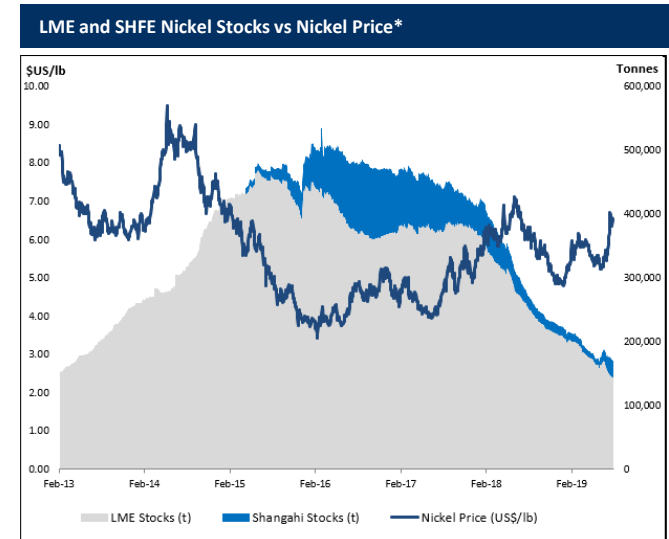
- ✓ Tsingshan (largest stainless steel producer in the world)
- ✓ Jinchuan (largest nickel cathode producer in China)
- ✓ CATL (China's largest EV pre-cursor producer)

▪ **Significant increase in inbound off-take enquiries** for Nickel Sulphide concentrate post current contract period, primarily linked to the Electric Vehicle battery sector;

▪ **Our partner, China's largest stainless steel producer, Tsingshan, has strong growth plan** which will require significant additional nickel units – **reinforcing industry wide trend;**

Estimated electrification impact per vehicle (avg NMC battery)

40-50kg Ni	50-75kg Cu
5-15kg Co	+ Cu for charging point + Cu for grid access

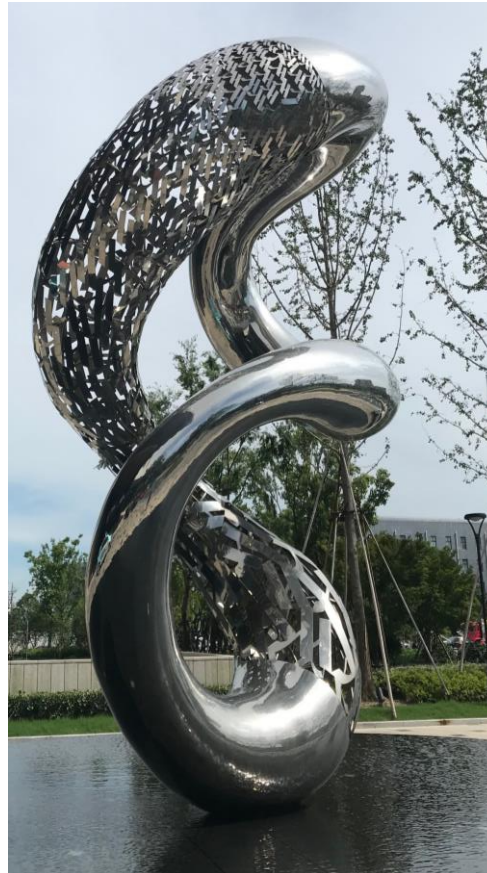
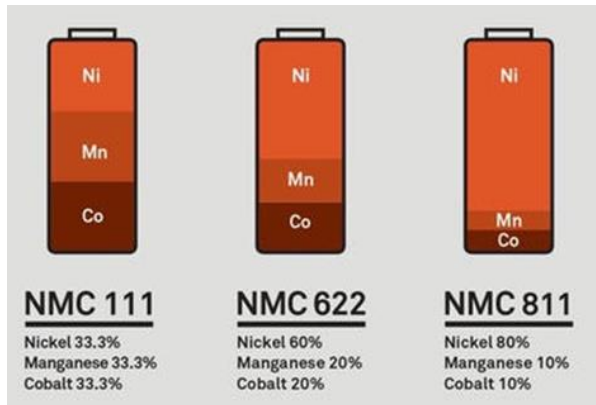


Source: Global Mining Research, Bloomberg



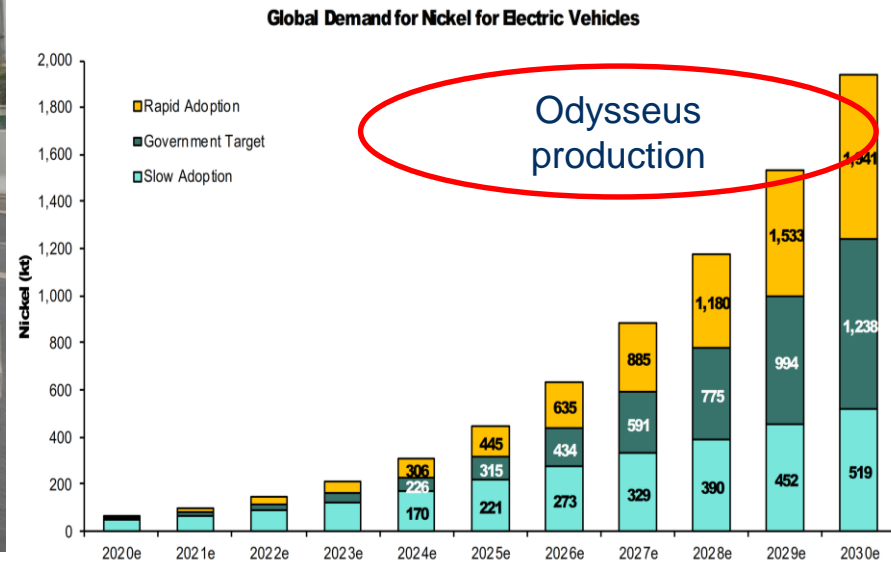
The present – driven by stainless steel

- **Technology change to NCM 811** which requires even more nickel;
- **Current nickel price too low** to incentivise new project development. New mine development can take 3 years – the nickel “pie” is not expanding;
- **May see divergent market in nickel supply** emerging between stainless steel and EV;
- **LME and other stockpiles shrinking** on the back of current stainless demand.

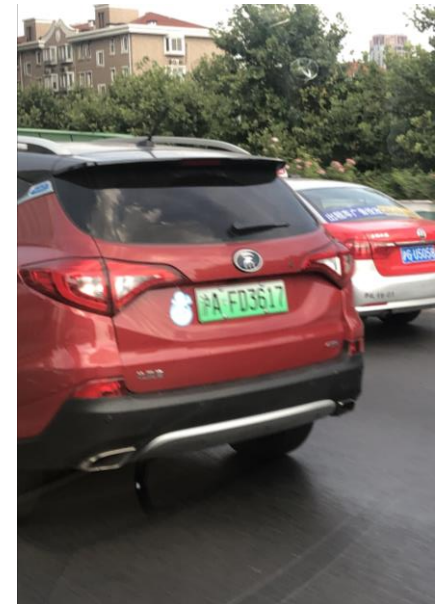


The future – EV demand for nickel

- Potentially very significant incremental demand versus a current nickel market size of c.2,200kt
- Research indicates NMC 811 will be the fastest growing battery combination by 2025!



Source: Bernstein - June 2018



Nickel deficits NOW a reality!

Long term trends supporting Ni consumption growth:



Vehicle Electrification



Increasing mobility



Growth in
Renewables



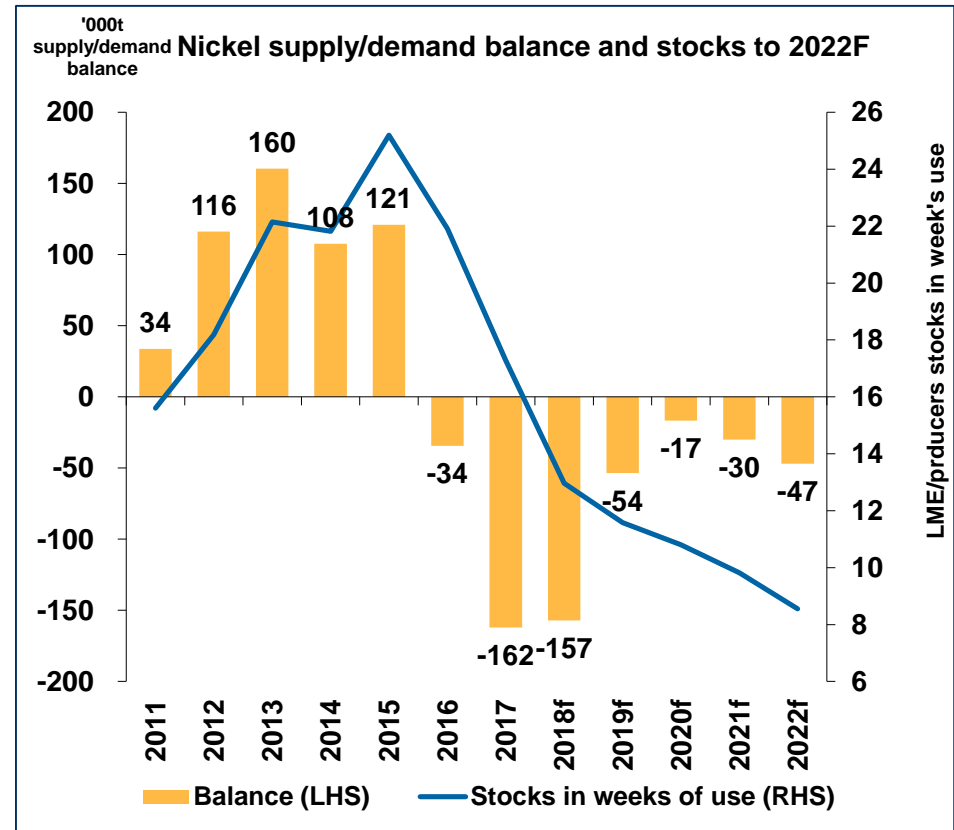
Population growth



Growing disposable
incomes



Urbanization



Source: INSG, CRU, LME, Macquarie Strategy, August 2018



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