

NEWS RELEASE

22 February 2022

ASX: WSA

WESTERN AREAS LTD



WESTERN AREAS FY22 INTERIM FINANCIAL RESULTS & GUIDANCE UPDATE

Western Areas Ltd (ASX: WSA, “Western Areas” or the “Company”) announces the Company’s financial results for the half year ended 31 December 2021 (“1H FY22”).

Key Metrics & Activities – 1H FY22

- Higher sales revenue of A\$182.0m (A\$122.7m), driven by stronger nickel price and nickel sales
- Average realised price of nickel (before payability) of A\$12.57/lb (A\$9.83/lb)
- Nickel produced in concentrate 7.8kt, up 7.4% (7.3kt); nickel in concentrate sales 8.5kt, up 14.5% (7.4kt).
- Near tripling of EBITDA to A\$71.6m (A\$24.0m) and EBITDA margin of 39% (20%)
- Net Profit After Tax up over 250% to A\$18.8m (Net Loss After Tax A\$12.0m)
- Strong balance sheet with cash at bank of A\$142.6m and no drawn debt
- Development of the Odysseus mine ramping up following announcement of first ore production during the half, including further de-risking of the project with execution of contracts for major construction works
- Final discussions in progress with shortlisted parties following strong market interest regarding nickel offtake terms for the initial two years of Odysseus’ production
- Scheme booklet expected to be sent to shareholders in March in relation to proposed Scheme of Arrangement, whereby IGO will acquire 100% of the share capital of Western Areas for a cash consideration of A\$3.36 per share, subject to shareholder approval and in the absence of a superior proposal

(Comparisons in brackets refer to the prior corresponding period 1H FY21)

Western Areas Managing Director, Dan Lougher, said the first half of FY22 had seen several key construction and commissioning milestones successfully achieved at the Odysseus mine, significantly de-risking the project, alongside improved sales volumes at Forrestania in a strong nickel price environment.

“We are very pleased to see Odysseus continue to hit important milestones, not least of which included first ore from Odysseus South, along with the raise bore shaft continuing to meet specifications as it is extended. Works for the winder house associated with the shaft are well underway, and refurbishment of the existing mill has commenced. In all, we have significantly de-risked the Odysseus development during the half, passing a number of key milestones without incident.

“Forrestania has also had a good result compared to the prior corresponding period, with production, recovery and sales all up. In the context of the tight labour market conditions in Western Australia, we have been focussed on managing costs and maximising productivity to take maximum advantage of the very strong nickel price for the half. However, cost inflation and labour shortages mostly associated with COVID-19 are likely to impact the second half of FY22 performance” Mr Lougher said.

Other development activities for the half at Odysseus included over 2.7km of lateral and decline development, commissioning of the first primary ventilation fan and the continued progression of the AM6 feasibility study. Contracts awarded during the half for the shaft construction and equipping activities, as well as the Cosmos concentrator engineering, procurement and construction work (amongst others) strongly contributed to de-risking the future development schedule and capital costs.

Final discussions on the Cosmos nickel offtake tender process remain underway, with strong interest shown for the initial two years of Odysseus production. The processing plant remains on schedule to produce concentrate late in calendar year 2022 and shaft commissioning is scheduled for 2QCY23.

The Forrestania Nickel Operations produced 7.8kt of nickel in concentrate and sold 8.5kt to offtake customers. These increased numbers were positively impacted by increased recoveries at the Cosmic Boy concentrator, as well as higher production and mined grades at Spotted Quoll. Western Areas and Jinchuan have also extended the offtake agreement for Forrestania product until 30 June 2022.



Half Year Key Metrics	1H FY22	1H FY21	Change	% Change
Mine Production (tonnes Ni)	7,941	7,665	276	3.6%
Mill Production (tonnes Ni)	7,829	7,291	538	7.4%
Recovery (%)	85%	84%	1%	1.0%
Sales Volume (tonnes Ni)	8,473	7,400	1,073	14.5%
Cash Costs (US\$/lb)	3.61	3.29	0.32	9.5%
Cash Costs (A\$/lb)	4.91	4.56	0.35	7.7%
Exchange Rate USD/ AUD	0.73	0.72	0.01	1.7%
Nickel Price (US\$/lb)	9.22	7.09	2.13	30.1%
Realised Price Before Payability (A\$/lb)	12.57	9.83	2.74	27.9%
Revenue (\$'000)	181,959	122,712	59,247	48.3%
EBITDA (\$'000)	71,595	24,038	47,557	197.8%
EBIT / (LBIT) (\$'000)	26,993	(14,855)	41,848	281.7%
NPAT / (NLAT) (\$'000)	18,777	(11,964)	30,741	256.9%
Cashflow from Operations (\$'000)	66,002	27,474	38,528	140.2%
Growth & Sustaining Capex (\$'000)	68,551	69,368	(817)	-1.2%
Cash at Bank (\$'000)	142,631	97,972	44,659	45.6%

The financial result for the half was positively influenced by increased mined nickel production and increased recoveries driving additional nickel in concentrate production. An 820 tonne nickel shipment, primarily produced in FY21, also reported to the current half, assisting the increase in sales volume. These increased volumes, combined with a realised nickel price for the half up 28%, drove a substantial financial turnaround with EBITDA near tripling to \$71.6m and NPAT surging 257% to \$18.8m, after a prior corresponding half loss of \$12.0m.

The strong bottom line performance was also seen in cash generation, with cashflow from operations up 140% to \$66.0 million. USD/AUD exchange rates were roughly flat, at 0.73 vs 0.72. Reflecting the ongoing development ramp up of Odysseus, \$68.6 million was invested into growth and sustaining capex. The Company ended the half with cash at bank of \$142.6 million and no drawn debt, which continues to support the commissioning and development of Odysseus.

Costs for the half increased incrementally (up 7.7% in AUD terms, \$4.91/lb vs \$4.56/lb) reflecting the tight labour market conditions in Western Australia, with some production loss experienced from skills shortages in both front line operators as well as supervisory staff. Maintenance of underground mobile equipment continues to be a key area impacted by a lack of diesel mechanics and fitters, along with long-hole production drillers. The Company continues to address the situation, as well as prepare for potential COVID-19 workforce availability impacts associated with rising Omicron variant cases in Western Australia. Unit costs were also impacted by increased proportions of lower grade material being mined and processed, particularly from Flying Fox, during the half. While the lower grade material carries a higher unit cost, the decision was made to mine it given it remains economic, generating positive cashflow, at current nickel prices.



FY22 Guidance

Western Areas provided FY22 guidance and accompanying commentary on 30 July 2021. In the December quarterly report, the Company stated that it was now expecting unit costs to report at the top end of, or marginally above (<5%), the unit cost range, as increased treatment of lower grade material and labour shortages impact unit rates.

With the Company now increasingly experiencing COVID-related productivity issues resulting from operator and maintenance staff availability, Western Areas confirms that unit costs are now expected to be marginally above (~5%) previous guidance. The Company also expects the lower grade material and productivity issues to impact concentrate production for the year by around 5%. Nickel sales volumes will be unaffected. The associated revised guidance parameters are shown in the table below.

The Company also notes that increased lower grade ores are being treated while nickel prices remain elevated.

Category	Prior FY22 Guidance	Updated FY22 Guidance
Nickel Tonnes in Concentrate Production	16,000 to 17,000	15,200 to 16,200
Nickel Tonnes in Concentrate Sales	16,000 to 17,000	Unchanged
Unit Cash Cost of Production (Nickel in Concentrate)	A\$4.25/lb to A\$4.65/lb	A\$4.65/lb to A\$4.90/lb
Forrestania Mine Development	A\$5m to A\$10m	Unchanged
Other Capital & Growth	A\$5m to A\$10m	Unchanged
Odysseus Pre-Production Development	A\$150m to A\$170m	Unchanged
Exploration & Feasibility Studies	A\$15m to A\$20m	Unchanged

Results Presentation

A **Results Presentation** has been released today and will be followed by a **conference call at 11.30am AEDT**, details of which were announced on 15 February 2022. Participants who wish to ask questions can pre-register immediately by visiting this link: <https://s1.c-conf.com/diamondpass/10019646-sdm33.html> or can listen to the live stream directly at <http://www.openbriefing.com/OB/4606.aspx>. Please note that participants listening via the live stream will not be able to ask questions during the call. An archived copy of the call will be available shortly after the conclusion of the call.

-ENDS-

This release has been authorised by the officers below. For further details, please contact:

Dan Lougher
Managing Director – Western Areas Ltd
Telephone +61 8 9334 7777
Email: dlougher@westernareas.com.au

Joseph Belladonna
Chief Financial Officer – Western Areas Ltd
Telephone +61 8 9334 7777
Email: jbelladonna@westernareas.com.au

Shane Murphy
FTI Consulting
Telephone +61 8 9321 8533 / 0420 945 291
Email: shane.murphy@fticonsulting.com

Or visit: www.westernareas.com.au



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: “The Company continues to address the situation, as well as prepare for potential COVID-19 workforce availability impacts associated with rising Omicron variant cases in Western Australia”, and, “Final discussions on the Cosmos nickel offtake tender process remain underway, with strong interest shown for the initial two years of Odysseus production. The processing plant remains on schedule to produce concentrate late in calendar year 2022 and shaft commissioning is scheduled for 2QCY23.”, and “The Company also notes that increased lower grade ores are being treated while nickel prices remain elevated”.

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. Western Areas Ltd undertakes no obligation to revise these forward-looking statements to reflect subsequent events or circumstances.

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.