

# WESTERN AREAS LTD

## DIGGERS & DEALERS

### KALGOORLIE

2 AUGUST 2016



WESTERN AREAS LTD



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The information within this PowerPoint presentation was compiled by Western Areas management, but the information as it relates to mineral resources and reserves was prepared by Mr. Dan Lougher and Mr. Andre Wulfse. Mr. Lougher and Mr. Wulfse are full time employees of Western Areas Ltd. Mr. Lougher and Mr. Wulfse 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. Lougher and Mr. Wulfse consent to the inclusion in this presentation of the matters based on the information in the form and context in which it appears. The information contained in this presentation in relation to the New Morning Deposit was prepared and first disclosed under the 2004 Edition of the JORC Code. It has not been updated since to comply with the 2012 JORC Code on the basis that the information has not materially changed since it was last reported.

For the Purposes of Clause 3.4(e) in Canadian instrument 43-101, the Company warrants that Mineral Resources which are not Mineral Reserves do not have demonstrated economic viability.



# AGENDA



Nickel  
Market



Corporate  
Overview



Operations  
Review



Growth  
Outlook

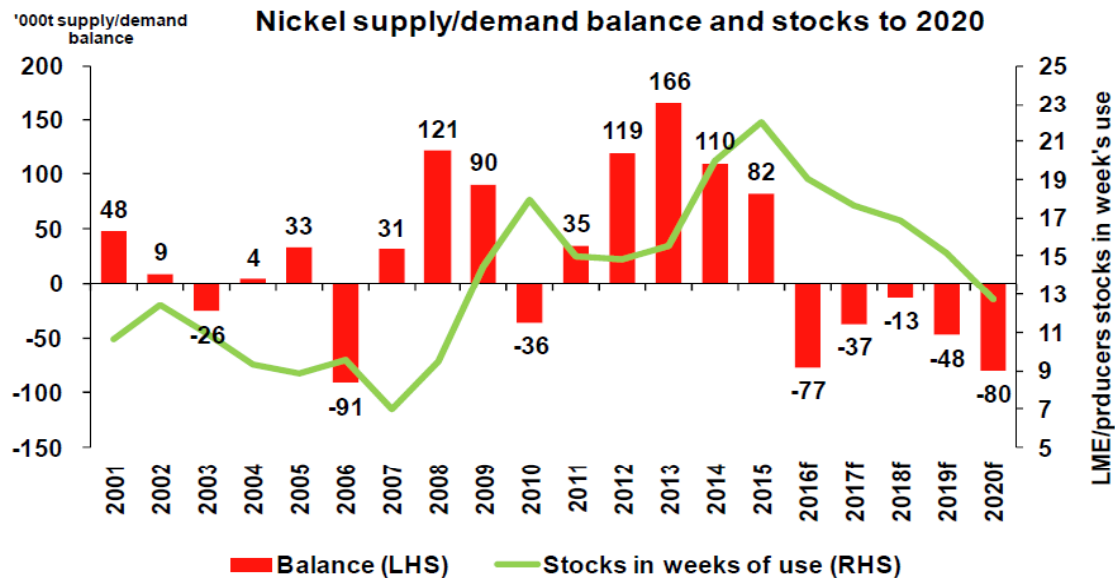
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# NICKEL MARKET



# LARGE OVER-SUPPLY MOVING TO DEFICIT

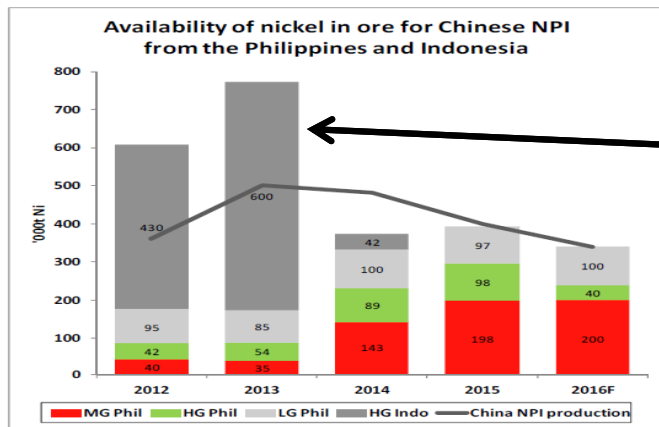


- Last 5 yrs of surplus supply
- Forecast of 70-75k tonnes deficit in 2016
- Current LME stockpiles falling
- Does not factor in current Filipino environmental concerns and mine closures

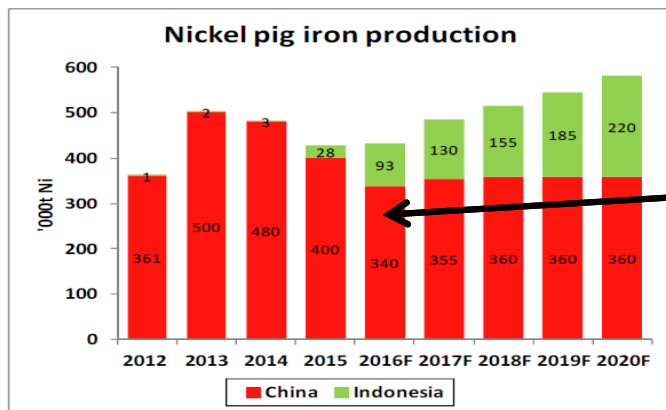
Source: INSG, Macquarie Research, May 2016



# IMPACT OF INDONESIAN NICKEL ORE BAN



Source: Trade data, Nickel Asia, Macquarie Research, May 2016



Source: INSG, Macquarie Research, May 2016

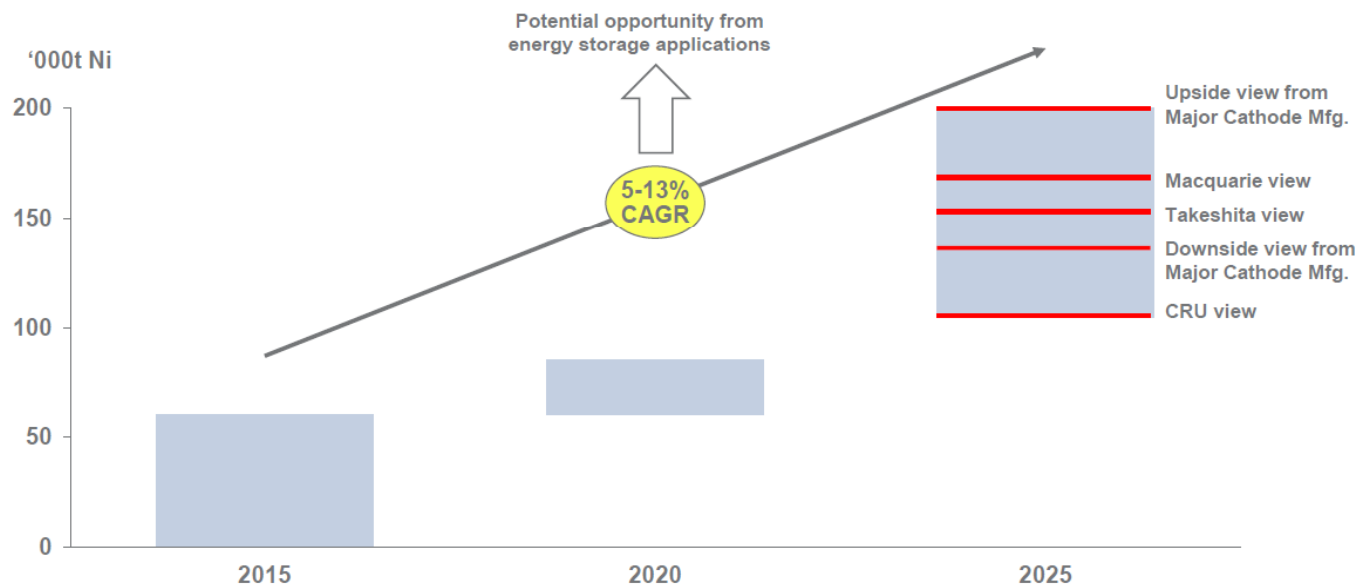
- Indonesian miners ramped up nickel production ahead of Jan 2014 ban – maybe 300kt+ nickel was stocked in China ahead of ban
- Philippines ramped up production after the ban – mainly lower grade ores (1.4 – 1.5% Ni vs. 1.8 – 2.0% from Indonesia)
- New Caledonian laterite exports have strict controls and is not additional material
- **Recent moves by Filipino Government to moderate environmental impact. Talks on potential ban – catalyst for recent Ni price movement**



# GROWING EMERGING MARKET – ELECTRIC VEHICLES

- Nickel is increasingly being included in battery formulations as it leads to higher energy density batteries.
- **Nickel demand from batteries is expected to grow at faster pace than seen historically, from ~50kt in 2015 to 150-200kt by 2025**

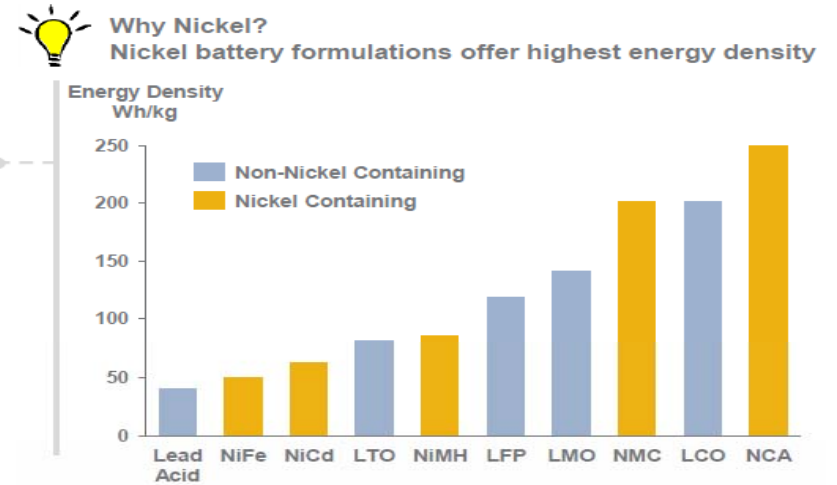
Forecast **nickel consumption** in the battery segment



Source: Takeshita 2015, CRU, Macquarie, Vale sources



# NICKEL IS A KEY INGREDIENT IN LITHIUM-ION BATTERIES (~50KG NI PER CAR)



“Our cells should be called Nickel-Graphite, because primarily the cathode is nickel and the anode side is graphite with silicon oxide... [there’s] a little bit of lithium in there, but it’s like the salt on the salad,” Tesla CEO Elon Musk



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# CORPORATE OVERVIEW



# CORPORATE OVERVIEW

## High quality assets

- Highest grade, low cash cost nickel producer
- Operational cashflow positive at current prices

## No debt, clean balance sheet, low costs

- Further flexibility with undrawn A\$50m ANZ facility
- Low unit cash cost producer

## Organic growth options

- Strong near-mine and regional exploration
- Cosmos exploration and Odyssey PFS

## Positioned for nickel recovery

- A\$1/lb lift in nickel price = circa A\$35m EBITDA
- Portfolio delivers optionality

|                                |       |
|--------------------------------|-------|
| ASX code                       | WSA   |
| Share price                    | 2.69  |
| Shares outstanding (m)         | 270.9 |
| Market Cap (A\$m) <sup>1</sup> | 728.7 |
| Cash (A\$m) <sup>2</sup>       | 75.7  |

## Cosmos Nickel Complex

567kt Ni resources  
Scoping study being reviewed

## Flying Fox

12.4kt Ni mined FY16  
48.2kt Ni reserves  
102.2kt Ni resources

## Spotted Quoll

15.2kt Ni mined FY16  
97kt Ni reserves  
119.8kt Ni resources



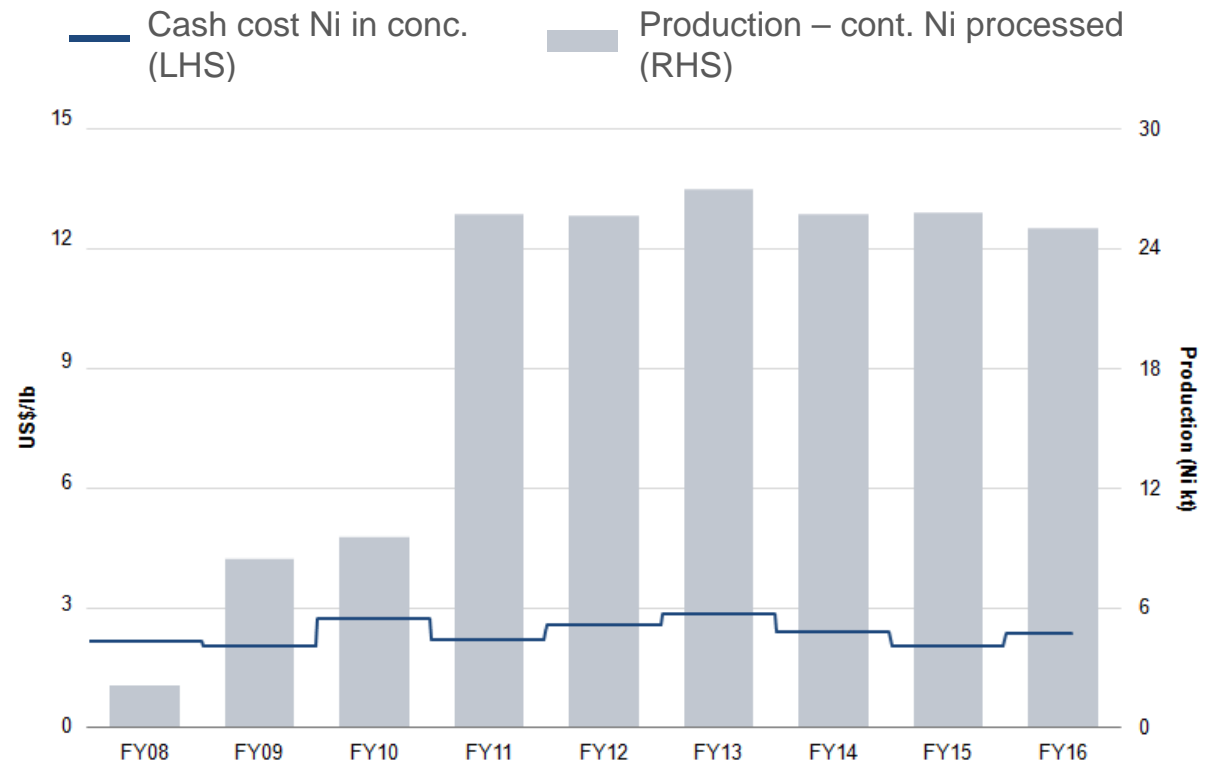
## A leading mid-tier base metal producer

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1. Based on share price on 28 July 2016
2. Cash as at 30 June 2016

# CONSISTENT LOW COST PRODUCER

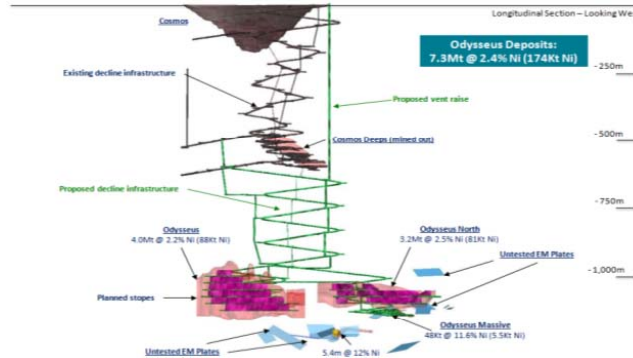
- **ALL FY16 GUIDANCE METRICS MET OR EXCEEDED**
- LTIFR – ZERO – over 2 yrs LTI free
- Record Spotted Quoll mine production of 15,175 Ni tonnes
- Unit cash cost of production at A\$2.26/lb (US\$1.64/lb) of nickel in concentrate
- Record annual mill throughput at 616,279 ore tonnes
- Exceptional consistency and 6 years without a guidance miss



**A management team which consistently delivers guidance**



# PRUDENTLY BUILDING THE PLATFORM



## Exploration and Growth

- Cosmos Nickel Complex
- Western Gawler JV
- Forresteria

## Development

- Odysseus PFS
- New Morning
- Mill Recovery Enhancement

## Production

- Spotted Quoll
- Flying Fox
- Cosmic Boy Concentrator

**A portfolio with production and growth optionality**



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# OPERATIONS OVERVIEW



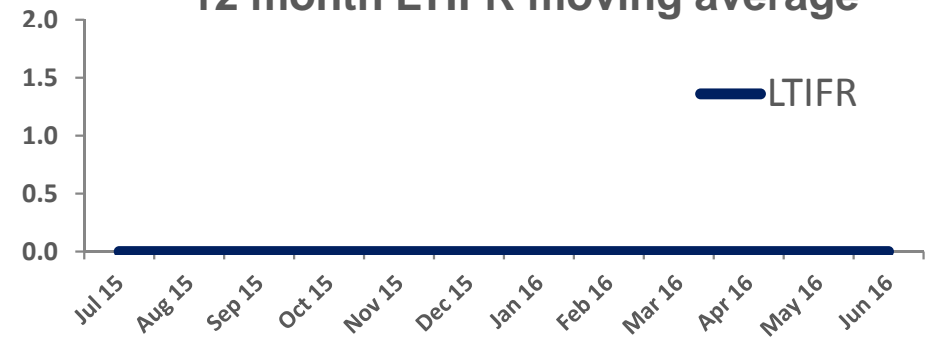
# WESTERN AREAS ARE SAFE AREAS



## Days LTI free

|                         |       |        |
|-------------------------|-------|--------|
| Exploration             | 2,921 | Nov-08 |
| Spotted Quoll           | 1,904 | Aug-11 |
| Cosmic Boy Concentrator | 1,103 | Oct-13 |
| Flying Fox              | 1,086 | Nov-13 |

## 12 month LTIFR moving average



**Safe operations make efficient operations**

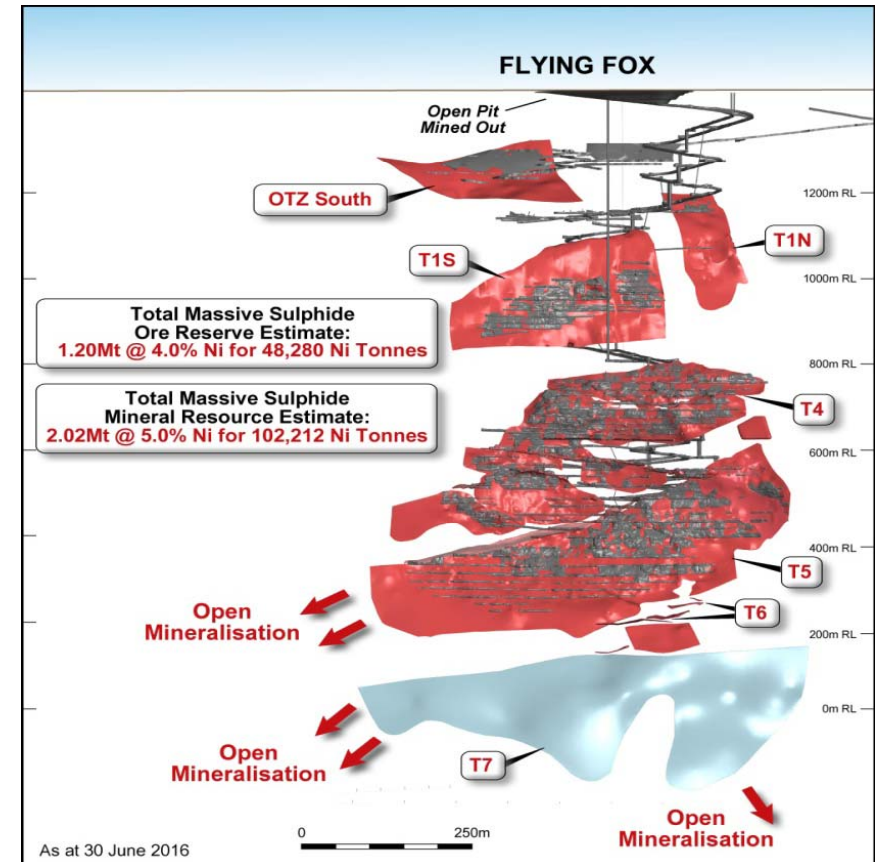


# FLYING FOX MINE

|                              |                                   |
|------------------------------|-----------------------------------|
| Reserve<br>Contained nickel  | 1.2Mt @ 4.0%<br>48,280 Ni tonnes  |
| Resource<br>Contained nickel | 2.0Mt @ 5.1%<br>102,212 Ni tonnes |
| Mine life                    | 5 years                           |

## Key points

- FY16 production – 12,432 Ni tonnes
- Reserve life has a demonstrated history of replenishment
- Added OTZ South Massive Zone – 182,898t @ 4.1% Ni for 7,417 nickel tonnes
- Recent drilling into T5 and T6 domain has been encouraging, including 6.3m @ 8.0% Ni
- Has been operating for over 10 years



## WSA's foundation asset within Forrestania

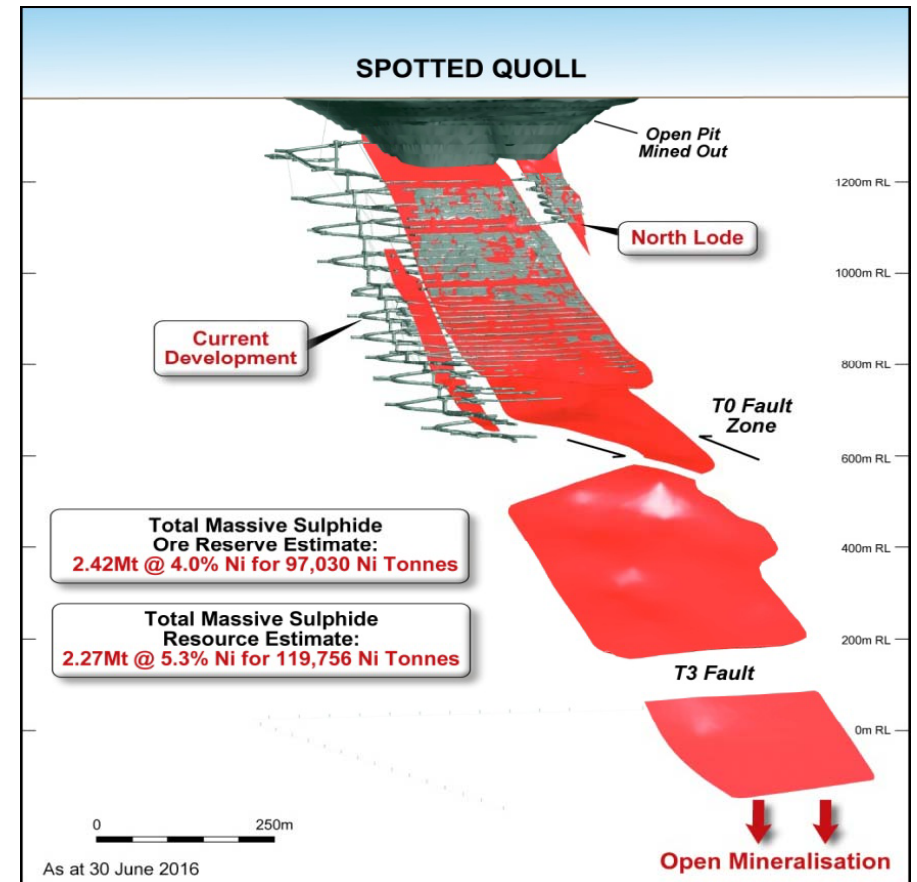


# SPOTTED QUOLL MINE

|                              |   |
|------------------------------|---|
| Reserve<br>Contained nickel  | <b>2.4Mt @ 4.0%</b><br><b>97,030 Ni tonnes</b>  |
| Resource<br>Contained nickel | <b>2.3Mt @ 5.3%</b><br><b>119,756 Ni tonnes</b> |
| Mine life                    | <b>+8 years</b>                                 |

## Key points

- FY16 record annual production – 15,175 Ni tonnes
- Discovered by WSA in 2007, 6km south of Flying Fox
- Remains open at depth and to the North
- Production has outperformed reserve tonnes and grade consistently
- Top down mining with paste fill
- Has never recorded an LTI



**WSA Explored, Discovered and Developed**





# FORRESTANIA NICKEL CONCENTRATOR

## Concentrator Summary

- Mill processed an annual record of 616k tonnes of ore in FY16, for 25,009 nickel tonnes
- 12% above name plate capacity of 550,000 tpa
- Concentrate grades of between 14.0% to 15.5% Ni
  - Premium blending product (Fe/Mg ratio >15:1)
  - Desirable to smelters

## Export Infrastructure and Logistics

- Export concentrate transported to Esperance Port in half height containers and through to China
- Shipping contract in place, FOB Terms
- BHPB Nickel West concentrate delivered to Kambalda



**WSA produces a high quality and in demand nickel concentrate**



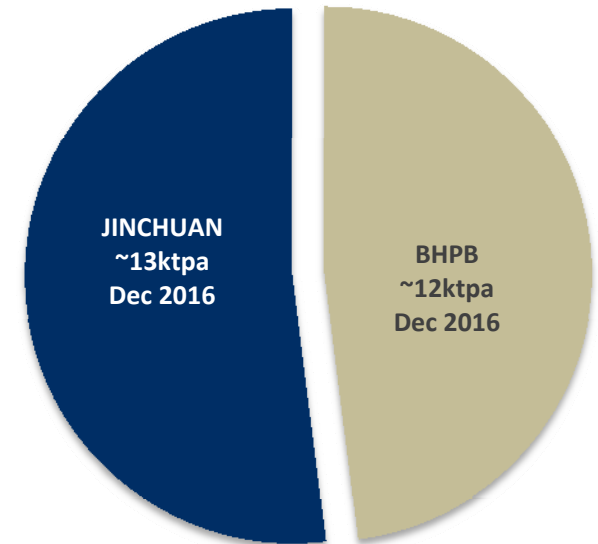
# INDEPENDENT PRODUCER – OFFTAKE CONTRACTS

## Offtake Contracts

- Existing contracts with Jinchuan/BHPB
- “FOB” Terms
- Very competitive payable percentage of LME

## Offtake Status – Opportunities for Western Areas

- 10ktpa contract for BHPB expires for first time in 7 years
- Tender process commences in September quarter 2016
- **Potential growth in roasting market in Asia – the Company is investigating alternative markets**
- Shortage of high quality premium blending concentrate
- Strong EOI’s already received from new and existing parties





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# GROWTH OUTLOOK

# ORGANIC GROWTH PROFILE

Large holding in 2 significantly endowed nickel provinces

## Forrestania Operations – Western Australia

- New Morning project – Near mine leveraging existing infrastructure with studies underway
- History of reserve/resource extension
- Mill Recovery Enhancement Project – lift metallurgical recoveries by 3-5%
- Evaluating Lithium potential at the Forrestania tenements

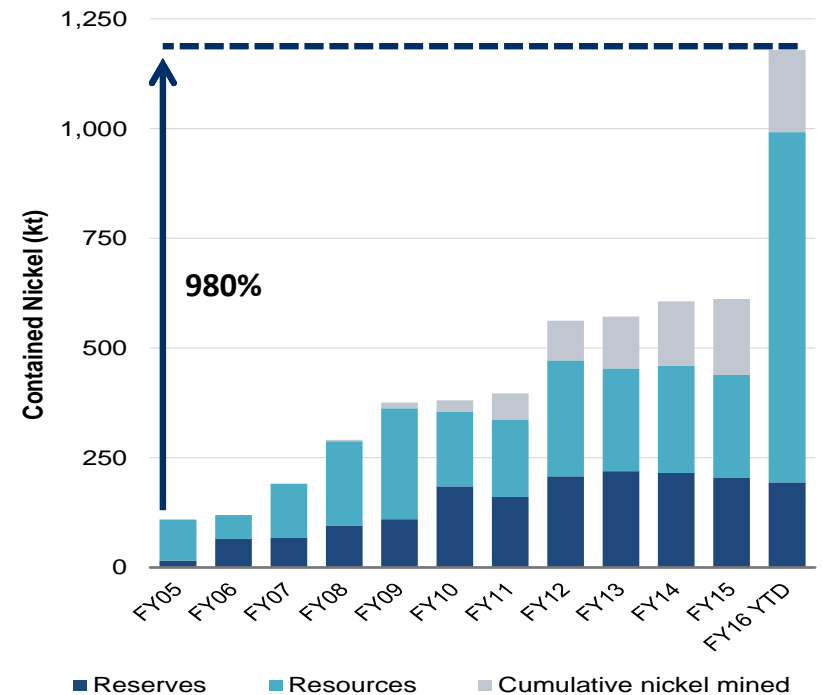
## Cosmos Nickel Complex / Odyssey – Western Australia

- Existing resources and infrastructure (previous Glencore/Xstrata/Jubilee Mines operation)
- Option to develop a new West Australian integrated Nickel operation

## Western Gawler – South Australia

- First mover advantage
- Intrusive style and geologically similar to Nova

## Historic reserves & resources



**WSA has a track-record of discovery and development**



# COSMOS NICKEL COMPLEX

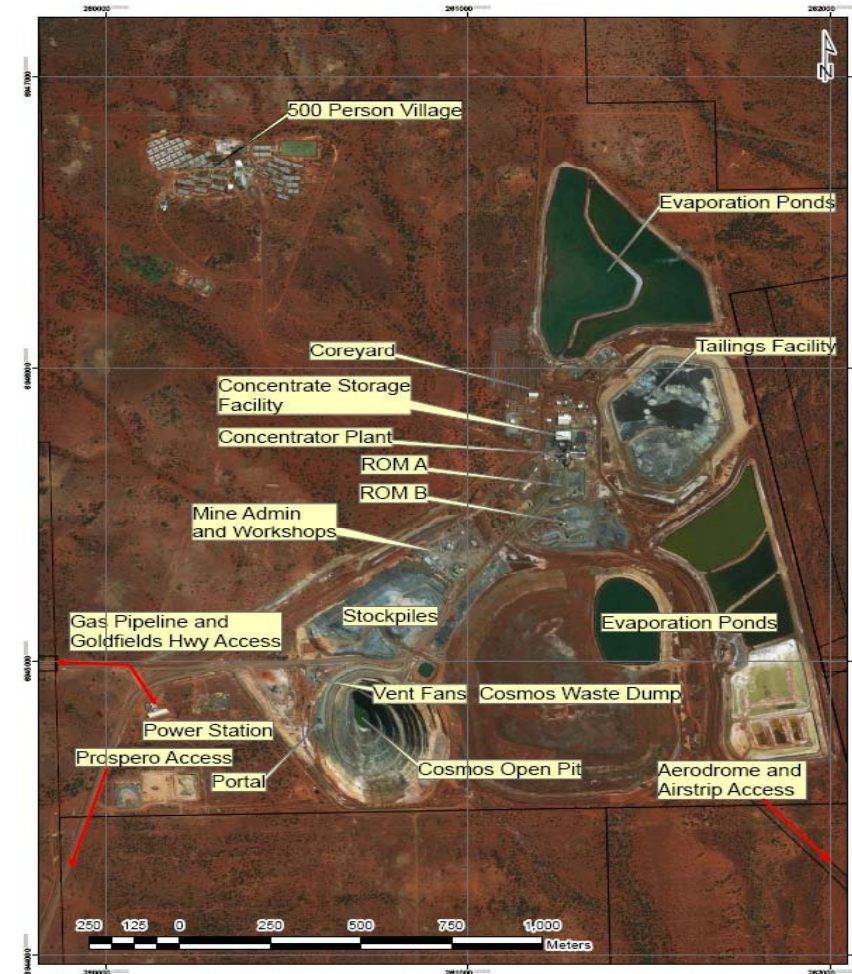
## Strategic Rationale

- Low cost entry – Full purchase price \$24.5m plus stamp duty
- Right street address – historical highest grade mine globally
- Full infrastructure and facilities – Mill, camp, aerodrome
- Potential 2nd operation – drilled out resources
- “Ready to go” when nickel prices support development
- Under explored ultramafic belt

## Settlement Completed

- Paid A\$12.653m in April 2016 as full and final settlement

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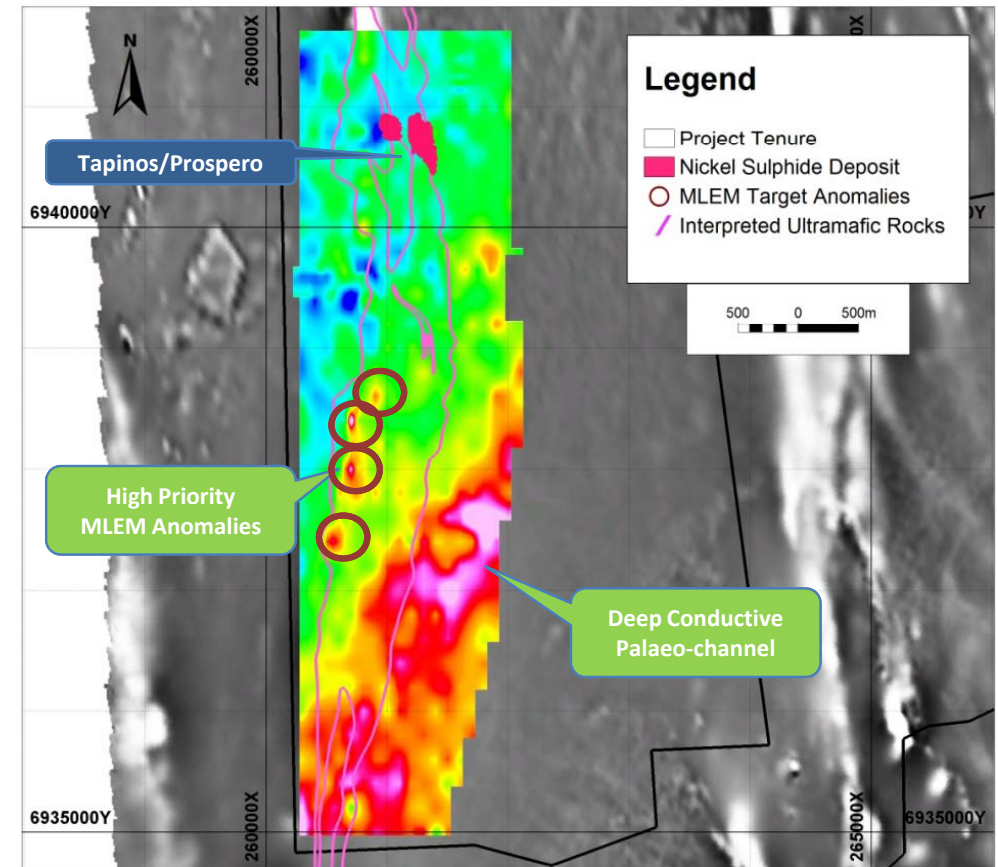
# COSMOS EXPLORATION

## Focus on Neptune (previously Lake Miranda)

- Tenements covering 88km<sup>2</sup>
- Heritage surveys successfully completed
- Section 18 lodged
- Significant anomalies detected through MLEM
- Drilling targeted by end of CY16
- DHEM being completed between Odysseus and Prospero

## Review of Xstrata drill data base reveals intersections requiring follow-up work

- Prospero - 4.2m @ 12.5% Ni (incl 2.4m @ 19.7% Ni)
- Aries – 4.5m @ 12.3% Ni and 3.3m @ 10.6% Ni



# ODYSSEUS PRE-FEASIBILITY STUDY

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**Significant undeveloped resource containing massive sulphides, matrix sulphides and high grade disseminated sulphides**

## **Xstrata Scoping Study Update Completed**

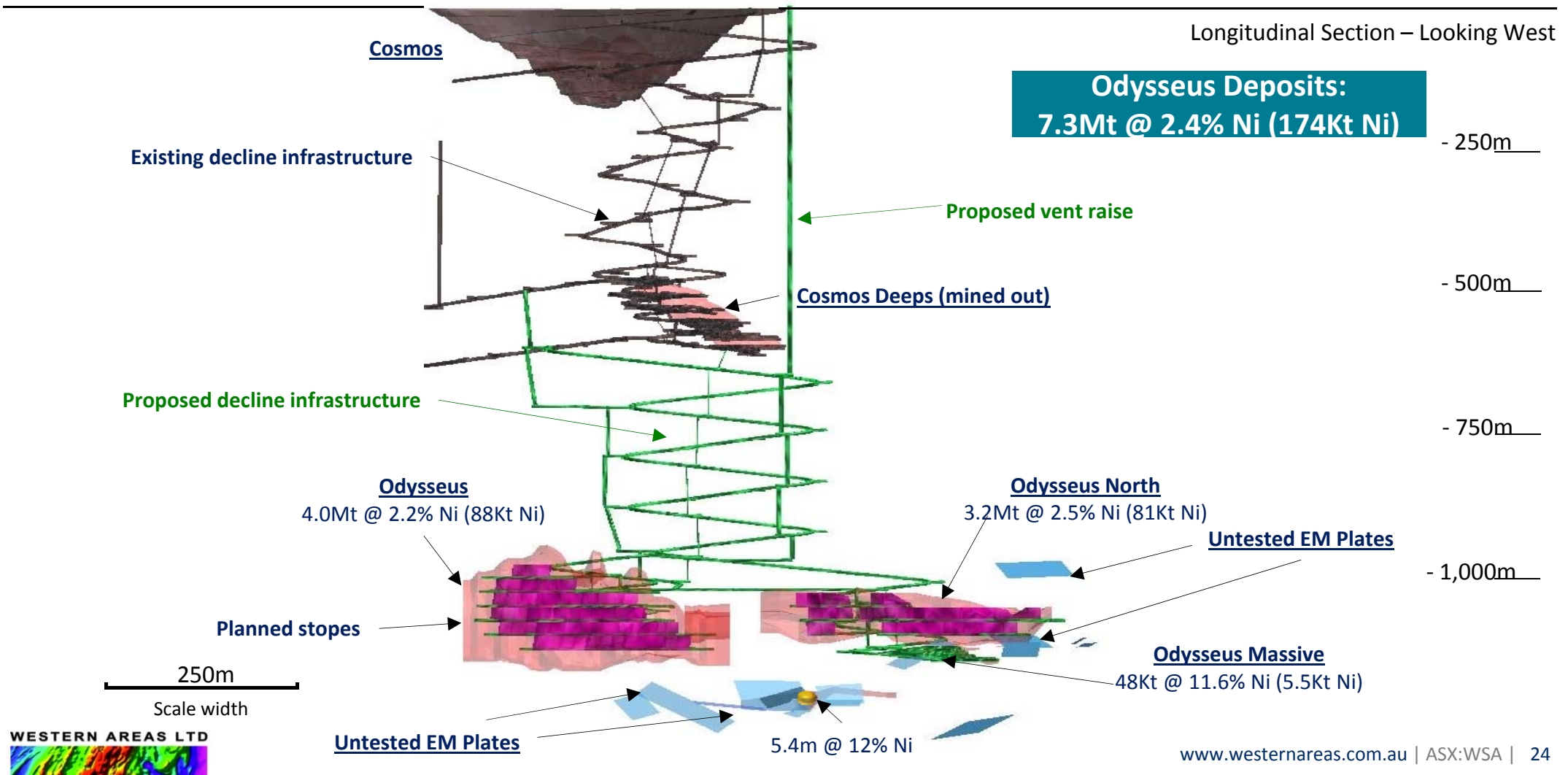
- Significant savings >30% identified for operating and capital costs
- Board approved commencement of the pre-feasibility study

## **Pre-feasibility Study Commenced**

- Targeted completion in December quarter 2016
- Review mining method, mining schedule and underground infrastructure
- Produce concentrate grade in line with FNO grades and improve nickel recovery
- Review metallurgical testwork and flow sheet to optimise processing plant
- Further optimise capital and operating cost assumptions
- Explore contractor versus owner operator alternatives and leverage FNO experience



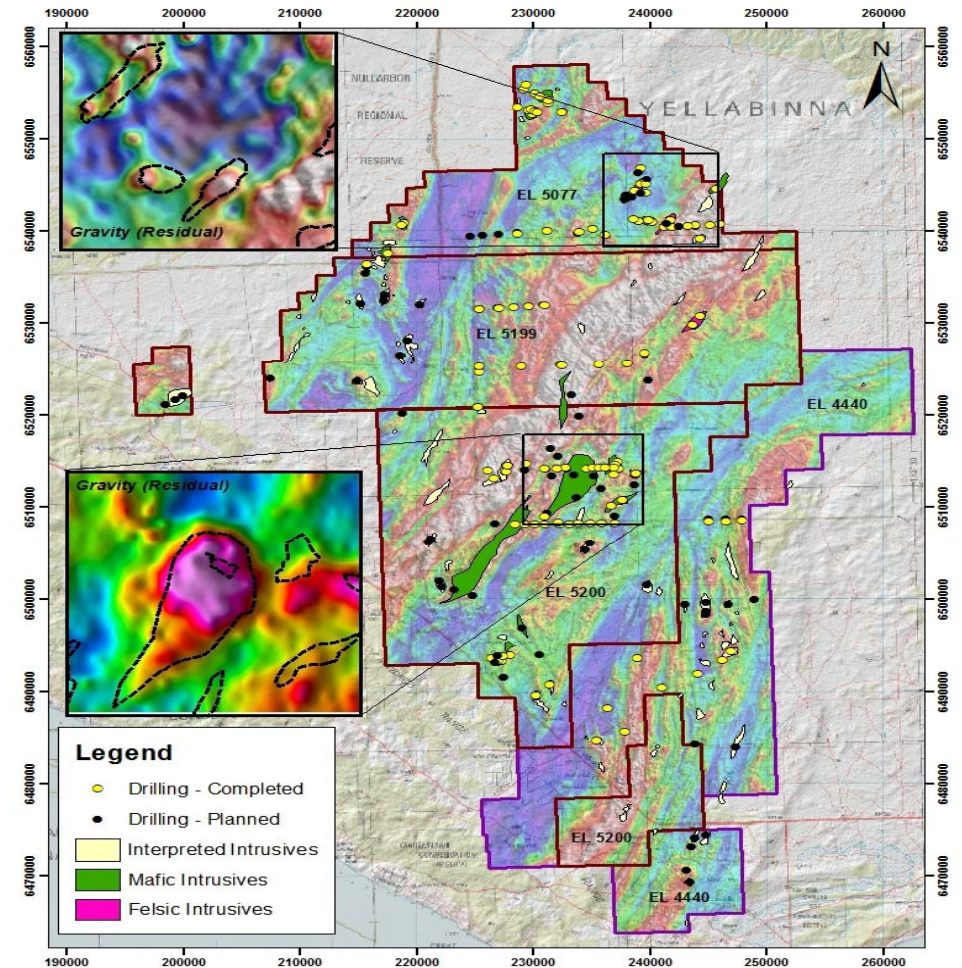
# ODYSSEUS CONCEPTUAL MINE DESIGN





# WESTERN GAWLER JOINT VENTURE

- Large strategic holding in prospective under explored Proterozoic belt
- First mover advantages targeting poly-metallic base metal and gold mineralisation
- 100% WSA and Strandline farm in agreement – WSA earning up to 90%
- Initial exploration confirms base metal potential and highlights gold anomalism
- **Large multiple mafic (ultramafic) intrusives with potential to host nickel-copper sulphide mineralisation have been identified**
- Drilling has resumed in high priority areas
- Full heritage access approvals nearing completion



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# CONCLUSION



# WESTERN AREAS VALUE EQUATION

Strong leverage to turnaround in nickel price through current operations and organic projects

- Zero Lost Time Injuries in past 24 months

Safety



- High Grade
- Lowest Quartile Cash Costs

Highest Grade Nickel Globally



- Operational cashflow positive

Cashflow Positive



- Guidance continually met or exceeded

Strong Track Record of Delivery



- Pipeline of growth opportunities

Growth



- Fundamentals and forecasts positioned to rebound

Nickel Price Primed for Upside



- Strong “can do” management

History of Discovery and Development



- No debt with significant financial flexibility

Strong Balance Sheet



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THE END

A large yellow mining truck is shown from a rear perspective, filled with a pile of dark, jagged rocks. The truck is positioned in a quarry or mine, with a steep, rocky wall in the background. The truck's large, treaded tires are visible at the bottom. A semi-transparent blue rectangular box is overlaid on the left side of the image, containing the text 'THE END' in white, uppercase letters. A thin white horizontal line is positioned above the text.