



# Western Areas Ltd

Half Year Results to 31 December 2013

18 February 2014

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“Think Nickel, think Western Areas”



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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 Flying Fox Mine 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.

# Key Takeaways – Half Year



- **LTIFR** of 1.83 – one of the lowest in the hard rock mining industry
- 15,697t nickel in ore production, grade averaging 4.9% nickel
- Nickel in concentrate production of 13,020t
- Nickel in concentrate sales 12,963t to Jinchuan and BHP
- **A\$2.41/lb cash cost** in concentrate:
  - Remains best in class in Australia
  - 10% lower than FY13
- Capital and Exploration Expenditure incurred A\$25.8m – guidance now <A\$60m full year
- **EBITDA margin improved 20% to 45.6%** from 2<sup>nd</sup> half FY13:
  - Reflects impact of cost reduction activities and successful ramp up of Spotted Quoll underground
- **Underlying NPAT of A\$4.3m** on reported NPAT of A\$2.7m (post FinnAust expenditure):
  - 2<sup>nd</sup> Half FY13 was an underlying Net Loss after Tax of –A\$0.7m
  - Positive Quotation Period adjustment of A\$1.0m
  - Interim fully franked dividend of 1c per share
- **Free cashflow generation A\$19.2m:**
  - 2<sup>nd</sup> half FY13 was a net cash outflow of A\$5.1m
- Announced A\$89m Placement and A\$15m Share Purchase Plan (see separate announcement and presentation released today)

**All ahead of guidance**



Half Highlights	2H 2013	1H 2014	
Mine Production (tonnes Ni)	14,872	15,697	2H FY13 had record shipments and sales delayed from the previous half
Mill Production (tonnes Ni)	12,596	13,020	
Recovery	90%	89%	Unit cash costs reduced by 10% through cost savings initiatives
Sales Volume (tonnes Ni)	14,067	12,963	
Cash Costs (A\$/lb)	2.68	2.41	Sales revenue lower on lower volume
Exchange Rate USD/ AUD	1.01	0.92	
Nickel Price (U\$/tn)	15,146	14,212	EBITDA increased \$7.1m and EBITDA margin improved 20%
Sales Revenue (A\$'000)	152,721	143,374	
EBITDA (A\$'000)	58,302	65,411	NPAT increased \$5.0m, prior to FinnAust costs
Underlying EBIT (A\$'000)*	17,220	20,723	
Underlying NPAT (A\$'000)*	(689)	4,267	Lower capex in 1HFY14 and no financing transactions. A\$24.2m turnaround from 2HFY13
Reported NPAT (A\$'000)	(96,222)	2,671	
Free Cashflow (A\$'000)	(5,127)	19,181	
Cash at Bank (A\$'000)	80,719	99,900	
Dividend (cents)	0.0	1.0	

\* Underlying removed the impact of FinnAust Plc costs

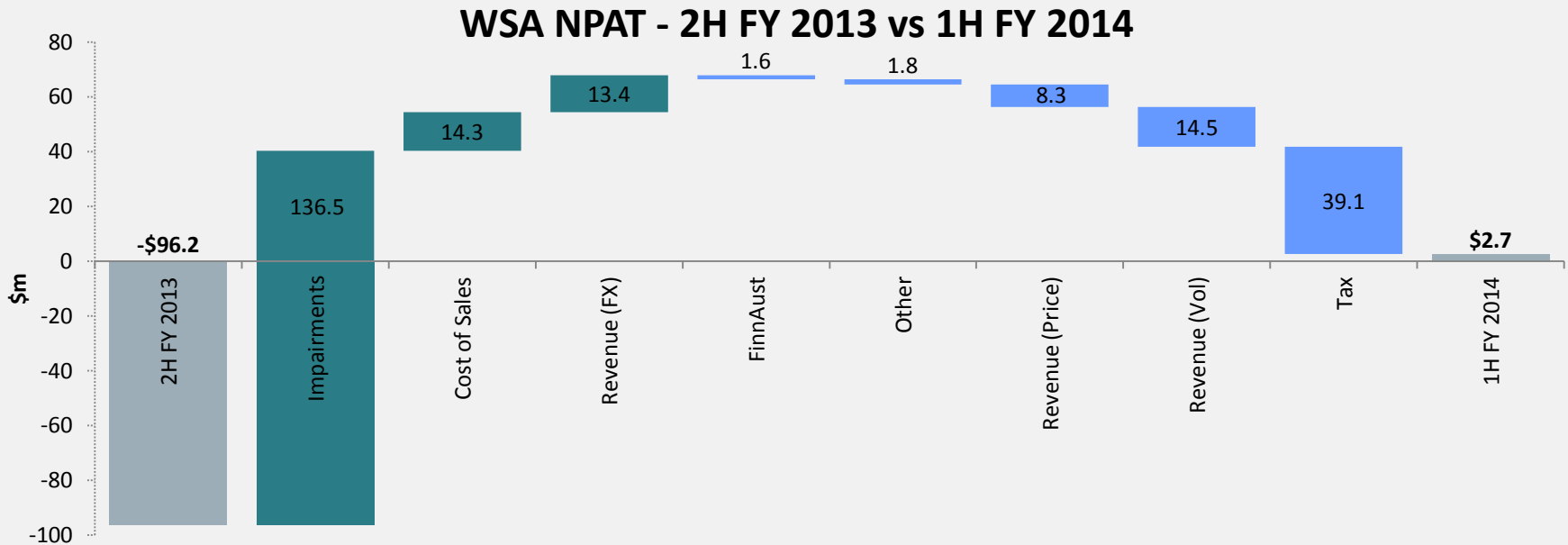
Earnings Data (\$'000)	1H FY 2013	2H FY 2013	1H FY 2014
Exchange Rate USD/ AUD	1.03	1.03	0.92
Nickel Price (U\$/tn avg)	17,122	15,146	14,212
Revenue	158,963	152,721	143,374
<b>EBITDA</b>	<b>67,565</b>	<b>58,302</b>	<b>65,411</b>
<i>EBITDA Margin %</i>	<i>42.5%</i>	<i>38.2%</i>	<i>45.6%</i>
Depreciation & Amortisation	(44,186)	(41,082)	(44,688)
<b>Underlying EBIT</b>	<b>23,379</b>	<b>17,220</b>	<b>20,723</b>
Interest Expense	(13,671)	(13,065)	(13,431)
Tax	(3,429)	(4,845)	(3,025)
<b>Underlying NPAT</b>	<b>6,279</b>	<b>(689)</b>	<b>4,267</b>
FinnAust expenditure	-	-	(1,596)
Tax effected Impairment	(4,162)	(95,533)	-
<b>Reported NPAT</b>	<b>2,117</b>	<b>(96,222)</b>	<b>2,671</b>
Dividend (cents)	2.0	0.0	1.0

## Commentary (2H 2013 v 1H 2014)

- Sales revenue impacted by record higher volume in 2H2013 due to shipment timing versus 1H2014.
- EBITDA dollars and margin improvement a direct reflection of cost improvement and productivity initiatives delivering.
- D&A expense increased due to higher volume Lounge Lizard ore mined.
- FinnAust 68% owned and therefore consolidated. Expenditure mainly related to listing on AIM.

## Commentary (1H 2013 v 1H 2014)

- Revenue \$20m lower due to realised nickel price.
- EBITDA dollars steady but margin improved by 10%.



## Comments:

1. Impairment charge in 2H 2013 related mainly to historical exploration
2. Reduced volume of sales and nickel price was largely offset by a stronger AUD
3. Cost of Sales decrease reflects cost improvement realisations, partially offset by increased depreciation & amortisation
4. FinnAust expenditure of \$1.6m primarily relates to listing costs of FinnAust on the London AIM

# Cashflow Statement

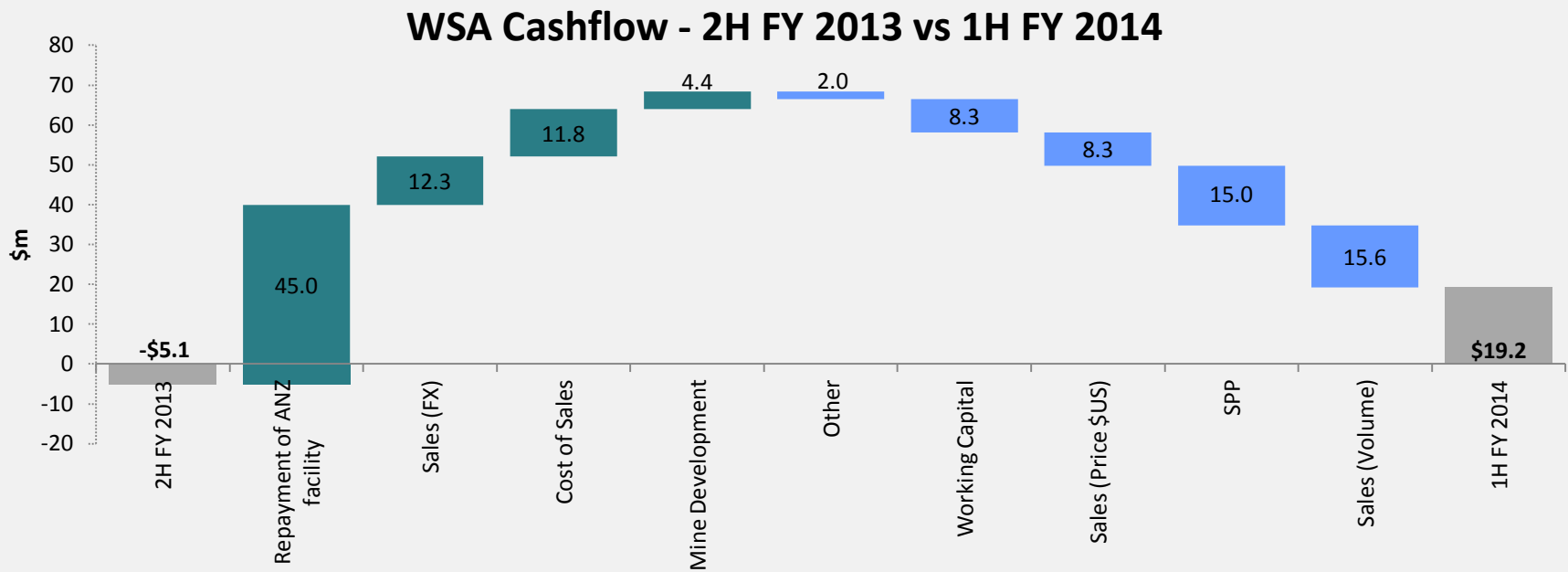
Cashflow Statement (\$'000)	1H FY 2013	2H FY 2013	1H FY 2014
Operating Cashflow	48,076	64,039	49,201
<i>Less:</i>			
Exploration	(12,795)	(7,385)	(9,976)
FinnAust Investment	(2,297)	(2,033)	(2,370)
Mine Development	(15,475)	(20,052)	(15,629)
Capital Expenditure	(14,333)	(4,719)	(1,974)
<b>Pre-Financing Cashflow</b>	<b>3,176</b>	<b>29,850</b>	<b>19,252</b>
Investment activities	-	(285)	-
Outokumpu Royalty Payout	(14,317)	-	-
Payment for subsidiary	-	-	-
Proceeds from Share Issues	50,000	15,009	-
Proceeds/(Costs) from Financing	(2,231)	(764)	(71)
Dividends Paid	(10,784)	(3,937)	-
Repayment of ANZ facility	-	(45,000)	-
Repayment of convertible bond	(105,500)	-	-
<b>Net Cashflow</b>	<b>(79,656)</b>	<b>(5,127)</b>	<b>19,181</b>
<b>Cash at Bank</b>	<b>85,846</b>	<b>80,719</b>	<b>99,900</b>

## Commentary (2H 2013 v 1H 2014)

- Operating cashflow difference driven mainly by reduced sales volume and working capital movements in 1H2014 (timing difference).
- Reduced capital expenditure and mine development as mines mature.
- Free cashflow improved by \$24.3m.**

## Commentary (1H 2013 v 1H 2014)

- Operating cash flow slightly higher despite a significantly reduced nickel price due to the success of cost saving initiatives.
- Pre-financing cashflow \$16.1m stronger due to reduced capex spend.
- Free cashflow \$19.2m improved due to no financing transactions for 1H2014.
- Outokumpu LOM Royalty was retired in 1H2013.



Free cashflow generation improved by A\$24.3m from the previous six months:

1. Sales volume decrease related to the brought forward sales from the previous period.
2. Gains on the depreciation of the AUD were nearly offset by a lower US dollar nickel price.
3. Significantly less financing transactions in 1HFY2014 with no debt repayments.





Balance Sheet	1H FY 2013	2H FY 2013	1H FY 2014
Cash at Bank	85,846	80,719	99,900
Receivables	26,276	18,610	19,240
Stockpiles & Inventory	41,699	30,318	40,376
PP&E	114,413	112,110	106,314
Exploration & Evaluation	140,051	32,182	43,259
Mine Development	272,104	241,776	225,559
Other	4,525	2,308	2,211
<b>TOTAL ASSETS</b>	<b>684,914</b>	<b>518,023</b>	<b>536,859</b>
Trade & Other Payables	45,216	36,911	33,526
Short Term Borrowings	45,073	4,266	112,380
Long Term Borrowings	265,296	233,842	138,267
<b>TOTAL LIABILITES</b>	<b>355,585</b>	<b>275,019</b>	<b>284,173</b>
<b>SHAREHOLDERS EQUITY</b>	<b>329,329</b>	<b>243,004</b>	<b>252,686</b>

## Commentary

- Improved balance sheet with A\$100m cash at bank.
- Post equity raise (assuming full take-up) significant cash providing low gearing and flexibility:
  - Convertible bond July 2014 – A\$110.2m – COVERED BY CASH.
  - Convertible bond July 2015 – A\$125.0m – COVERED BY CASH AND EXISTING UNDRAWN ANZ FACILITY.
- Mine Development and PP&E reduction reflects reduced spend and amortisation charges.
- FY14 combined guidance for capital expenditure, exploration and mine development is now <A\$60m.



- **A high grade and low unit cash cost nickel producer**
- **A proven explorer**, developer and operator led by an experienced management team
- **An S&P/ ASX 200** index member
  - Market cap of around A\$645 million at current prices, prior to the equity raise
- **Profitable**, even at the current low nickel price
- **A proven dividend** payer
- **Strategic owner** of sought after nickel in concentrate from traders and smelter operators. Offtake tender due to commence second half of CY2014
- **Employer of approximately 500 staff**, either directly or through contractors
- **14 consecutive** quarterly reports of no downside operational surprises
- **Committed** to stable organic growth from the current solid platform
- **Improving nickel price sentiment and outlook**



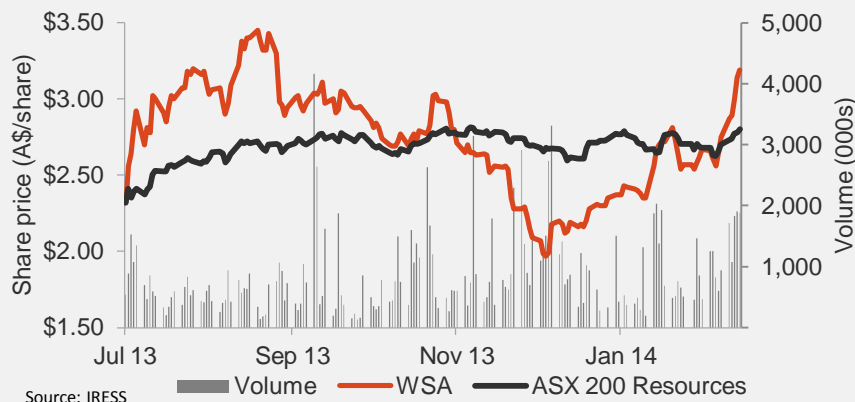
# Western Areas Ltd

## Overview

“Think Nickel, think Western Areas”



## WSA vs ASX 200 Resources (FY14 YTD)<sup>1</sup>



## Key Information

as at 17 February 2014

Share price	3.28
52 week high/low (A\$)	4.75 / 1.94
Shares outstanding (m)	196.9
Market Capitalisation (A\$m)	645.7
Cash (A\$m) <sup>2</sup>	99.9
Debt (A\$m) <sup>2</sup>	235.2
Undrawn ANZ Facility	125.0

## Top Shareholders <sup>3</sup>

Name	(%)
Terry Streeter	12.2
Schroder Investment Management	9.3
JCP Investment Partners	8.8
Commonwealth Bank	8.0

## Board & Senior Management

Name	Position
Ian Macliver	Non-Executive Chairman
Dan Lougher	Managing Director & CEO
David Southam	Executive Director
Joseph Belladonna	Chief Financial Officer & Company Secretary
Julian Hanna	Non-Executive Director
Richard Yeates	Independent, Non-Executive Director
Robin Dunbar	Independent, Non-Executive Director

Notes: Market data as at 17 February 2014

1. ASX 200 Resources Index rebased to WSA Share Price
2. Cash as at 31 December 2013 half yearly report and convertible bond debt
3. Based on Beneficial Owner analysis and ASX substantial shareholder notices (Form 604)



## Production Assets

### Flying Fox

- 1<sup>st</sup> nickel mine
- 15kt nickel per annum

### Spotted Quoll

- 2<sup>nd</sup> nickel mine
- 10kt to 15kt nickel per annum

### Cosmic Boy

- Nickel concentrator – treats ore from both mines

## Exploration & Growth

### Forrestania & WA Regional

- Nickel

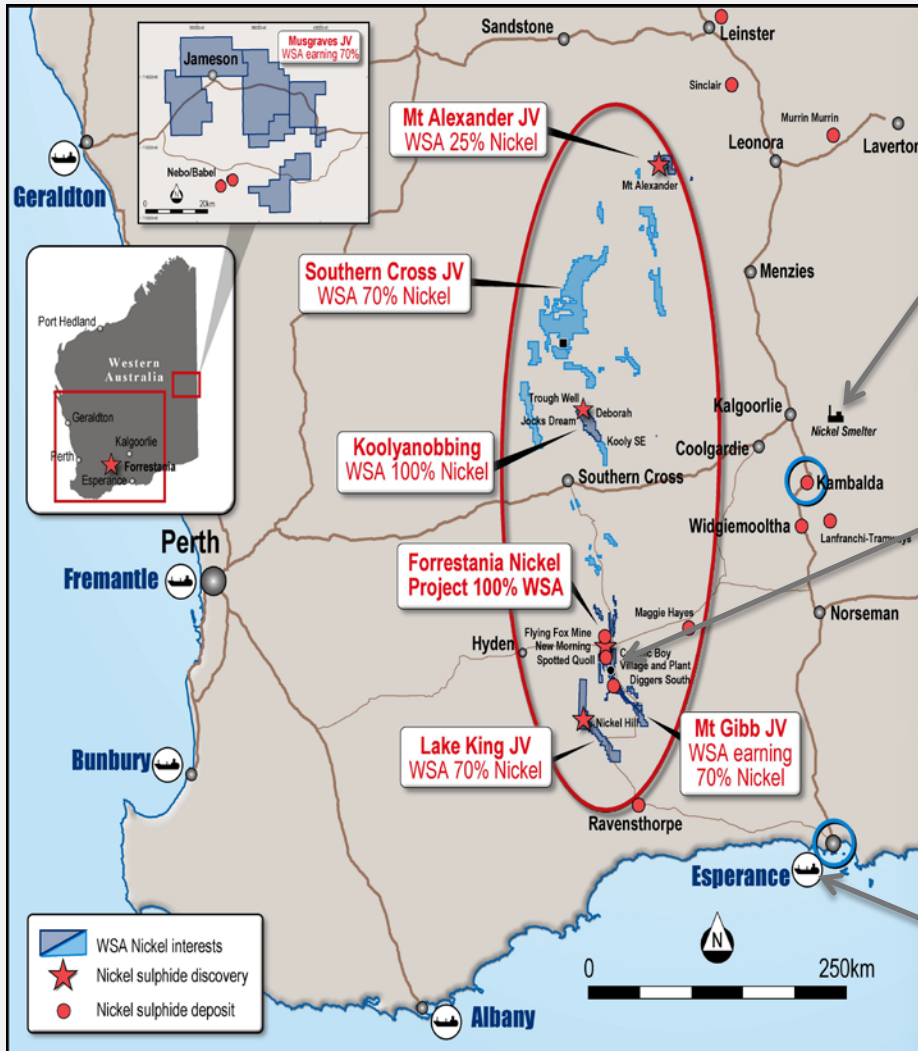
### Canadian Assets

- Nickel/Copper
- PGEs

### Finland

- VMS
- Outokumpu Cu

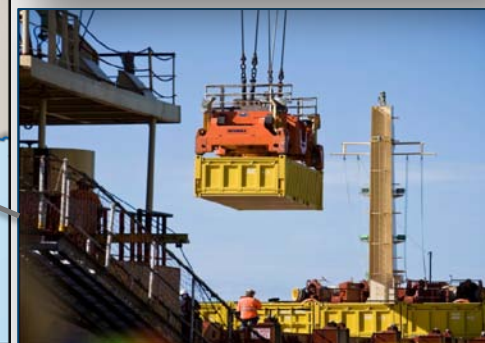
**Disciplined Acquisition Potential (Nickel & Base Metals)**



WSA concentrate to BHP Billiton



WSA operations



WSA concentrate exports

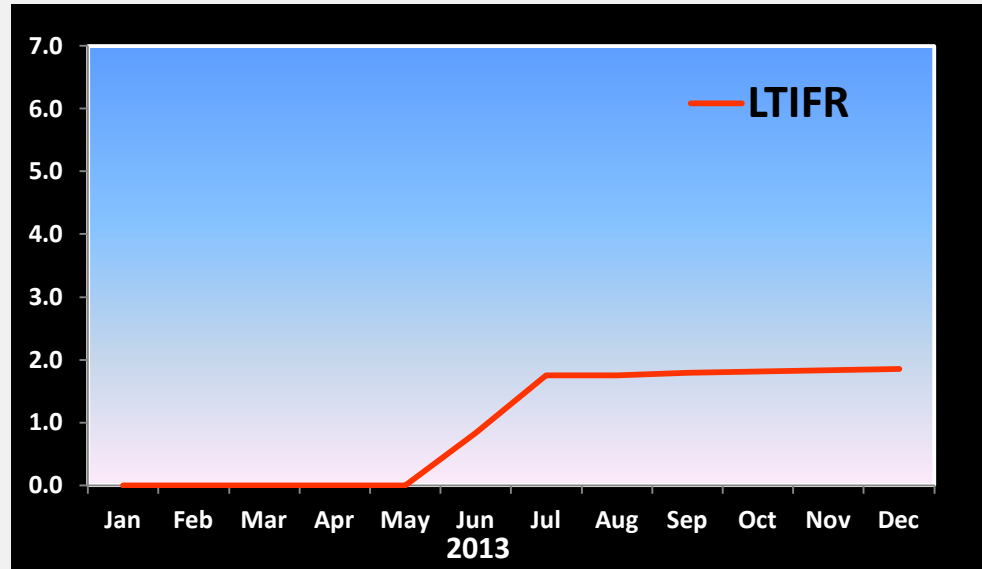


## Continuous Safety Improvement

- LTIFR 1.83
- Flying Fox >175 days LTI free
- Spotted Quoll >990 days LTI free
- Exploration >1,887 days LTI free
- Cosmic Boy Concentrator >192 days LTI free
- MTIFR 7.4
- 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









## There are a number of factors that influence the nickel price including:

1. Level of global nickel supply
2. Cost and capacity of Chinese nickel pig iron (“NPI”) production
3. Indonesian nickel laterite export ban – implemented January 2014
4. Stainless Steel demand in China, Europe and North America

## What we believe is occurring:

1. Any perceived nickel oversupply is marginal – a supply response is beginning to occur:
  - Glencore – all Australian sulphide production ceased, Falcondo operation closed
  - Norilsk – all Australian operations ceased, ex-Russia projects up for sale
  - Votorantim – nickel smelter being closed down in South America
  - Talvivaara – well publicised production and funding issues
  - Large HPAL projects still facing technical and high cost issues



2. Chinese NPI production capped between 450kt to 500kt of contained nickel. Unit costs range from US\$6/lb to US\$9/lb:
  - Latest RKEAF technology relies on Indonesian laterite
  - Laterite must be >1.8% Ni and <25% Fe – Philippines laterite is out of spec
  - Large power consumer – power costs rising in China
  - Total Chinese market for nickel is estimated to be between 800kt to 900kt per year – with growth forecast to be at 5% per annum\*
  
3. Indonesian ban implemented and exports have ceased:
  - China is estimated to have between 6 and 9 months of Indonesian laterite supply\*
  - Uncertainty on ban staying in full force – Indonesian election process during April/ May
  - Potential exists to raise laterite export taxes
  - Believe there is now a cap on NPI production at worse
  
4. Stainless steel demand remains strong in China – moving to consumer based and building project demand
  
5. European stainless steel demand is muted, whilst US showing signs of a small recovery



# December Quarterly - Outperformance



Tonnes Mined		2012/2013		2013/2014		HY
		Mar Qtr	Jun Qtr	Sep Qtr	Dec Qtr	Total
<b>Flying Fox</b>						
Ore Tonnes Mined	Tns	82,668	73,716	86,642	83,095	169,737
Grade	Ni %	4.9%	4.7%	4.8%	4.6%	4.7%
Ni Tonnes Mined	Tns	4,081	3,447	4,200	3,791	7,991
<b>Spotted Quoll - Underground</b>						
Ore Tonnes Mined	Tns	59,335	53,465	77,097	74,720	151,817
Grade	Ni %	5.2%	4.8%	5.3%	4.8%	5.1%
Ni Tonnes Mined	Tns	3,066	2,584	4,090	3,616	7,706
<b>Total - Ore Tonnes Mined</b>	Tns	142,003	127,181	163,739	157,815	321,554
<b>Grade</b>	Ni %	5.0%	4.7%	5.1%	4.7%	4.9%
<b>Total Ni Tonnes Mined</b>	<b>Tns</b>	<b>7,147</b>	<b>6,031</b>	<b>8,290</b>	<b>7,407</b>	<b>15,697</b>
Tonnes Milled and Sold		2012/2013		2013/2014		HY
		Mar Qtr	Jun Qtr	Sep Qtr	Dec Qtr	Total
Ore Processed	Tns	145,348	146,256	150,475	148,901	299,376
Grade	%	5.0%	5.1%	4.9%	4.9%	4.9%
Ave. Recovery	%	91%	89%	90%	88%	89%
<b>Ni Tonnes in Concentrate</b>	<b>Tns</b>	<b>6,611</b>	<b>6,634</b>	<b>6,593</b>	<b>6,427</b>	<b>13,020</b>
Ni Tonnes in Concentrate Sold	Tns	6,845	7,222	6,554	6,409	12,963
<b>Total Nickel Sold</b>	<b>Tns</b>	<b>6,845</b>	<b>7,222</b>	<b>6,554</b>	<b>6,409</b>	<b>12,963</b>
Financial Statistics		2012/2013		2013/2014		DEC
		Mar Qtr	Jun Qtr	Sep Qtr	Dec Qtr	YTD
<b>Group Production Cost/lb</b>						
Mining Cost	A\$/lb	2.23	1.87	1.65	1.88	1.76
Haulage	A\$/lb	0.05	0.05	0.06	0.06	0.06
Milling	A\$/lb	0.41	0.38	0.40	0.44	0.42
Admin	A\$/lb	0.19	0.18	0.19	0.19	0.19
By Product Credits	A\$/lb	(0.02)	(0.02)	(0.02)	(0.03)	(0.02)
<b>Cash Cost Ni in Con</b>	<b>A\$/lb</b>	<b>2.86</b>	<b>2.46</b>	<b>2.28</b>	<b>2.54</b>	<b>2.41</b>
<b>Cash Cost Ni in Con/lb</b>	<b>US\$/lb</b>	<b>2.97</b>	<b>2.44</b>	<b>2.09</b>	<b>2.36</b>	<b>2.22</b>
<b>Exchange Rate US\$ / A\$</b>		<b>1.04</b>	<b>0.99</b>	<b>0.92</b>	<b>0.93</b>	<b>0.92</b>

## Comments

1. Continued low unit cash costs for the Dec half. 10% down on previous half.
2. Positive reserve reconciliation on grade/tonnes plus cost reduction program delivering results.
3. Production of nickel in ore and concentrate remain ahead of the guidance run rate.
4. Cash at Bank increased to A\$100m with A\$19m free cashflow for the half.
5. 14 quarters in a row of on target or better operational performance.

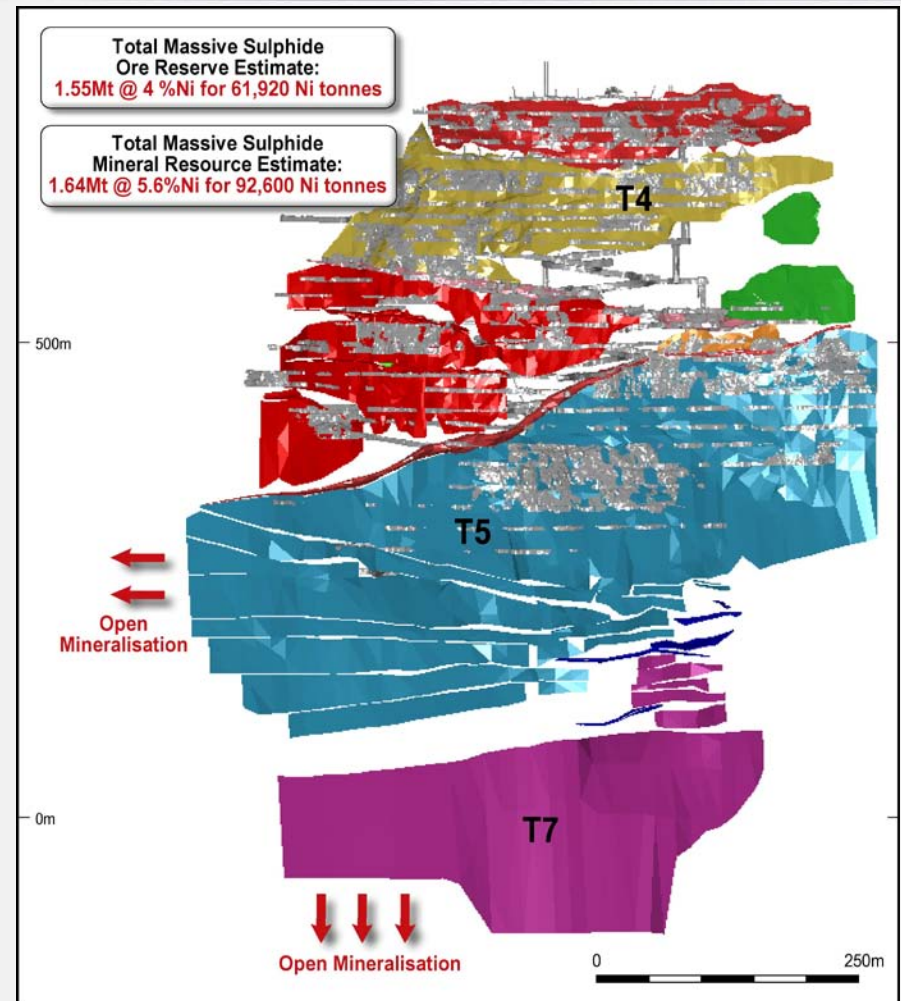


## Mineral Resource and Ore Reserve

- High Grade (excluding disseminated sulphide resource) Mineral Resource: 1.64Mt @ 5.6% Ni = 92,600 Ni Tonnes
- Ore Reserve: 1.55Mt @ 4.0% Ni = 61,920 Ni Tonnes
- 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
- Estimated Life of Mine – 5-6 Years, extensional drilling in progress

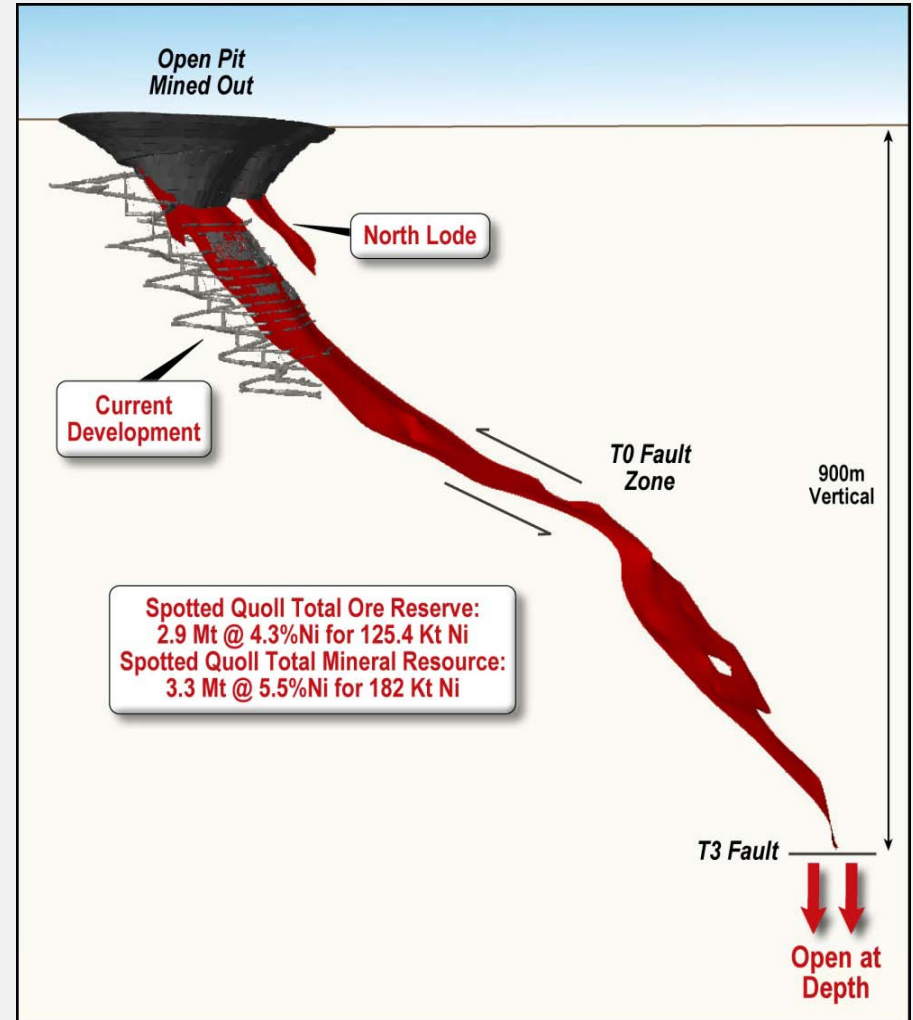


## Mineral Resource and Ore Reserves

- Ore reserve now 2.9mt @ 4.3% containing 125,440t nickel
- Remains open at depth and to the North
- Surface drilling program complete to improve conversion of inferred resource to indicated resource
- Already >10 year mine life on reserve
- **New Spotted Quoll North Indicated and Inferred Resource of 140kt @ 9.3% for 12,906 nickel tonnes**

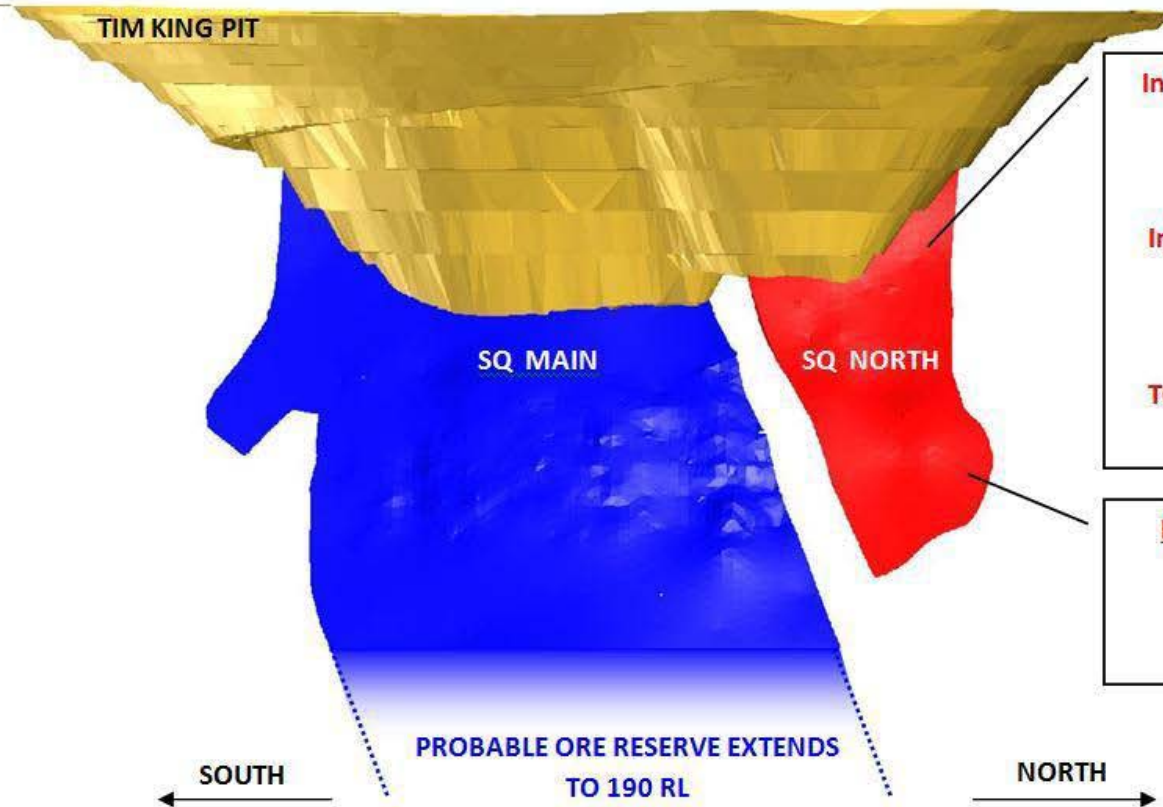
## Production

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





## SPOTTED QUOLL NORTH - RESOURCE/RESERVE - DECEMBER 2013



**Indicated Mineral Resource**  
118,414t @ 8.9% Ni  
[10,539t Ni]  
and  
**Inferred Mineral Resource**  
21,520t @ 11.0% Ni  
[2,367t Ni]

**TOTAL CONTAINED NICKEL**  
12,906 tonnes

**PROBABLE ORE RESERVE**  
168,000t @ 5.7% Ni  
[9,600t Ni]  
**CONTAINED NICKEL**







## Organic Growth

Western Ultramafic Belt:

- ✓ New Morning channel
- ✓ 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

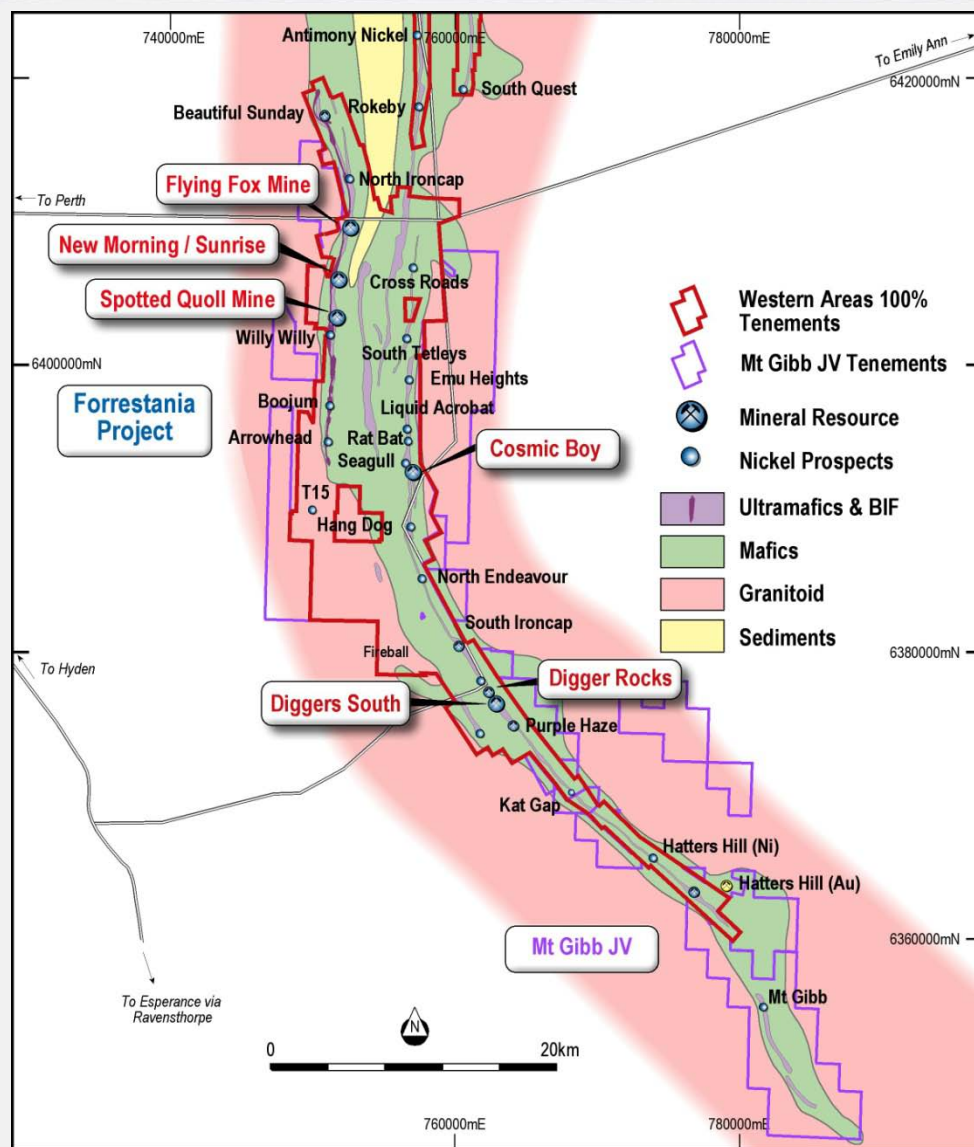
Bottom Half of the Cost Curve

Use WSA expertise – exploration, development and operations

The 3 “D” – discipline and due diligence

## Regional Geology

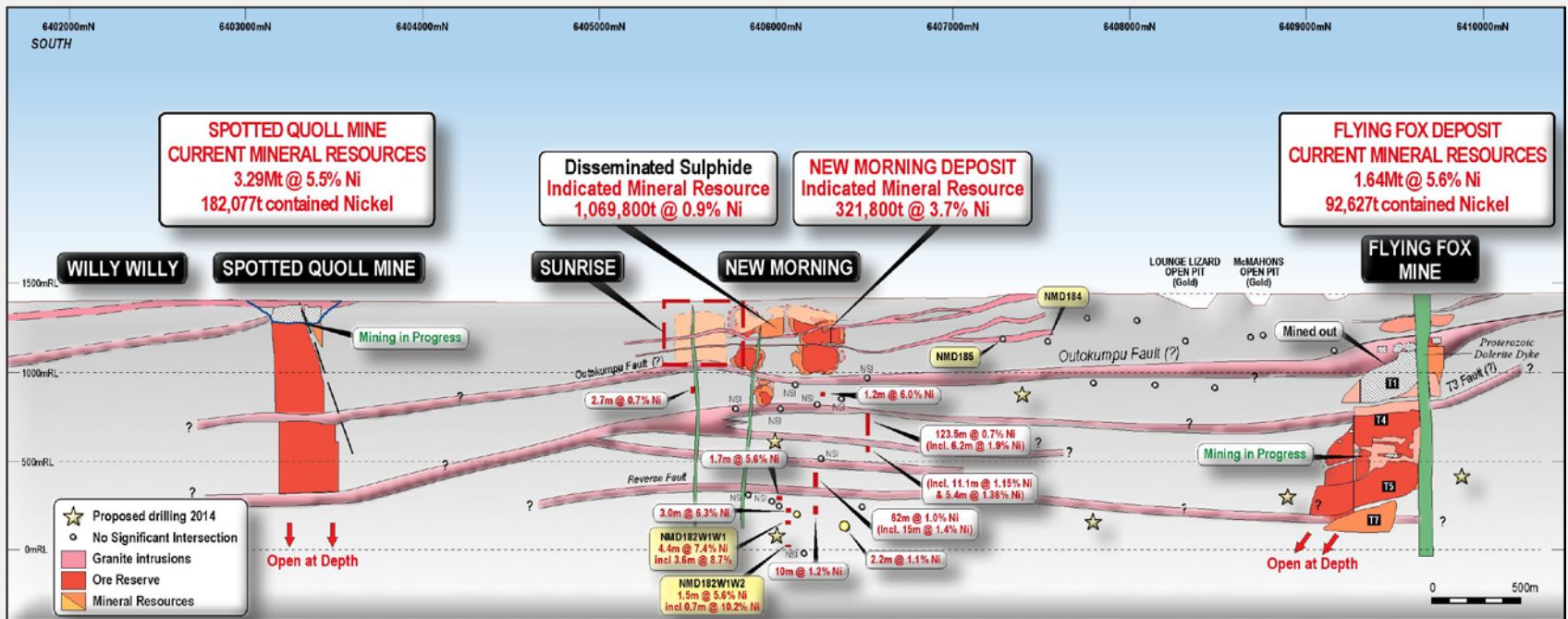
- 120km strike length (900 sq km) of prospective Forrestania Nickel Project, within 400km long nickel province
- Six ultramafic belts
- Nickel sulphide deposits and most occurrences in two belts (Eastern and Western)
- Western Ultramafic Belt hosts the high grade Flying Fox, Spotted Quoll and new Morning deposits



# Short Term – Near Mine Exploration

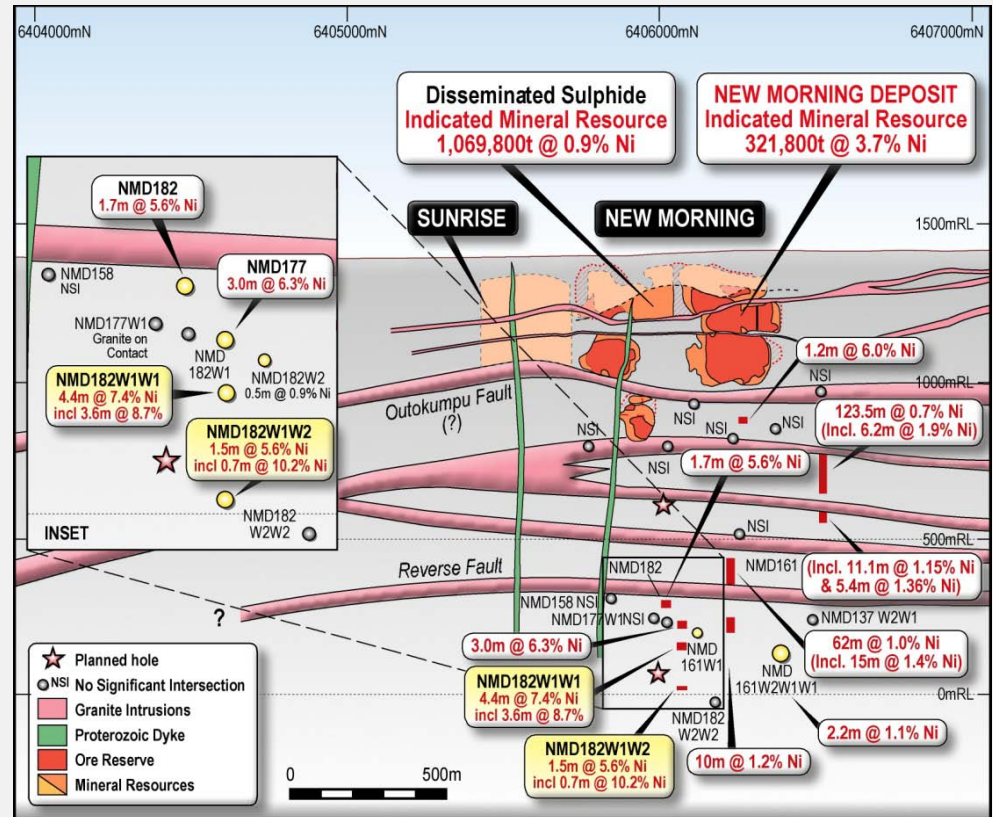


- Exploration Budget of A\$15M for FY14, majority spent on drilling at Forrestania
- Drilling Priority within 8km long zone (below). New discovery would access existing mine infrastructure. Systematic approach
- Recent New Morning massive sulphide and Sunrise discoveries



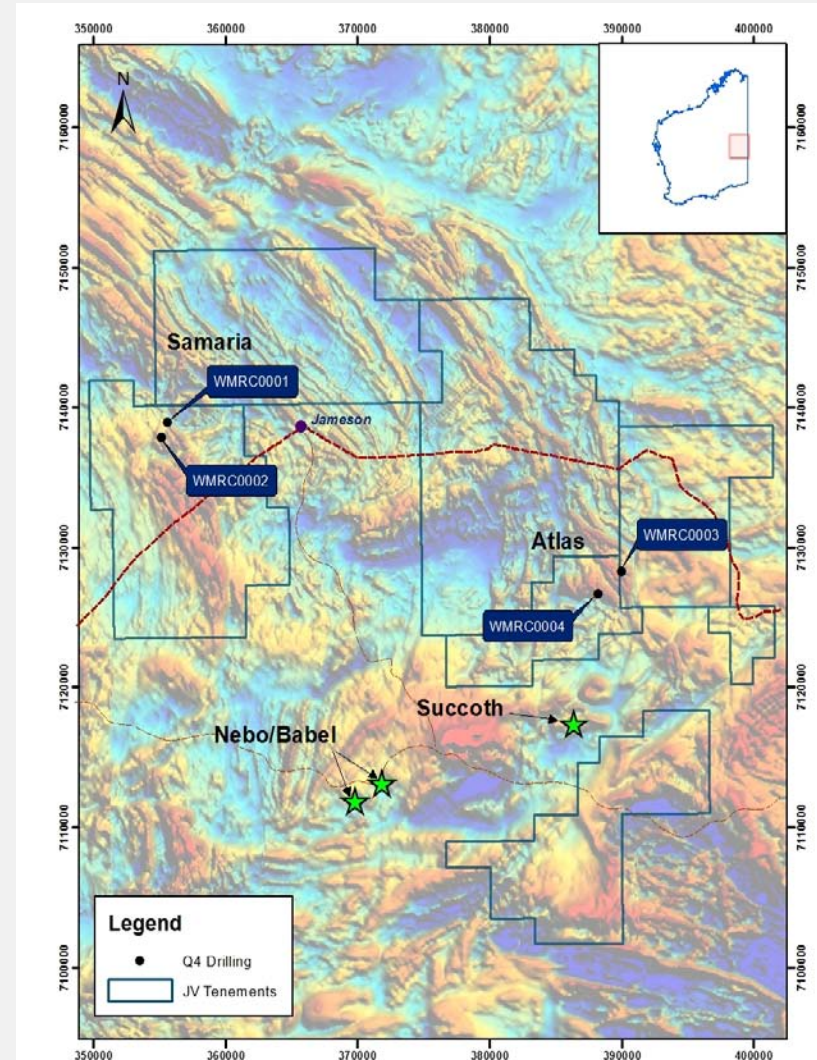
# High Grade Discovery at New Morning

- WSA's latest new high grade discovery, 2.5km from Flying Fox and 2.8km from Spotted Quoll
  - All material approvals in place, potential major capex savings & accessible from either mine
- Massive sulphide discovered below New Morning:
  - 4.4m @ 7.4% nickel including 3.6m @ 8.7% nickel**
  - 3.0m @ 6.3% nickel including 2.4m @ 7.6% nickel**
  - 1.5m @ 5.6% nickel including 0.7m @ 10.2% nickel**
- Major drilling program continues with use of DHEM data

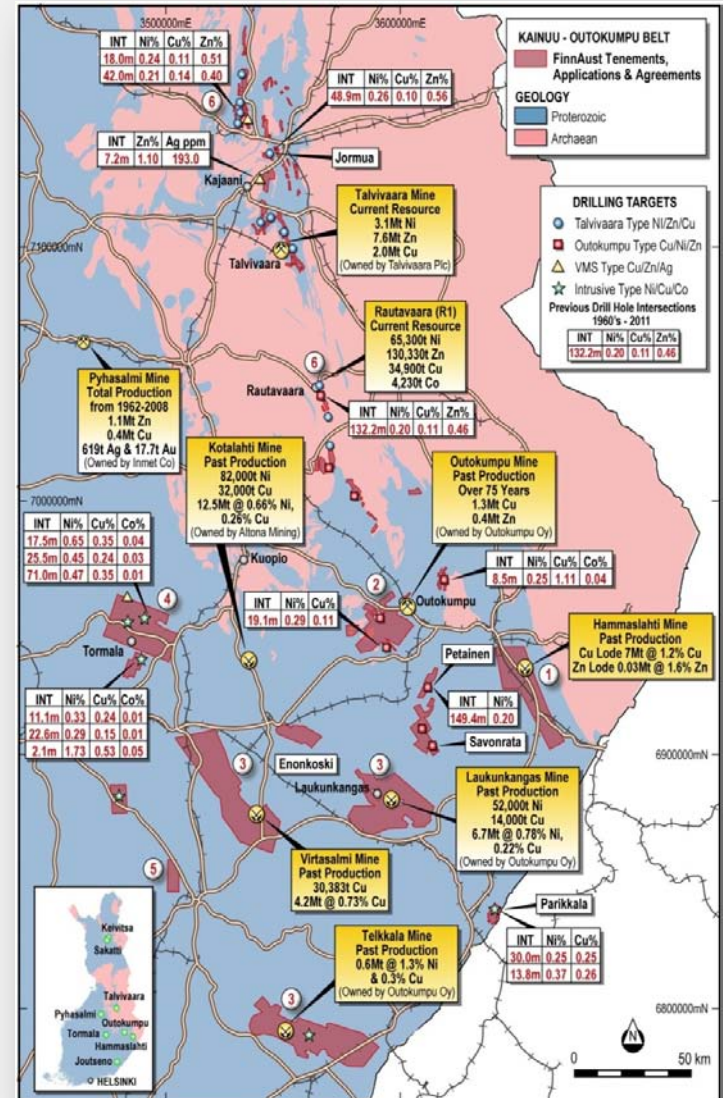




- Attractive entry point for highly prospective landholding where significant pre-work completed
- Up to 70% earn into prospective **West Musgrave** tenements (1,075km<sup>2</sup>) with Traka Resources
- Demonstrated strong endowment (BHPB's Nebo – Babel – Succoth deposits)
- Targeting massive sulphides (nickel/copper)
- Geophysical surveys commenced on priority targets (MLEM)
- A number of highly conductive targets identified and drilling has commenced



- Listing on AIM completed in December 2013 and 68% WSA owned post listing
- Current market cap circa A\$20m
- 300km long base metal province in Finland
- Numerous nickel/copper/zinc mines & occurrences
- Focus on two key projects:**
  - Outokumpu Copper Project**
  - Hammaslahti VMS Project**
- Drilling commenced for potential extensions and repetitions to known copper deposits
- Geophysics proving very effective in defining targets - ZTEM survey completed
- 18 months worth of drilling funds



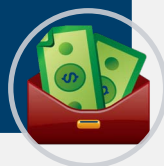
- High Grade = Margin
- Survival ✓

Highest Grade Nickel Globally



- Returns to shareholders in Dividends ✓

Cash flow 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 brought on in 24 months ✓

History of Discovery and Development



- Flexibility in meeting future demands or opportunities ✓

Strong Balance Sheet



