

# FY20 HALF YEAR RESULTS PRESENTATION

February 2020

WESTERN AREAS LTD



# AGENDA

## HALF YEAR FINANCIALS



## 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.

This announcement is authorised for market release by Western Areas Limited Managing Director and CEO, Daniel Lougher.

Western Areas Registered Office: L2, 2 Kings Park Road, West Perth, 6005, Australia

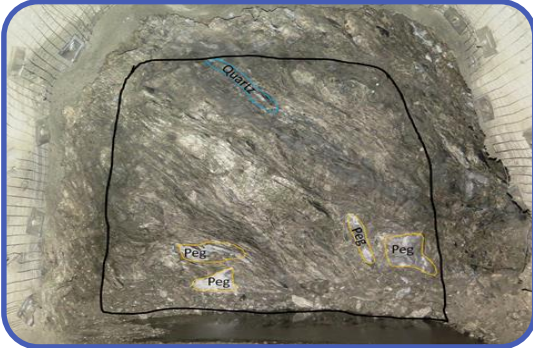


# HALF YEAR FINANCIALS





# Key takeaways – 1H FY20



## Operations

- Dependable production results delivering, 10.7kt Ni in concentrate
- FY20 production & unit cash cost guidance on track & unchanged
- No operational or mine site LTI's. LTIFR down to 0.41
- New Offtake agreements finalised at significantly improved payable terms

## Financial

- Cash at bank A\$184.9m, no debt
- Positive free cashflow of A\$40.6m
- Increased in realised Ni price A\$10.57/lb
- Cash cost of A\$3.07/lb
- EBITDA of A\$69.7m, increased EBITDA margin at 44%
- NPAT of A\$24.7m

## Future Growth

- Odysseus primary pump station complete. Underground mine rehabilitation recommenced on this long life, low AISC project
- Shaft haulage head frame, motor and winder assets dismantled and demobilised from site
- Organic projects advanced (AM5/6 and Scats Heap Leach)
- Increased investment in exploration A\$10.8m



# Financial snapshot

Half Yearly Snapshot	1H FY 2020	1H FY19	1H FY 20 vs 1H FY 19
Mine Production (tonnes Ni)	11,654	11,719	(65)
Mill Production (tonnes Ni)	10,658	10,794	(136)
Recovery	89%	89%	0%
Sales Volume (tonnes Ni)	9,042	10,404	(1,362)
Cash Costs (US\$/lb)	2.11	2.22	- 0.11
Cash Costs (A\$/lb)	3.07	3.07	-
Exchange Rate USD/ AUD	0.69	0.72	- 0.03
Nickel Price (U\$/lb)	7.29	5.40	1.90
Realised Price Before Payability (A\$/lb)	10.57	7.45	3.12
Revenue (\$'000)	156,203	123,657	32,546
EBITDA (\$'000)	69,708	30,592	39,116
EBIT (\$'000)	34,630	705	33,925
NPAT (\$'000)	24,701	150	24,551
Cashflow from Operations (\$'000)	74,937	42,994	31,943
Growth & Sustaining Capex ('\$'000)	61,371	54,683	6,688
Net Cashflow (\$'000)	40,644	(17,381)	58,025
Cash at Bank (\$'000)	184,905	134,262	50,643
Dividend (cents)	1.0	0.0	1.0

## Key Takeaways – 1HFY20 v 1HFY19

- Reliable and consistent production from the Forrester operation. Sales tonnage impacted by a timing variance that will reverse in the second half
- Significant rise in realised price (before payability) results in improved revenue and earnings
- Cash cost of good sold reported at the mid point of guidance
- A\$24.7m NPAT driven buy higher nickel price and favourable movement in cost of good sold
- Capital expenditure increased, as guided, following commencement of underground rehabilitation and construction at the Odysseus mine (A\$28.9m)
- Strong free cashflow from operations (assisted by nickel price) and realisation of Kidman investment



# Income Statement

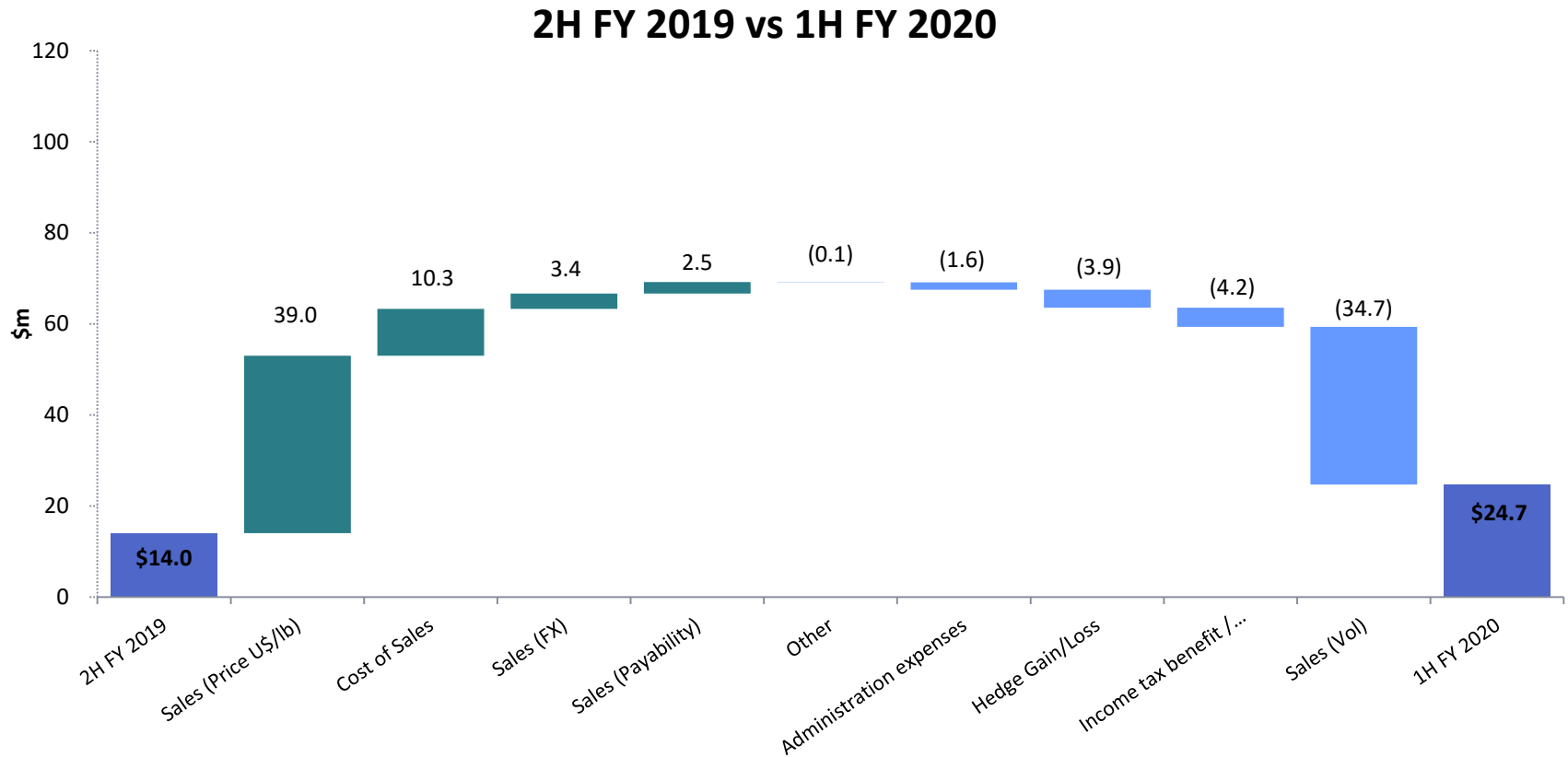
Earnings Data (\$'000)	1H FY 2020	1H FY 2019	1H FY 20 vs 1H FY 19
Exchange Rate USD/ AUD	0.69	0.72	(0.03)
Nickel Price (US\$/lb avg)	7.29	5.40	1.90
Realised Nickel Price (A\$/lb)	10.57	7.45	3.12
Revenue	156,203	123,657	32,546
<b>EBITDA</b>	<b>69,708</b>	<b>30,592</b>	<b>39,116</b>
<i>EBITDA Margin (%)</i>	<i>44.6%</i>	<i>24.7%</i>	<i>120.2%</i>
Depreciation & Amortisation	(35,078)	(29,887)	(5,191)
<b>EBIT</b>	<b>34,630</b>	<b>705</b>	<b>33,925</b>
Finance, Interest & Other	(678)	(791)	113
Tax	(9,251)	236	(9,487)
<b>NPAT</b>	<b>24,701</b>	<b>150</b>	<b>24,551</b>
Dividend (cents)	1.0	0.0	1.0

## Key Takeaways – 1HFY20 v 1HFY19

- Realised price (before payability) improved in FY20, driving increased revenue and higher payabilities for nickel sales
- NPAT improved to A\$24.7m following increased nickel price and cost of good sold tracking in line with guidance
- Higher D&A due to amortisation of newly constructed assets, such as MREP
- EBITDA increased by 128% to A\$69.7m
- EBITDA margin increased to 44.6%
- 1 cent per share interim dividend



# NPAT waterfall



Sales volume and cost of sales impacted by timing of final export shipment being loaded as at 1<sup>st</sup> January 2020 and delayed trucking to Kambalda due to road closures. Revenue and costs will report into the 2HFY20





# Cashflow Statement

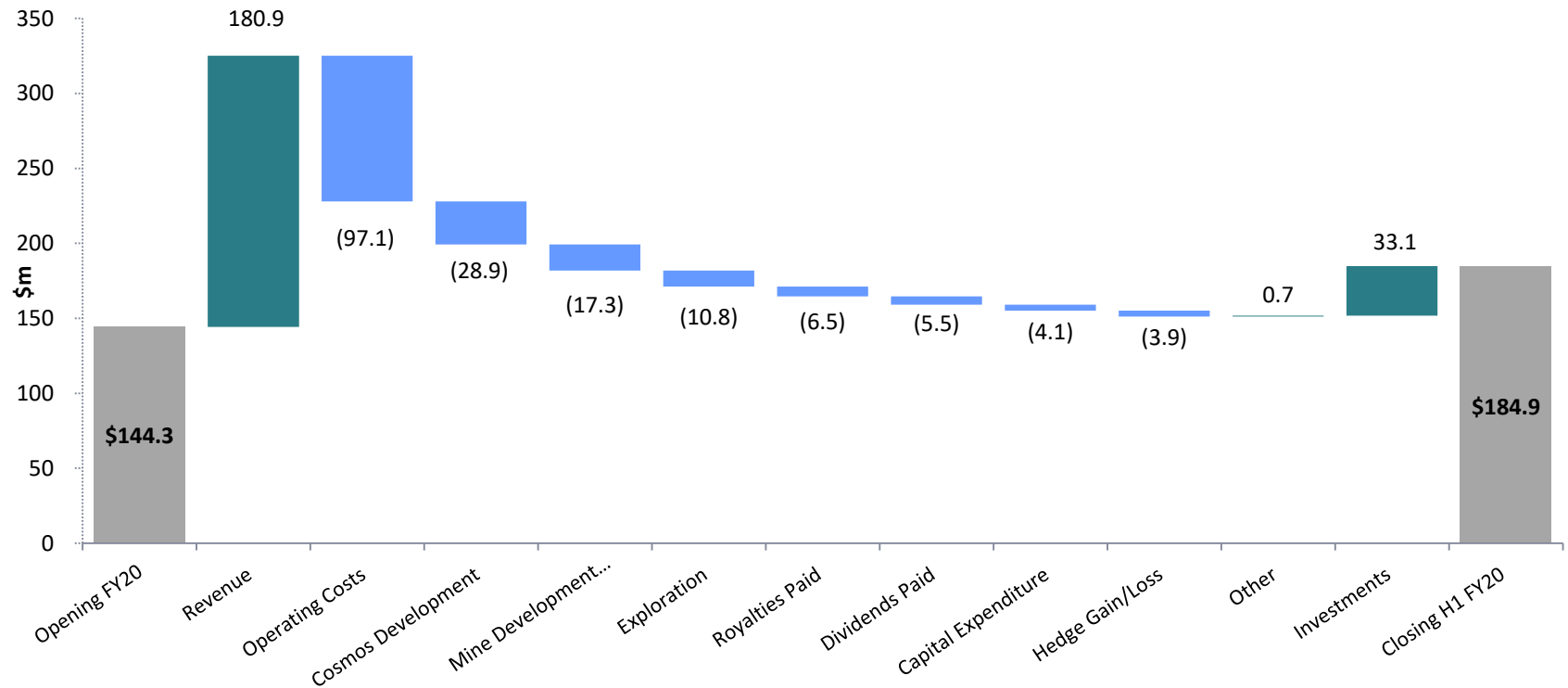
Cashflow Statement (\$'000)	1H FY 2020	1H FY 2019	1H FY 20 vs 1H FY 19
Operating Cashflow	74,937	42,994	31,943
<i>Less:</i>			
Exploration	(10,823)	(7,807)	(3,016)
Investment in Listed Companies	(133)	-	(133)
Feasibility	(339)	(1,544)	1,205
Cosmos Development	(28,865)	(21,503)	(7,362)
Mine Development Forresterania	(17,259)	(14,495)	(2,764)
Capital Expenditure	(4,085)	(9,334)	5,249
Sale of Investment	33,115	-	33,115
<b>Pre-Financing Cashflow</b>	<b>46,548</b>	<b>(11,689)</b>	<b>58,237</b>
Financing Costs	(433)	(172)	(261)
Dividends Paid	(5,471)	(5,470)	(1)
Borrowing cost & Stamp Duties	-	(50)	50
<b>Net Cashflow</b>	<b>40,644</b>	<b>(17,381)</b>	<b>58,025</b>
<b>Cash at Bank</b>	<b>184,905</b>	<b>134,262</b>	<b>50,643</b>

## Key Takeaways – 1HFY20 v 1HFY19

- Free cashflow of A\$40.6, assisted by A\$33.1m Kidman investment realisation
- Significant 74.3% increase in cashflow from operations – Primarily due to increased nickel price driving higher cash receipts
- Capital expenditure and mine development expenditure were in line with guidance for the full year.
- Investment in growth expenditure for the Odysseus mine development A\$28.9m:
  - Underground mine rehabilitation
  - Primary pump station built and commissioned
  - Shaft haulage head frame, motor and winder assets dismantled and demobilised from site. Refurbishment and modification ongoing prior to export to Australia
  - Infrastructure civil works commenced for shaft installation at site



# Cashflow waterfall



Strong operating cashflow driven by nickel price and realisation of Kidman Resources investment



# Balance Sheet

Balance Sheet (A\$'000)	1H FY 2020	FY 2019	6 Month Change
Cash at Bank	184,905	144,261	50,643
Receivables	9,319	22,888	(7,299)
Stockpiles & Inventory	36,628	22,483	6,196
PP&E	132,057	131,394	18,895
Exploration & Evaluation	115,378	110,444	11,356
Mine Development	158,064	130,790	23,155
Listed Investments	-	32,767	-
Derivatives & Other	6,028	1,503	5,019
<b>TOTAL ASSETS</b>	<b>642,379</b>	<b>596,530</b>	<b>88,968</b>
Trade & Other Payables	50,746	48,974	10,448
Provision for Income Tax	8,872	-	8,872
Derivatives & Other Current Provisions	4,240	4,076	(64)
Short Term Borrowings	1,009	399	731
Rehabilitation & Other Long Term Provisions	35,695	26,442	10,054
Deferred Tax Liability	22,276	15,062	12,326
<b>TOTAL LIABILITIES</b>	<b>122,838</b>	<b>94,953</b>	<b>42,367</b>
<b>SHAREHOLDERS EQUITY</b>	<b>519,541</b>	<b>501,577</b>	<b>46,601</b>

## Key Takeaways – 1HFY20 v 1HFY19

- Strong cash at bank position
- Flexible debt free balance sheet
- Inventory build due to timing of sales and delayed export shipment increasing concentrate awaiting delivery. Expected to unwind in 2HFY20
- PP&E increased with capitalisation of the Odysseus mine development costs and infrastructure construction
- Increase provisions for taxation related to higher earnings and capital gains tax estimates



# FY20 Guidance – Unchanged

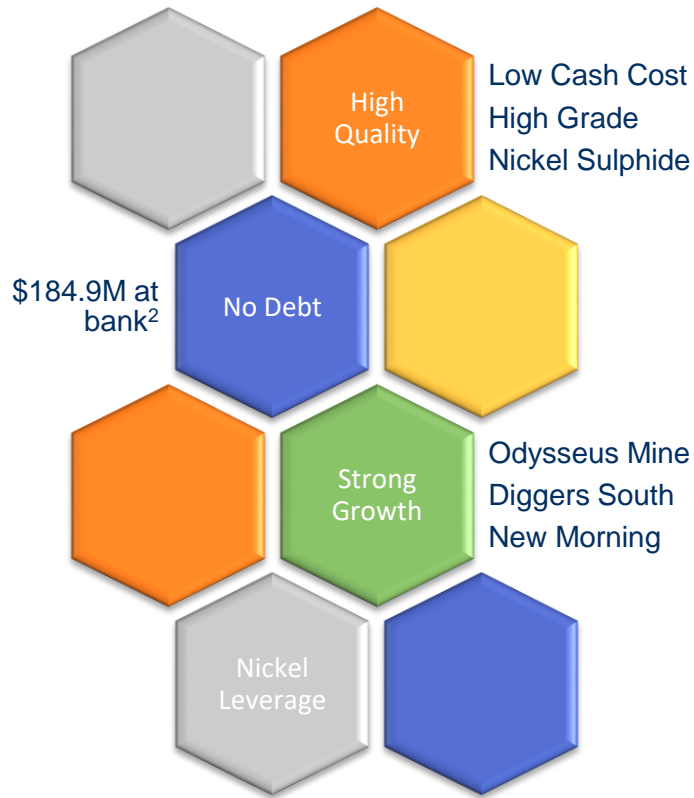
Category	FY Guidance	1H FY20
Nickel Tonnes in Concentrate Production	21,000 to 22,000	10,658
<i>Unit Cash Cost of Production (Nickel in Concentrate)</i>	A\$2.90/lb to A\$3.30/lb	A\$3.07
Mine Development	A\$33m to A\$38m	A\$17m
Capital Growth	A\$7m to A\$10m	A\$4m
Odysseus Development	A\$75m to A\$85m	A\$29m
Exploration	A\$14m to A\$17m	A\$11m

- **Nickel Production** – 1HFY20 at mid point of guidance
- **Unit cash costs** – A\$3.07/lb for 1HFY20 mid point of guidance
  - FY20 guidance reflects mine plans (Spotted Quoll ore being mined in lower, stage two, levels) and cost trends for rise & fall, labour rates and mining consumables
- **Mine Development** - sustaining and mine development on track
- **Capital and Growth** - feasibility studies and capital expenditure at the Cosmic Boy Concentrator and scat leach trial
- **Odysseus Development** – Timing of some expenditure expected to change as development activity increases and the mining and construction schedules firm. Selected activities, largely the shaft haulage equipment and civil works, bought forward into FY20.
- **Exploration** - investment biased toward 1HFY20. Expected to track toward top end of guidance.

# CORPORATE



# Corporate overview



<b>ASX code</b>	<b>WSA</b>
<b>Share price</b>	<b>2.55</b>
<b>Shares outstanding (m)</b>	<b>273.5</b>
<b>Market Cap (A\$m)<sup>1</sup></b>	<b>697.4</b>
<b>Cash (A\$m)<sup>2</sup></b>	<b>184.9</b>

## COSMOS

### Odysseus

165kt Ni Ore Reserves  
265kt Ni Mineral Resource  
First Production CY2022

## FORRESTANIA

### Flying Fox

5.0kt Ni mined 1H20  
16.5kt Ni Ore Reserves  
74.2kt Ni Mineral Resource

### Spotted Quoll

6.7kt Ni mined 1H20  
57.9kt Ni Ore Reserves  
72.2kt Ni Mineral Resource





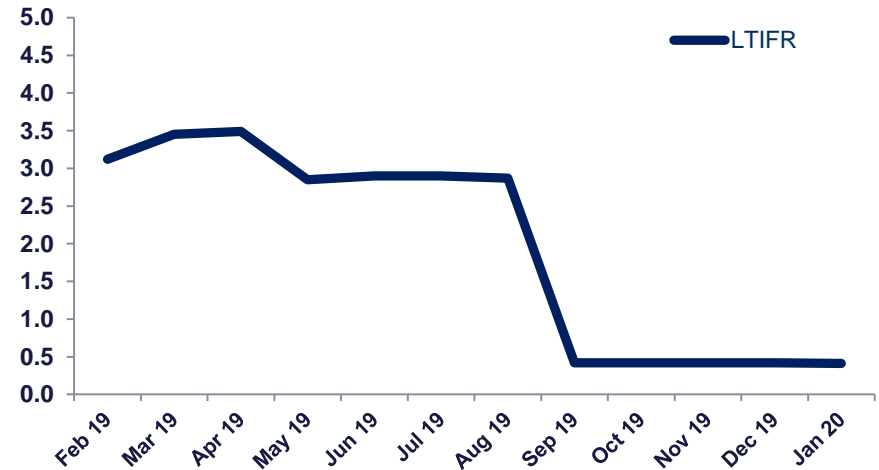
# Western Areas are safe areas



## Days LTI free

Spotted Quoll	<b>3,216</b>	Aug-11
Cosmos	<b>1,583</b>	Oct-15 (no injuries)
Cosmic Boy Concentrator	<b>511</b>	May-18
Exploration	<b>497</b>	Sep-18
Flying Fox	<b>315</b>	Mar-19

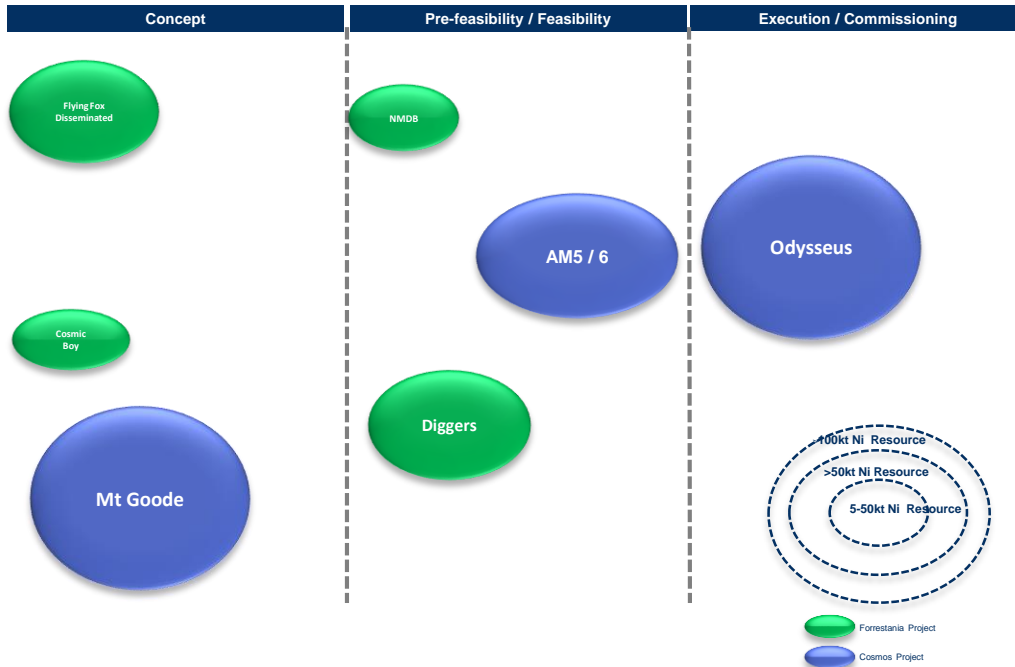
## 12 month LTIFR moving average



# GROWTH AND EXPLORATION

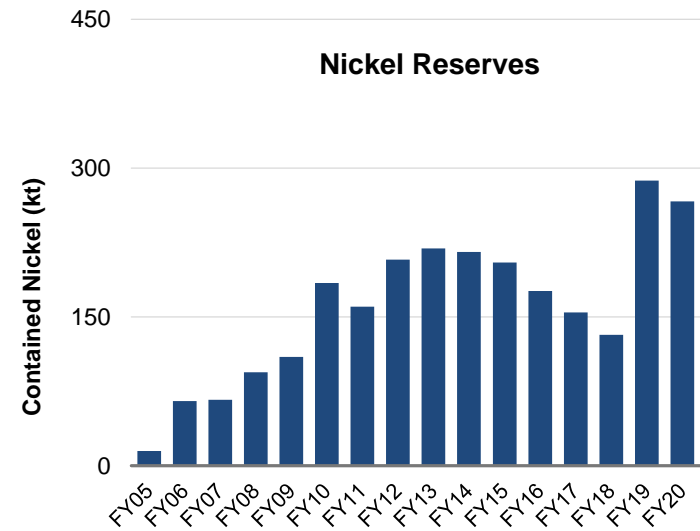
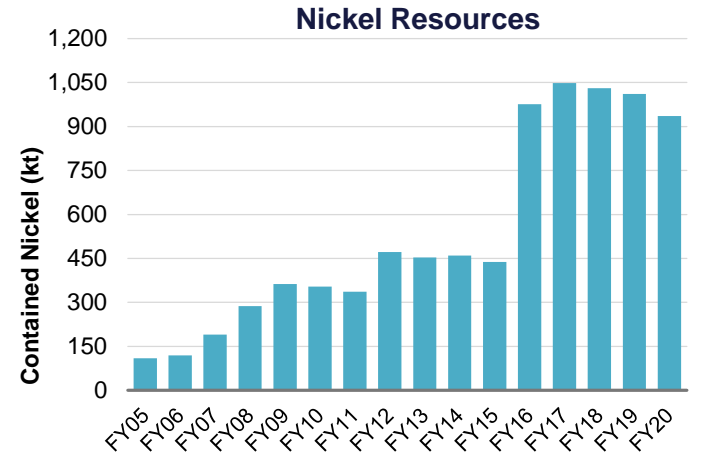


# Nickel growth pipeline



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

## Ore Reserves & Mineral Resources





# ODYSSEUS MINE DEVELOPMENT

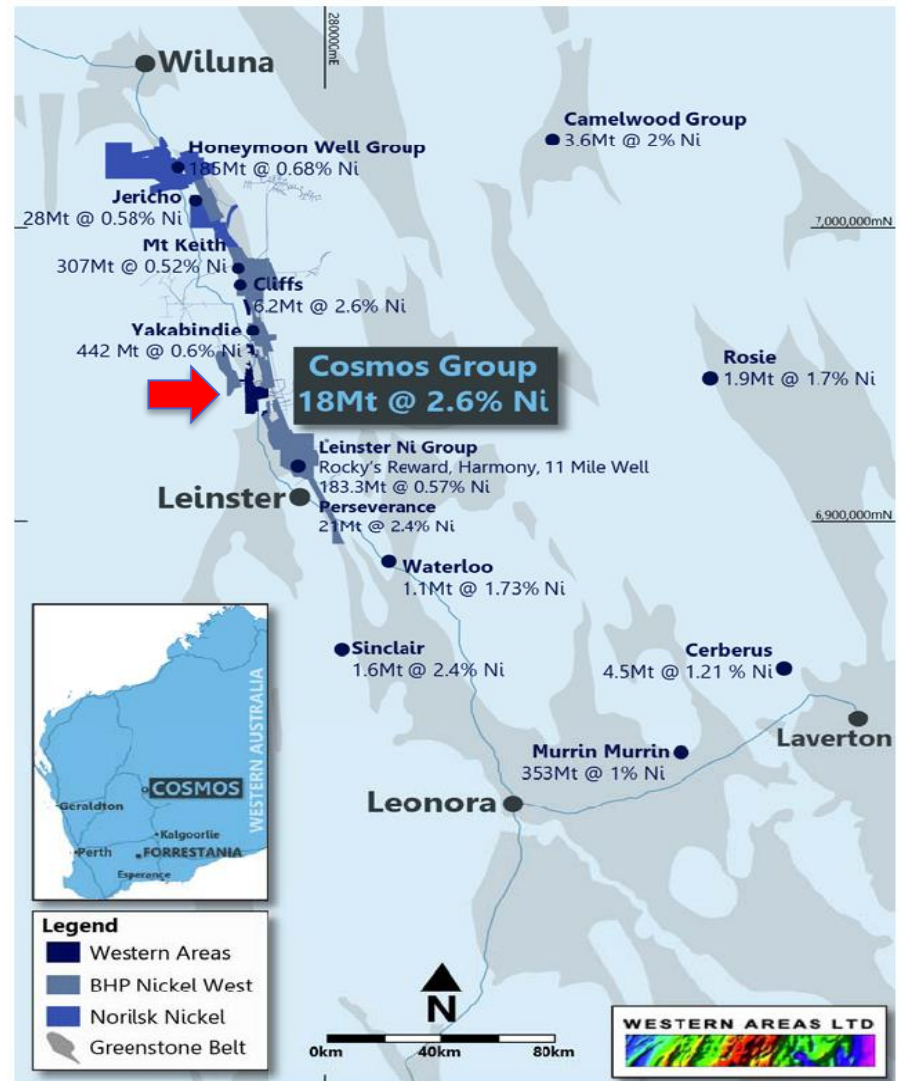




# Cosmos nickel operation – Odysseus mine

## WESTERN AREAS' SECOND OPERATIONAL HUB:

- Outstanding nickel address
- Odysseus early works completed on schedule- Decline rehabilitation to 500m below surface and underground pump station construction completed.
- Mine rehabilitation continuing to new Decline take-off
- Camp commissioned with over 300 rooms available out of 520



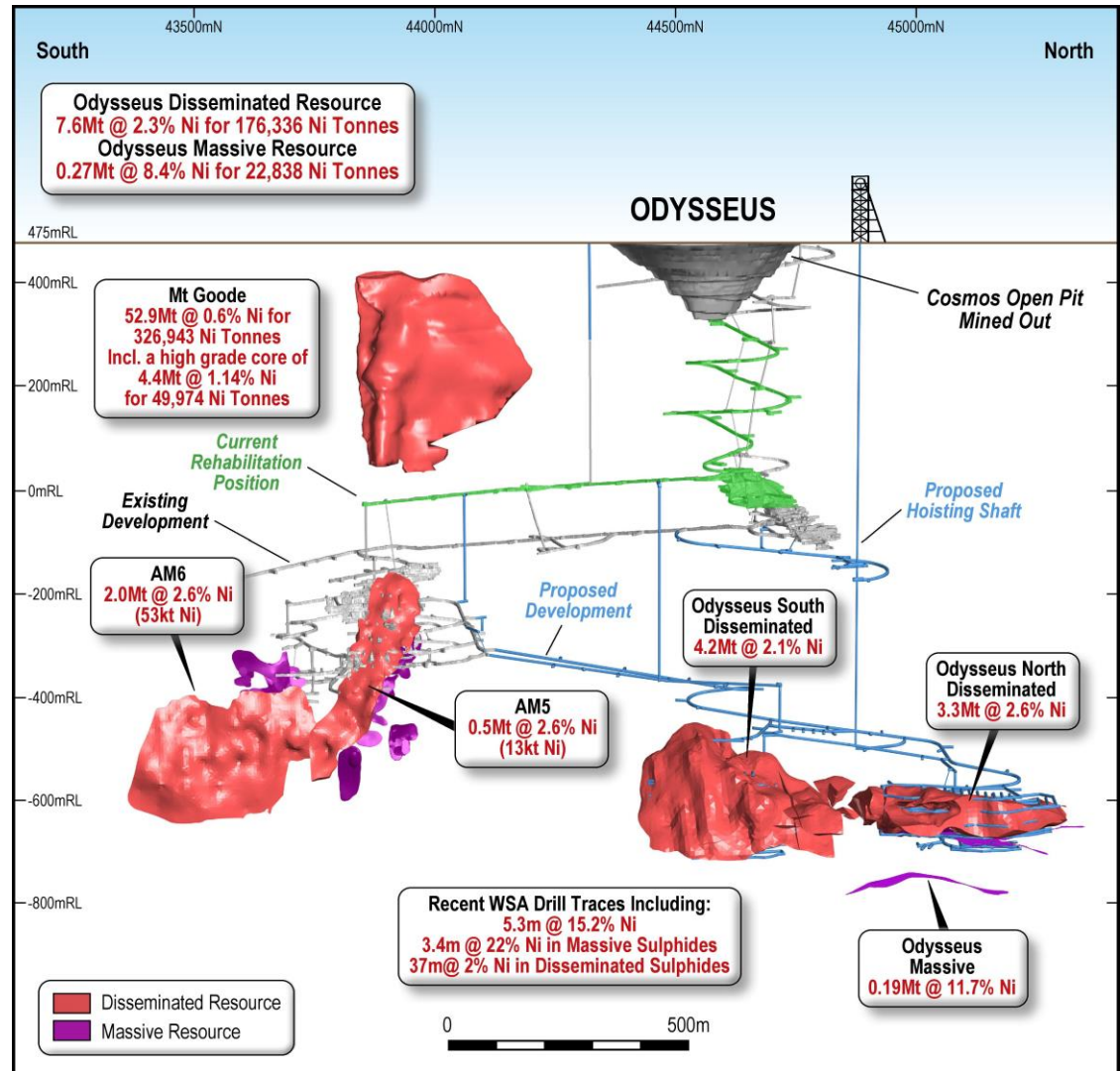
# Odysseus mine – now a long life project > 10yrs

## 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:

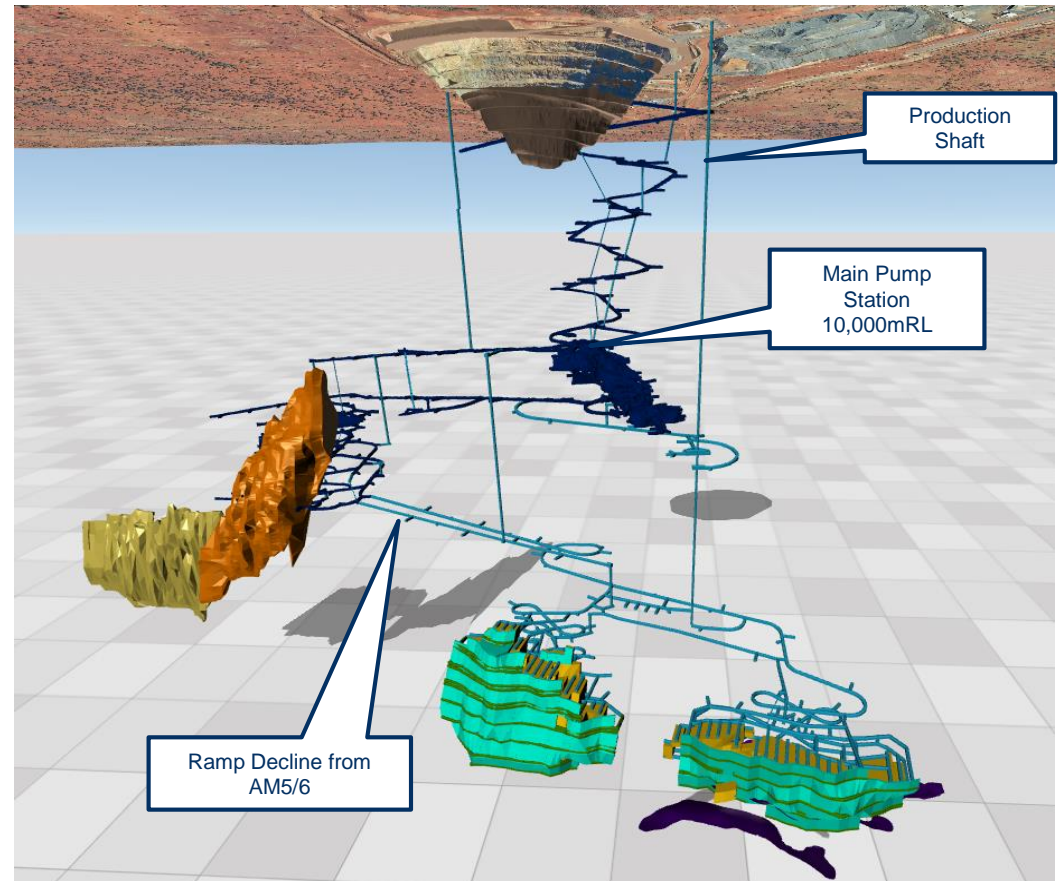
- ✓ AM5/6 deposits contain an Indicated Mineral Resource of 57.6kt of nickel (not included in DFS)
- ✓ Record massive sulphide intersections





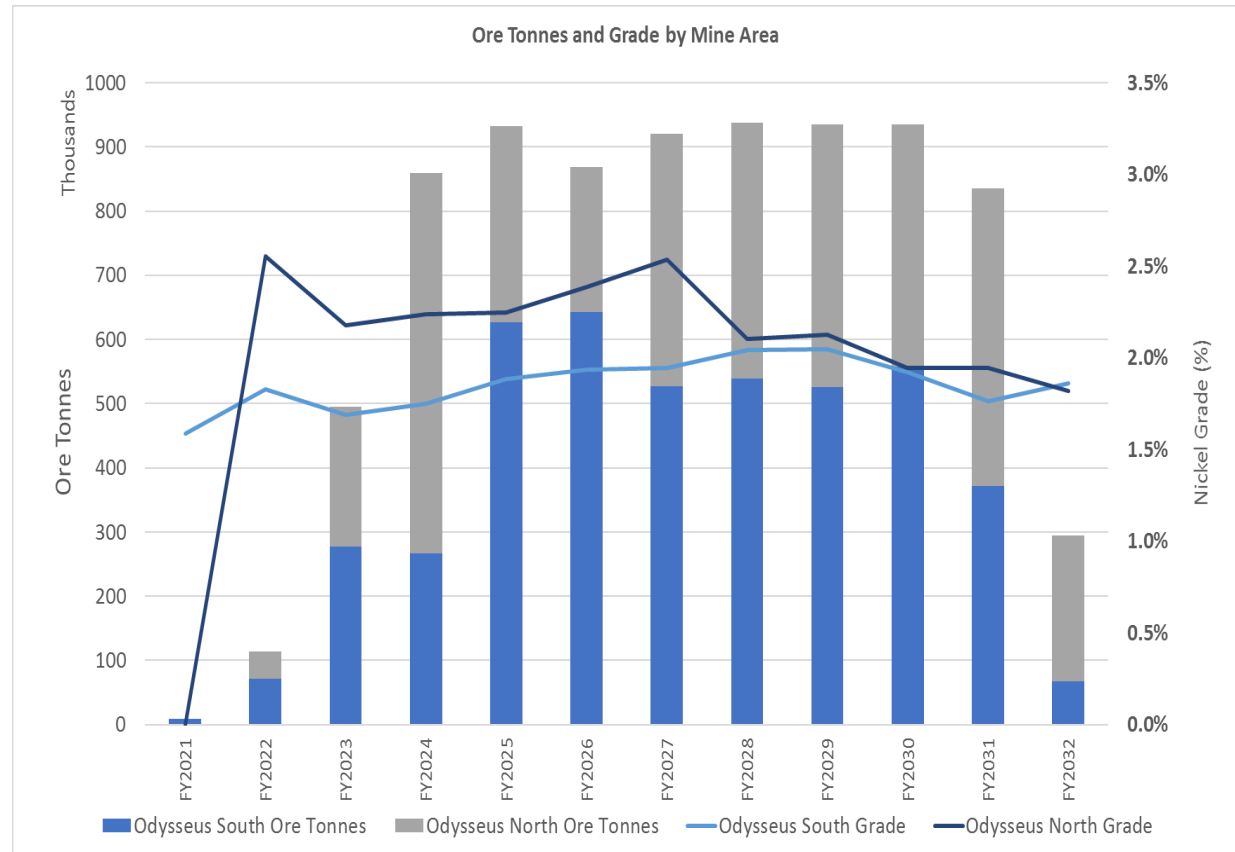
# Odysseus mine – underground infrastructure

- **Pre-production capex A\$299m includes:**
  - ✓ Updated development expenditure profile is now FY20 – A\$80m, FY21 – A\$66m, FY22/23 – A\$143m
  - ✓ Shaft hoisting system
  - ✓ 900ktpa concentrator
  - ✓ WSA is well funded with cash and has no debt
  - ✓ Significant optionality on decision-making and spending



# Odysseus production ~900k tpa ore

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



# Shaft infrastructure

- WSA has purchased a high quality, second hand head gear and winder
- Shaft infrastructure dismantling completed. Now being refurbished in South Africa prior to shipping to Perth
- Significant economical and environmental benefits versus trucking



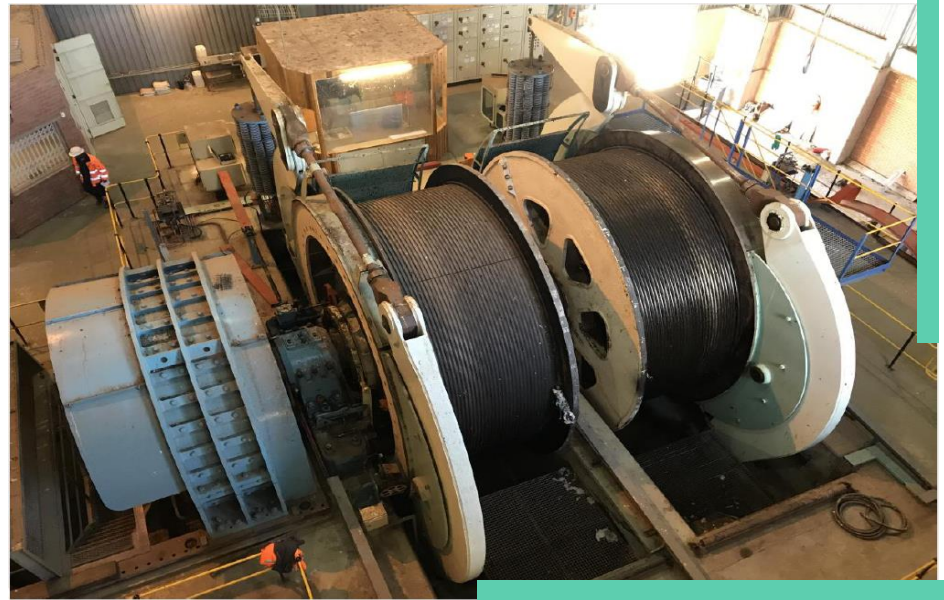
## Key Metrics:

- ✓ *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*





# Head frame, winder and ug infrastructure



# The benefits of shaft hoisting

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## Electrical power vs diesel

- Future proofing the operation
- Combined with renewable power = energy efficient site, 85% reduction in CO<sub>2</sub>
- Low, consistent opex and proven technology
- Fully automated winder and materials handling system direct to mill
- Cycle time: ~3 mins

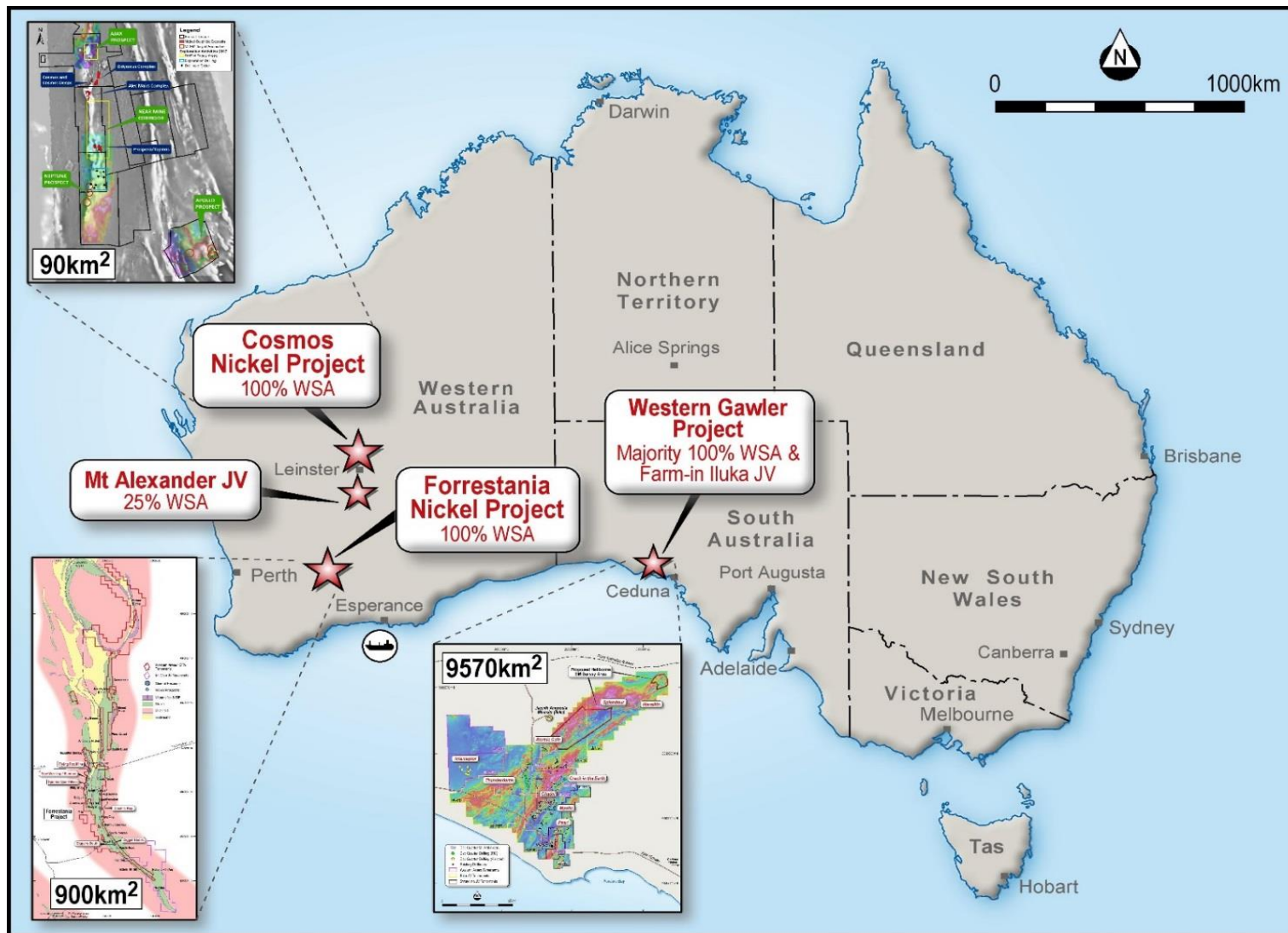
## Equivalent truck fleet ~ 8 trucks

- Save 1.5 ML diesel burnt pa (DPM)
- Remove 5 MW of heat generated from diesel engines
- Remove minimum 200m<sup>3</sup>/s of additional ventilation requirement (another vent shaft)
- Removes issue of existing decline constraints





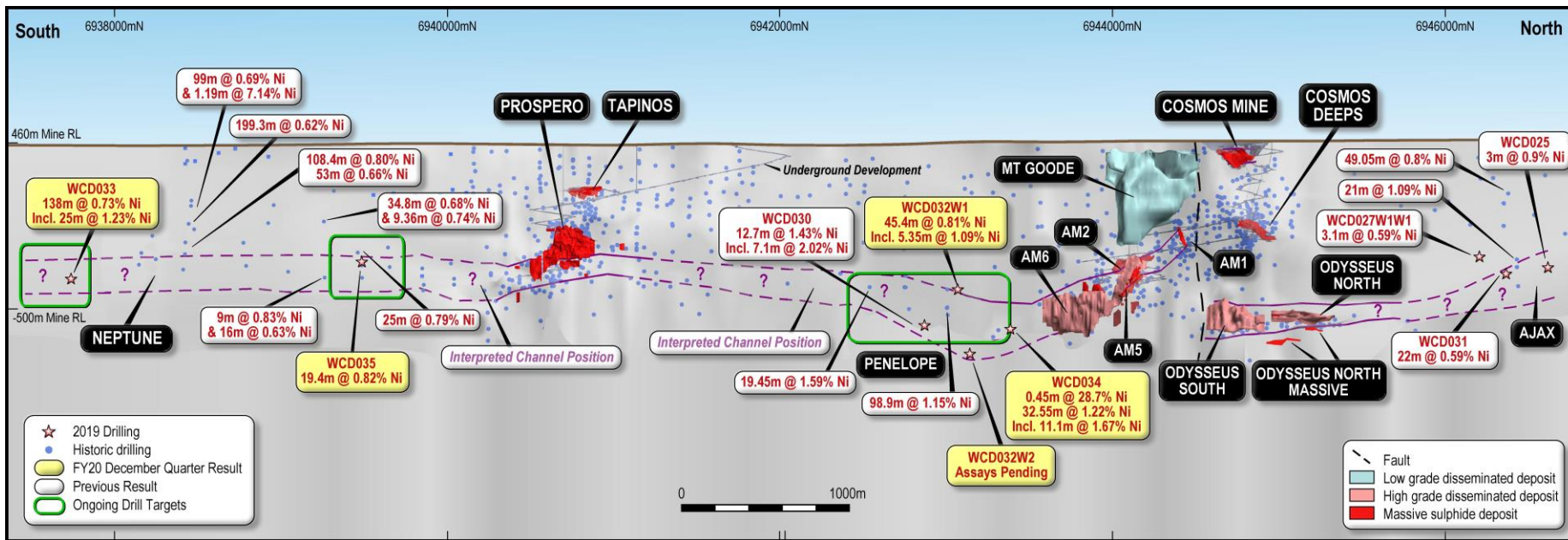
# Key tenement holdings





# Cosmos nickel exploration

> 9km of prospective host rocks

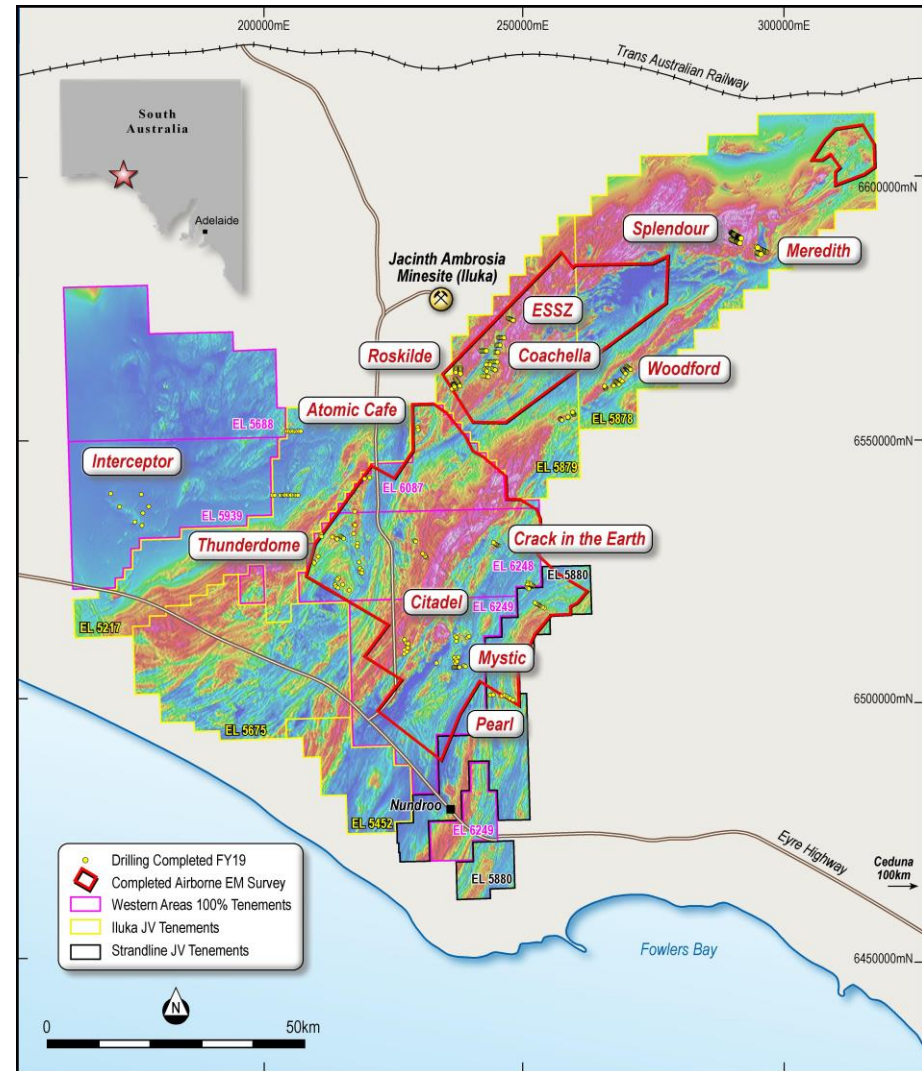
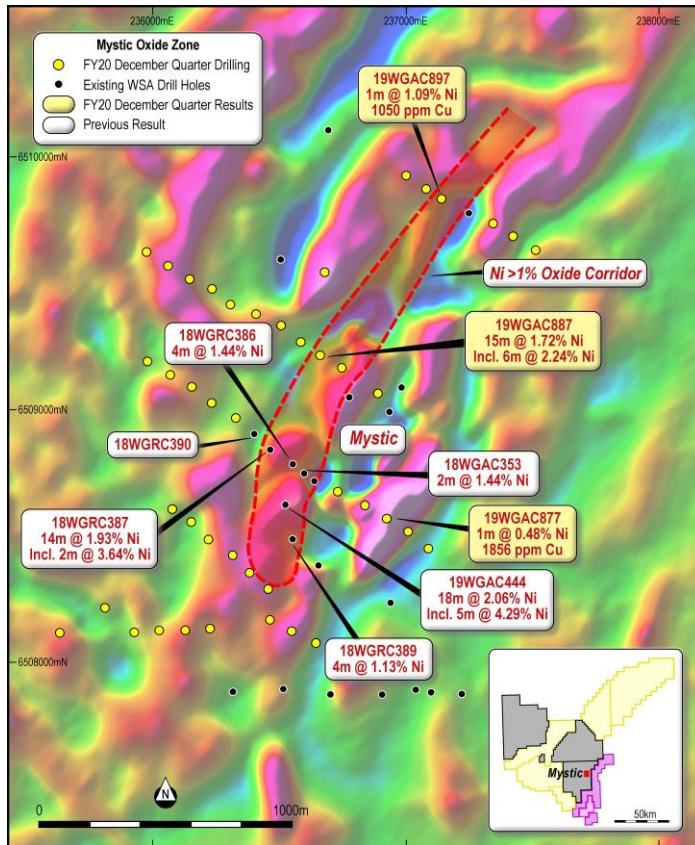


- Centred within the prolific Leinster – Wiluna Nickel corridor
- Additional accumulations of nickel sulphide identified within the Neptune and Penelope prospects
- Adjacent to good infrastructure and developing Odyssey mine



# Western Gawler project (South Australia)

- Exploring 9,520km<sup>2</sup> of the highly prospective (Ni – Cu) Fowler Domain
- Elevated Cu – Ni values across numerous prospects including Splendour, Meredith and Mystic



# Mill recovery enhancement project (MREP)

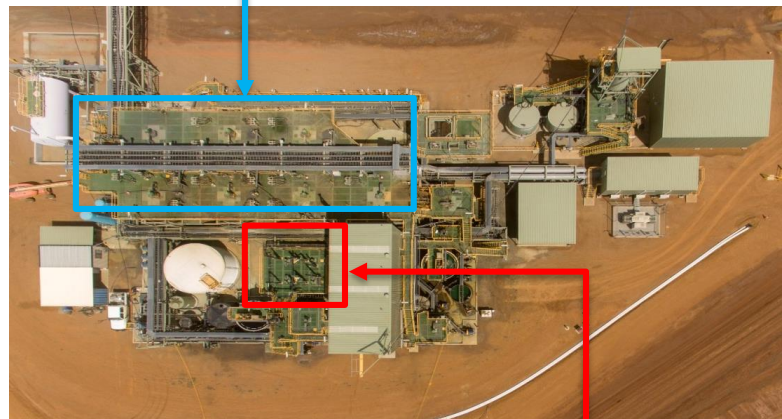
***Enhances average concentrator nickel recovery and generates value from waste tailings streams***

***Produces additional higher-grade product (45%-50% Ni), being sold to new, EV battery linked customers***

- Product specification achieved. Working to improve leach volume reporting to high grade nickel sulphide precipitate
- Sale of high grade nickel sulphide precipitate achieving premium payables versus flotation concentrate
- Back-end of plant capable of up to 4,000t of nickel pa – Mill Scats, New Morning, Flying Fox LG to provide future feed options

## Front End – BioHeap Leach

- 1400 tpa capacity
- Tailings stream from Cosmic Boy - applies BioHeap Leach, then passes to precipitation



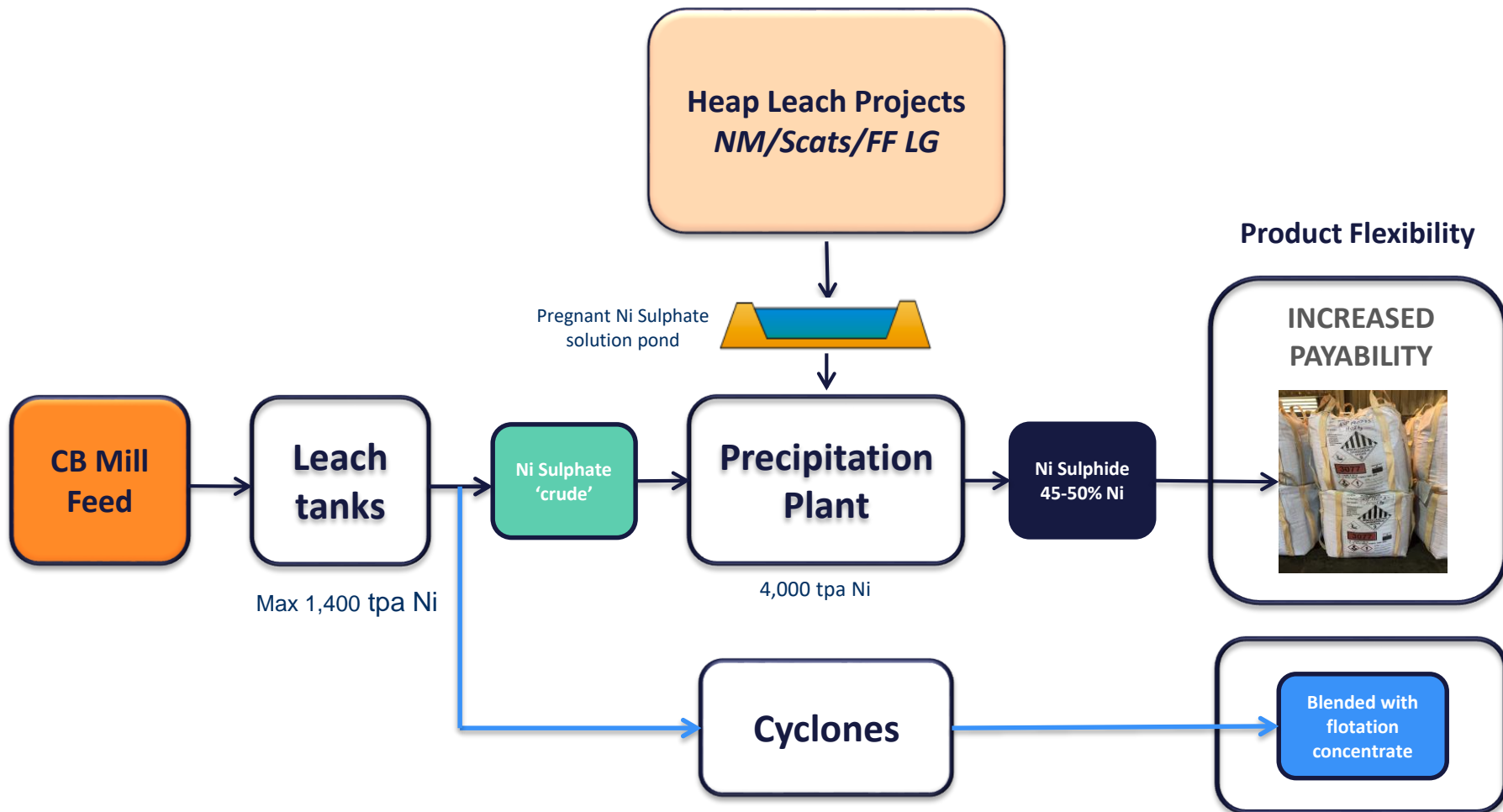
## Back End – Precipitation

- 4000 tpa capacity
- 1400 tpa - leached material from BioHeap front end
- 2600tpa - other sources of nickel in solution eg. heap leach elsewhere in Forrestania, or scats treatment





# MREP unlocks value



# OPERATIONS



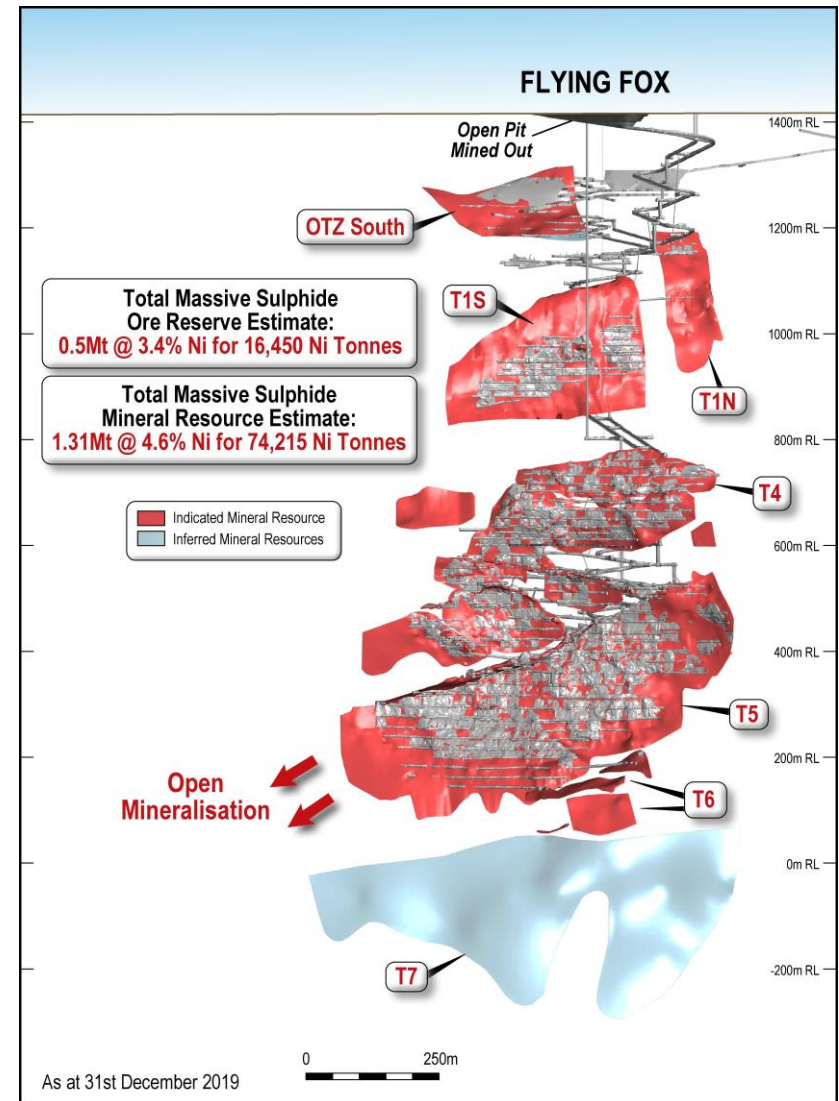


# Flying Fox mine

<b>Reserve Contained nickel</b>	<b>0.50Mt @ 3.4% 16,450 Ni tonnes</b>
<b>Resource Contained nickel</b>	<b>1.31Mt @ 4.6% 74,215 Ni tonnes</b>
<b>Mine life (on reserves)</b>	<b>2 years</b>

## Key points:

- FY19 production – 9.9k Ni tonnes
- Has been operating for over 14 years
- Significant low grade disseminated resource
- Lower grade & heap leach evaluation underway



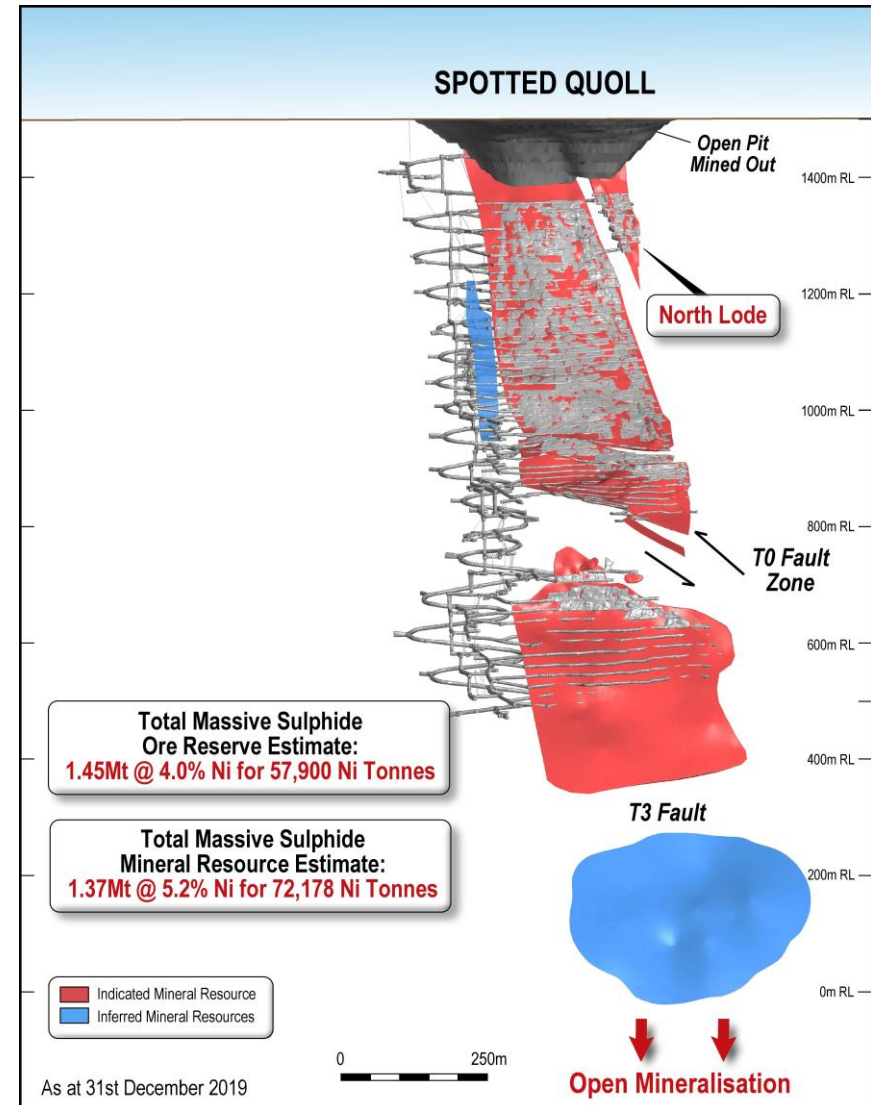


# Spotted Quoll mine

<b>Reserve Contained nickel</b>	<b>1.45Mt @ 4.0% 57,900 Ni tonnes</b>
<b>Resource Contained nickel</b>	<b>1.37Mt @ 5.2% 72,178 Ni tonnes</b>
<b>Mine life (on reserves)</b>	<b>6 years</b>

## 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

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## 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

*New contracts executed with strategic partners following successful completion of a highly competitive tender process*

*Improved commercial terms when compared to previous offtake agreements*

*Premium blending concentrate - superior commercial terms*

## Our Partners:

- **BHP:** 50%
  - **Jinchuan:** 50%
- ✓ China's largest nickel cathode producer
  - ✓ Direct feeder of the Chinese nickel sulphate market



*Discussion ongoing with offtake parties that are linked to the Electric Vehicle battery pre-cursor sector for future MREP production of high grade premium nickel sulphide and potential for Odysseus concentrate to feed this market.*



# THE NICKEL MARKET



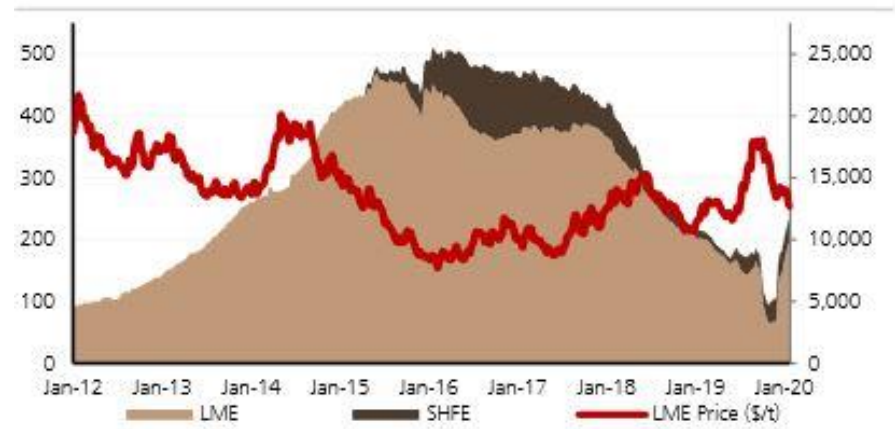


# What we are seeing

- **Technology change to NCM 811** which requires higher quantity of nickel
- **Jinchuan** (largest nickel cathode producer in China) increasing nickel sulphate volumes
- **Recent Indonesian decision** to bring forward ore export ban to 1st Jan 2020 from Jan 2022 – currently accounts for ~10% of supply
- **LME and other stockpiles shrinking** on the back of current stainless demand and EV growth

Estimated electrification impact per vehicle (avg NMC battery)

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

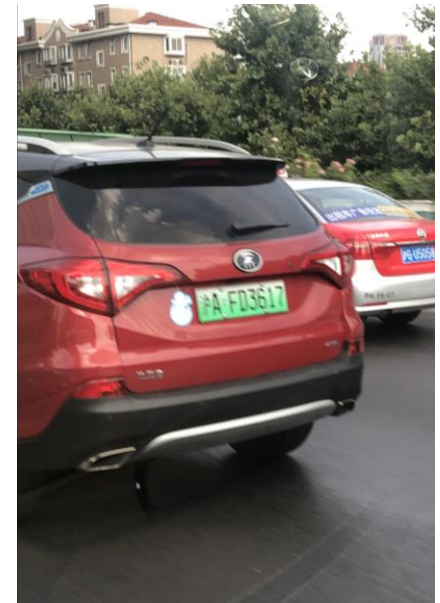
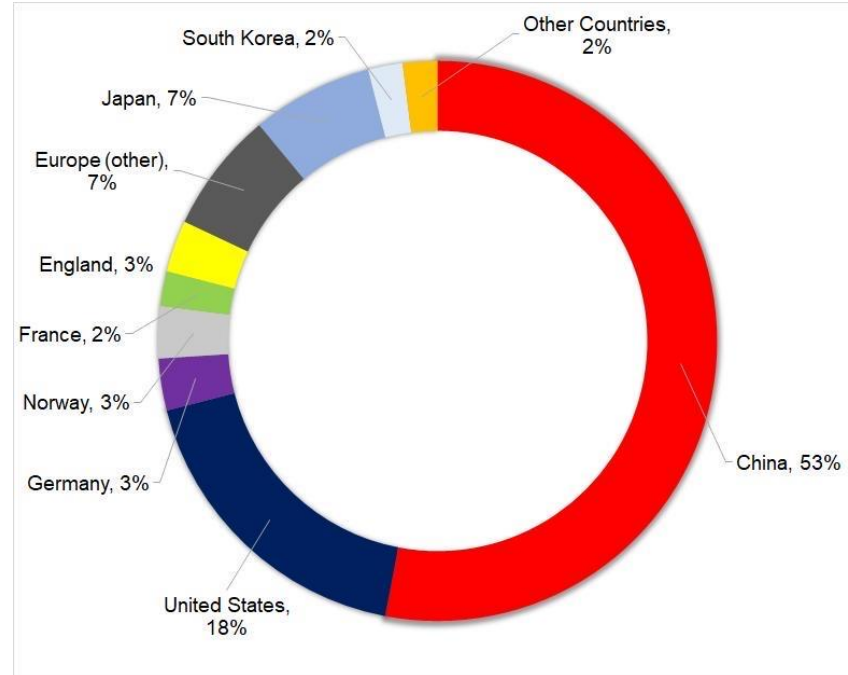


Source: Bloomberg, UBS estimates



# The present – driven by stainless steel, but...

- **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
- **Increasing forecasts of hybrid and EV production in China.**
- **Major car OEM’s taking position in Chinese market**

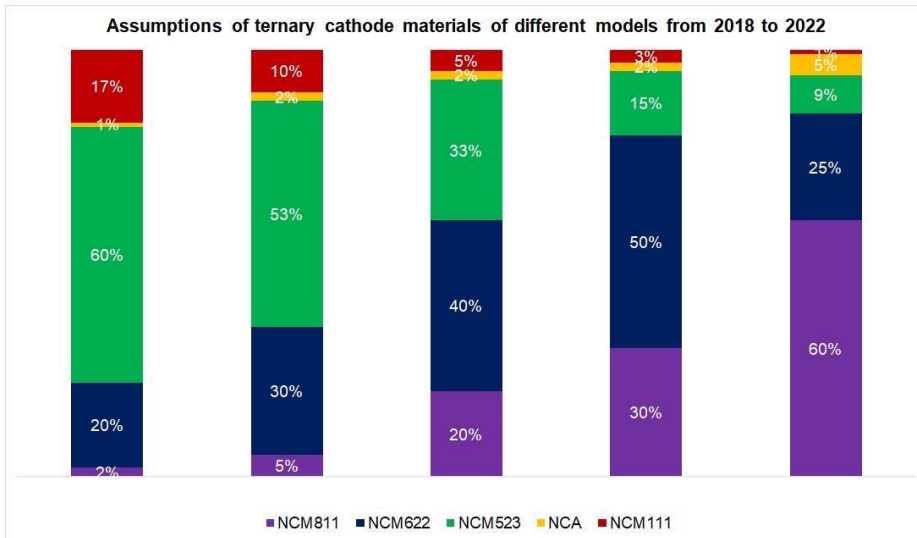


Source: Golden Dragon Capital, January 2020

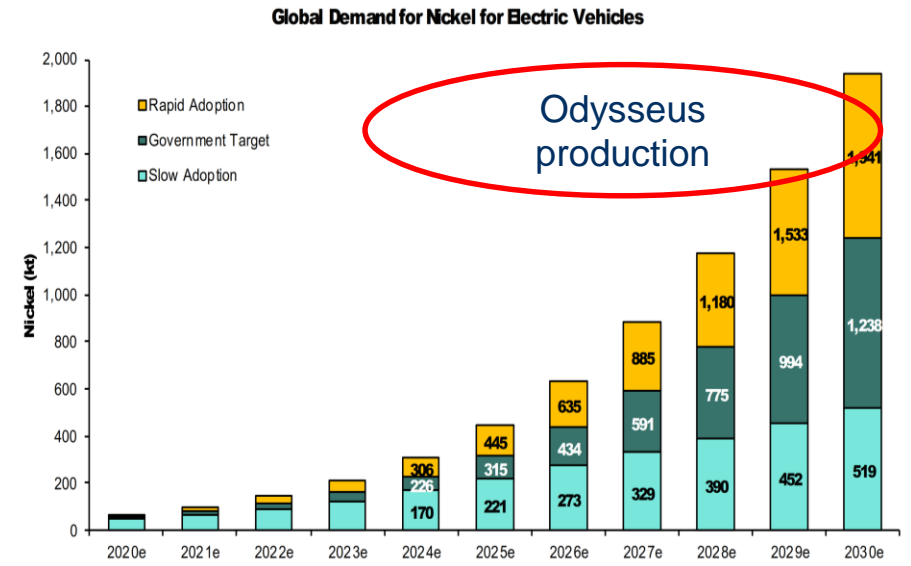


# The future – EV demand for nickel

- 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!
- Tesla factory opened in Shanghai to produce EV's for Chinese Market



Source: Golden Dragon Capital, January 2020



Source: Bernstein - June 2018





# Nickel deficits NOW a reality!

Long term trends supporting Ni consumption growth:



Vehicle Electrification



Increasing mobility



Growth in Renewables



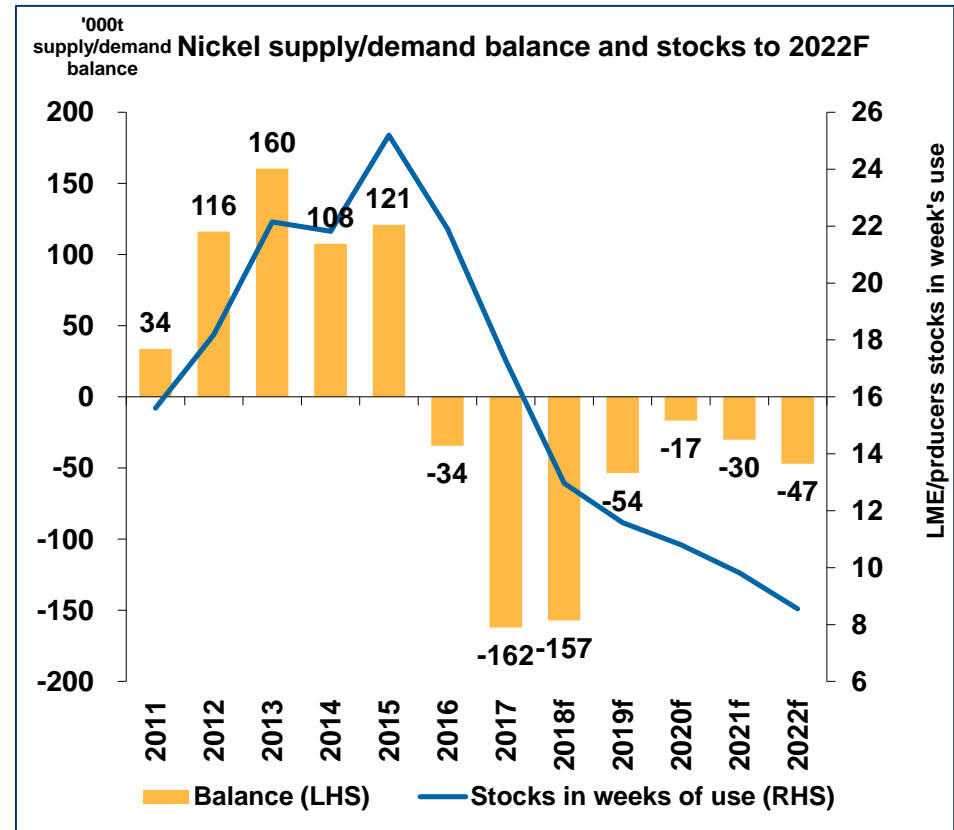
Population growth



Growing disposable incomes



Urbanization



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



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