25 August 2016 **ASX: WSA**

News Release

WESTERN AREAS REPORTS FULL YEAR FINANCIAL RESULTS AND FY17 GUIDANCE

Western Areas Ltd (ASX:WSA, "Western Areas" or the "Company") today announces the Company's financial results for the year ended 30 June 2016 (FY16).

In a decade low nickel price environment, the financial results of Western Areas have been significantly impacted by a 28% fall in the average realised nickel price (in Australian dollar terms) compared to the prior year. The nickel price fall alone equated to an A$88.7m reduction in revenue, flowing directly through to the bottom line pre-tax. Counter to this, the Company generated a A$21.7m reduction in cost of sales and total capital and exploration expenditure was reduced by A$22.0m compared to FY15.

The Company's reported net loss after tax (NLAT) of A$29.8m was also impacted by previously reported first half expenditure, write-offs and impairments on certain non-core and non-Forrestania exploration related activities totalling A$13.2m (tax effected). Prior to these charges, the underlying NLAT was A$16.6m[1]. Second half FY16 reported NLAT, on a marginally lower nickel price and sales, improved by A$10.2m to a NLAT of A$9.8m.

At an operational level, the Company pleasingly met or exceeded all guidance metrics for the year and did so safely. Continued operational efficiency and cost reduction programs also delivered a lower unit cash cost of production of A$2.26/lb (US$1.64/lb) result, which has seen Western Areas continue to deliver positive operating margins and cashflow from operations.

With cash at bank of $75.7m at year-end and no debt, Western Areas has a strong balance sheet demonstrating resilience in a challenging market. The Company is focused on maximising cash generation and has the benefit of high grades and operational flexibility at its mines as well as growth options at Forrestania, Cosmos and Western Gawler, ensuring it is well positioned to remain nimble through the nickel price cycle.

A presentation of the results has been released today and will be followed by a conference call at 9.30am AEDT, details of which were announced on 22 August 2016.

Key Metrics:

- **Debt free status reduced interest and finance costs by A$12.9m;**
- **Cash at bank and receivables of A$105.0m**
- **Sales revenue of A$209.1m (A$312.7m);**
- **Average realised price of nickel fell by 28% to A$5.69/lb (A$7.87/lb);**
- **EBITDA of A$40.2m (A$131.5m): 2nd half EBITDA increased A$2.9m;**
- **Cost of sales reduction of A$21.7m;**
- **Reported NLAT of A$29.8m (A$35.0m NPAT): Underlying NLAT of A$16.6m;**
- **Unit cash cost of production A$2.26/lb (A$2.31/lb) or US$1.64/lb (US$1.94/lb); and**
- **Capital expenditure and exploration cash spend reduced by A$22.0m**

(Comparisons in brackets refer to FY15)

[1] *"Underlying" is a non IFRS measure and represents results before impairments and write-offs*

Compared to the prior year, the greatest impact on profitability and cashflow was the A$2.18/lb reduction in the nickel price, with a small sales volume variation driven by timing differences. However, metrics within the Company's control generated positive operational cashflow and EBITDA due to a A$21.7m reduction in cost of sales and total capital expenditure and exploration reduced by A$22.0m compared to FY15.

Despite the nickel price headwinds, the Company had a very productive FY16 with a number of notable events:

1. Repaid A$125m on convertible bonds driving a significant reduction in interest charges;
2. Acquired the Cosmos Nickel Complex (Cosmos) for A$24.2m with strong growth prospects;
    a. Launched a significant exploration program.
    b. Completed a Scoping Study and moved to a Pre-Feasibility Study on the Odysseus deposit.
3. Completed a significantly oversubscribed capital raising of A$75m ensuring the Company would remain debt free and could fund growth options;
4. Made significant gains in productivity improvements and implemented cost reduction strategies which have been embedded into the business; and
5. Operated for another year without a single Lost Time Injury.

Consistent with previous Company commentary that dividends are fundamentally linked to nickel price and having regard to the financial results, the Board has elected not to pay a final dividend for the half year.

Key Metrics

Highlights	1H 2016	2H 2016	FY 2016	FY 2015
Mine Production (tonnes Ni)	13,977	13,630	27,607	26,524
Mill Production (tonnes Ni)	12,508	12,501	25,009	25,801
Recovery	89%	90%	90%	90%
Sales Volume (tonnes Ni)	12,514	12,279	24,793	26,036
Cash Costs (US$/lb)	1.63	1.66	1.64	1.94
Cash Costs (A$/lb)	2.25	2.26	2.26	2.31
Exchange Rate USD/ AUD	0.72	0.73	0.73	0.84
Realised Nickel Price (A$/lb)	5.70	5.69	5.69	7.87
Sales Revenue ('000)	105,947	103,170	209,117	312,680
EBITDA ('000)	18,647	21,555	40,202	131,469
Underlying (LBIT)/EBIT ('000)	(11,002)	(9,467)	(20,469)	65,655
Reported (NLAT)/NPAT ('000)	(20,036)	(9,747)	(29,783)	35,013
Cash at Bank ('000)	29,882	75,706	75,706	195,355
Dividend (cents)	0.0	0.0	0.0	7.0

Western Areas Managing Director, Dan Lougher, said that whilst the nickel price environment had not rewarded the Company's efforts, the delivery of significant outcomes across safety, controllable cost reductions and an improved second half performance were pleasing to note.

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"Western Areas has clearly demonstrated its resilience and flexibility by seeing through the worst nickel price environment in its operating history," said Mr Lougher.

"Our underlying reported net loss of A$16.6m is entirely a function of the significant reduction in the nickel price, which was the major driver behind a decrease in total revenue of A$103.6m. On any metric this was a considerable challenge for the Company, however we have taken proactive measures to retain our robust balance sheet whilst investing in the future with the acquisition of Cosmos."

"All of this has been achieved by our workforce which has not wavered or been distracted by the external challenges. The Company has now operated without a LTI for 865 days and we have significantly lowered our operating cost base through innovation, productivity improvements and a resolute focus on cost control."

"The Company took decisive action in October 2015 by announcing the deferral of capital expenditure and some exploration activities into FY17. These decisions are only possible due to prior period investments in the business and reflect the operational flexibility we've built into the business model."

"As an example of the Company's resilience, Western Areas is now the only nickel producing pure play company listed on the Australian Stock Exchange."

"We believe that the Company is well set to either operate in a difficult commodity price environment or prosper in an improving nickel price situation by virtue of the actions and decisions taken over the last eighteen months", said Mr Lougher.

Post year end, there was an improvement in the nickel price which resulted in the June month experiencing positive quotational price (QP) adjustments of A$3.4m (tax effected), for nickel price movements in July.

FY17 Guidance

Guidance	FY17 Guidance
Mine Production (Nickel in Ore tonnes)	**22,500 to 24,500**
Nickel Tonnes in Concentrate Production	**20,200 to 22,000**
Unit Cash Cost of Production (In Concentrate)	**A$2.40/lb to A$2.75/lb**
Sustaining Capex*	**A$22m to A$24m**
Forrestania and Regional Exploration	**A$8m**
Project Feasibility Studies	**A$2m**

**Includes one-off ventilation shaft at Spotted Quoll for A$6m*

The consensus outlook for nickel price based on demand and supply forecasts over the next 12 months is expected to be subdued, but with a skew towards improvement with solid stainless steel volumes in China, fast growing battery demand and government policy actions in Asia potentially continuing to reduce unprocessed nickel ore exports into China. Combined with supply reductions, mainly from Chinese NPI plants, and falling nickel warehouse stockpiles, there are fundamental reasons to be positive on the outlook.

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Western Areas has run multiple life of mine (LOM) models for FY17 with a focus on maintaining the Company's strong balance sheet and priority given to cash generation rather than raw production volume. The Company has chosen a production profile that maximises equipment utilisation and total cash generation after both capital and operating costs with an emphasis on adopting a capital expenditure 'light' approach. Importantly, Western Areas has chosen a model that contains sufficient flexibility to increase productivity should market conditions and the significant positive influences present in the nickel market demonstrate sustained improvement, whilst in the meantime maximising cash generation from the mines.

Commentary surrounding each of the guidance metrics detailed above follows:

Sustaining Capital Expenditure, Exploration and Feasibility Studies

With the underlying assumption of having a capital light budget, the forecasted spend for FY17 has a direct correlation and impact on overall nickel production and unit cash cost outcomes. With guidance spend of A$22m to A$24m, this will be the lowest capital expenditure period since commencing the two mining operations. When excluding A$6m for the one-off Spotted Quoll ventilation shaft, which is a longer term spend with benefits over the LOM, sustaining capital expenditure at the Forrestania operations will be between A$16m and A$18m, reflecting:

1. All major one-off capital has now been spent at both mines.
2. Flying Fox requires no further vertical development and the capital expenditure profile reduces over the current mine life (assuming no further extensions). There is an allowance for resource extension drilling at Flying Fox in FY17.
3. Prior year investment in Spotted Quoll means that vertical mine development can be further deferred and is currently scheduled to recommence in January 2017.

The reduction in FY17 expenditure does not necessarily result in substantial increases in future year sustaining capital requirements, as this is not simply a deferral of capital expenditure to later years. Current LOM models indicate (and these are subject to change) that FY18 and FY19 sustaining capital will be around A$38m and A$27m respectively which compares well with prior periods (FY14: A$32.2, FY15: A$57.5m, FY16: A$30.9m).

Exploration efforts will be focussed on the three organic growth projects of Cosmos, Western Gawler and Forrestania. As with previous budgets for exploration, further funding can be provided above these levels should a program warrant additional or increased work. The ability to ramp up spend on exploration is only available due to the balance sheet strength of the Company.

The main area of feasibility work will be focussed on the Odysseus Pre-Feasibility Study (PFS) which is scheduled for completion in the December 2016 quarter. In June 2016, Western Areas updated the Scoping Study and achieved greater than 30% savings in operational and capital expenditure. The Board subsequently approved the PFS based on these results. Dependent on the PFS results, a decision on proceeding to a definitive feasibility study will be made separately by the Board at the appropriate time.

Production Metrics

Mine production is expected to be between 22,500 and 24,500 nickel tonnes in ore. Flying Fox is estimated to contribute between 10,000 to 11,000 nickel tonnes whilst the Spotted Quoll estimate is between 12,500 to 13,500 nickel tonnes. These production numbers reflect the decision to maximise

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cash generation, rather than nickel volume output, underpinned by the low total capital expenditure outlay. Complete flexibility is retained to respond to market conditions.

Given that Spotted Quoll is a relatively new mine, and there will be 12 months of vertical development already deferred by December 2016, this has meant that all production in FY17 will be focussed on the 'flatter dip zone' of the orebody. This approach is a timing difference from previous LOM plans where it was assumed that the flatter dip zone would be mined in combination with the steeper zones of Stage 1 and Stage 2. Consequently, the Company expects mine grades (for both mines) to trend around the reserve grade in FY17.

Nickel in concentrate production guidance of between 20,200 and 22,000 nickel tonnes is a direct result of the mine production guidance and anticipated processing plant recoveries.

Unit Cash Cost of Production

Unit cash cost of production is expected to range between A$2.40/lb to A$2.75/lb. Consistent with previous guidance, we expect to narrow the range with the release of the December half year results.

There is no increase in absolute production costs in FY17 versus FY16, rather there is a reduction of approximately A$10m in total production costs. However there are some contributing factors that will result in a slight increase from FY16 in reported unit production costs as follows:

1. Lower level of nickel in concentrate production (as detailed above); and
2. Higher allocation of fixed costs to operating costs. With the significant reduction in capital expenditure, fixed costs that would normally be allocated to capital have decreased with a corresponding increase in the allocation to operating costs. Accordingly, whilst fixed costs in FY17 will actually be lower than FY16, the allocation to operating costs has increased. Regardless of the accounting policy driving the allocation of costs, the Company under the guidance approach herein, expects to generate greater cash overall than it otherwise would have.

Other

Corporate cash costs in FY17 are expected to decrease by A$2.5m (18%) versus FY16 due to cost reduction measures across management salaries, office costs and general service supplier contract re-negotiations.

-ENDS-

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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: "Western Areas has chosen a model that contains sufficient flexibility to increase productivity should market conditions and the significant positive influences present in the nickel market demonstrate sustained improvement" and "the Odysseus Pre-Feasibility Study (PFS) which is scheduled for completion in the December 2016 quarter".

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.

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.

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