

**EUROZ  
SECURITIES  
INSTITUTIONAL  
CONFERENCE**

March 2020

**WESTERN AREAS LTD**



# AGENDA

## 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.

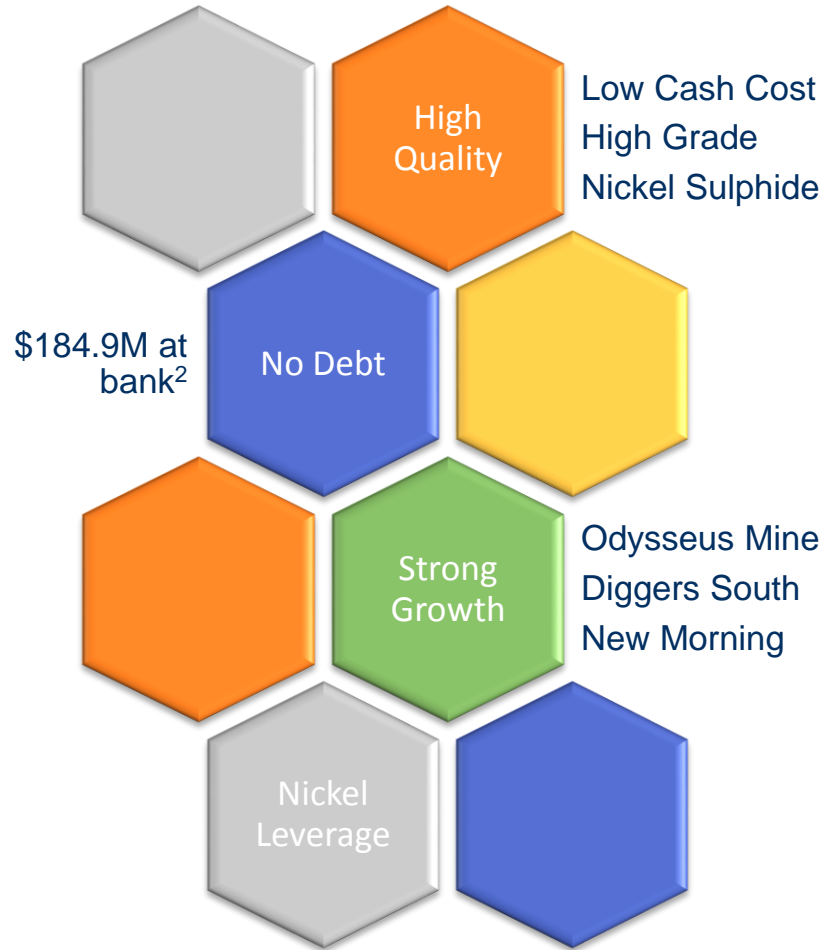
Western Areas Registered Office: L2, 2 Kings Park Road, West Perth, 6005, Australia



# CORPORATE



# Corporate overview



ASX code	WSA
Share price	2.22
Shares outstanding (m)	273.5
Market Cap (A\$m) <sup>1</sup>	607.2
Cash (A\$m) <sup>2</sup>	184.9

## COSMOS

### Odysseus

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

## FORRESTANIA

### Flying Fox

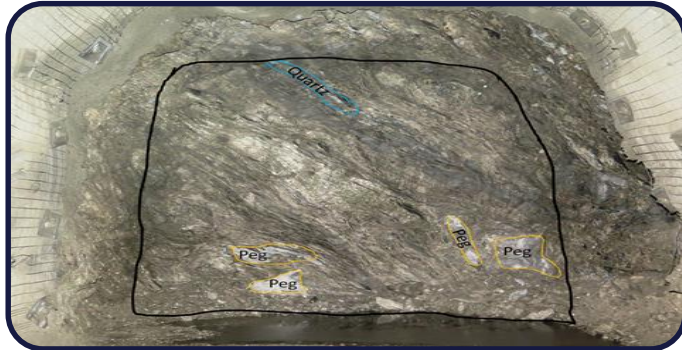
5.0kt Ni mined 1H20  
16.5kt Ni Ore Reserves  
74.2kt Ni Mineral Resource

### Spotted Quoll

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



# 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



# 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.



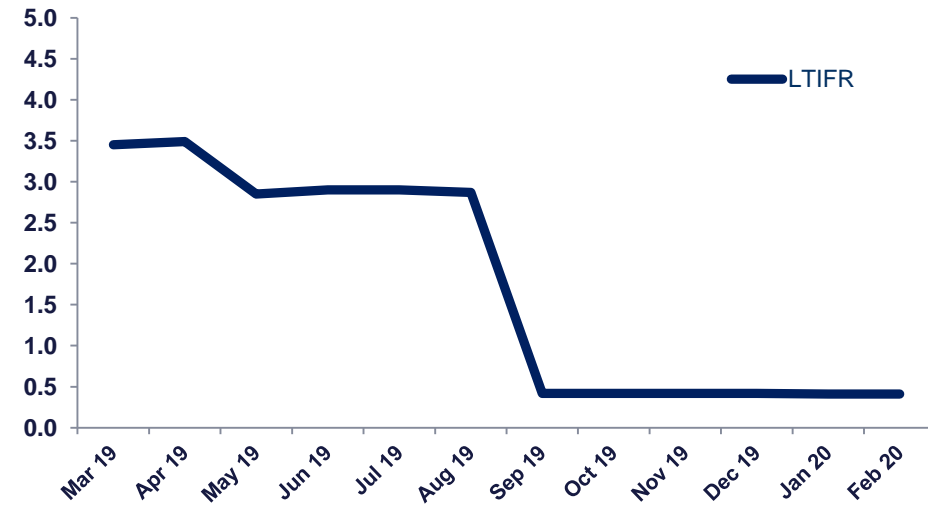
# Western Areas are safe areas



Days LTI free

Spotted Quoll	3,244	Aug-11
Cosmos	1,612	Oct-15 (no injuries)
Cosmic Boy Concentrator	539	May-18
Exploration	526	Sep-18
Flying Fox	343	Mar-19

12 month LTIFR moving average

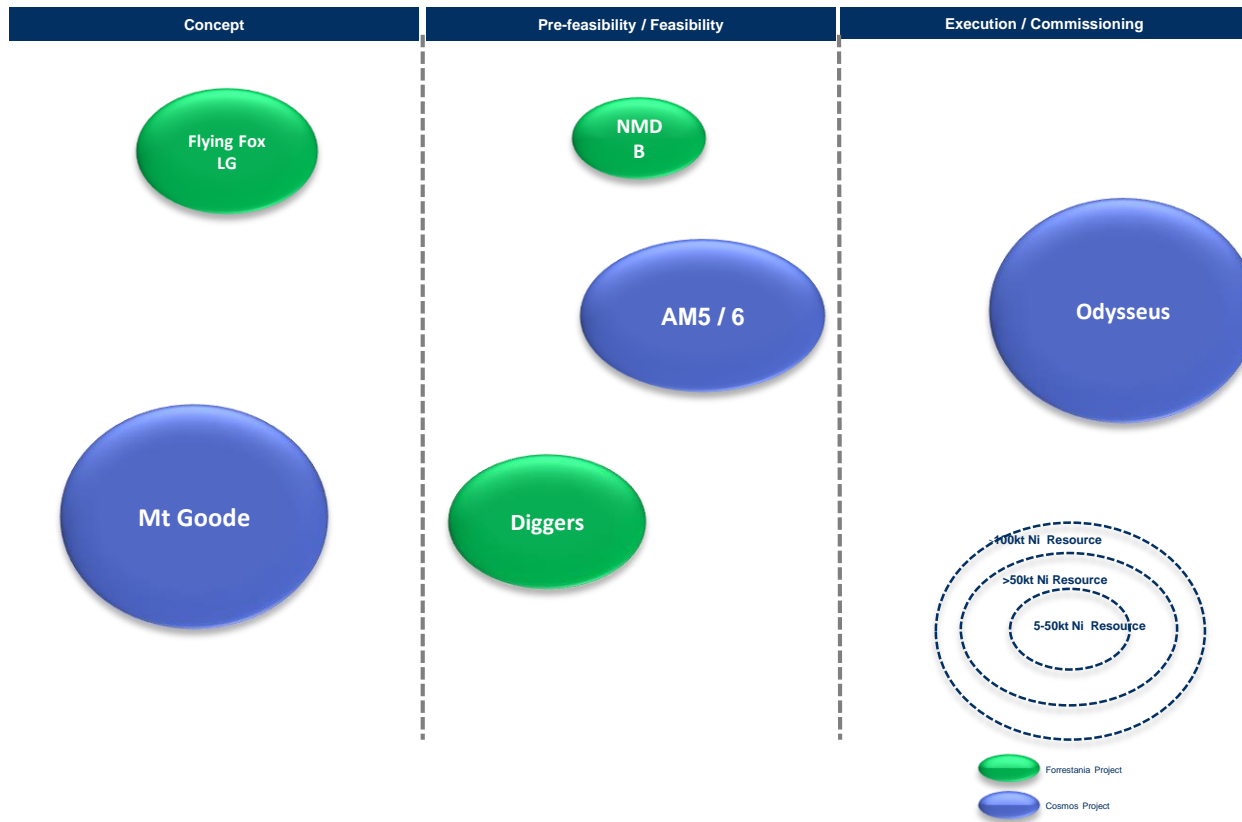




# GROWTH AND EXPLORATION

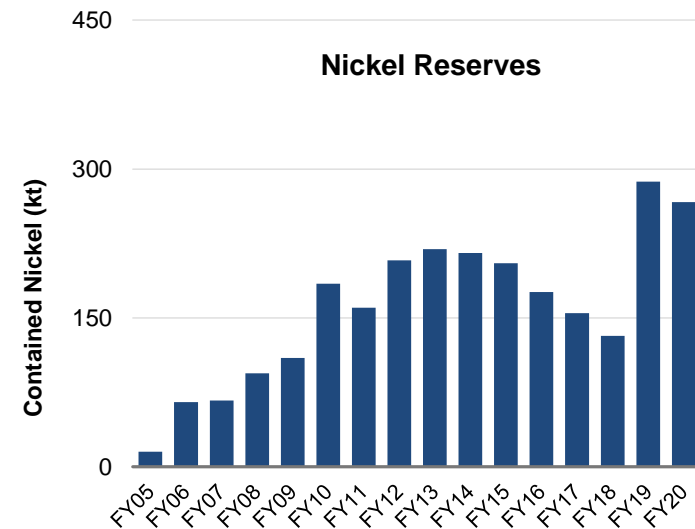
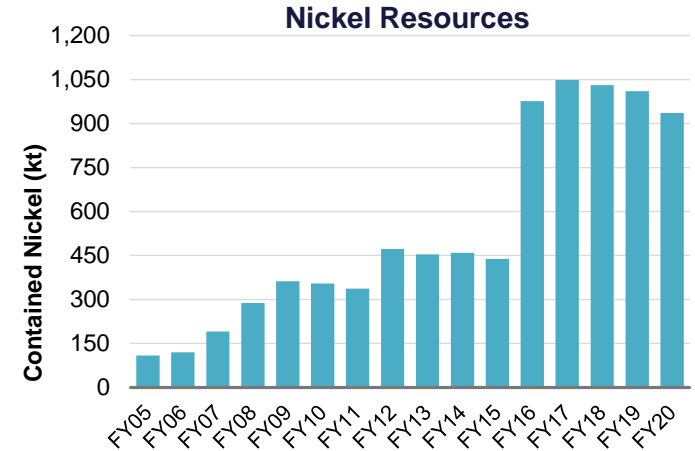


# Nickel growth pipeline



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

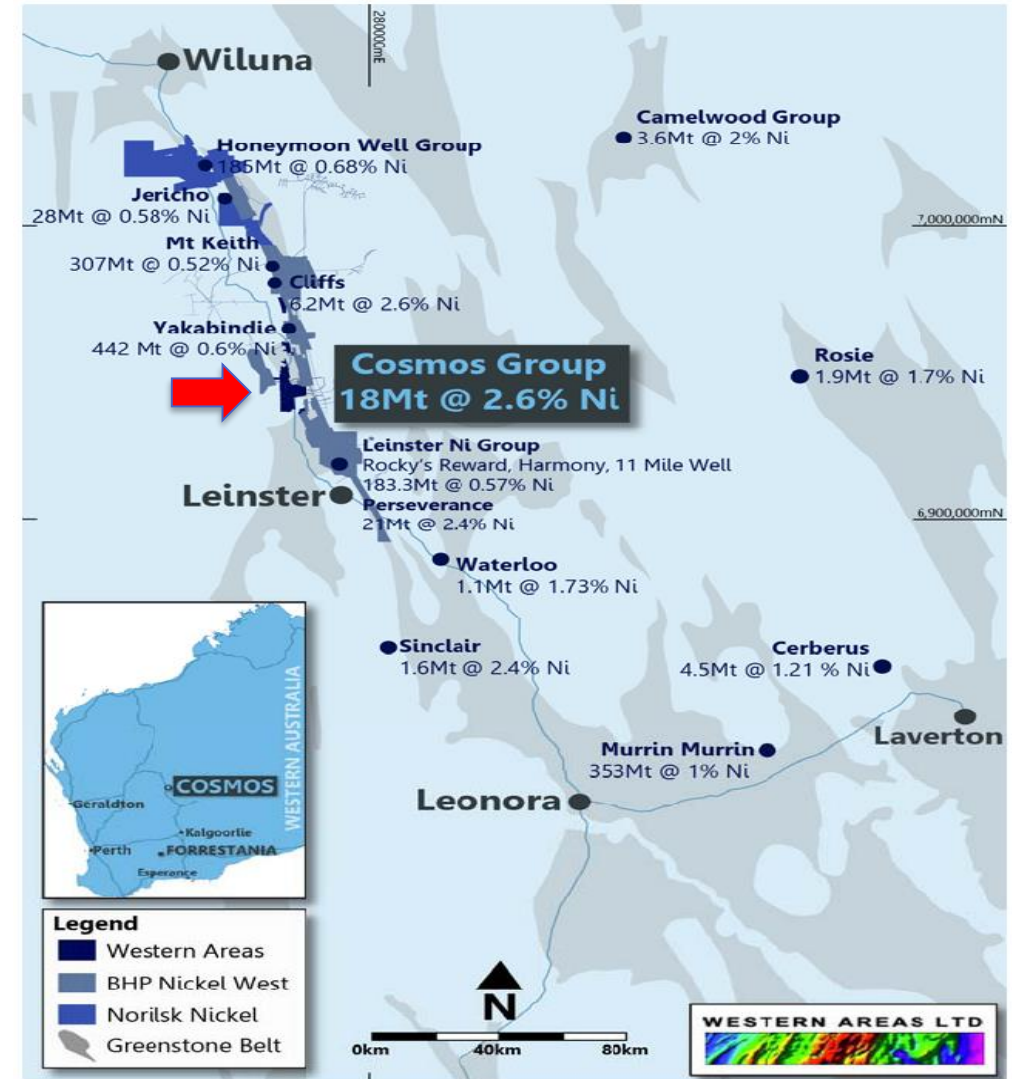
## Ore Reserves & Mineral Resources



# 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



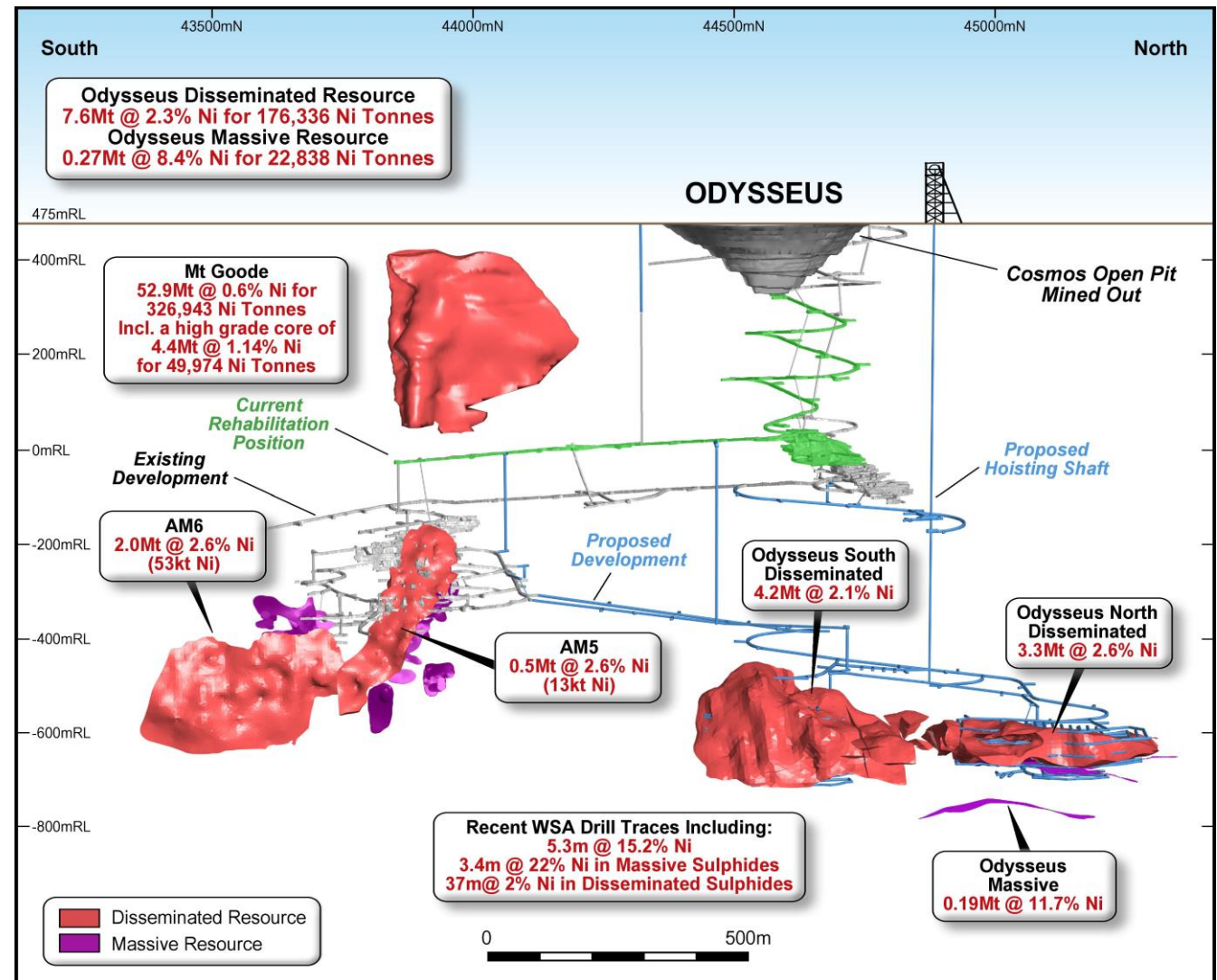
# Odysseus mine – now a long life project > 10yrs

- **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:**

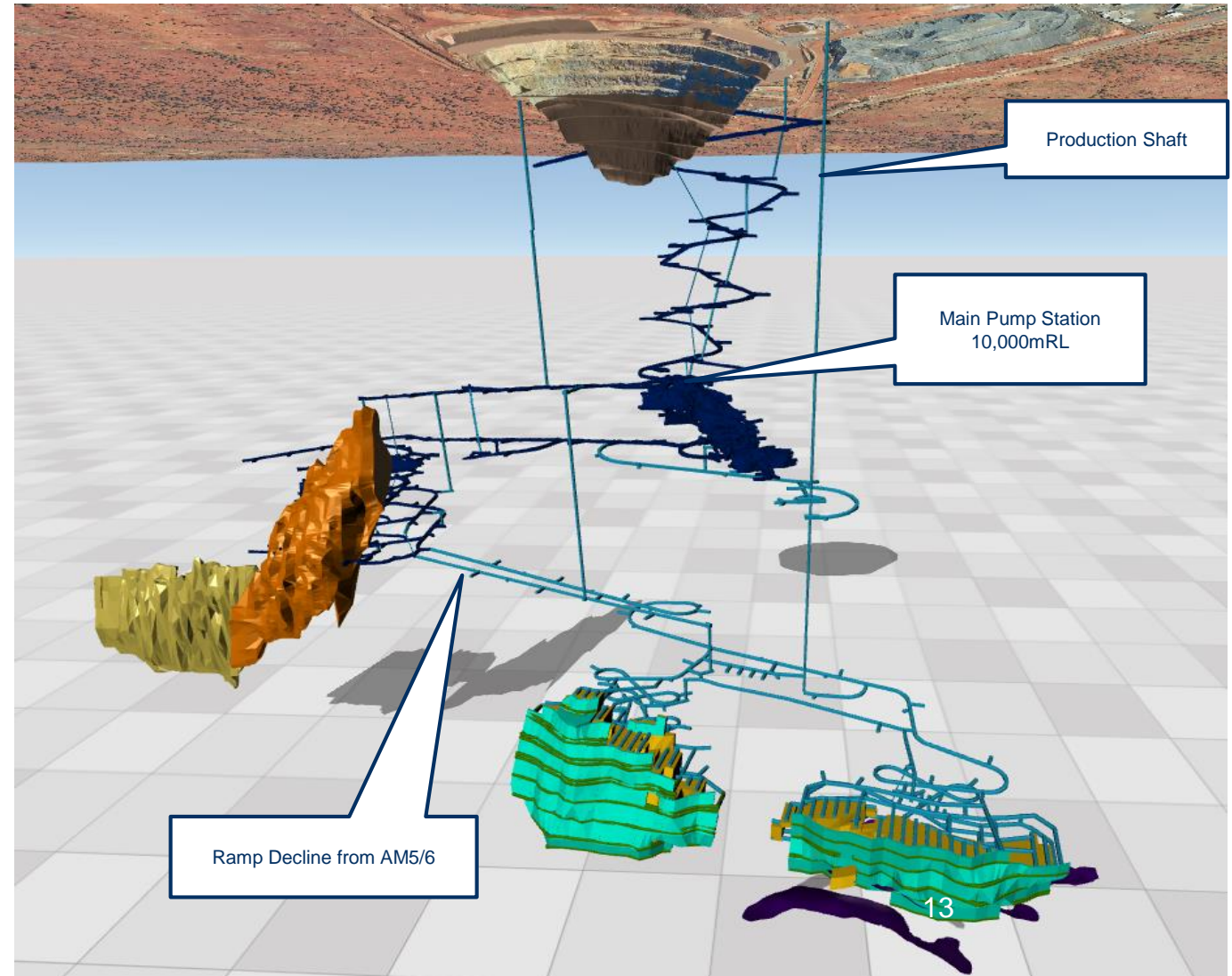
- ✓ AM5/6 deposits contain an Indicated Mineral Resource of 57.6kt of nickel (not included in DFS)
- ✓ Record massive sulphide intersections



# Odysseus mine – underground infrastructure

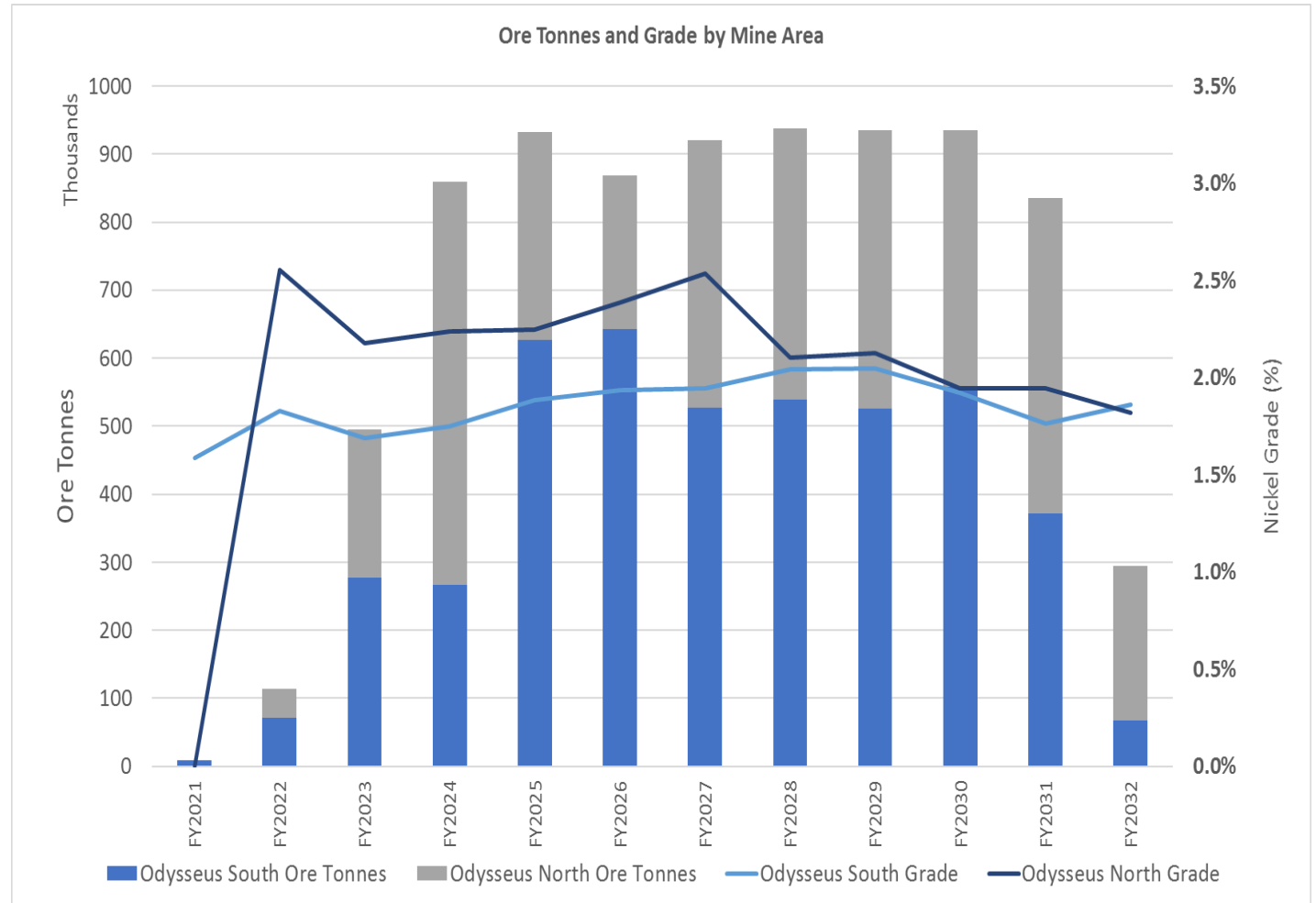
- **Pre-production capex A\$299m includes:**

- ✓ 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
- Combined with renewable power = energy efficient site, 85% reduction in CO<sub>2</sub>
- Low, consistent opex and proven technology
- Cycle time: ~3 mins
- 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

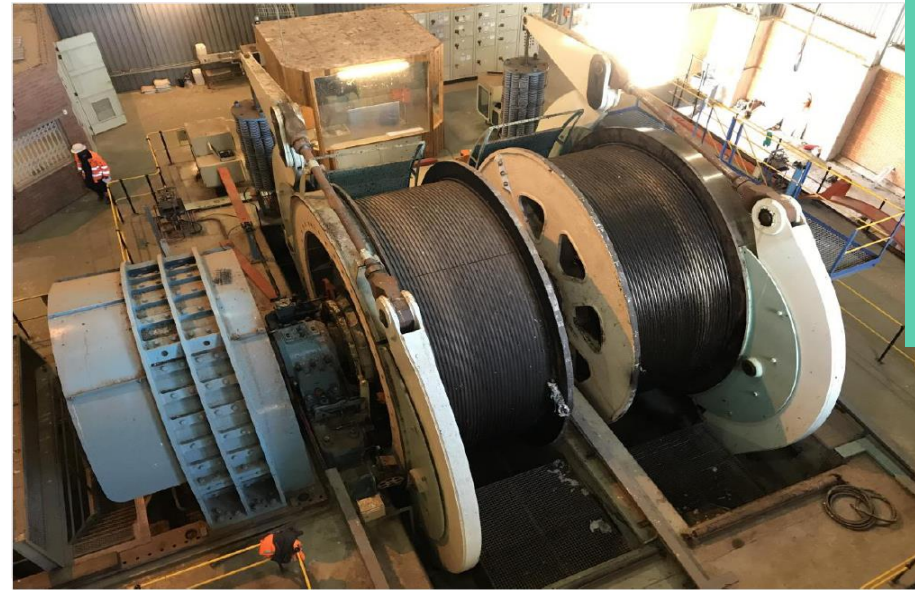


## Key Metrics:

- ✓ 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

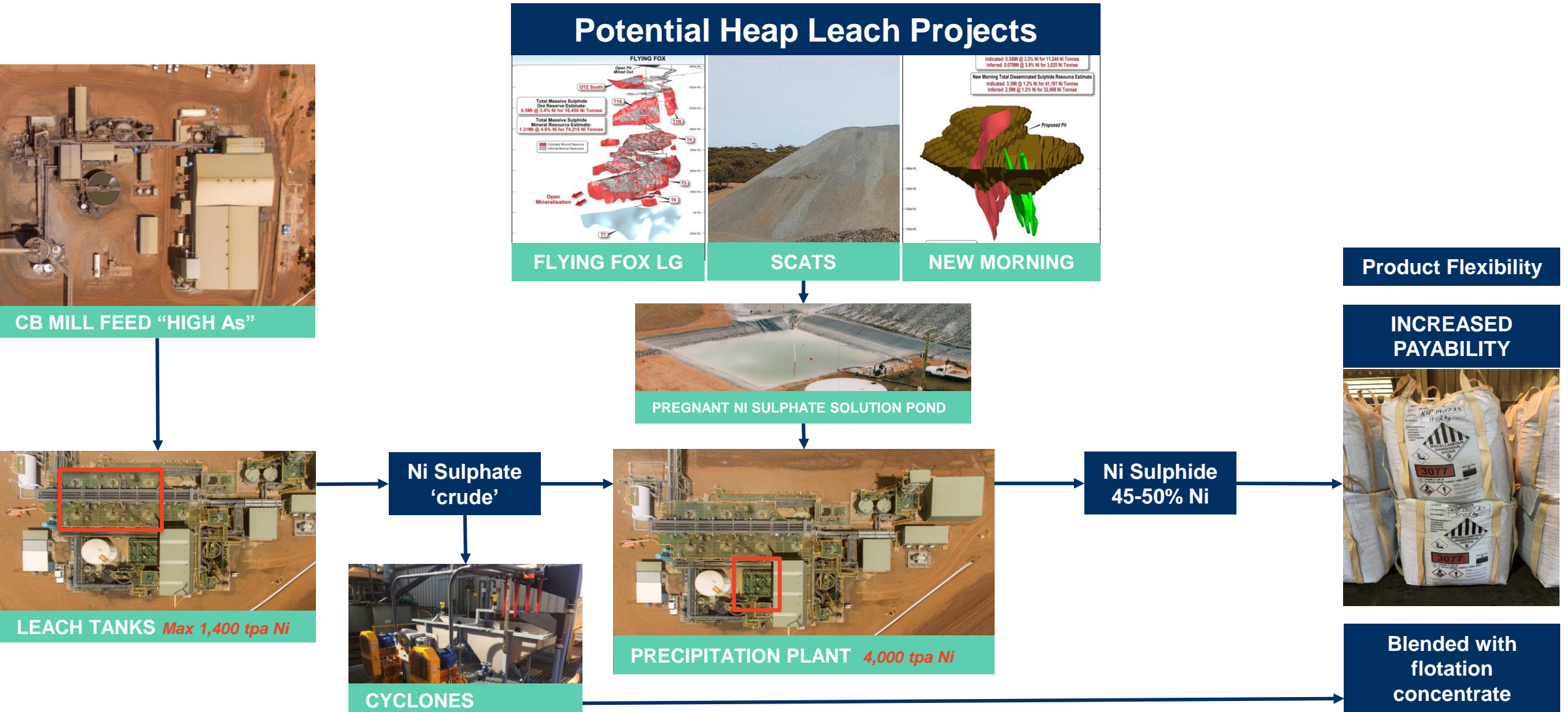


# Infrastructure progress

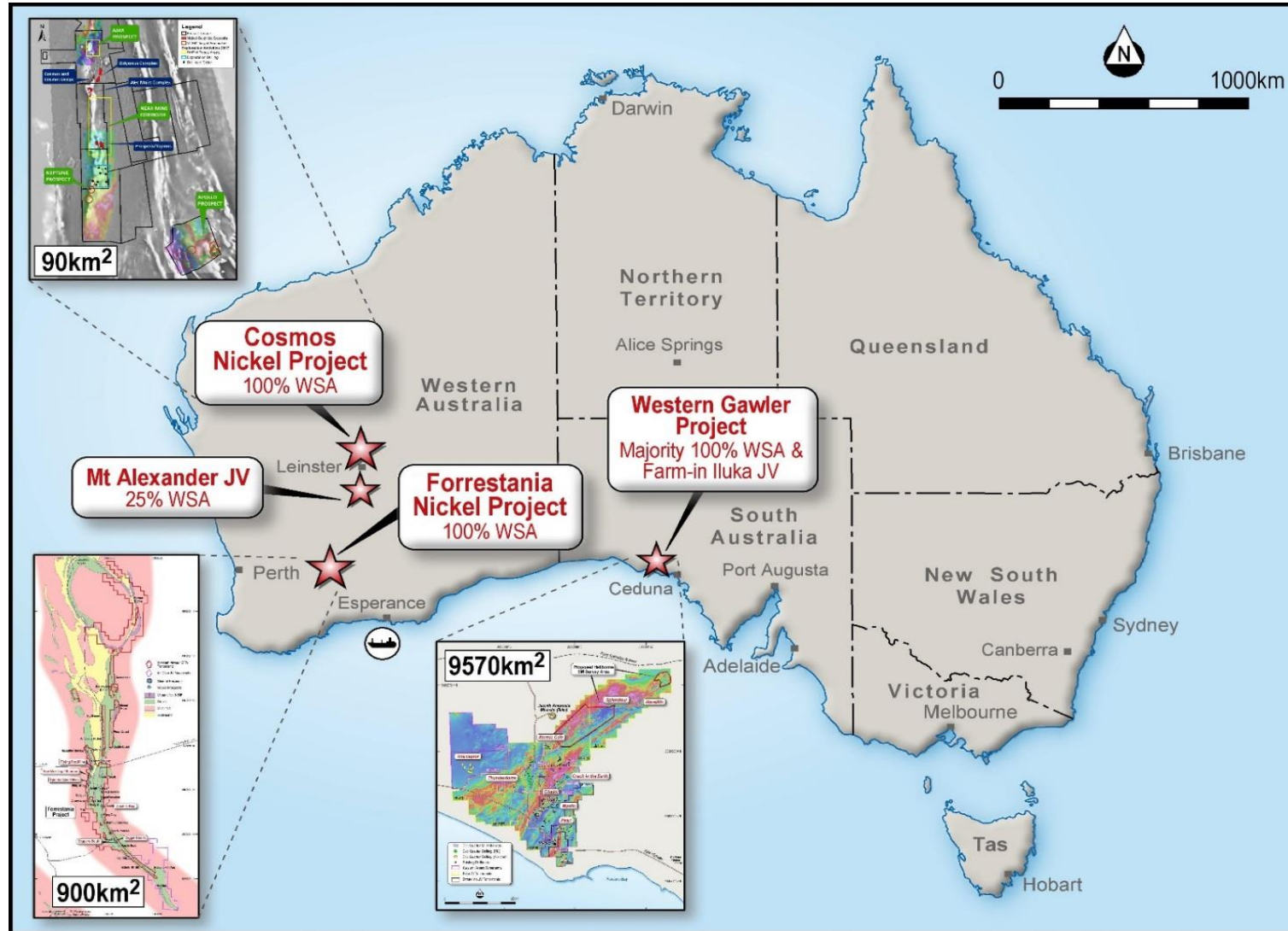




# MREP unlocks value

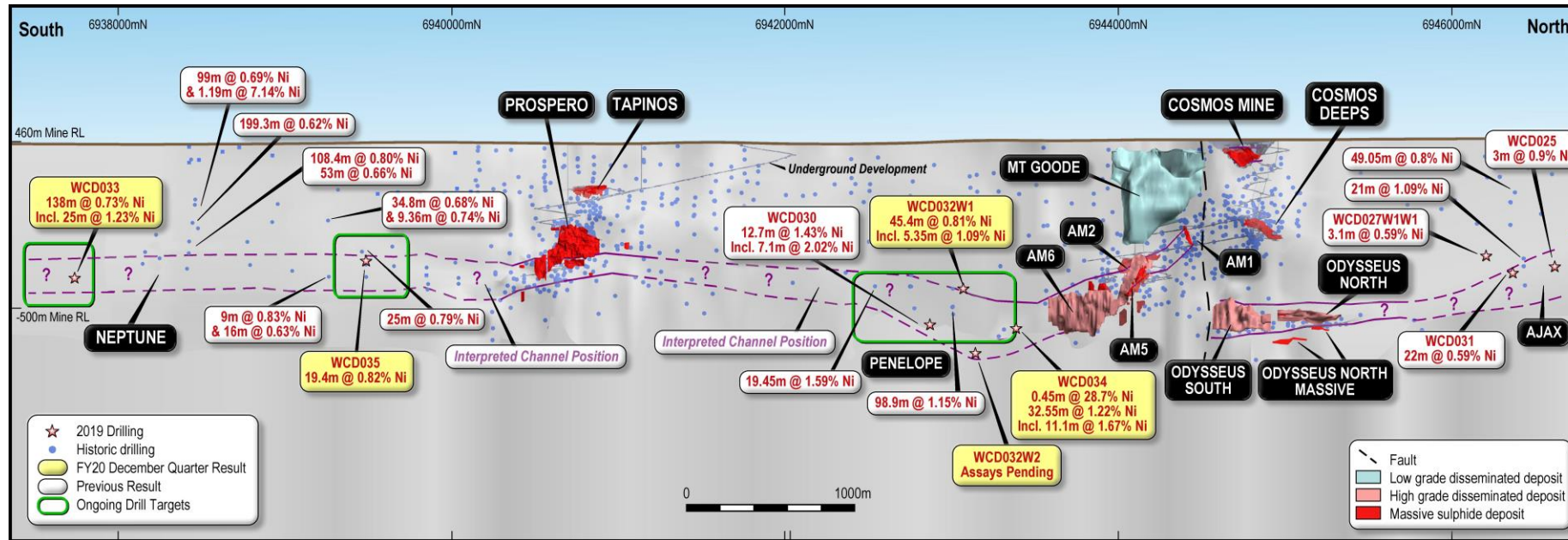


# Exploration - key tenement holdings

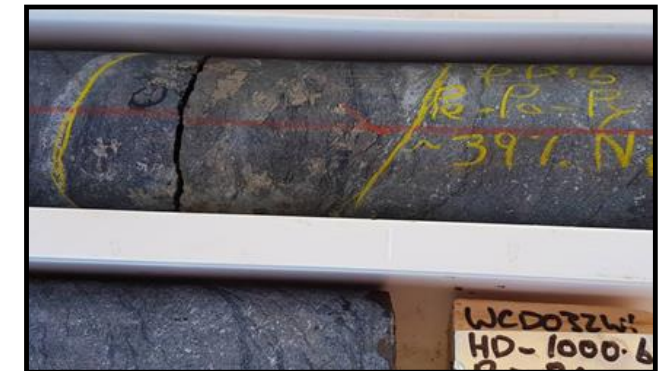


# Cosmos nickel exploration

> 9km of prospective host rocks

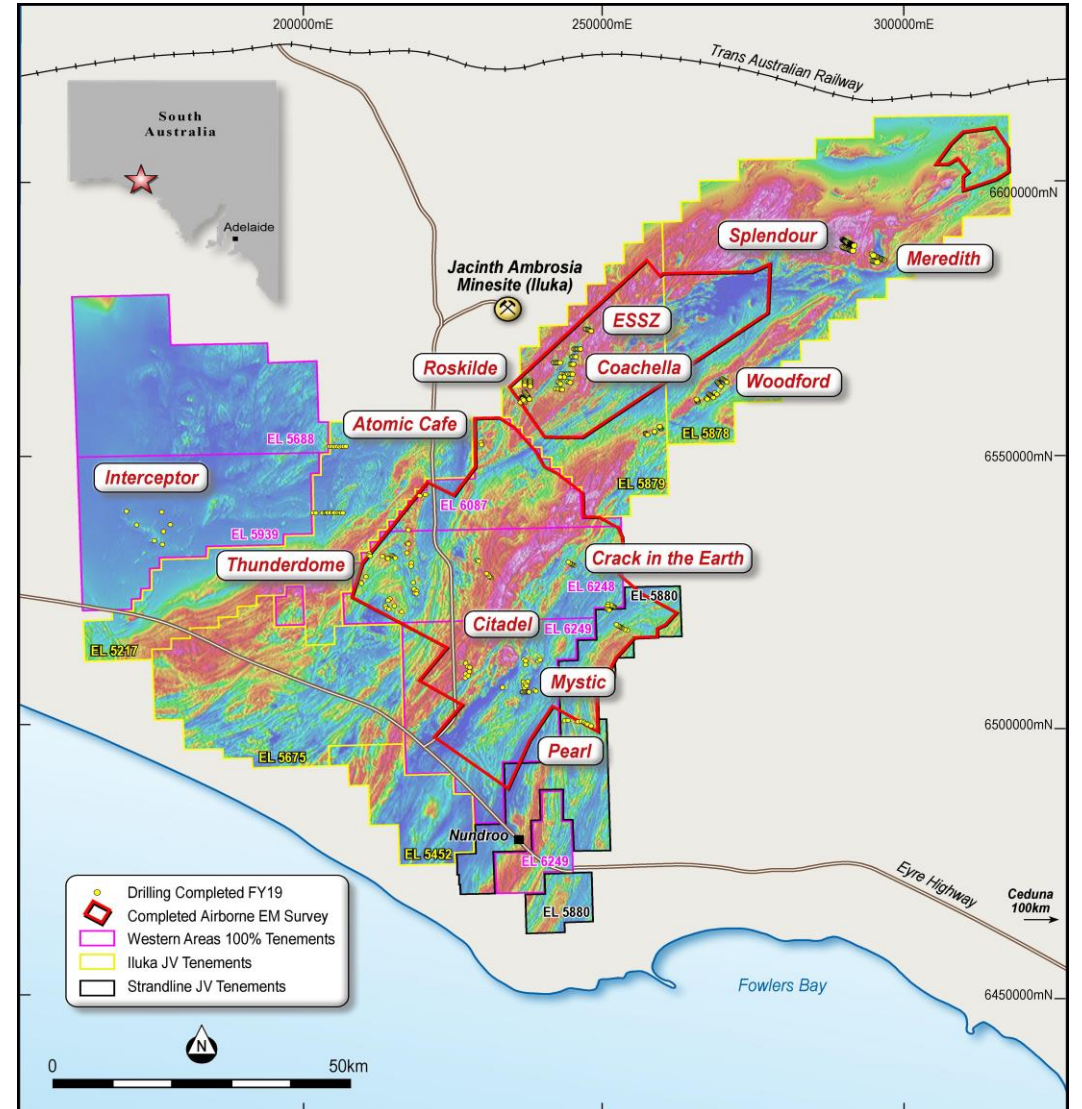
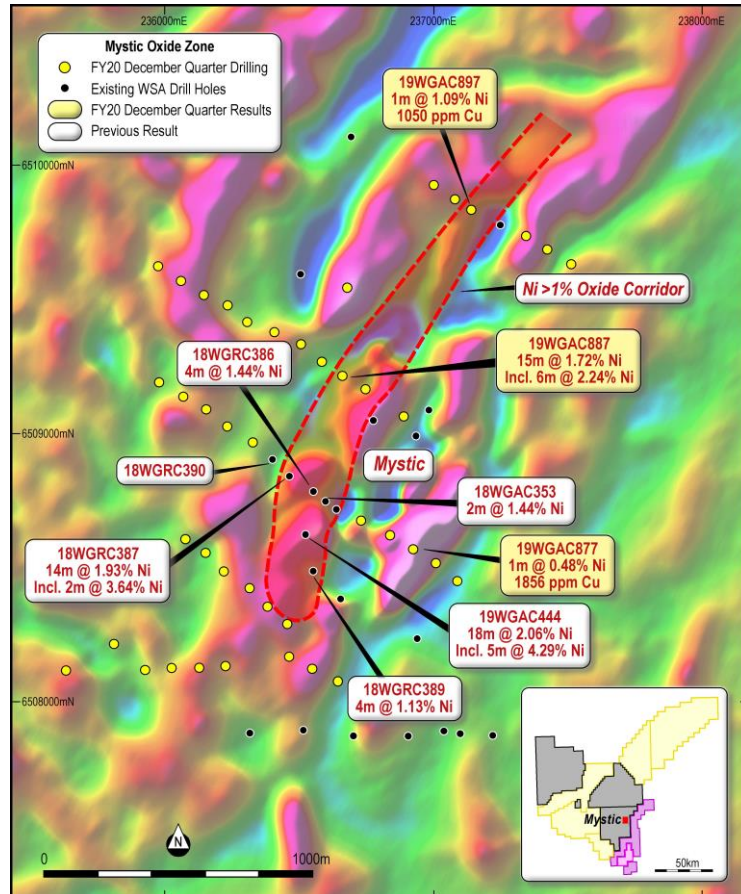


- Centred within the prolific Leinster – Wiluna Nickel corridor
- Additional accumulations of nickel sulphide identified within the Neptune and Penelope prospects
- Adjacent to good infrastructure and developing Odyssey mine



# 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



# OPERATIONS

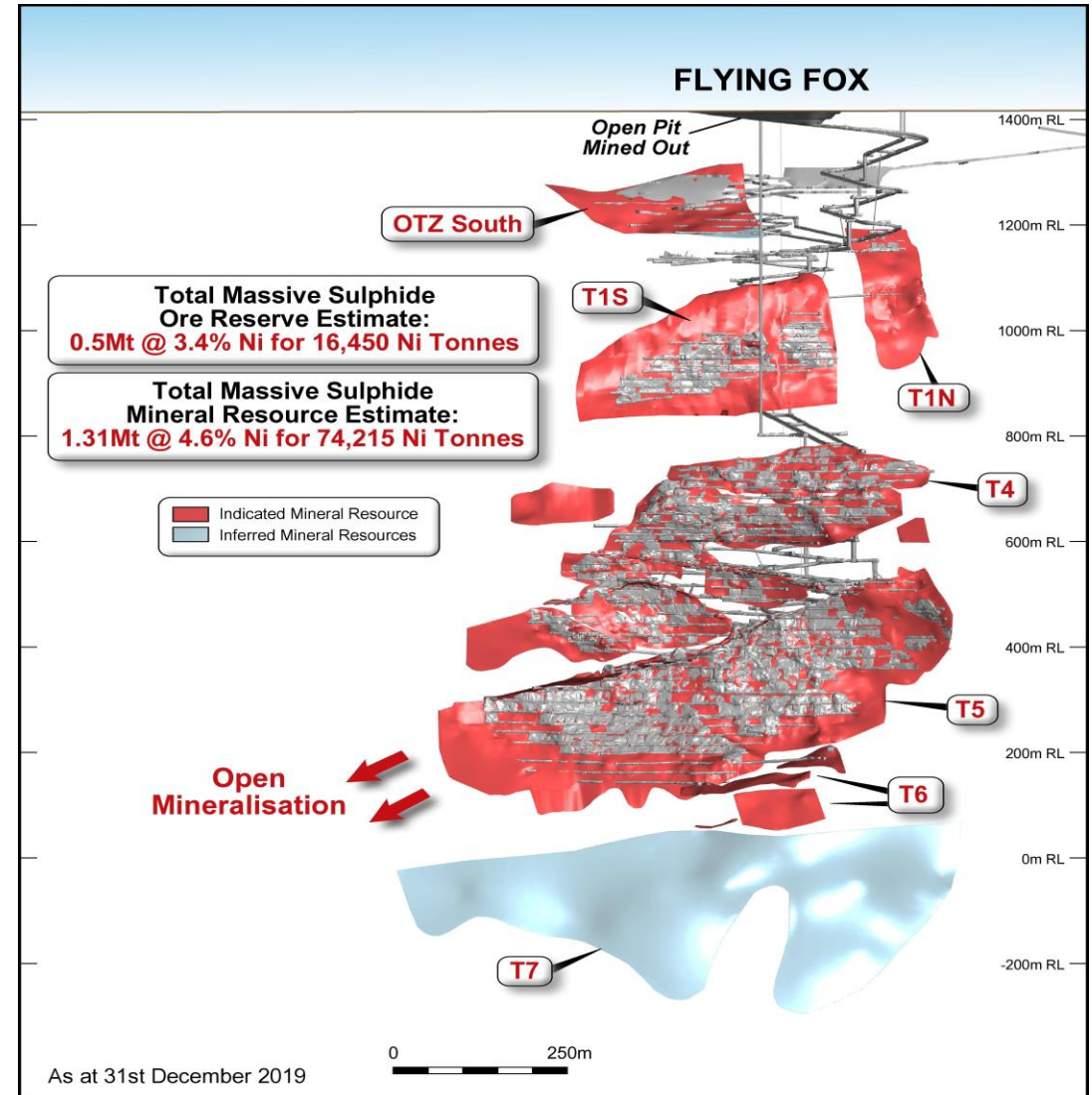


# Flying Fox mine

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

## 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

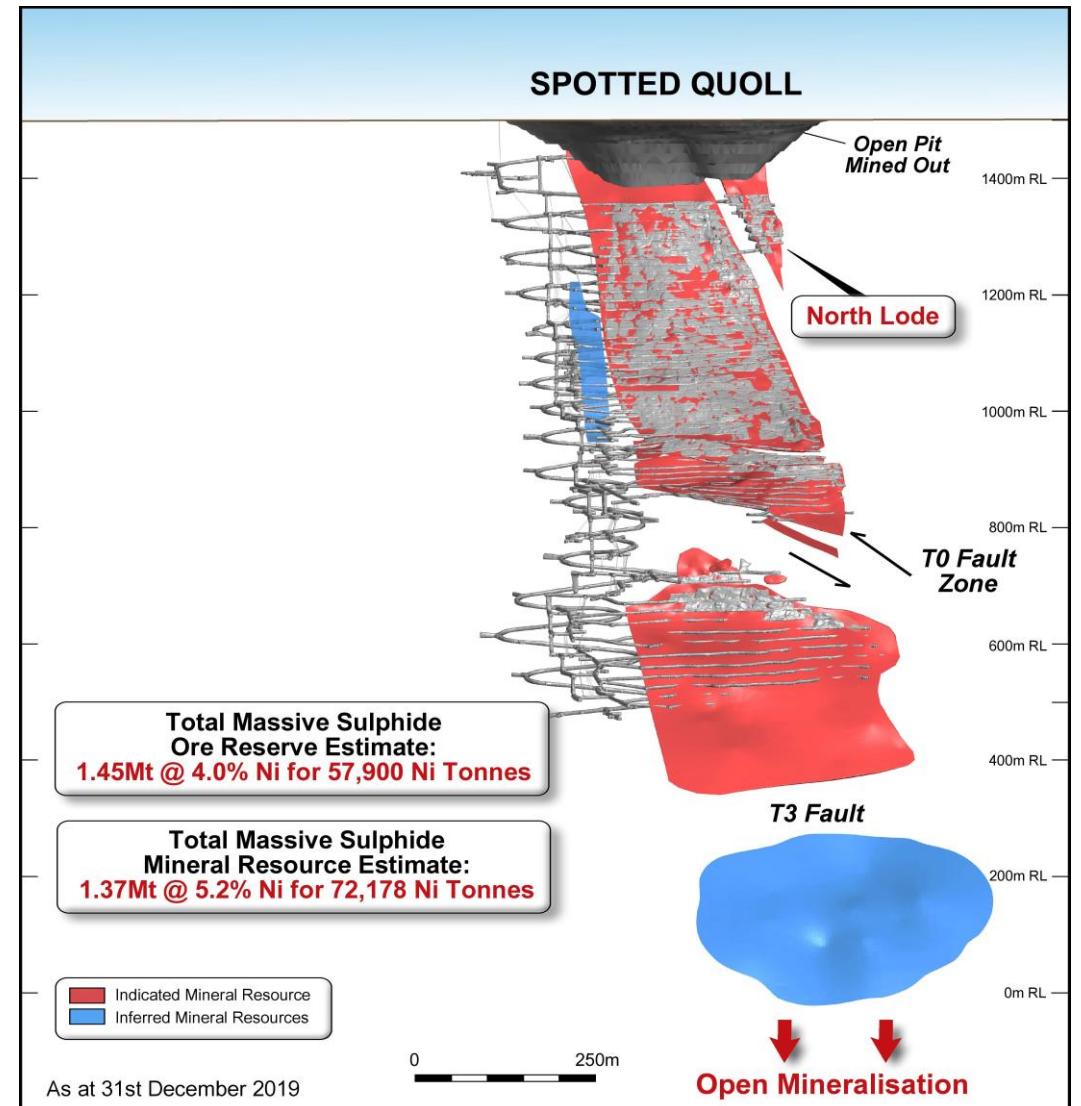


# Spotted Quoll mine

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

## 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

## MREP Summary

- 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 – mainly refineries
- Current spot sales to SMM and several other refineries





# THE NICKEL MARKET



# Offtake contracts best in class

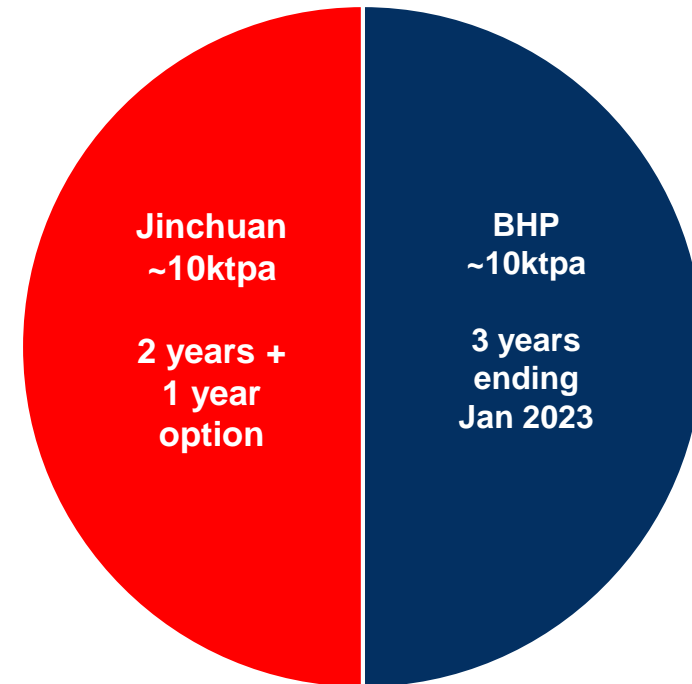
*New contracts executed with strategic partners following successful completion of a highly competitive tender process*

*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 precursor sector for future MREP production of high grade premium nickel sulphide and potential for Odysseus concentrate to feed this market.*

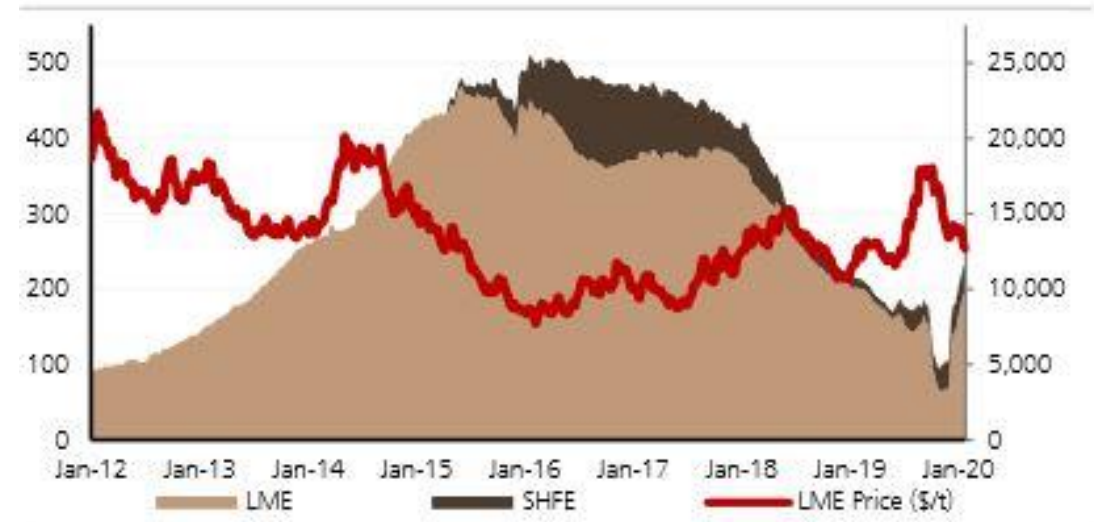


# What we are seeing

- **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

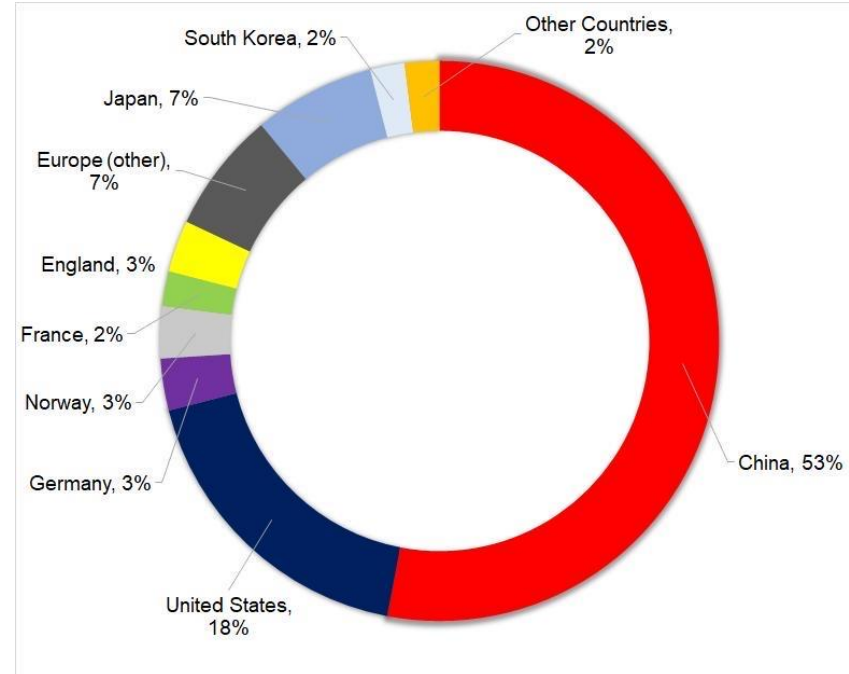


Source: Bloomberg, UBS estimates



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

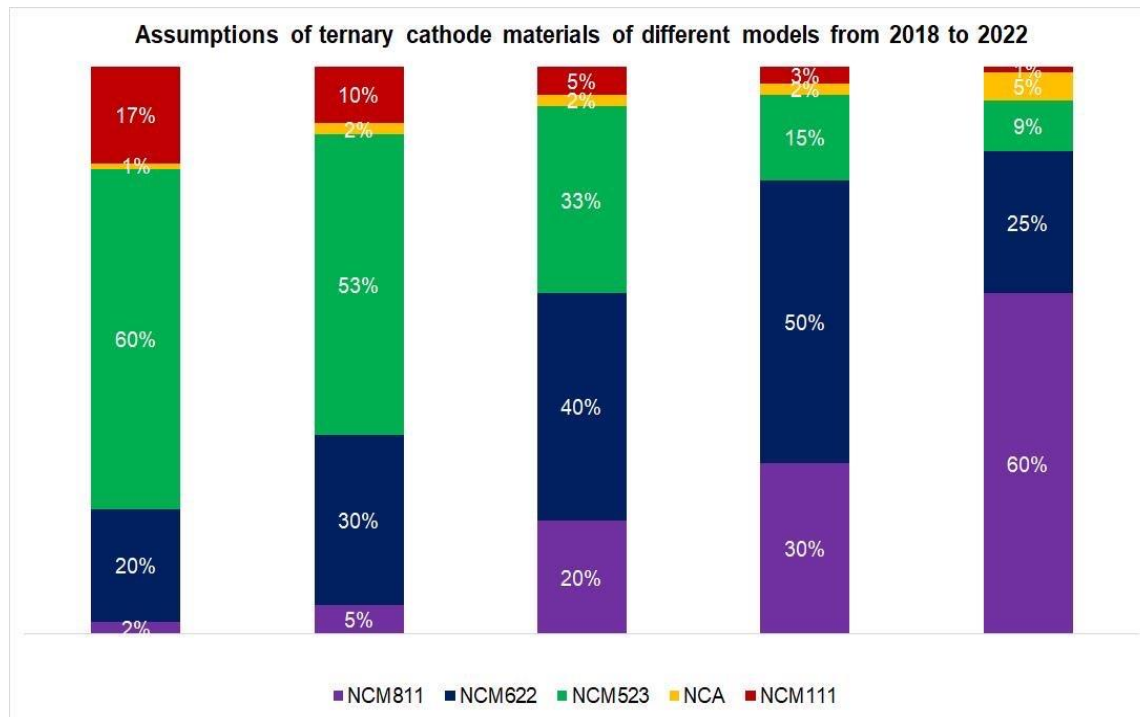
- **Current nickel price too low** to incentivise new project development. New mine development can take 3 years – the nickel “pie” is not expanding
- **May see divergent market in nickel supply** emerging between stainless steel and EV
- **Increasing forecasts of hybrid and EV production in China.**
- **Major car OEM’s taking position in Chinese market**



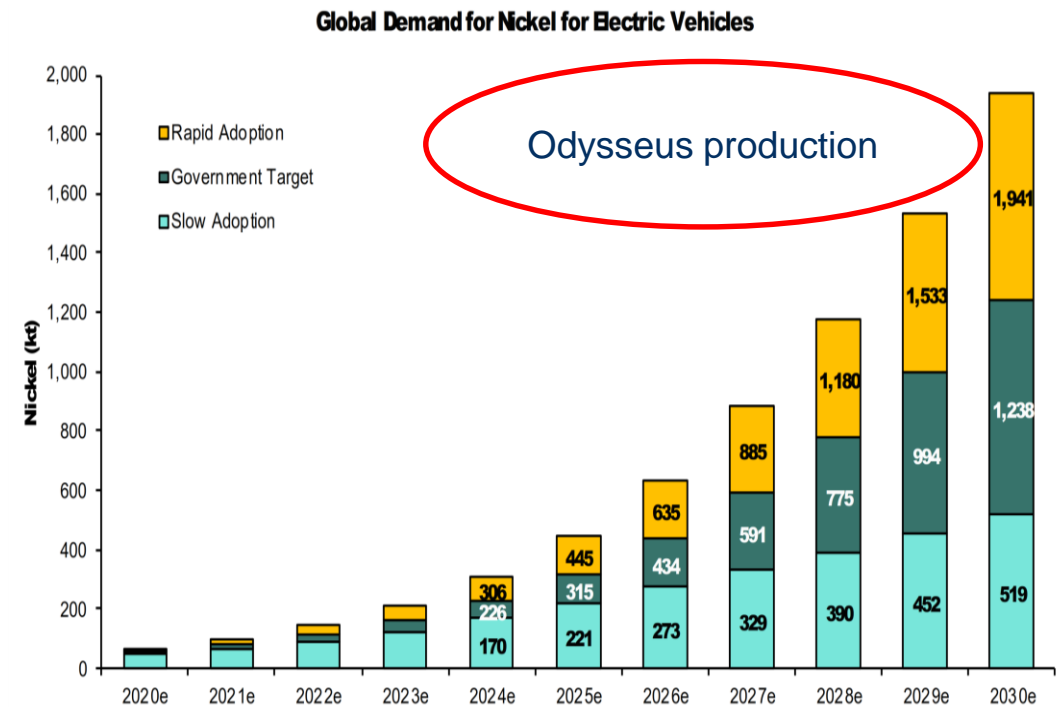
Source: Golden Dragon Capital, January 2020

# 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

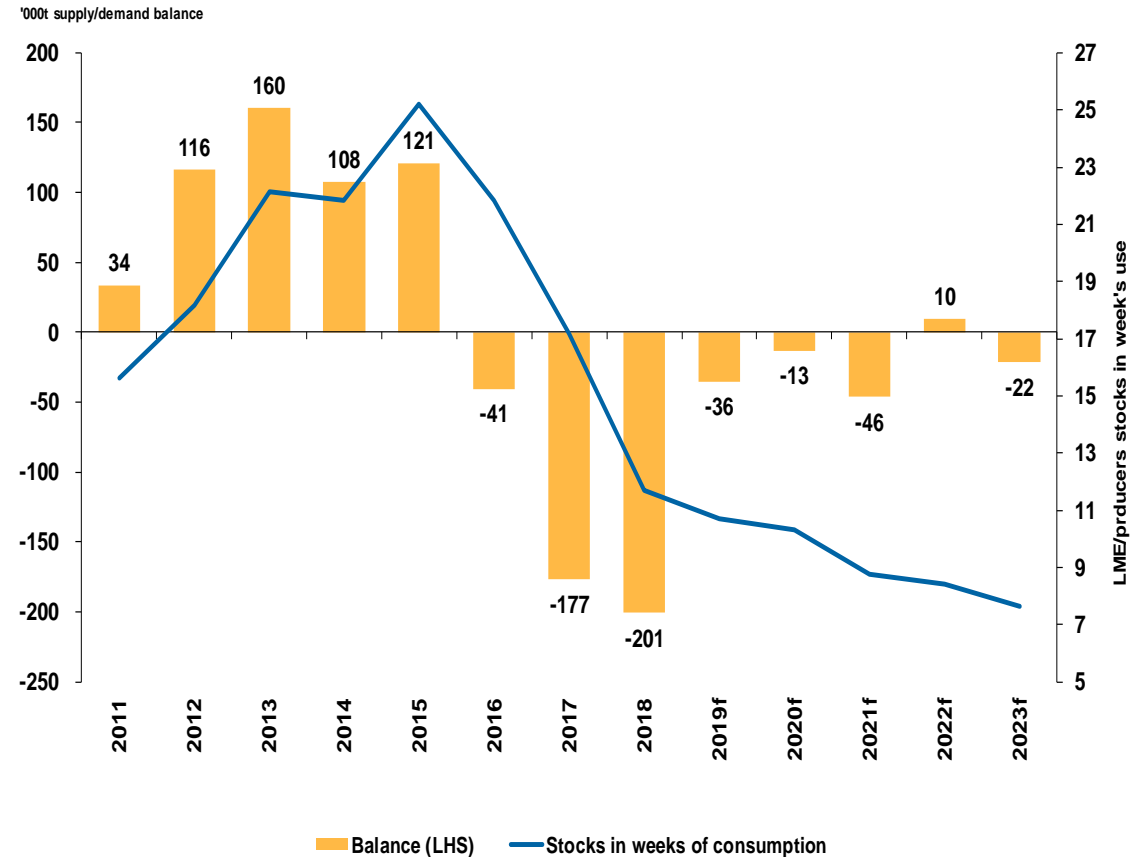


Growing disposable incomes



Urbanization

Nickel supply/demand balance and stocks to 2023F



Source: INSG, Company reports, Macquarie Commodities Strategy, February 2020

**WESTERN AREAS LTD**



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