

# Western Areas Ltd

Full Year Results

27 August 2013

“Think Nickel, think Western Areas”



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WESTERN AREAS LTD



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*“Western Areas has an enviable track record of exploring, finding, developing and producing profitable mines.”*

- Highlights
- Financials
- Operations
- Growth
- Outlook



**Explore**



**Develop**



**Sales**



**Produce**

“Think Nickel, think Western Areas”

# Key Takeaways – Full Year



- **LTIFR** of 0.83 – one of the lowest in the mining industry
  - 27,639t nickel in ore production averaging 5.0% nickel
  - Nickel in concentrate production of 26,918t
  - Nickel in concentrate sales 27,819t to Jinchuan and BHP
  - A\$2.68/lb cash cost in concentrate:
    - Remains best in class in Australia
    - Q4 of FY2013 the lowest of the year at A\$2.46/lb
  - Capital and Exploration Expenditure incurred A\$71.0m
- All ahead of guidance**
- Cash Flow from Operations A\$112.1m
    - 2<sup>nd</sup> half cash flow from operations A\$16.0m higher than 1<sup>st</sup> half despite a lower nickel price
  - Underlying NPAT of A\$5.6m on reported Net Loss After Tax of A\$94.1m (post impairment):
    - Revenue impacted by a significantly weaker \$A compared to FY12
    - Negative Quotation Period adjustment of A\$9.3m (A\$14.0m for 2<sup>nd</sup> half FY13)
    - Reported NLAT includes tax effected impairment of assets (mainly exploration) of A\$99.7m
  - Spotted Quoll underground successfully ramped up ahead of schedule and on budget

# Financial Snapshot

Full Year Highlights (\$'000)	FY 2012	FY 2013
Mine Production (tonnes Ni)	31,102	27,639
Mill Production (tonnes Ni)	25,641	26,918
Recovery	92%	91%
Sales Volume (tonnes Ni)	26,637	27,819
Cash Costs (A\$/lb)	2.43	2.68
Exchange Rate USD/ AUD	1.03	1.03
Nickel Price (U\$/tn)	17,791	16,112
EBITDA ('000)	186,662	125,867
Underlying EBIT ('000)	94,981	40,599
<b>Underlying NPAT ('000)</b>	<b>40,236</b>	<b>5,590</b>
Reported NPAT ('000)	40,181	(94,105)
Cash Flow from Operations ('000)	159,253	112,115
Cash at Bank	165,502	80,719
Dividend (cents)	11.0	2.0

Unit cash cost of concentrate production below guidance

Nickel price fall in 2HFY2013 negatively impacted revenue

**Nickel price decline in 2H FY2013 impacted with negative QP of A\$14.0m**

Non cash impairment of \$99.7M (post tax)

2H FY2013 stronger with reduced capex

Debt repayments totalled A\$150m

# Income Statement

WESTERN AREAS LTD

Earnings Data (\$'000)	2H FY 2012	1H FY 2013	2H FY 2013	FY 2012	FY 2013
Exchange Rate USD/ AUD	1.03	1.04	1.01	1.03	1.03
Nickel Price (US\$/tn avg)	17,108	17,122	14,653	17,791	16,112
Revenue	181,592	158,963	147,578	330,698	306,541
<b>EBITDA</b>	<b>90,029</b>	<b>67,565</b>	<b>58,302</b>	<b>186,662</b>	<b>125,867</b>
Depreciation & Amortisation	(47,862)	(44,186)	(41,082)	(91,681)	(85,268)
<b>Underlying EBIT</b>	<b>42,167</b>	<b>23,379</b>	<b>17,220</b>	<b>94,981</b>	<b>40,599</b>
Interest Expense	(19,355)	(13,671)	(13,065)	(37,441)	(26,736)
Tax	(6,678)	(3,429)	(4,845)	(17,304)	(8,273)
<b>Underlying NPAT</b>	<b>16,134</b>	<b>6,279</b>	<b>(690)</b>	<b>40,236</b>	<b>5,590</b>
Tax effected Impairment	(55)	(4,162)	(95,533)	(55)	(99,695)
<b>Reported NPAT</b>	<b>16,079</b>	<b>2,117</b>	<b>(96,222)</b>	<b>40,181</b>	<b>(94,105)</b>
Dividend (cents)	6.0	2.0	-	11.0	2.0

*Underlying NPAT for FY2013 reconciliation	\$m
Underlying NPAT	\$5.6
Less Impairments (post tax)	(\$99.7)
<b>Reported NPAT (Loss)</b>	<b>(\$94.1)</b>

## Commentary (FY2012 v FY2013)

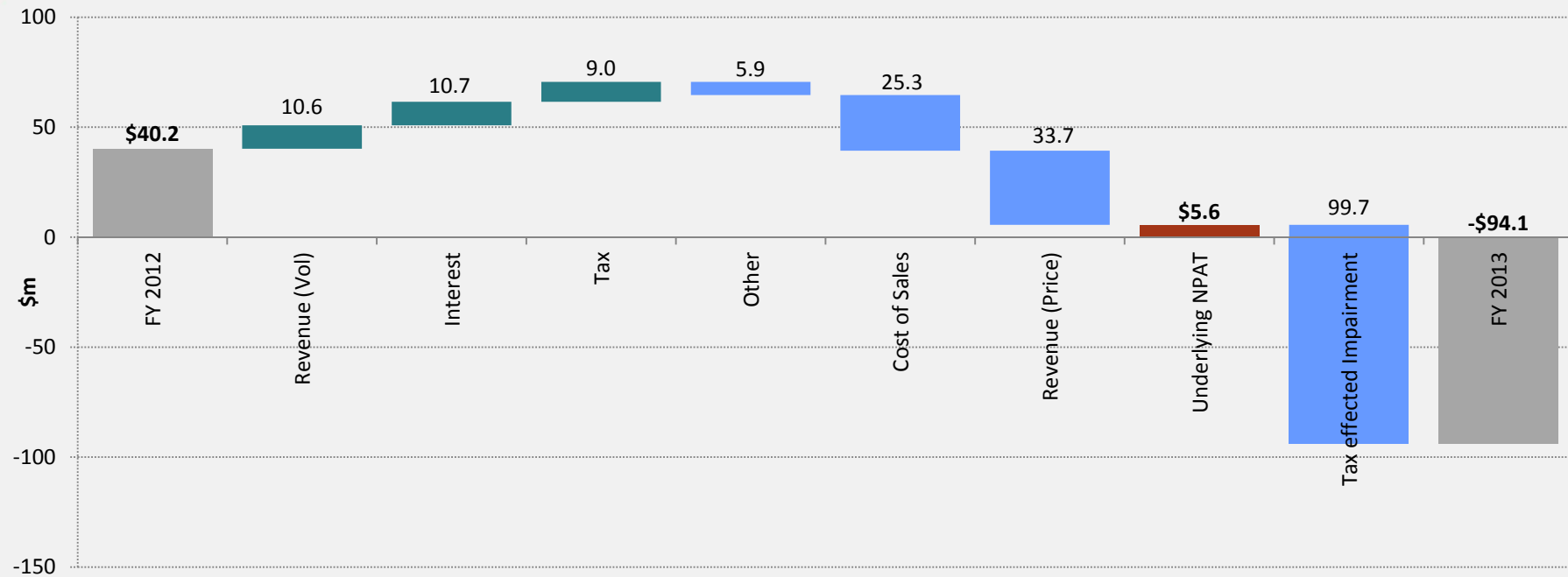
- Ni price down A\$0.76/lb versus FY2012.
- FY2012 included super low cost Spotted Quoll Open Pit, whereas FY2013 two underground mines.
- Impairments of A\$99.7m post tax was primarily related to historical exploration.
- A falling nickel price to around US\$6.20/lb by 30/6/13 resulted in negative quotational price movements of A\$9.3m (pre-tax).

## Commentary (2H2012 v 2H2013)

- Ni price down A\$0.95/lb versus 2H2012.
- Revenue fell A\$34.0m due to a fall in nickel price, partially offset by slightly higher sales volumes.
- EBITDA reduction of A\$31.7m primarily due to the lower A\$ nickel price and timing of sales volumes.

# Income Statement Waterfall – Full Year

## WSA NPAT - FY 2012 vs FY 2013



### FY2013 NPAT impacted by:

1. Impairment charge relating mainly to historical exploration
2. Nickel price impact on revenue A\$33.7m, partially offset by increased sale volume of concentrate
3. Savings on interest expense realised A\$10.7m due to repayment of borrowings
4. Cost of sales increase reflects higher sales volume and the move from open pit at Spotted Quoll to 100% underground operations



# Cashflow Statement

WESTERN AREAS LTD

Cash Flow Statement (\$'000)	2H FY 2012	1H FY 2013	2H FY 2013	FY 2012	FY 2013
Operating Cash Flow	94,841	48,076	64,039	159,253	112,115
<i>Less:</i>					
Exploration	(15,940)	(12,795)	(7,385)	(33,800)	(20,180)
FinnAust Investment	(3,307)	(2,297)	(2,033)	(7,365)	(4,330)
Acquisition of Mining Interests	-	-	-	(1,512)	-
Mine Development	(28,911)	(15,475)	(20,052)	(67,417)	(35,527)
Capital Expenditure	(5,625)	(14,333)	(4,719)	(13,712)	(19,052)
<b>Pre-Financing Cash Flow</b>	<b>41,058</b>	<b>3,176</b>	<b>29,850</b>	<b>35,447</b>	<b>33,026</b>
Investment activities	(811)	-	(285)	(1,085)	(285)
Outokumpu Royalty Payout	-	(14,317)	-	(14,926)	(14,317)
Payment for subsidiary	(71,100)	-	-	(71,100)	-
Proceeds from Share Issues	-	50,000	15,009	-	65,009
Proceeds/(Costs) from Financing	44,486	(2,231)	(764)	44,167	(2,995)
Dividends Paid	(8,987)	(10,784)	(3,937)	(35,949)	(14,721)
Repayment of ANZ facility	-	-	(45,000)	-	(45,000)
Repayment of convertible bond	-	(105,500)	-	-	(105,500)
<b>Net Cash Flow</b>	<b>4,646</b>	<b>(79,656)</b>	<b>(5,127)</b>	<b>(43,446)</b>	<b>(84,783)</b>
<b>Cash at Bank</b>	<b>165,502</b>	<b>85,846</b>	<b>80,719</b>	<b>165,502</b>	<b>80,719</b>

## Commentary (FY2012 v FY2013)

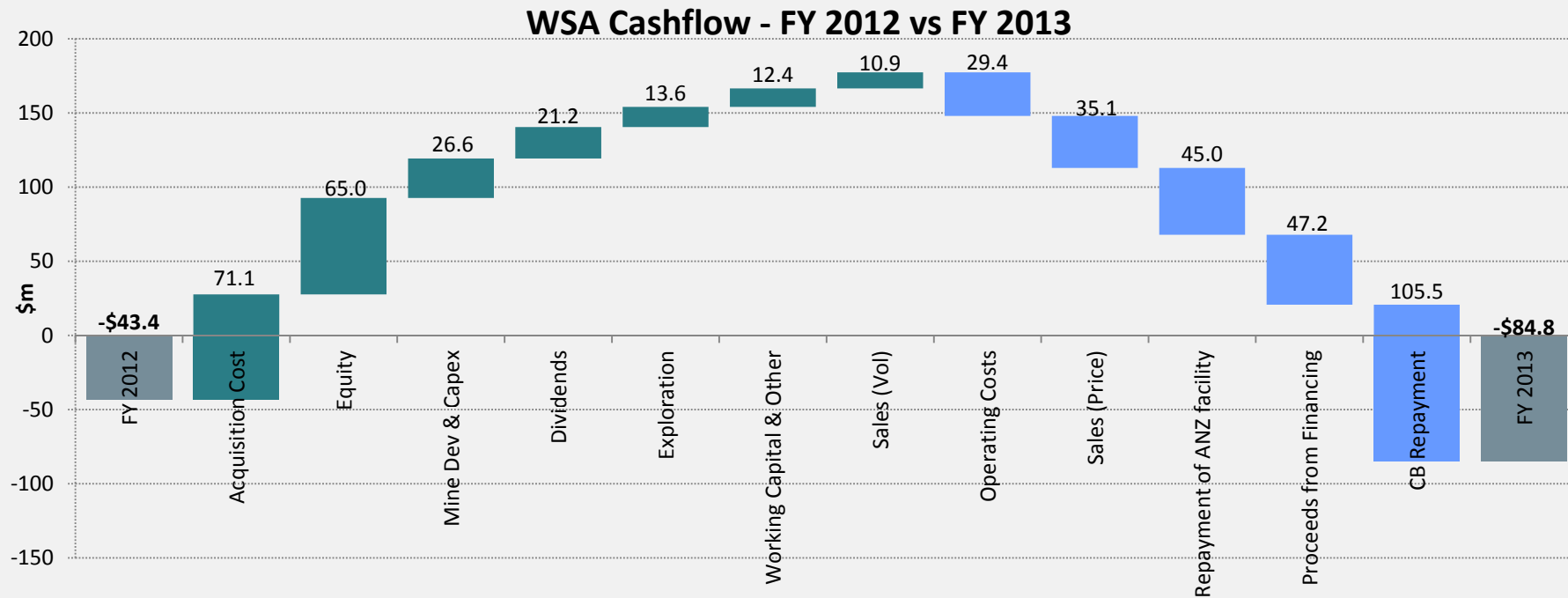
- Despite a significantly reduced nickel price, pre-financing cash flow was only A\$2.4m lower.
- Reduced mine development (A\$31.9m) spend reflected the heavy lifting completed in FY2012.
- Lower exploration (A\$13.6m) spend was curtailed to match the environment, whilst higher capex reflected infrastructure investments (Paste Fill Plant and Haul Road).
- Total debt repayments of A\$150.5m completed.
- Outokumpu royalty full retired.

## Commentary (2H2012 v 2H2013)

- Operating cash flow reduced primarily due to a lower nickel price.
- Business operated extremely well outflows reduced to match the prevailing nickel price.
- Exploration, capex and mine development outflows down A\$18.3m



# Cashflow Waterfall – Full Year



FY 2013 Cashflow was a period characterised by debt repayments & right sizing:

1. Total debt retired was A\$150.5m – sourced from cash reserves and A\$65m Placement & Share Purchase Plan.
2. Exploration, mine development & capex was well within guidance and appropriate framework for current nickel price environment. Savings in these areas alone totalled A\$40.2m.
3. A fall in dividends reflected the nickel price environment (A\$21.2m).

# Balance Sheet

Balance Sheet	FY 2012	FY 2013
Cash at Bank	165,502	80,719
Receivables	25,360	18,610
Stockpiles & Inventory	42,121	30,318
PP&E	107,111	112,110
Exploration & Evaluation	133,282	32,182
Mine Development	295,634	241,776
Other	5,958	2,308
<b>TOTAL ASSETS</b>	<b>774,968</b>	<b>518,023</b>
Trade & Other Payables	66,444	36,911
Short Term Borrowings	162,656	4,266
Long Term Borrowings	256,003	233,842
<b>TOTAL LIABILITES</b>	<b>485,103</b>	<b>275,019</b>
<b>SHAREHOLDERS EQUITY</b>	<b>289,865</b>	<b>243,004</b>

## Commentary

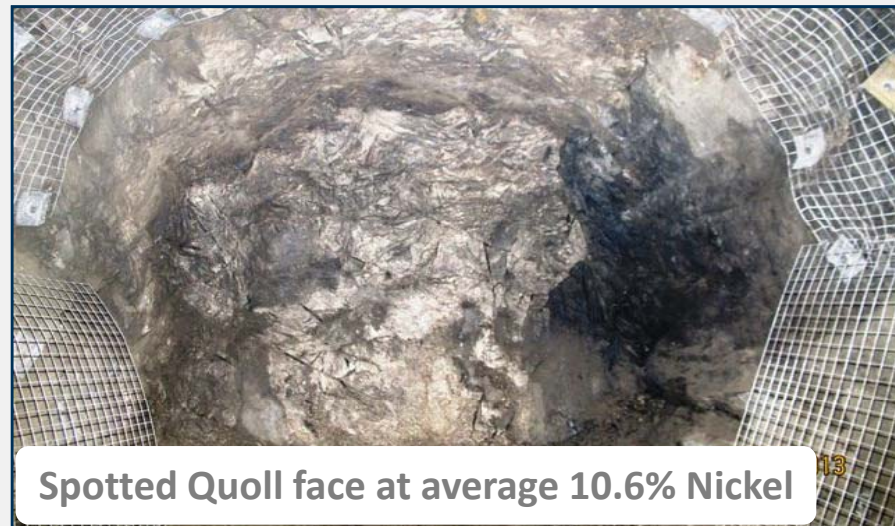
- Strong balance sheet with A\$150.5m of debt repaid during FY2013, being A\$105.5m convertible bond and the A\$45.0m ANZ bank facility (used to acquire Kagara Ltd's nickel assets).
- Capital Management has plenty of headroom, but importantly flexibility:
  - ANZ Facility of A\$125m – currently undrawn
  - Convertible bond July 2014 – A\$110.2m
  - Convertible bond July 2015 – A\$125.0m
- Reduced Exploration & Evaluation reflects the FY13 impairment charge.
- FY14 capex/mine development budget A\$45 million.
- FY14 exploration budget of A\$15 million.

# Operations - True Tier 1 Assets

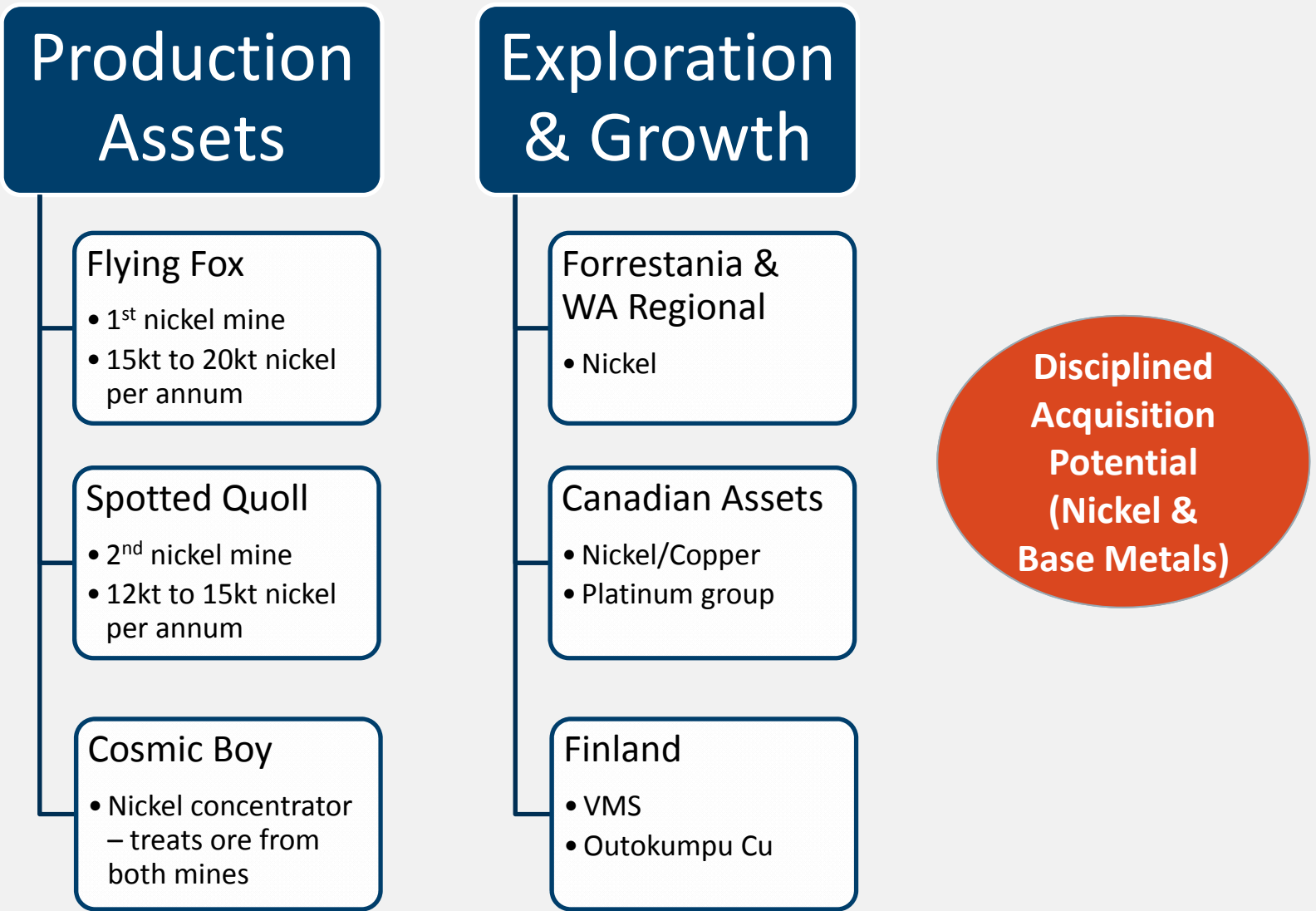


Flying Fox 10m wide face of 7% Massive Nickel

**World Average Grade of Nickel 1%**  
**Flying Fox & Spotted Quoll Grades**  
**4.5% to 5.0%**



Spotted Quoll face at average 10.6% Nickel



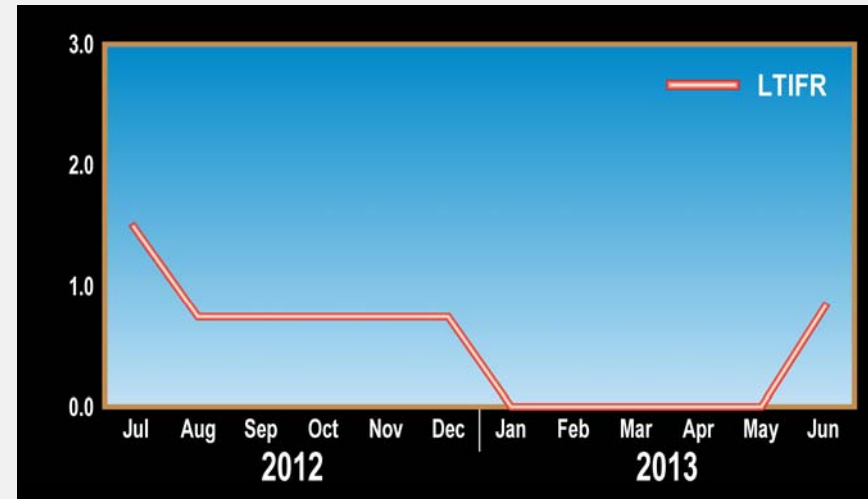


# Western Areas are Safe Areas



## Continuous Safety Improvement

- LTIFR 0.83
- Flying Fox > 800 days LTI free
- Spotted Quoll > 500 days LTI free
- Exploration >1,500 days LTI free
- MTIFR trending down to 5.9
- Contractors and Employees fully integrated into a site wide commitment



## Environment & Social

- No environmental breaches
- Strong local commitments from the Hyden Respite Centre, Perth Zoo (Northern Quoll) and Starlight Children's Foundation WA



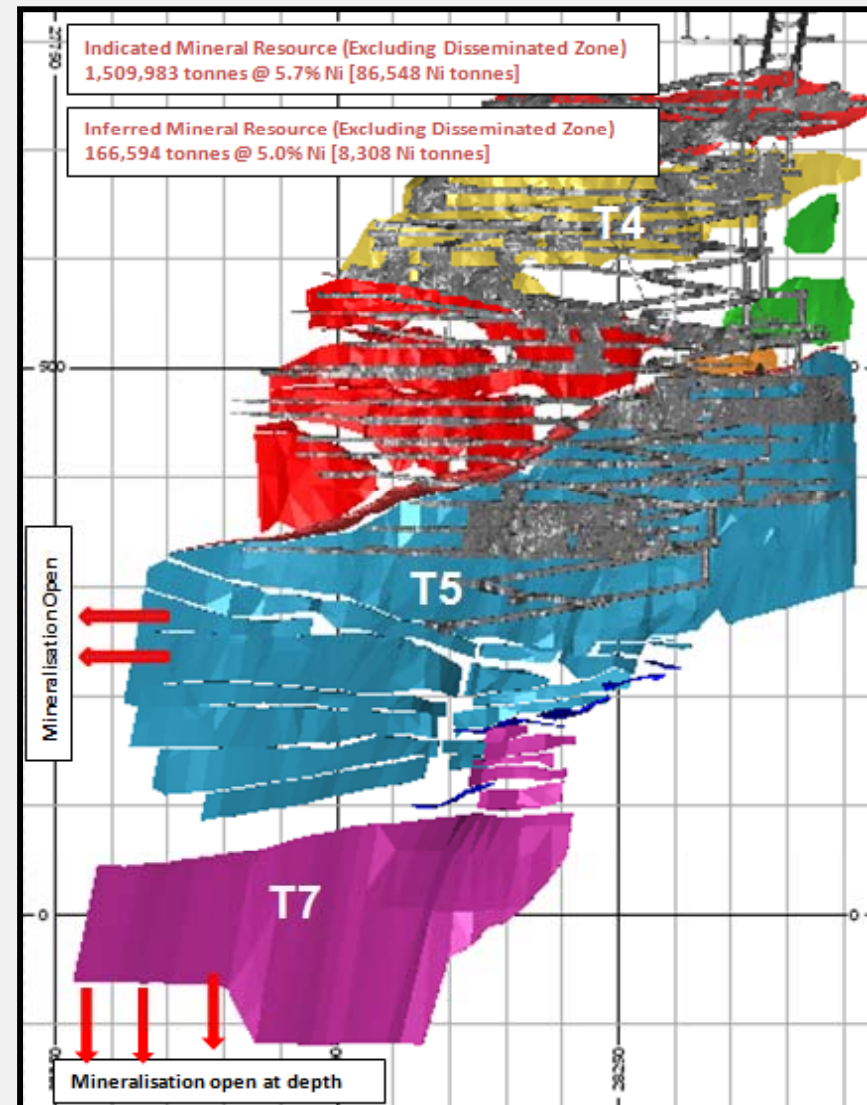


## Mineral Resource and Ore Reserve

- High Grade (excluding disseminated sulphide resource) Mineral Resource: 1.68Mt @ 5.7%Ni = 94,600 Ni Tonnes
- Ore Reserve: 1.67Mt @ 4.0%Ni = 67,000 Ni Tonnes
- Nickel grades increase with depth from 3.9% to 5.8%
- Underground drilling program to extend Mineral Resource is ongoing
- Over 700m strike length in T5

## Production

- FY2013 – 348,448t @ 4.9%Ni for 17Kt nickel
- Low cash cost operation <US\$3/lb
- Life of Mine – 5-6 Years, extensional drilling in progress



# Spotted Quoll Mine

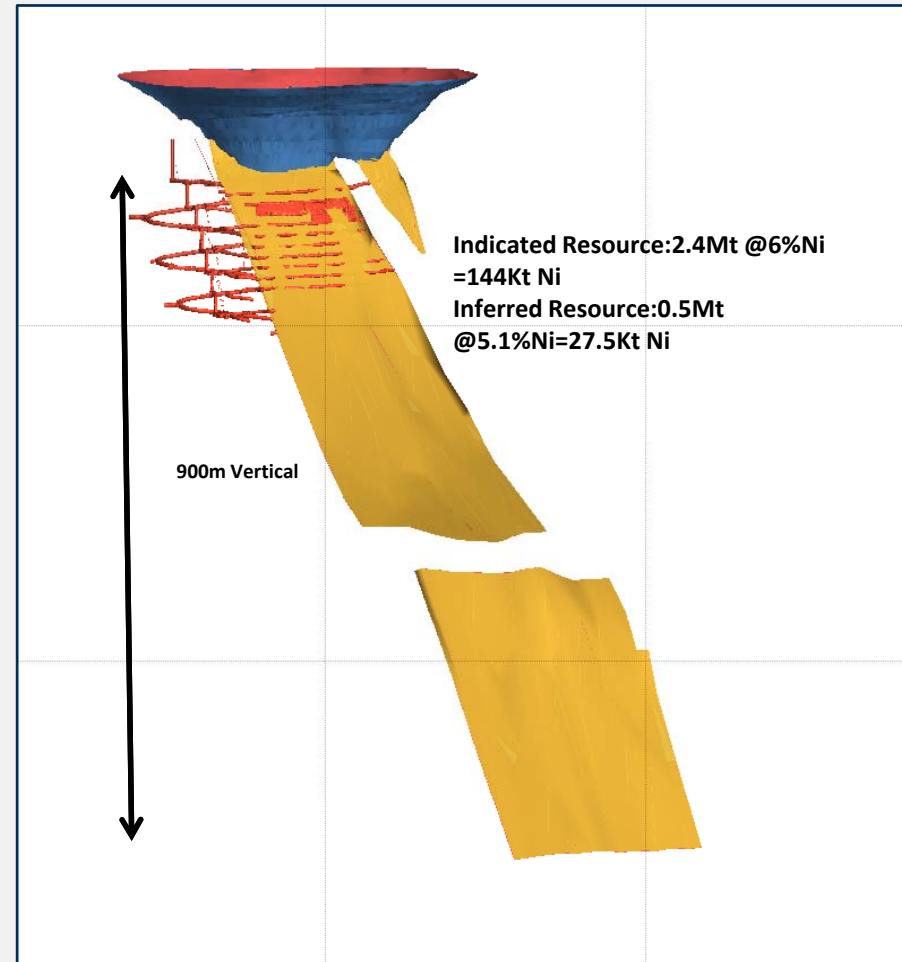


## Summary

- Ore reserve now 2.9mt @ 4.2% containing 121,400t nickel
- Remains open at depth and to the North
- Surface drilling program complete to improve conversion of inferred resource to indicated resource – Sept Q
- Already >10 year mine life on reserve
- **New Spotted Quoll North Resource of 50kt @ 11.3% for 5,730 nickel tonnes**

## Production

- FY2013 – 207,288t @ 5.1%Ni for 10.6Kt nickel
- Successfully ramped up nickel production to a 12ktpa run rate in FY2014
- Top-down mining using paste fill. Plant fully operational







## Concentrator Summary

- Current nameplate capacity of 550,000tpa of ore (but being exceeded)
- Nickel concentrate output >25,000tpa Ni
- Concentrate grades of around 14.0% Ni
  - **Premium blending product (Fe/Mg ratio >15)**
  - Desirable to smelters as it enables lower quality concentrates to be economically utilised after blending
- 14,000t of concentrate storage capacity

## Export Infrastructure and Logistics

- Access to >1400 sealed shipping containers
- No environmental issues
- Using 25 trucks for concentrate transportation
- Shipping contract in place, FOB Esperance Port





# Independent Producer - Offtake Contracts

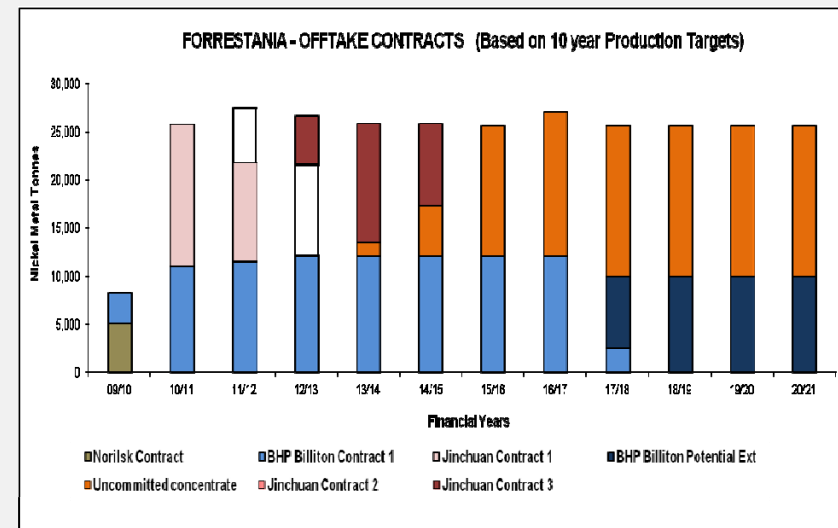
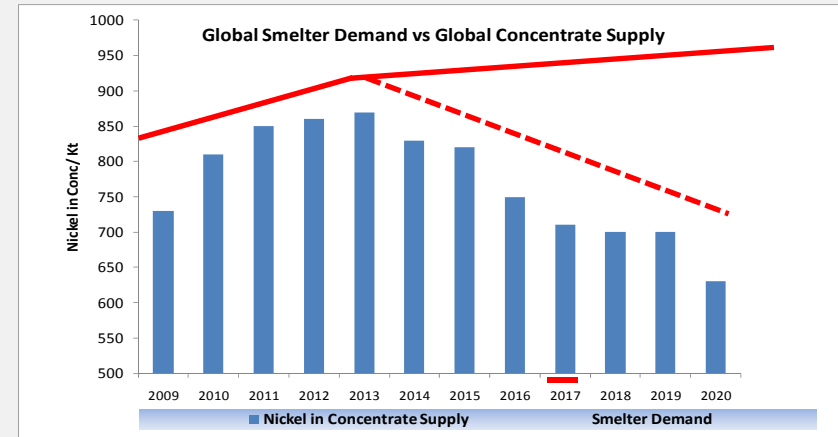


## Concentrate Supply

- Tightness in smelter supply to be experienced from 2014
- Global nickel sulphide grades in decline
- Reliable nickel sulphide concentrate supply dwindling
- Laterites and Nickel Pig Iron do not fill the void

## Offtake Contracts

- Offtake to BHP 2017 – 12ktpa nickel in concentrate
- Offtake to Jinchuan Feb 2015
- FOB Terms
- Very competitive payable terms
- WSA in a unique position being an independent producer
- Ability to complete spot/opportunistic sales



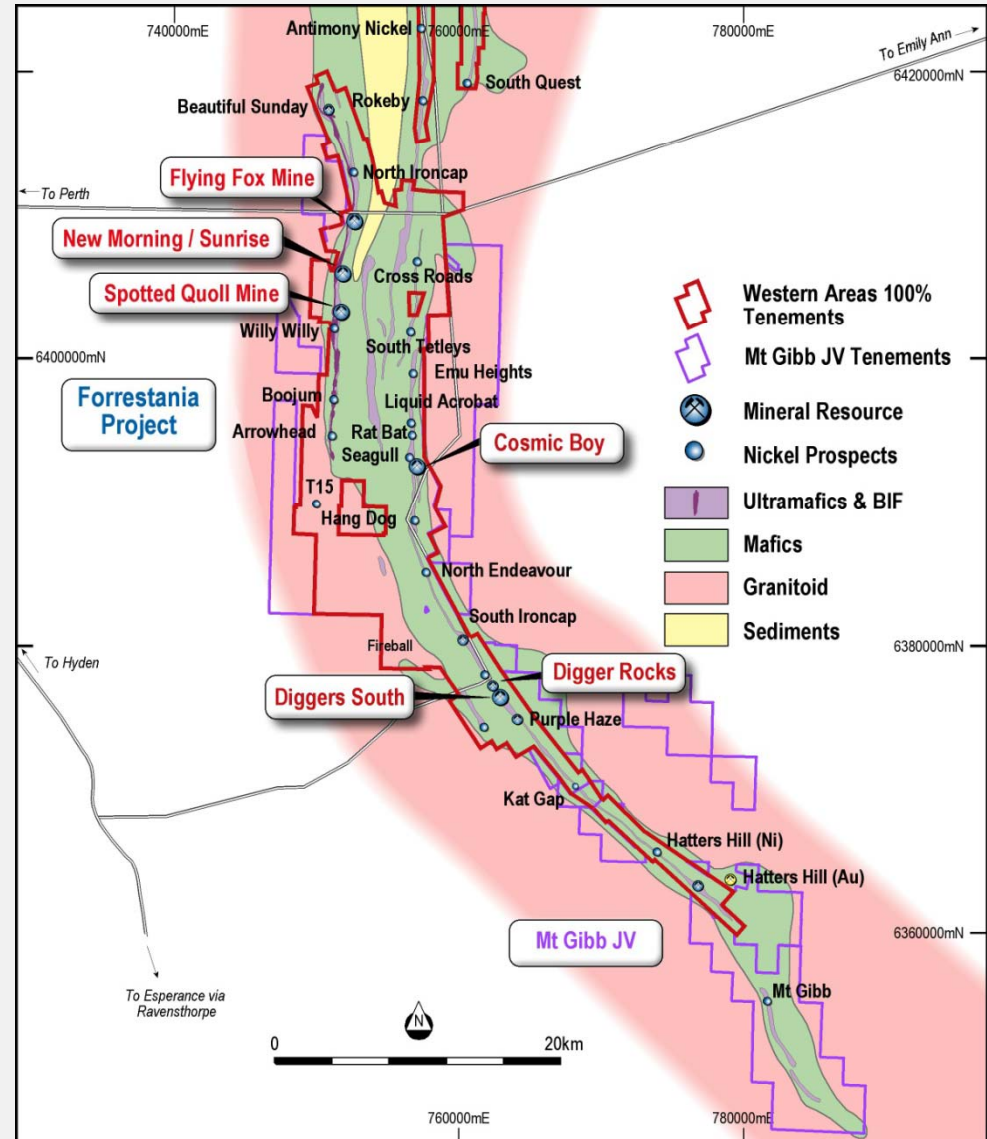
**NOTE:** The graph FORRESTANIA – OFFTAKE CONTRACTS is based on Western Areas’ 10 Year Production Targets. These Targets include estimates and assumptions on production rates of existing ore reserves, conversion of existing mineral resources to ore resources and assumptions on potential extensions to existing mineral resources, based on current information. These Production Targets may vary due to future drilling results, nickel prices, costs and market conditions. Refer to Disclaimer and Forward Looking Statement in Presentation

# Forrestania Tenements



## Regional Geology

- Two main volcano-sedimentary associations (ca 2.9Ga)
- 120km strike length (900 sq km) of prospective Forrestania Nickel Project, within 500km long nickel province
- Six ultramafic belts
- Nickel sulphide deposits and most occurrences in two belts (Eastern and Western)

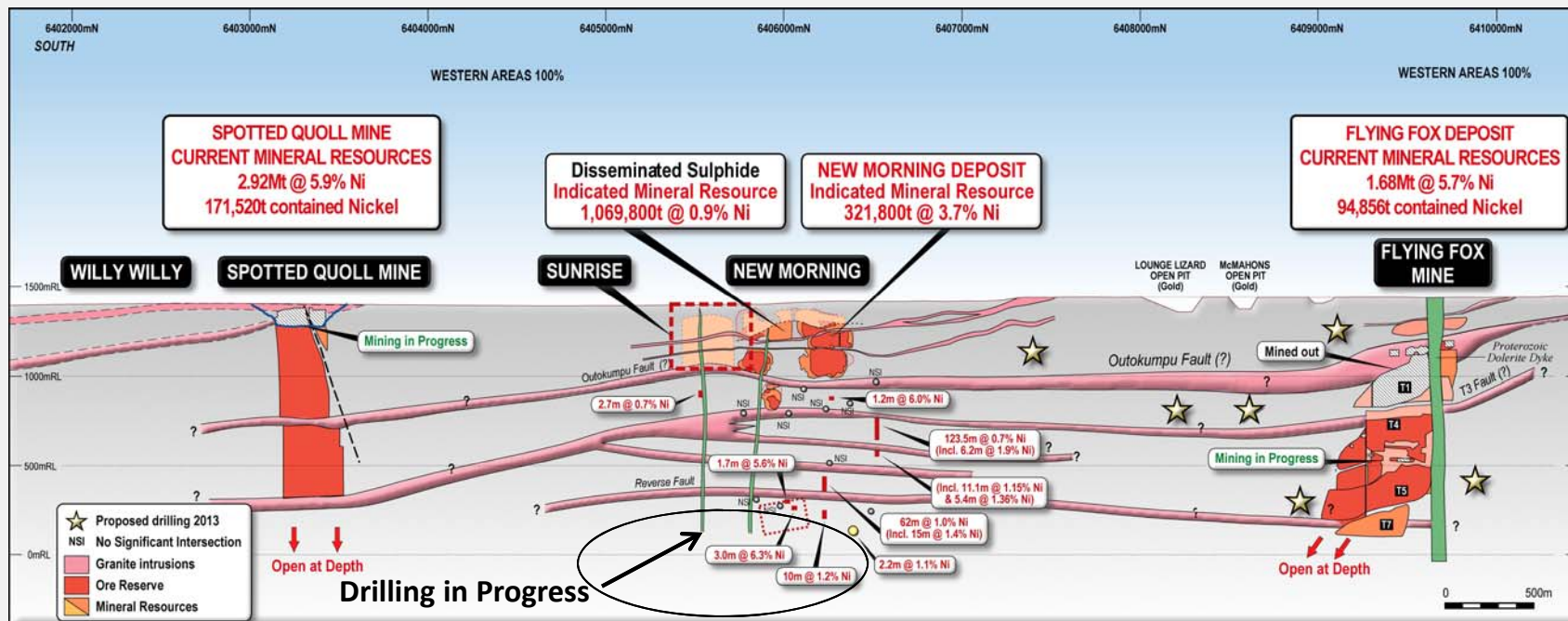


"Think Nickel, think Western Areas"

# Short Term – Near Mine Exploration



- Exploration Budget of A\$15M for FY14, majority spent on drilling at Forrestania
- Drilling Priority within 8km long zone (below). New discovery would access existing mine infrastructure. Systematic approach
- Recent New Morning massive sulphide and Sunrise discoveries



Interpreted Longitudinal Projection (8 Km Long) - July 2013  
FLYING FOX, NEW MORNING, SPOTTED QUOLL & WILLY WILLY



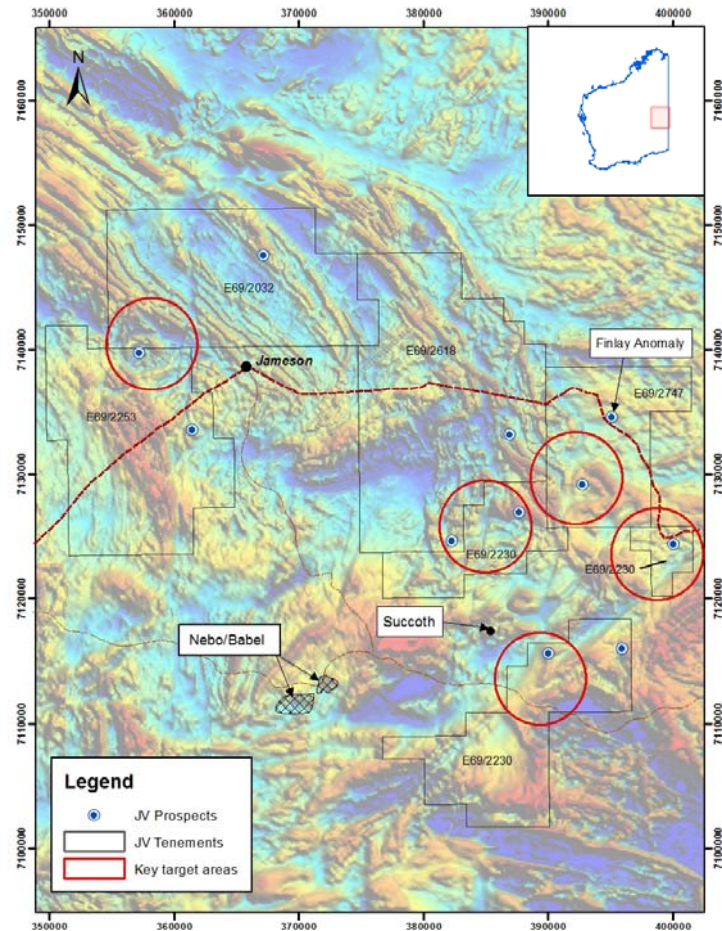
# West Musgrave JV



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- Up to 70% earn into prospective **West Musgrave** tenements (1,075km<sup>2</sup>) with Traka Resources
- Demonstrated strong endowment (BHPB's Nebo – Babel – Succoth deposits)
- Targeting massive sulphides (nickel/copper)
- Geophysical surveys commenced on priority targets

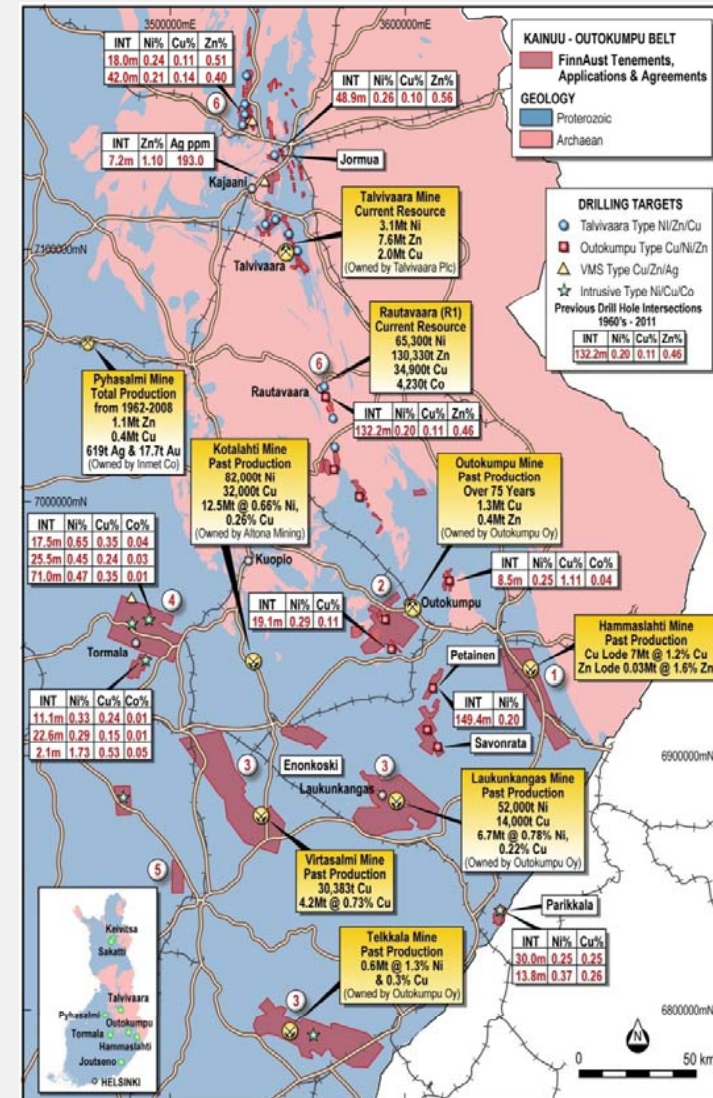




# Finland – FinnAust Mining PLC Projects



- 84% WSA, preparing to list on AIM - dependent on market conditions in CY2013
- 300km long base metal province in Finland
- Numerous nickel/copper/zinc mines & occurrences
- Focus on two key projects:
  1. Outokumpu Copper Project
  2. Hammaslahti VMS Project
- Drill priority targets for potential extensions and repetitions to known copper deposits
- Geophysics proving very effective in defining targets - ZTEM survey completed



# Pillars for Growth



## Organic Growth

### Western Ultramafic Belt:

- ✓ New Morning Camp
- ✓ Between Spotted Quoll & Flying Fox

Selected Overseas Exploration

Leverage from WSA's Concentrate off take

## Joint Ventures

### Traka Resources

Southern Cross

Base Metals – many opportunities being presented

## Acquisitions

### Base Metals

Bottom Half of the Cost Curve

Use WSA expertise – exploration, dev and ops

The 2 “D” – discipline and due diligence



Target	Metric
Mine Production (Nickel in Ore)	24,000 to 26,000 tonnes
Nickel in Concentrate Production	23,000 to 24,000 tonnes
Unit Cash Cost of Production (Nickel in Concentrate)	A\$2.80/lb to A\$2.90/lb
Capital Expenditure & Mine Development	A\$45m
Exploration	A\$15m

## **Comments**

- ✓ Approximately 6 different budget scenarios were run
- ✓ Chosen budget reflects an optimised approach to margin protection
- ✓ Unit costs remain well managed and below US\$3/lb for nickel in concentrate
- ✓ Over 65% of mine development expenditure focussed towards Spotted Quoll
- ✓ Spotted Quoll to produce 11kt to 12kt of nickel in ore
- ✓ Flying Fox to produce between 13kt to 14kt of nickel in ore
- ✓ Mill throughput at around 580kt of ore with an average recovery of 89%

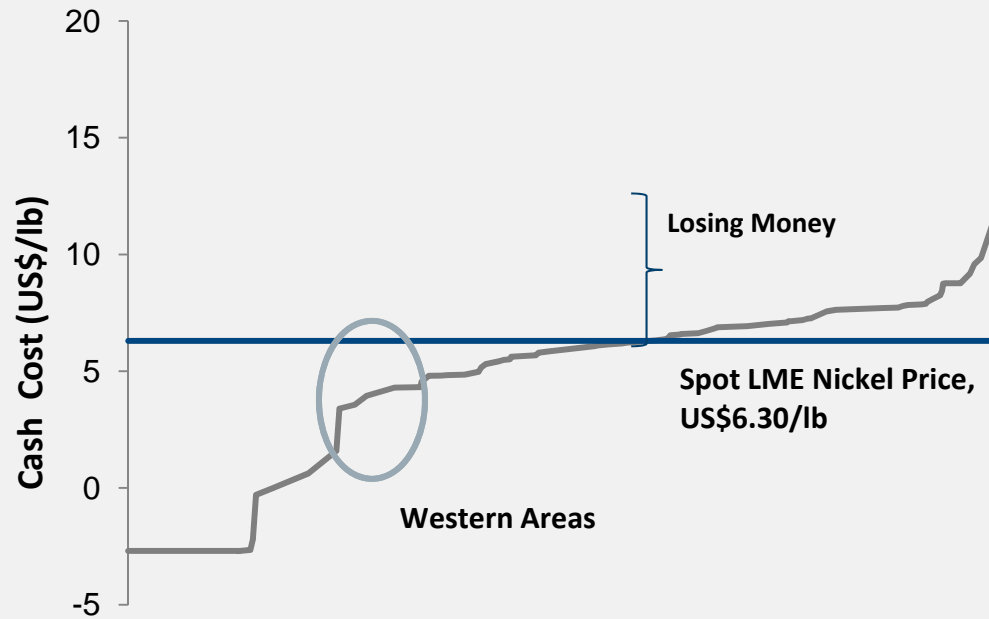
# Bottom Quartile Producer



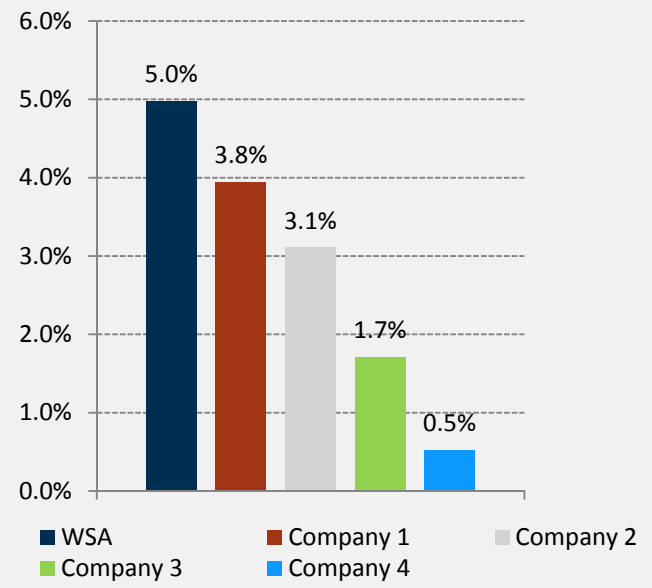
50% of nickel production at a loss, including NPI

Grade is King

Top Tier assets will survive

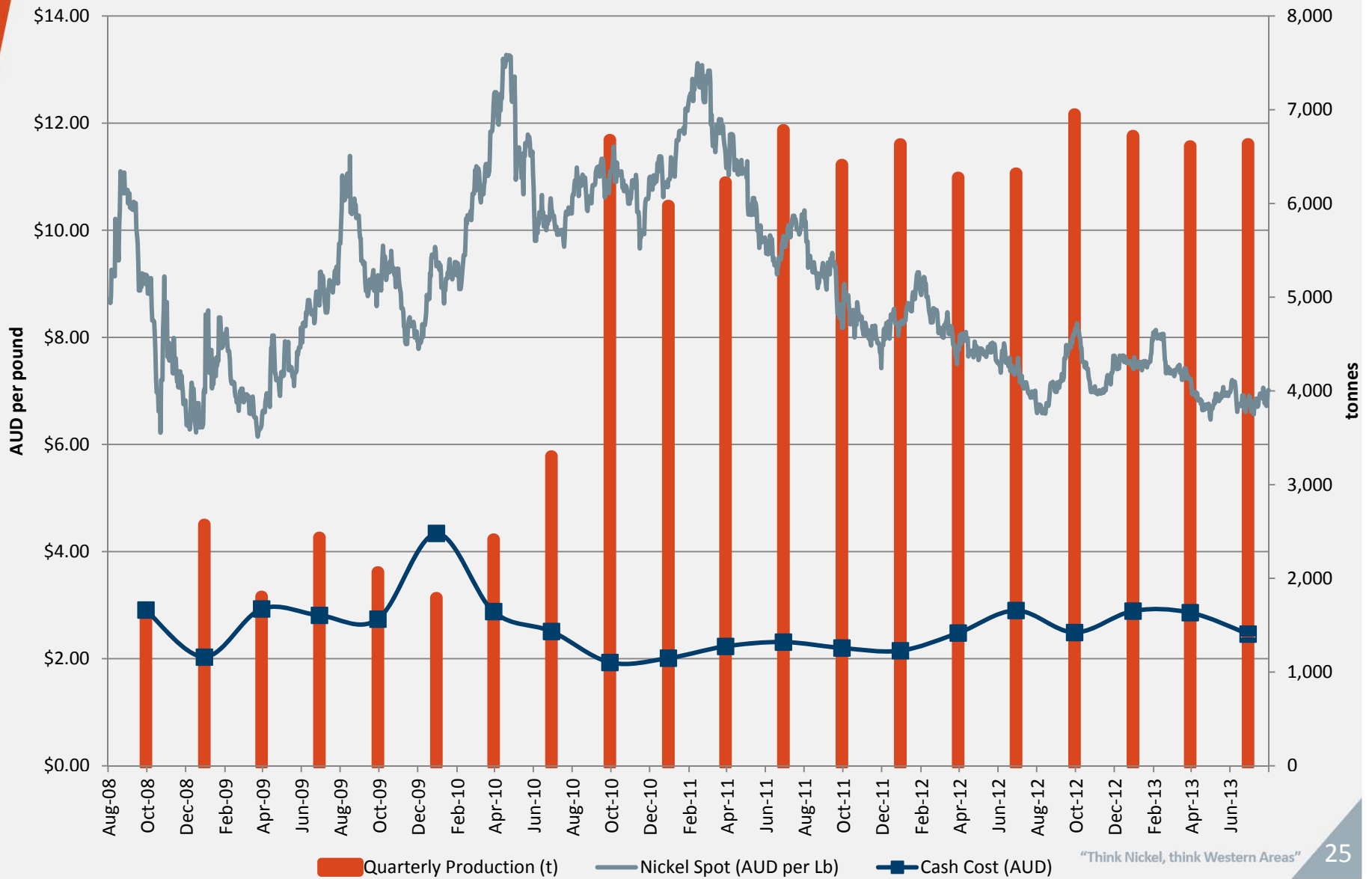


Nickel Grade Mined Comparison FY2013





# Strong Production and Cost Track Record

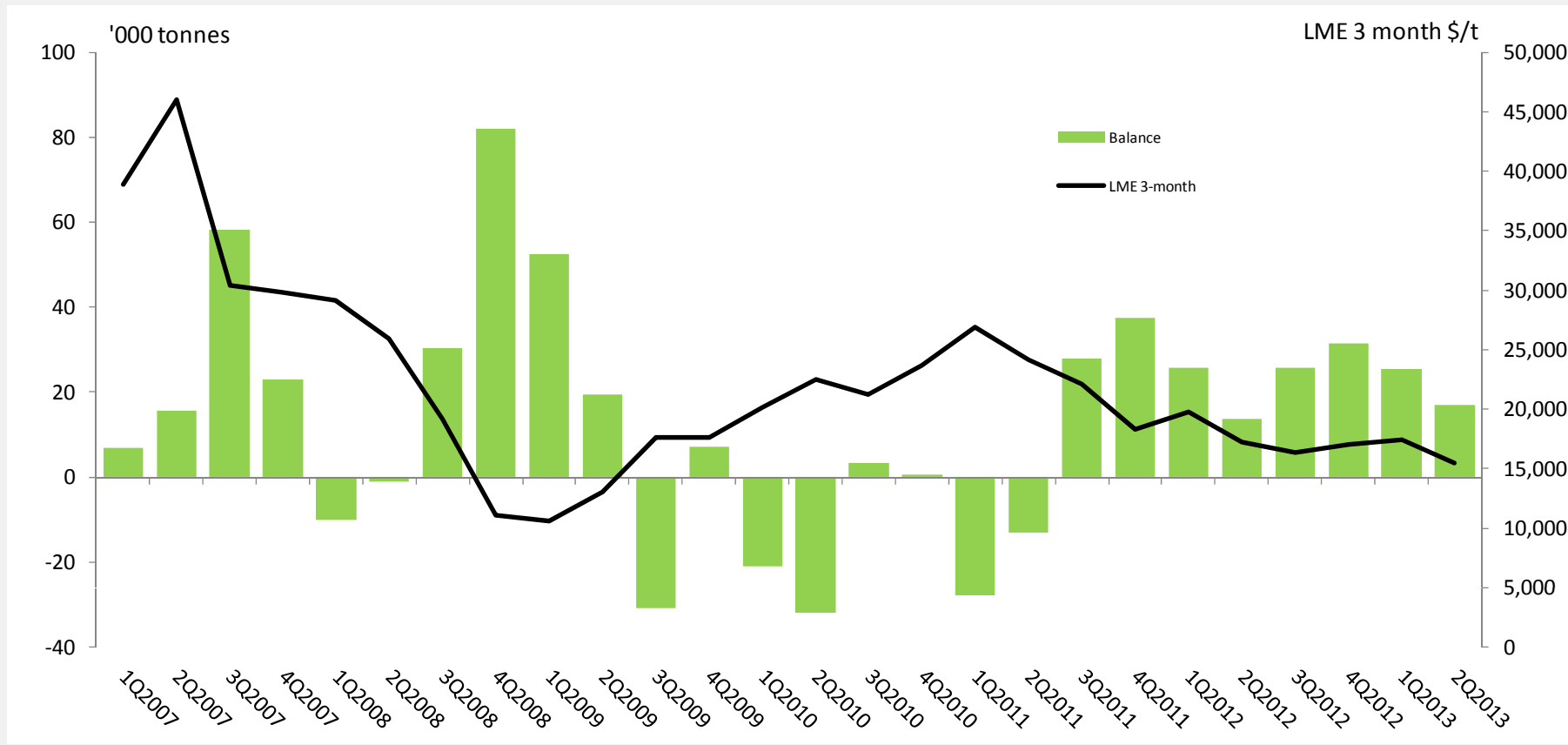


"Think Nickel, think Western Areas"

# Market remains in surplus



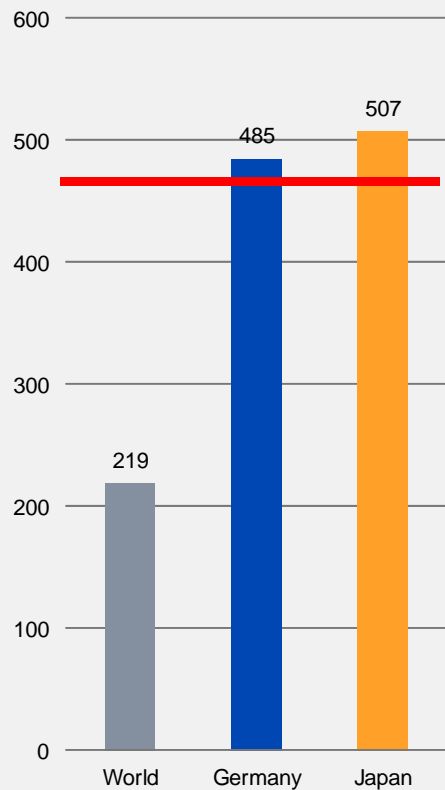
## Market balance (LHS) and LME 3-month price, US\$/tonne (RHS)



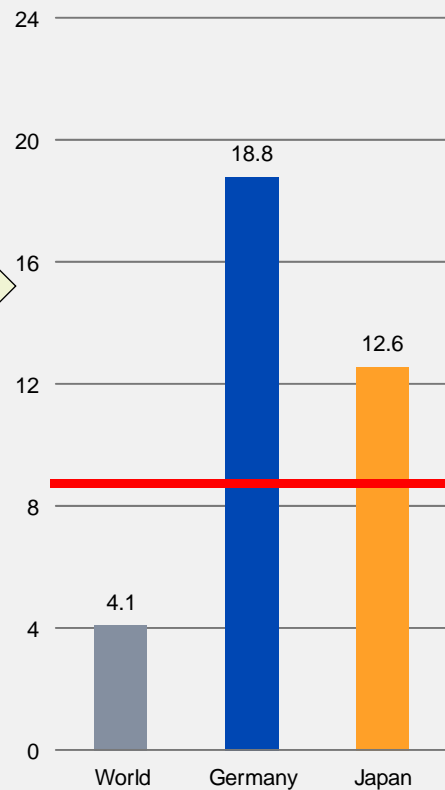
# Stainless Steel Demand

Nearly 70% of nickel supply ends up in stainless steel

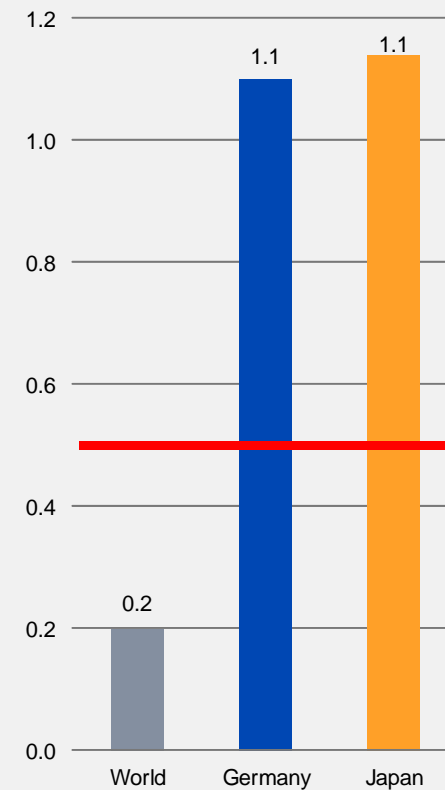
Steel consumption (kg/capita)



Stainless consumption (kg/capita)



Nickel consumption (kg/capita)

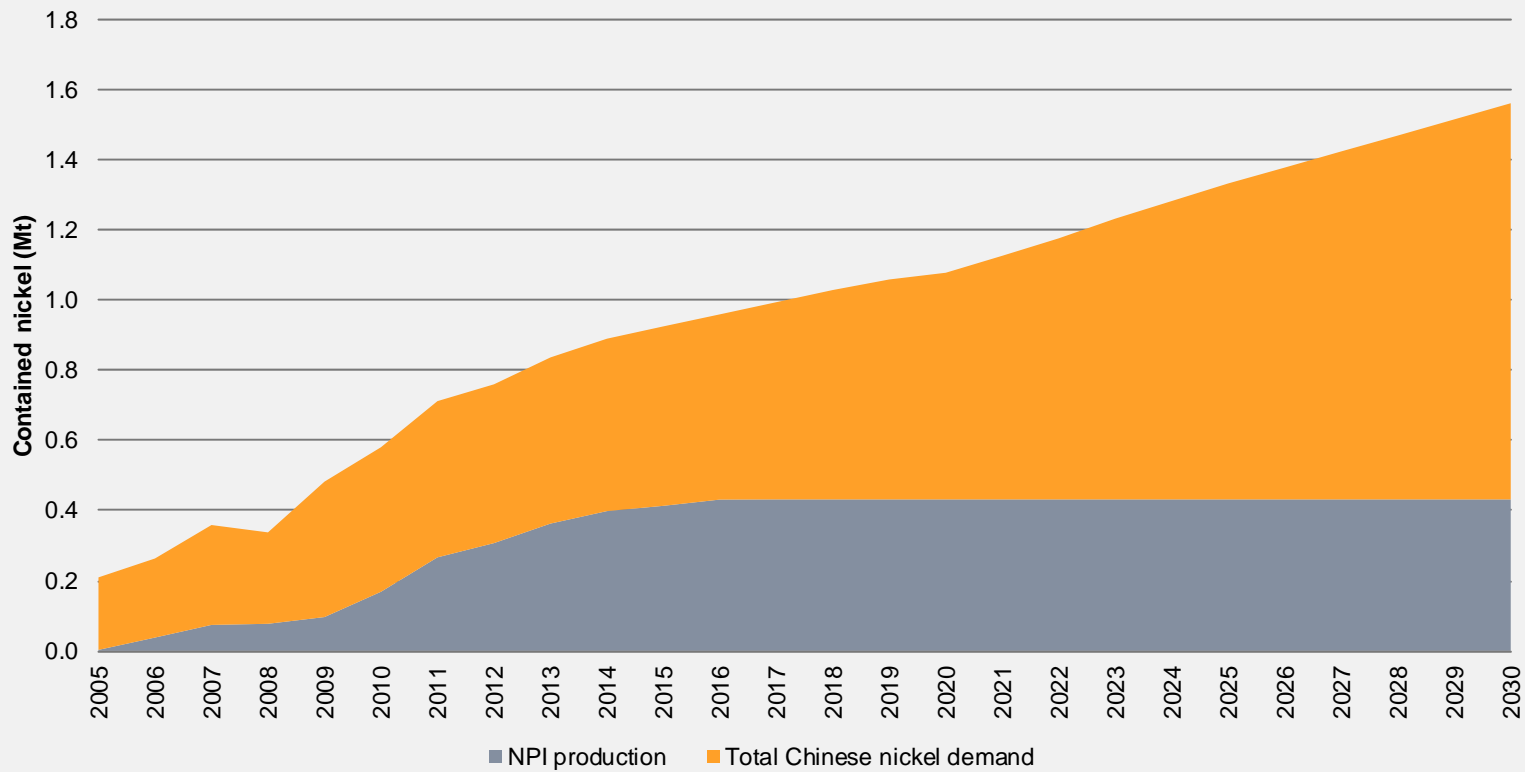


At Japanese and German per capita consumption levels, Chinese nickel demand would increase by nearly one million tonnes during this decade

# Chinese Nickel Demand



Forecast Chinese nickel demand and NPI production



NPI production will likely not increase at its current pace into the future.  
Chinese demand for nickel will have to be met by alternate sources of production.

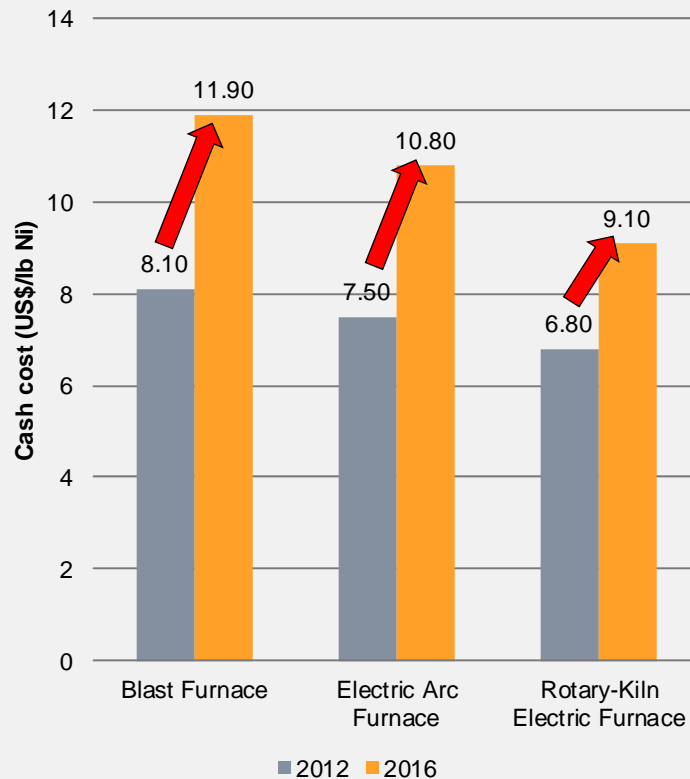


# NPI to become expensive



NPI is too expensive to continue to fill the gap.....

2012 and 2016 estimated NPI cash cost (US\$/lb)



## Cost Pressures

1. Electricity (25-75% of cost)
2. Labour costs increasing
3. Indonesian Laterite the only supplier for low cost RKEAF
4. Increase ore export taxes

NPI is already a high cost method of nickel production, and domestic economic forces in China may adversely impact economics

# Investor Equation



- High Grade = Margin
- Survival

Highest Grade Nickel Globally



- History of returns to shareholders in dividends

Cashflow Positive



- Guidance continually met or exceeded

Strong Track Record of Delivery



- Current global production at marginal cost

Nickel Price Primed for Upside



- New mine successfully bought on in 24 months

History of Discovery and Development



- Flexibility in meeting future demands or opportunities

Strong Balance Sheet



The End



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Questions?



# Appendices and Second Half Comparisons

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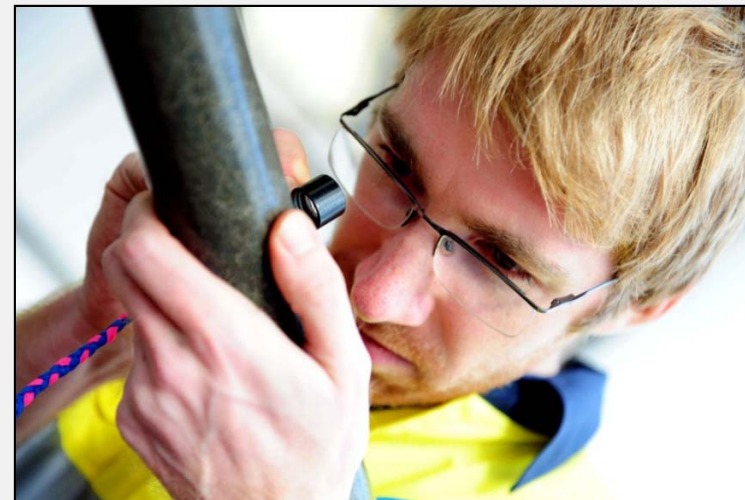
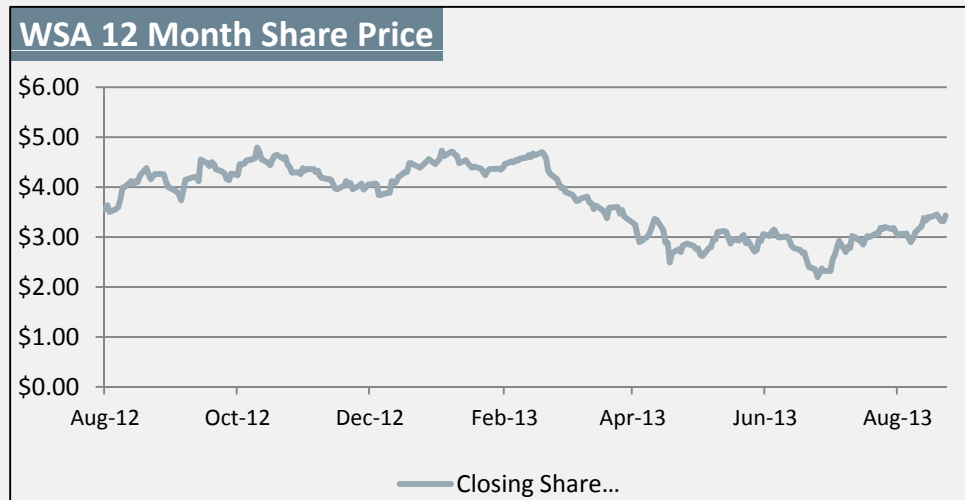


# Corporate Summary

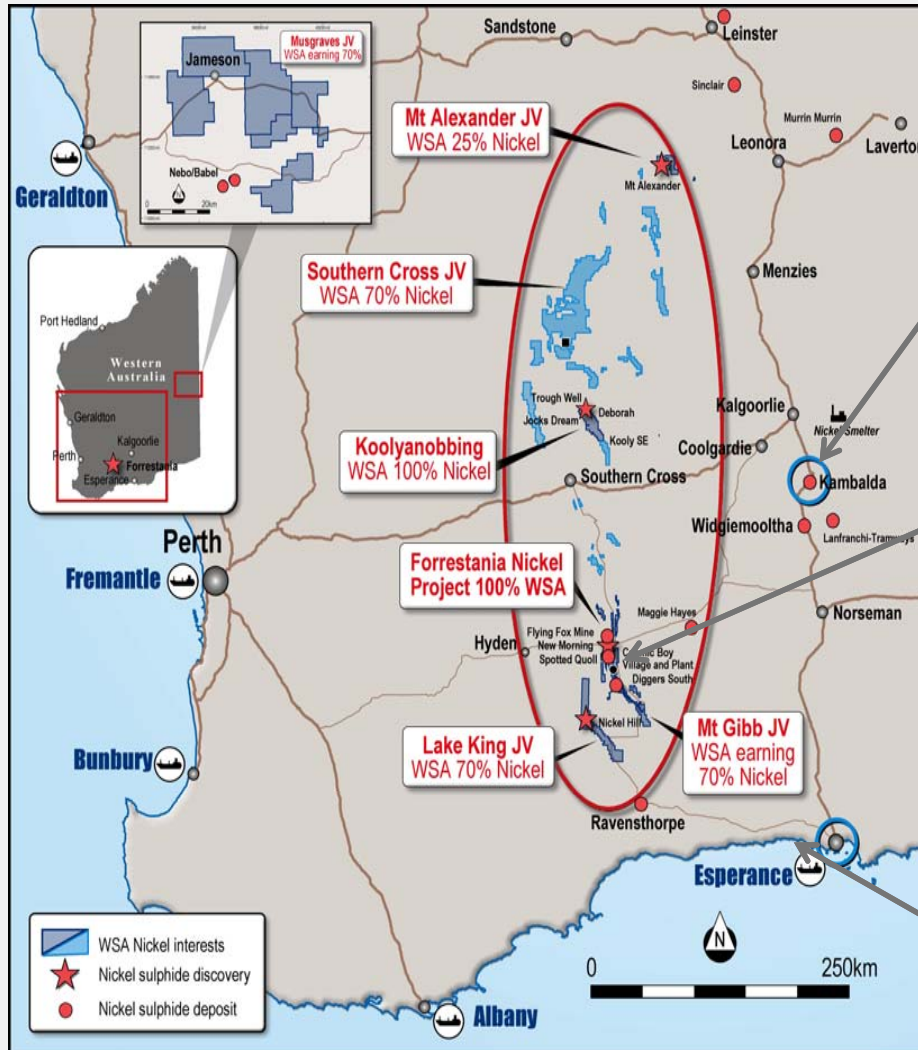


Listing:	Member of S&P ASX 200
Shares on Issue:	196.8M
Share Price:	~ A\$3.30 (August 2013)
Market Cap: (undiluted)	~ A\$650 million
Cash:	A\$81M at 30 June 2013

Top 15 Shareholders	%
1 T Streeter	12.16
2 JCP Partners	8.12
3 Colonial Group	7.01
4 M & A Greenwell	5.10
5 Celeste Funds Management	4.10
6 BT Investments	3.35
7 Concise Asset Management	3.28
8 Antares	2.57
9 Giovanni Santalucia	2.54
10 Bennelong	2.18
11 Tribeca	2.18
12 Kinetic Investment Partners	1.85
13 Highclere	1.71
14 Mount Kellet	1.56
15 AMP	1.51
<b>TOTAL</b>	<b>59.22</b>



# Location



WSA concentrate to BHP Billiton



WSA operations



WSA concentrate exports

# Another Strong Production Year

WESTERN AREAS LTD

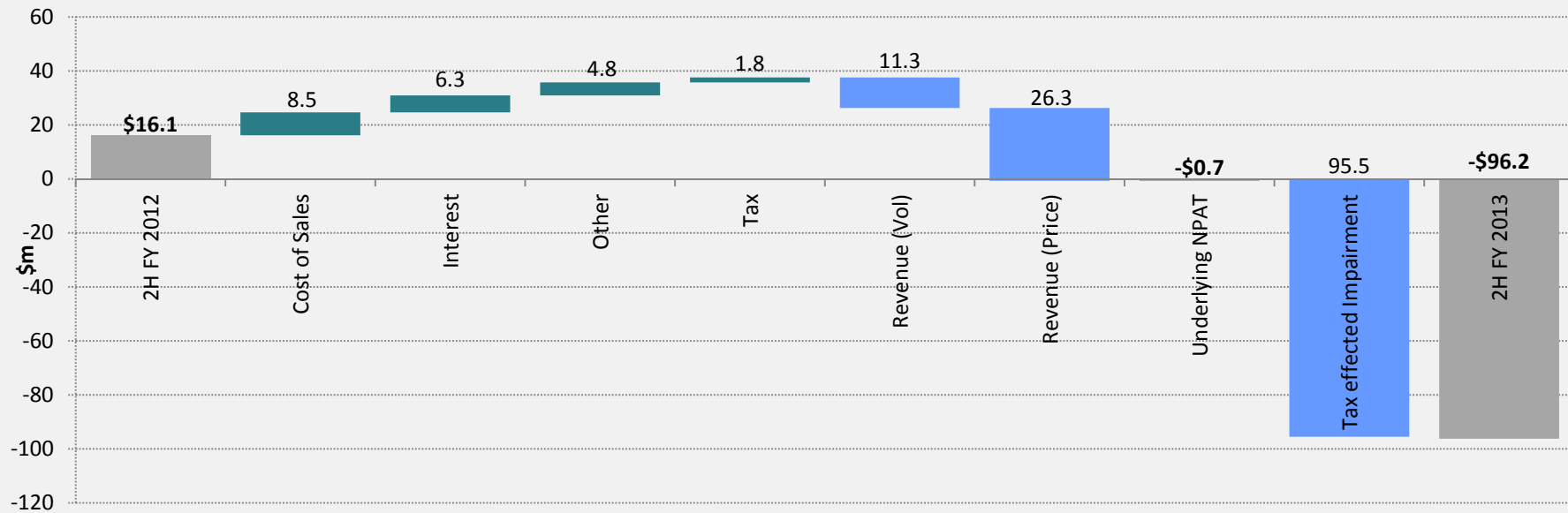
## Highlights

- Production guidance exceeded
- Record Sales for the year and quarter
- Lowest Unit Cash Cost for the year A\$2.46/lb
- Unit Cash Cost < full year guidance A\$2.68
- Free cash flow generation A\$22m (in June Q)
- Salary freeze extended into FY2014
- Cost reduction exercise successful

		1	2	3	4	
		2012/2013				FY
Tonnes Mined		Sep Qtr	Dec Qtr	Mar Qtr	Jun Qtr	Total
<b>Flying Fox</b>						
Ore Tonnes Mined	Tn's	102,218	89,846	82,668	73,716	348,448
Grade	Ni %	5.0%	4.9%	4.9%	4.7%	4.9%
Ni Tonnes Mined	Tn's	5,129	4,380	4,081	3,447	17,037
<b>Spotted Quoll - Underground</b>						
Ore Tonnes Mined	Tn's	43,581	50,907	59,335	53,465	207,288
Grade	Ni %	5.4%	5.1%	5.2%	4.8%	5.1%
Ni Tonnes Mined	Tn's	2,375	2,577	3,066	2,584	10,602
<b>Total - Ore Tonnes Mined</b>	Tn's	145,799	140,753	142,003	127,181	555,736
<b>Grade</b>	Ni %	5.1%	4.9%	5.0%	4.7%	5.0%
<b>Total Ni Tonnes Mined</b>	Tn's	<b>7,504</b>	<b>6,957</b>	<b>7,147</b>	<b>6,031</b>	<b>27,639</b>
Tonnes Milled and Sold		Sep Qtr	Dec Qtr	Mar Qtr	Jun Qtr	Total
Ore Processed	Tns	142,795	151,855	145,348	146,256	586,254
Grade	%	5.3%	4.9%	5.0%	5.1%	5.1%
Ave. Recovery	%	92%	90%	91%	89%	91%
<b>Ni Tonnes in Concentrate</b>	Tns	<b>6,951</b>	<b>6,722</b>	<b>6,611</b>	<b>6,634</b>	<b>26,918</b>
Ni Tonnes in Concentrate Sold	Tns	6,923	6,829	6,845	7,222	27,819
<b>Total Nickel Sold</b>	Tns	<b>6,923</b>	<b>6,829</b>	<b>6,845</b>	<b>7,222</b>	<b>27,819</b>
<b>Cash Cost Ni in Con</b>	<b>A\$/lb</b>	<b>2.49</b>	<b>2.89</b>	<b>2.86</b>	<b>2.46</b>	<b>2.68</b>
<b>Cash Cost Ni in Con/lb</b>	<b>US\$/lb</b>	<b>2.59</b>	<b>3.00</b>	<b>2.97</b>	<b>2.44</b>	<b>2.75</b>
<b>Exchange Rate US\$ / A\$</b>		<b>1.04</b>	<b>1.04</b>	<b>1.04</b>	<b>0.99</b>	<b>1.03</b>

# Income Statement Waterfall – 2nd Half

## WSA NPAT - 2H FY 2012 vs 2H FY 2013



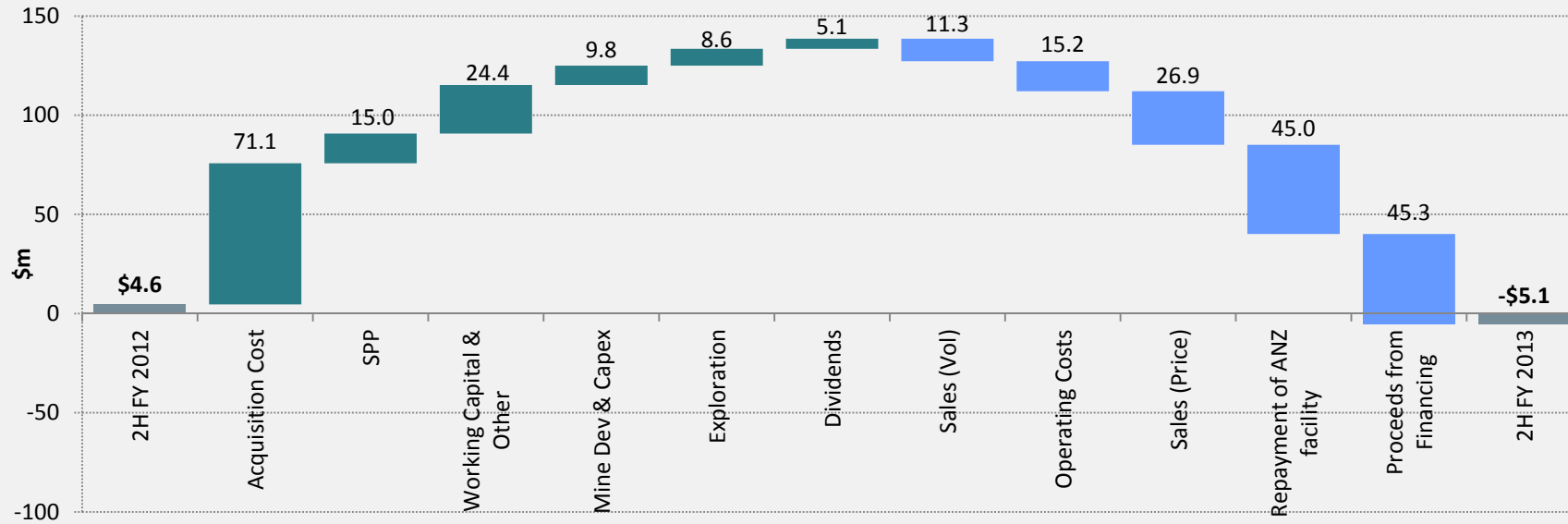
### 2H 2013 NPAT impacted by:

1. Impairment charge relating mainly to historical exploration
2. Nickel price and volume impact on revenue A\$28.5m (2H2012 had record sales due to timing of shipment that missed 1H2012) plus negative quotational price movement of A\$14.0m (pre-tax)
3. Savings on interest expense realised A\$6.3m due to repayment of borrowings



# Cashflow Waterfall – 2nd Half

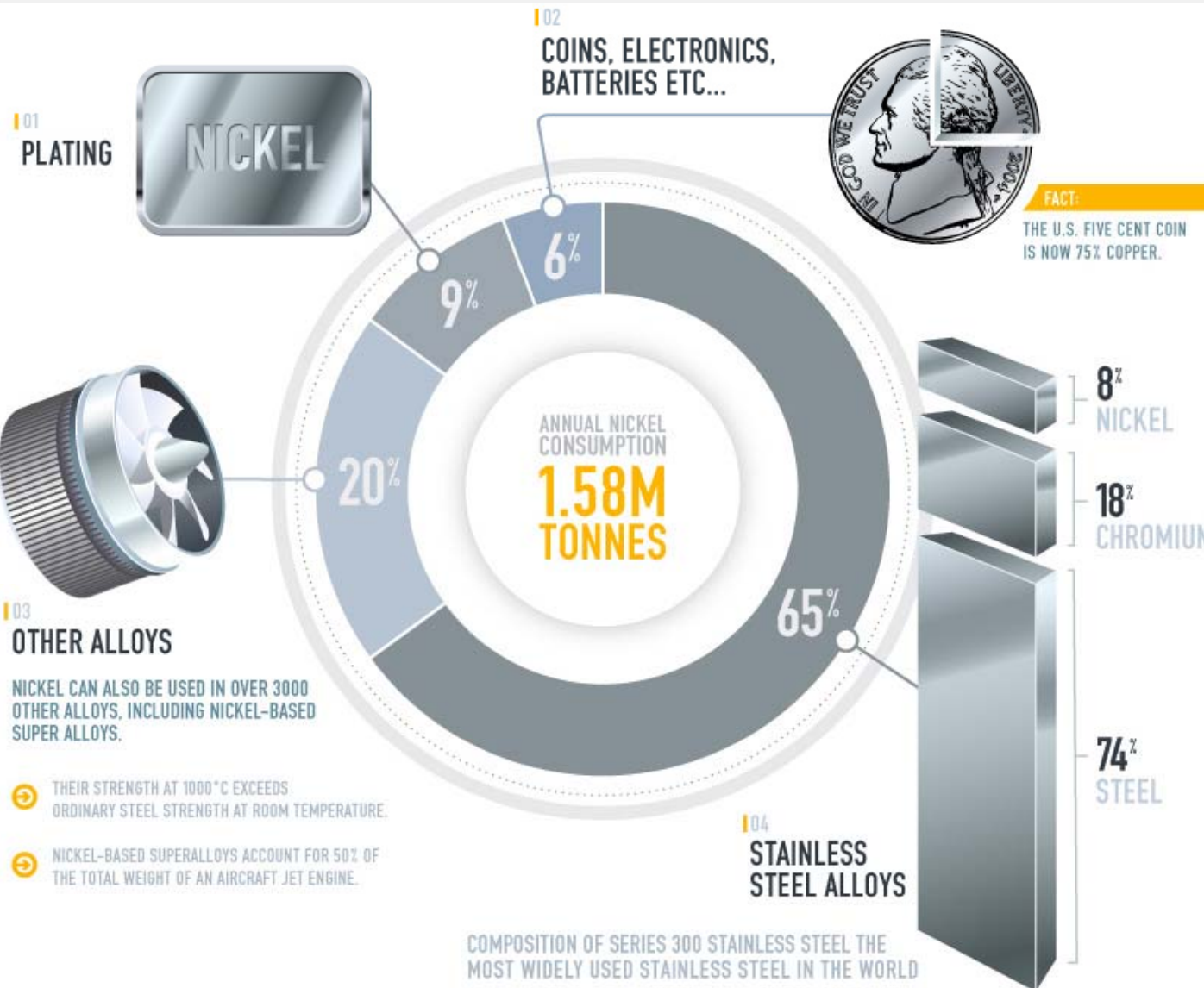
## WSA Cashflow - 2H FY 2012 vs 2H FY 2013



2H 2013 Cashflow was a busy period characterised by:

1. Nickel prices and volumes adversely impacting cash flow by A\$28.5m
2. Despite the nickel price, the underlying business proved durable with improvements in working capital (A\$15.6m) and reduction in exploration and mine development (A\$17.5m).
3. Increase in operating costs reflects an increase in fixed costs being allocated to operating rather than capital, as mine development decreased, plus the change from open pit to underground operations at Spotted Quoll

# Nickel Market Outlook



Whilst best known for its use in coins, nickel has far more strategic uses

It can be alloyed with other metals to create truly extraordinary materials

# Nickel Price History - Mar 2001 - Present

