



Western Areas Ltd

Macquarie Presentation – May 2014

“Think Nickel, think Western Areas”



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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 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.

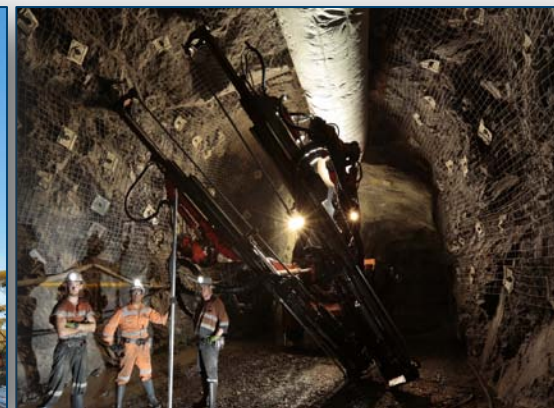


“Western Areas has an enviable track record of exploring, finding, developing and producing profitable mines.”

- Introduction
- Nickel industry
- Operations
- Financials & Balance Sheet
- Exploration & Growth Outlook



Explore



Develop



Sales



Produce

“Think Nickel, think Western Areas”



WSA vs ASX 200 Resources (FY14 YTD)¹



Key Information

as at 30 April 2014

Share price	4.13
52 week high/low (A\$)	4.34 / 1.94
Shares outstanding (m)	232.3
Market Capitalisation (A\$m)	959.3
Cash (A\$m) ²	175.5
Debt (A\$m) ²	220.2
Undrawn ANZ Facility	125.0

Board & Senior Management

Name	Position
Ian Macliver	Independent 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 [10 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



- **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 approximately A\$950m million at current prices
- **Profitable**, even at the previously low nickel price
- **Balance Sheet**, flexibility and strength
- **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
- **15 consecutive** quarterly reports with no downside operational surprises
- **Committed** to stable organic growth from the current solid platform
- **Improving nickel price sentiment and outlook**



Production Assets

Flying Fox

- 1st nickel mine
- 15kt nickel per annum

Spotted Quoll

- 2nd nickel mine
- 10kt to 15kt nickel per annum

Cosmic Boy

- Nickel concentrator - treats ore from both mines

Exploration & Growth

Forrestania & WA Regional

- Nickel
- Traka JV

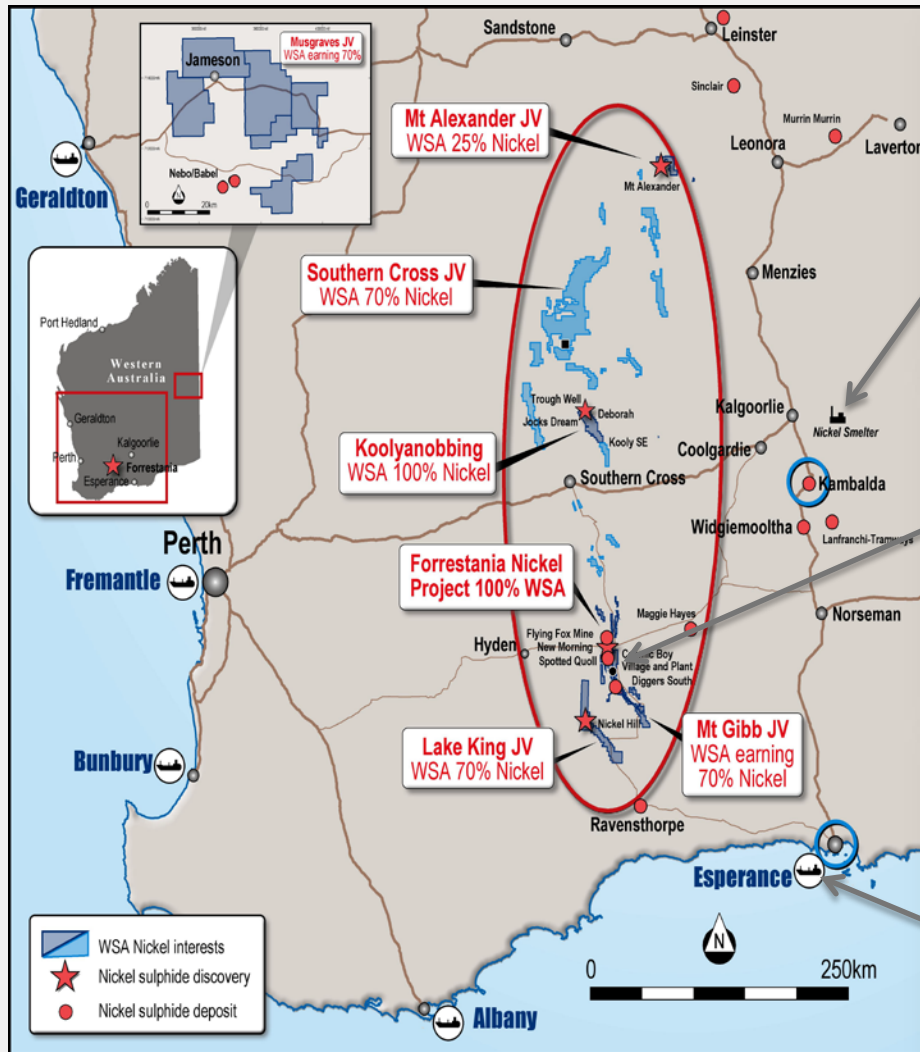
Canadian Assets

- Nickel/Copper
- PGEs

Finland

- VMS
- Outokumpu Cu

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



WSA concentrate to BHP Billiton



WSA operations



WSA concentrate exports

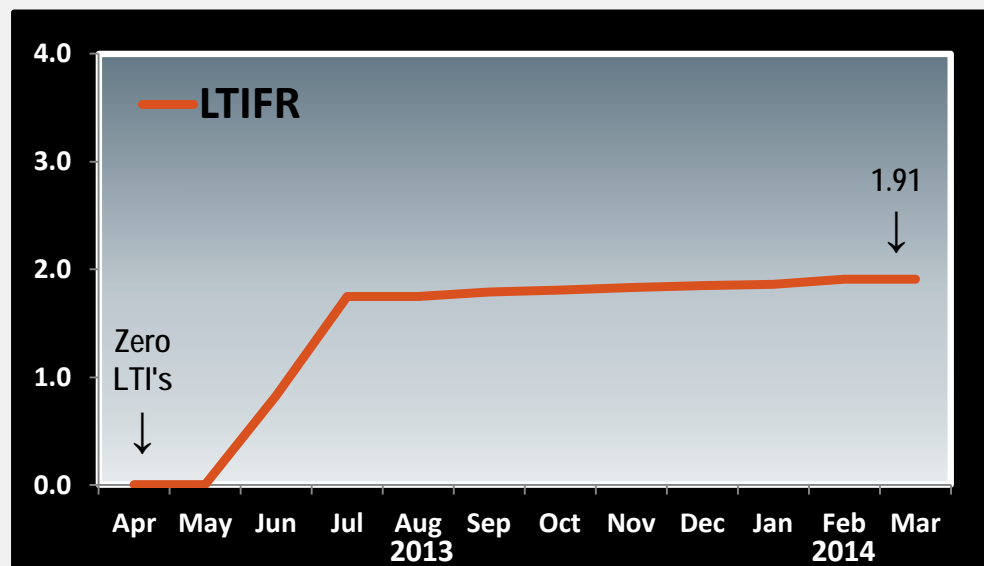


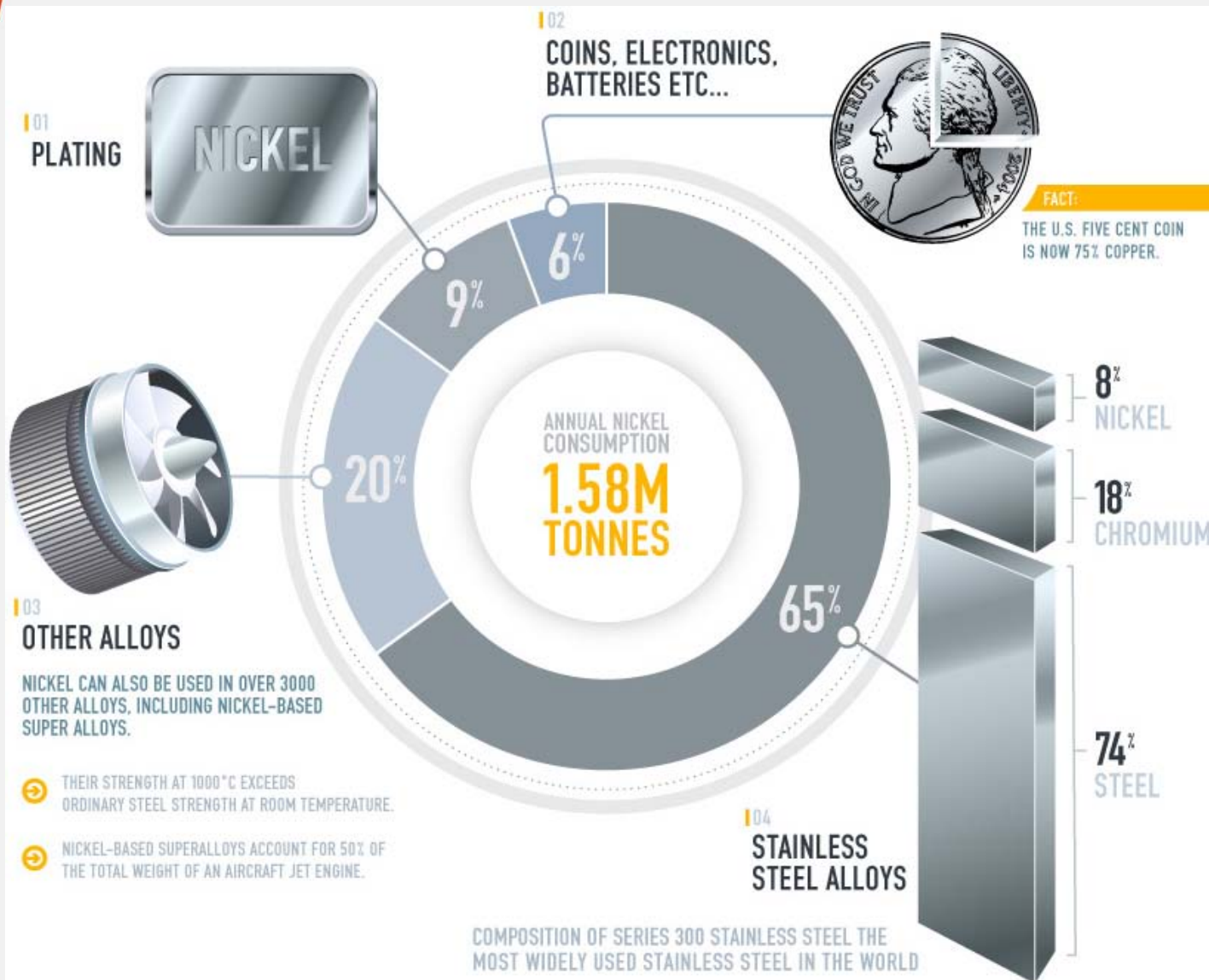
Continuous Safety Improvement

- LTIFR 1.91
- Flying Fox >265 days LTI free
- Spotted Quoll >1080 days LTI free
- Exploration >1,977 days LTI free
- Cosmic Boy Concentrator >282 days LTI free
- 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





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



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
5. Shorter term political factors impacting sentiment

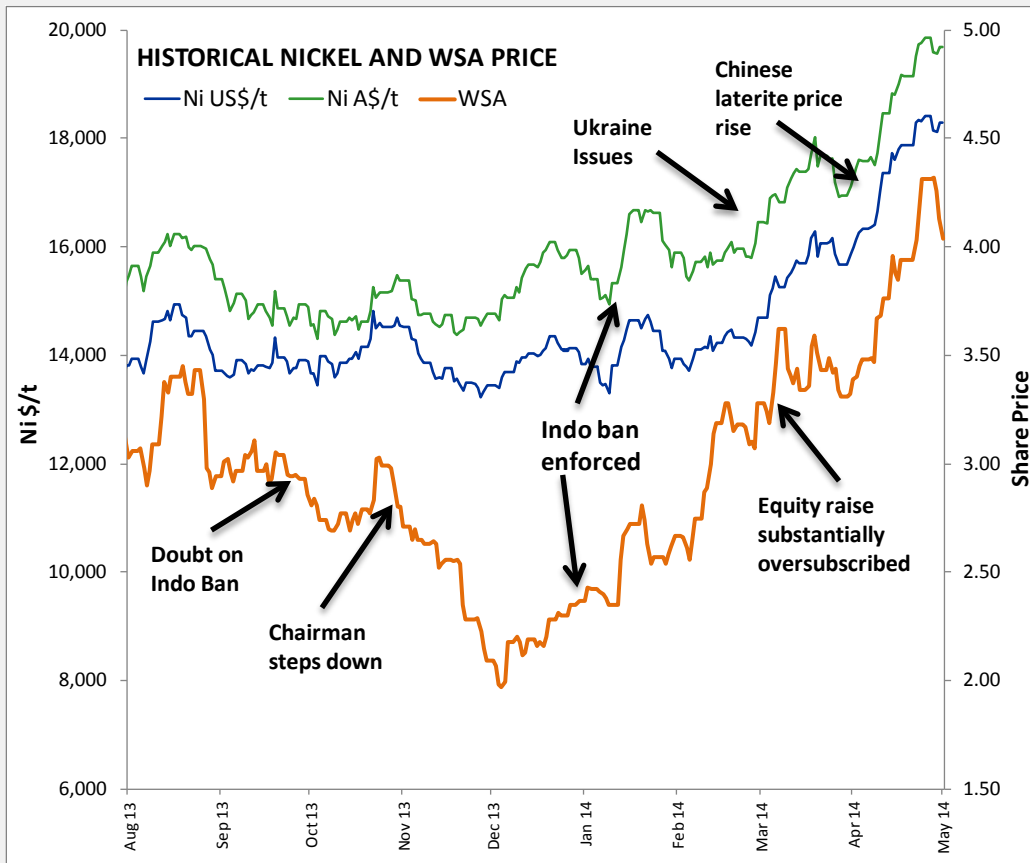
What we believe is occurring:

1. Many commentators believe nickel supply now in equilibrium or a small deficit heading into FY15 – a supply response is began in CY13:
 - 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 in CY13. 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 maximum six months of Indonesian laterite supply*
 - Appears to be no political opposition to the laterite ban – impact on Indonesian GDP is minor
 - 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 showing signs of life, whilst US has indications of a recovery

Nickel Price & WSA Share Price



WSA remains very sensitive to nickel price and AUD/USD fluctuations:

- WSA currently sells approx 50mlb of nickel in concentrate per annum
- Nickel price in AUD terms increased from approx A\$7/lb in Aug 2013 to A\$9/lb in Apr 2014
- Analyst consensus is WSA receives circa 70% payable price to LME
- **Using the above assumptions it will increase free cashflow and EBIT by approx A\$70m on an annualised basis**
- Share price is up only 65c since August 2013

Nov 2013 to beginning of Jan 2014 was impacted by sentiment, rather than facts



March Quarterly - Outperformance



Tonnes Mined		2012/2013	2013/2014			YTD
		Jun Qtr	Sep Qtr	Dec Qtr	Mar Qtr	Total
Flying Fox						
Ore Tonnes Mined	Tns	73,716	86,642	83,095	79,328	249,065
Grade	Ni %	4.7%	4.8%	4.6%	4.1%	4.5%
Ni Tonnes Mined	Tns	3,447	4,200	3,791	3,243	11,234
Spotted Quoll - Underground						
Ore Tonnes Mined	Tns	53,465	77,097	74,720	71,614	223,431
Grade	Ni %	4.8%	5.3%	4.8%	4.8%	5.0%
Ni Tonnes Mined	Tns	2,584	4,090	3,616	3,466	11,172
Total - Ore Tonnes Mined	Tns	127,181	163,739	157,815	150,942	472,496
Grade	Ni %	4.7%	5.1%	4.7%	4.4%	4.7%
Total Ni Tonnes Mined	Tns	6,031	8,290	7,407	6,709	22,406
Tonnes Milled and Sold		Jun Qtr	Sep Qtr	Dec Qtr	Mar Qtr	YTD
						Total
Ore Processed	Tns	146,256	150,475	148,901	147,544	446,920
Grade	%	5.1%	4.9%	4.9%	4.8%	4.9%
Ave. Recovery	%	89%	90%	88%	90%	89%
Ni Tonnes in Concentrate	Tns	6,634	6,593	6,427	6,344	19,364
Ni Tonnes in Concentrate Sold	Tns	7,222	6,554	6,409	6,418	19,381
Total Nickel Sold	Tns	7,222	6,554	6,409	6,418	19,381
Contained Ni in Stockpiles	Tns	5,700	6,661	6,889	6,366	
Financial Statistics		Jun Qtr	Sep Qtr	Dec Qtr	Mar Qtr	MAR
						YTD
Group Production Cost/lb						
Mining Cost (*)	A\$/lb	1.87	1.65	1.88	1.84	1.79
Haulage	A\$/lb	0.05	0.06	0.06	0.06	0.06
Milling	A\$/lb	0.38	0.40	0.44	0.43	0.43
Admin	A\$/lb	0.18	0.19	0.19	0.21	0.20
By Product Credits	A\$/lb	(0.02)	(0.02)	(0.03)	(0.02)	(0.02)
Cash Cost Ni in Con (***)	A\$/lb	2.46	2.28	2.54	2.52	2.46
Cash Cost Ni in Con/lb (***)	US\$/lb (**)	2.44	2.09	2.36	2.26	2.24
Exchange Rate US\$ / A\$		0.99	0.92	0.93	0.90	0.91

Comments

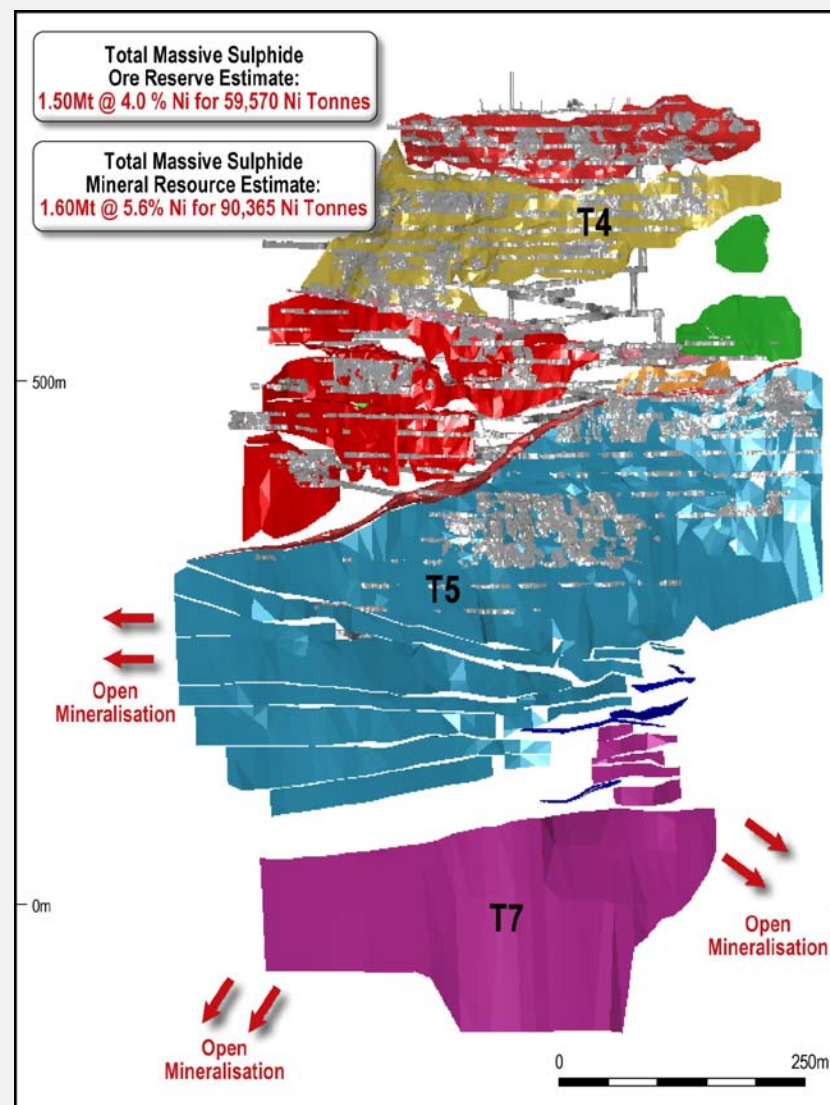
1. Full Year Guidance will be met and potentially beaten
2. Continued low unit cash costs
3. Positive reserve reconciliation on grade/tonnes plus cost reduction program delivering results
4. Production of nickel in ore and concentrate remain ahead of the guidance run rate
5. Cash at bank increased to A\$175m with A\$13m free cashflow for the half when excluding the capital raise, debt repayment and interest costs
6. 15 quarters in a row of on target or better operational performance

Mineral Resource and Ore Reserve

- High Grade (excluding disseminated sulphide resource) Mineral Resource: **1.60Mt @ 5.6% Ni containing 90,365 Ni Tonnes**
- Ore Reserve: **1.50Mt @ 4.0% Ni containing 59,570 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



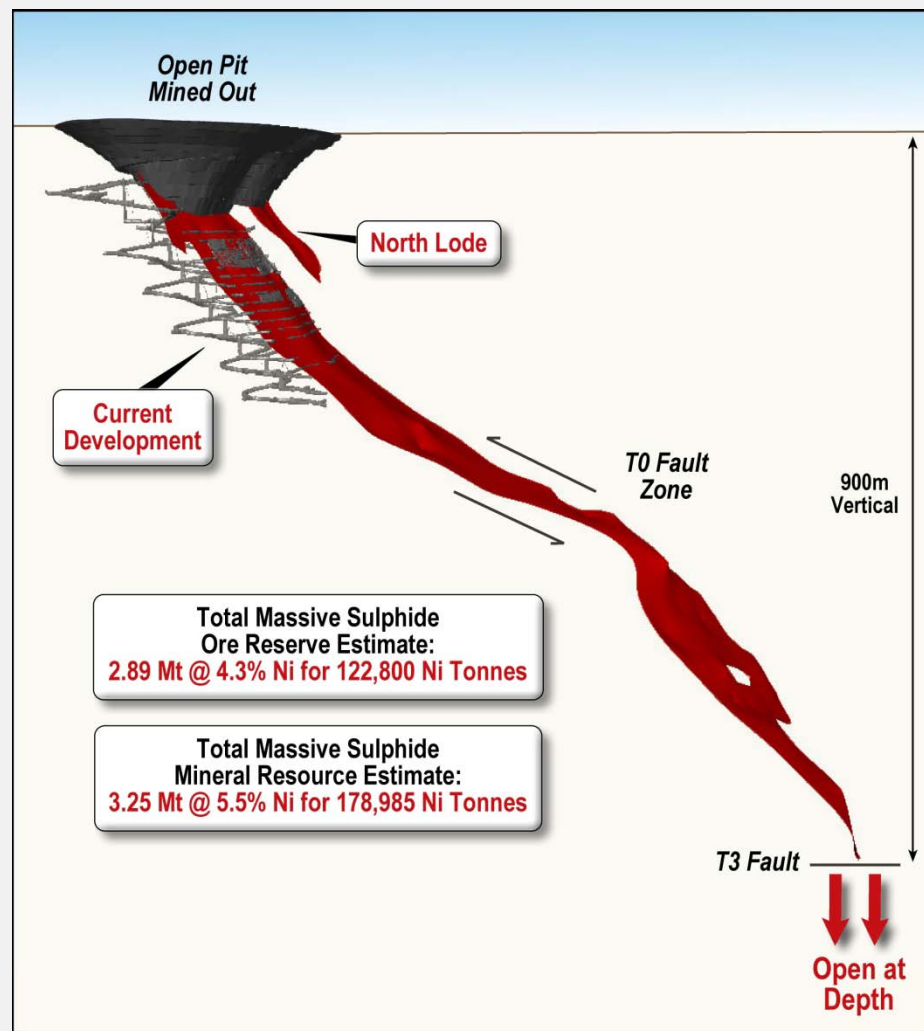


Mineral Resource and Ore Reserves

- Mineral Resource: **3.25Mt @ 5.5% Ni** containing **178,985 Ni tonnes**
- Ore Reserve: **2.89Mt @ 4.3% containing 122,800 Ni tonnes**
- 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**

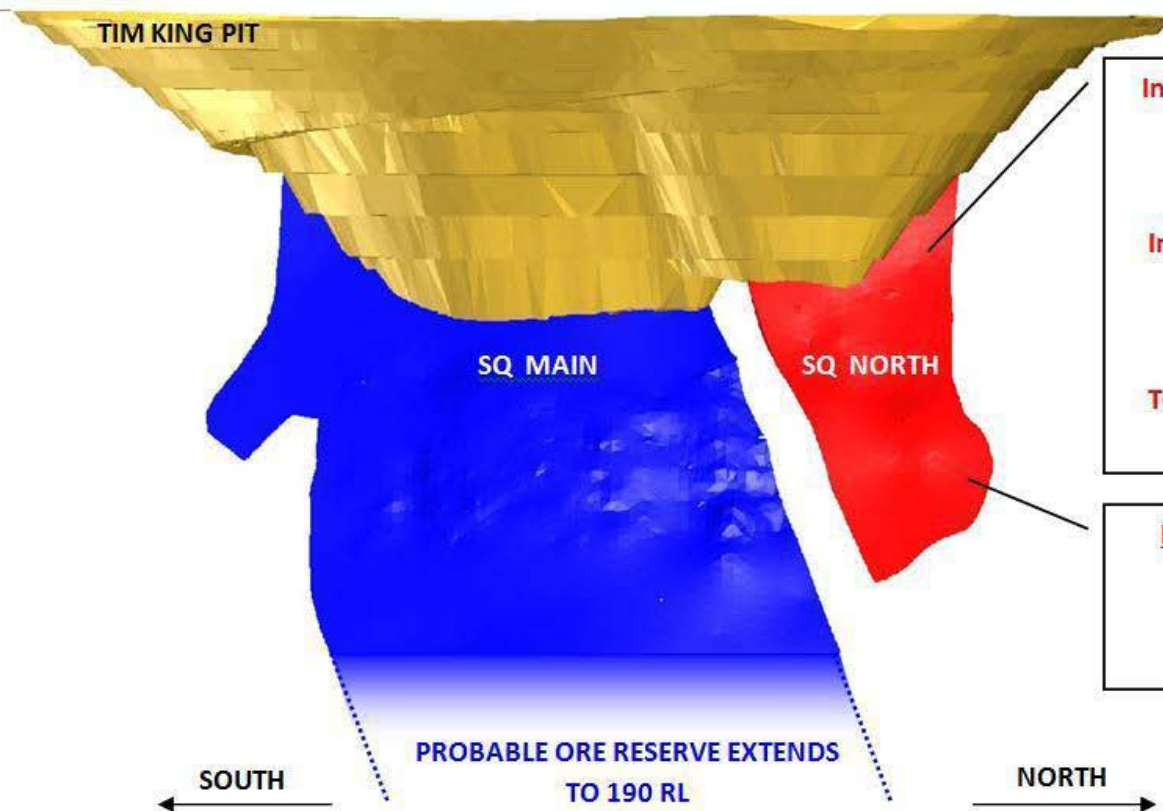
Production

- 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



Concentrator Summary

- Current nameplate capacity of 550,000tpa of ore (but being exceeded and closer to 600,000t throughput)
- Nickel concentrate output circa 25,000tpa Ni
- Concentrate grades of around 14.0% Ni
 - **Premium blending product (Fe/Mg ratio >15:1)**
 - 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



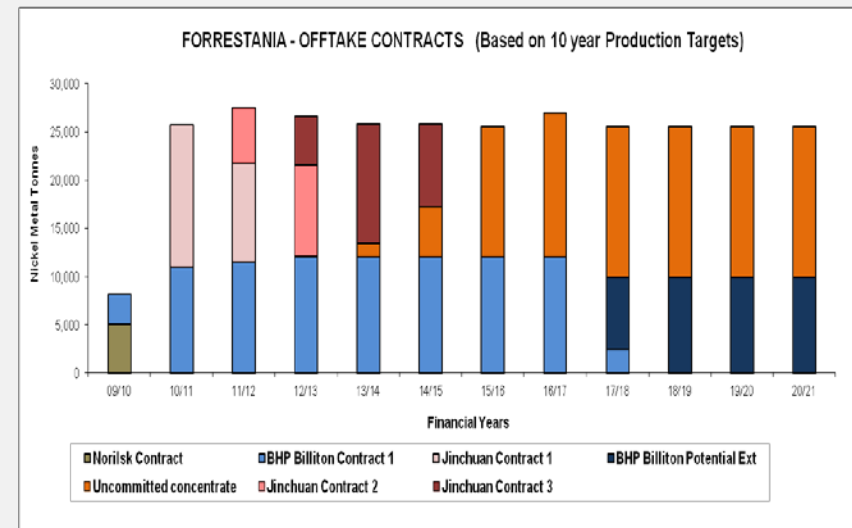
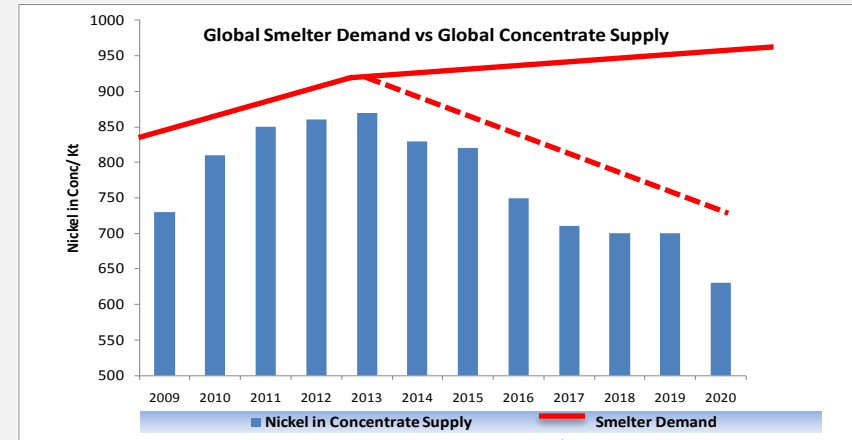
Concentrate Supply

- Tightness in smelter supply to be experienced from 2014. Closures have impacted supply
- Global nickel sulphide grades in decline
- Reliable nickel sulphide concentrate supply dwindling
- Laterites and Nickel Pig Iron do not fill the void – Indonesian Ban has severely impacted NPI production

Offtake Contracts

- Offtake to BHP 2017 – 12ktpa nickel in concentrate
- Offtake to Jinchuan expires in December 2014 (three months early)
- FOB Terms
- WSA in a unique position being an independent producer
- Jinchuan contract tender will commence in Sept quarter, with expressions of interest already being lodged

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**





Jinchuan Contract

- 26,000t contract will finish three months early based on forecasts – now Dec 2014
- Normal process will be to commence a tender early in the September quarter
- Each of the previous two tenders have resulted in improved terms
- Jinchuan has been an exemplary customer

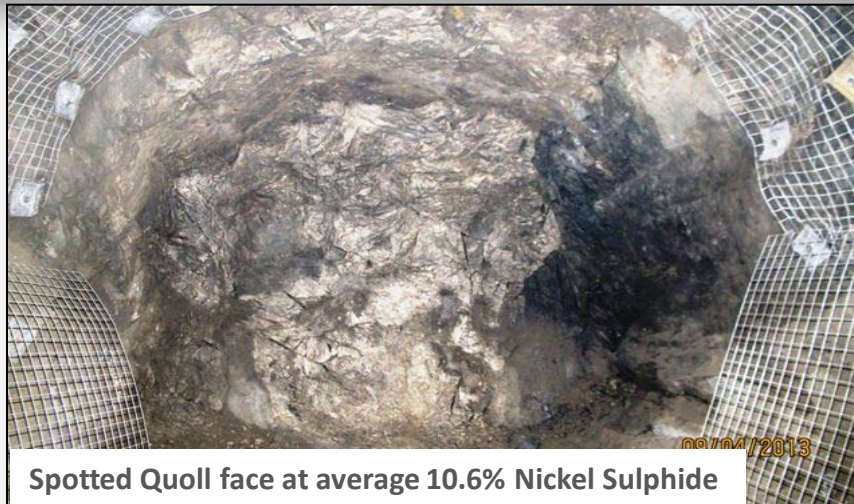
Concentrate Market Conditions

- Lack of low MgO concentrate which is critical for blending
- WSA's other customer BHP Nickel West, has closed down the Perseverance Mine
- WSA is the only supplier of concentrate to BHP Nickel West
- Global commodity traders, stainless steel producers and nickel producers likely to bid, or have already expressed interest in WSA's offtake contract with Jinchuan





Lounge Lizard 10m wide face of 7% Massive Nickel Sulphide



Spotted Quoll face at average 10.6% Nickel Sulphide

Key Takeaways – Half Year



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- **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 2nd 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):
 - 2nd 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:**
 - 2nd half FY13 was a net cash outflow of A\$5.1m

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

* Underlying removed the impact of FinnAust Plc costs



Equity Raise Completed 19 January 2014

- Fully underwritten placement to institutional and sophisticated investors raised A\$88.6m (“**Placement**”)
- A share purchase plan to raise up to A\$15 million (“**SPP**”) was offered to retail shareholders together the “**Equity Raising**”. SPP offer closed late March
- Placement completed at A\$3.00 per share, being a 3.2% discount to 5 day VWAP
- Multiple times oversubscribed – strong take-up of existing shareholders and entrance of quality new shareholders
- Funds raised from the Equity Raising will be used to:
 1. **Together with existing cash, repay the A\$110m convertible bond** due on 2 July 2014 and provide majority coverage for the July 2015 convertible bond of A\$125m
 2. **Provide earnings accretion to shareholders** – approx EBIT improvement A\$12m in FY15 and combined A\$24m EBIT in FY16. Reduced interest and bond accretion costs
 3. **Provide additional balance sheet flexibility for Western Areas** to consider value adding capital projects such as in-tank leaching (mill recovery enhancement)





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

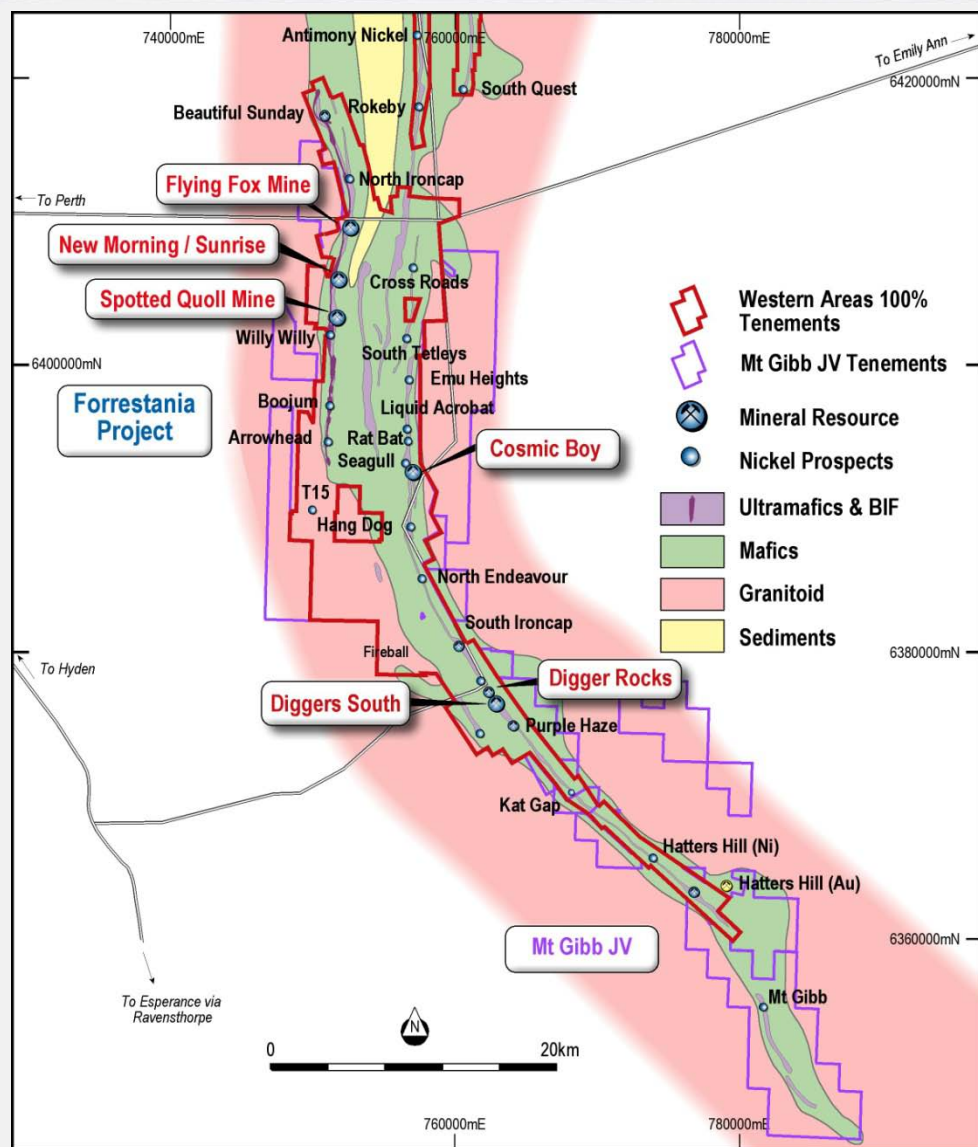
Use WSA expertise – exploration, development and operations

The 3 “D” – discipline and due diligence



Regional Geology

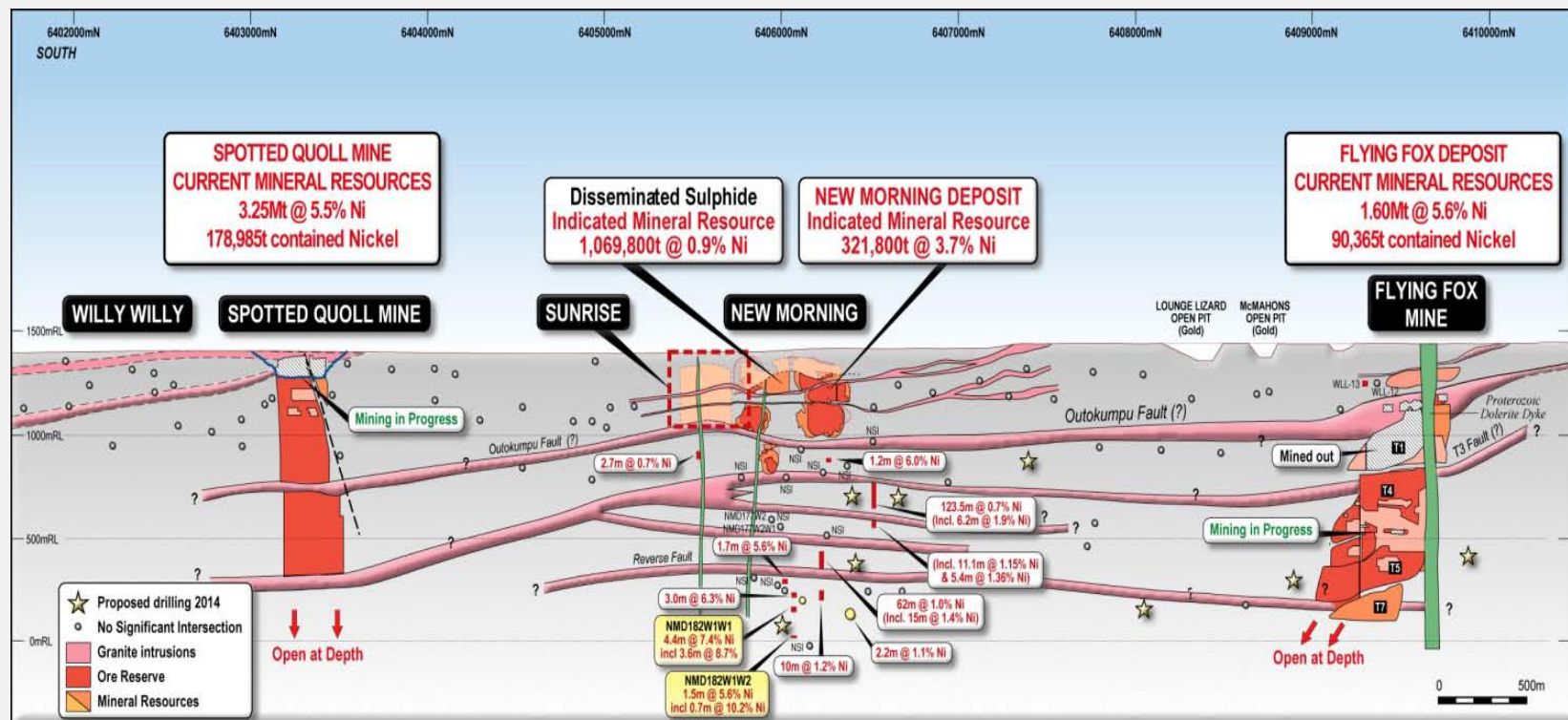
- 120km strike length (900 sq km) of prospective Forrestania Nickel Project, within 400km long nickel province
- Six ultramafic belts
- Nickel sulphide deposits and most occurrences in two belts (Eastern and Western)
- Western Ultramafic Belt hosts the high grade Flying Fox, Spotted Quoll and New Morning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



-
- KAINUU - OUTOKUMPU BELT**
FinnAust Tenements, Applications & Agreements
- GEOLOGY**
Proterozoic
Archaean
- DRILLING TARGETS**
Talivavaara Type Ni/Zn/Cu
Outokumpu Type Cu/Ni/Zn
VMS Type Cu/Zn/Ag
Intensive Type Ni/Cu/Co
Previous Drill Hole Intersections
- Previous Drill Hole Intersections 1990's - 2011**
- | INT | Ni% | Cu% | Zn% |
|--------|------|------|------|
| 132.2m | 0.29 | 0.11 | 0.46 |
- Mine Data:**
- Talivavaara Mine**
Current Resource
3.1Mt Ni
7.6Mt Zn
2.0Mt Cu
(Owned by Talivavaara Plc)
 - Rautavaara (R1)**
Current Resource
65,300t Ni
130,330t Zn
34,900t Cu
4,230t Co
 - Pyhasalmi Mine**
Total Production from 1962-2008
1.1Mt Zn
0.4Mt Cu
619t Ag & 17.7t Au
(Owned by Inmet Co)
 - Kotalahti Mine**
Past Production
82,000t Ni
32,000t Cu
12.5Mt @ 0.66% Ni,
0.26% Cu
(Owned by Altanta Mining)
 - Outokumpu Mine**
Past Production Over 75 Years
1.3Mt Cu
0.4Mt Zn
(Owned by Outokumpu Oy)
 - Hammaslahti Mine**
Past Production
Cu Lode 7Mt @ 1.2% Cu
Zn Lode 0.03Mt @ 1.6% Zn
 - Laukunkangas Mine**
Past Production
52,000t Ni
14,000t Cu
6.7Mt @ 0.78% Ni,
0.22% Cu
(Owned by Outokumpu Oy)
 - Virtasalmi Mine**
Past Production
30,383t Cu
4.2Mt @ 0.73% Cu
 - Teikkala Mine**
Past Production
0.6Mt @ 1.3% Ni
& 0.3% Cu
(Owned by Outokumpu Oy)
- Other Data:**
- INT Ni% Cu% Zn%**
48.9m 0.26 0.10 0.56
 - INT Zn% Ag ppm**
7.2m 1.10 193.0
 - INT Ni% Cu% Zn%**
132.2m 0.29 0.11 0.46
 - INT Ni% Cu% Co%**
8.5m 0.25 1.11 0.04
 - INT Ni% Cu%**
19.1m 0.29 0.11
 - INT Ni% Cu%**
149.4m 0.20
 - INT Ni% Cu%**
30.0m 0.25 0.25
13.8m 0.37 0.26
- Scale:** 0 to 50 km
- Map Labels:** Kajaani, Jormua, Rautavaara, Kuopio, Tormala, Enonkoski, Laukunkangas, Virtasalmi, Teikkala, Parikkala, Savorrata, Petäinen, Outokumpu, Talivavaara, Pyhasalmi, Tormala, Joutseno, Kivisa, Sakari, Pyhasalmi, Outokumpu, Tormala, Hammaslahti, Joutseno, HELSINKI.



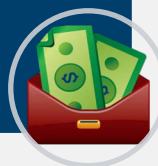
- High Grade = Margin
- Survival ✓

Highest Grade Nickel Globally



- 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 brought on in 24 months ✓

History of Discovery and Development



- Flexibility in meeting future demands or opportunities ✓

Strong Balance Sheet



Questions



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