

# WESTERN AREAS LTD

Macquarie Conference Presentation

‘Getting on with business’

May 2017



WESTERN AREAS LTD



# AGENDA



Corporate → Operations → Growth → Nickel Market

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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 Marco Orunesu-Preiata and Mr Andre Wulfse. Mr Orunesu-Preiata and Mr Wulfse are full time employees of Western Areas Ltd. Mr Orunesu-Preiata 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 Orunesu-Preiata 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.

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A grayscale photograph of three men in an industrial setting, likely a construction or manufacturing site. They are all wearing white hard hats and safety vests. The man on the left is wearing glasses and a dark vest. The man in the center is wearing glasses and a light-colored vest. The man on the right is wearing glasses and a light-colored vest with reflective stripes. They are all smiling and looking towards the camera. The background shows industrial structures and equipment.

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CORPORATE

# CORPORATE OVERVIEW

## High quality assets

- Highest grade, low cash cost nickel producer
- Free cashflow positive

## No debt, clean balance sheet, low costs

- Low unit cash cost producer
- A\$112.0m cash at bank

## Organic growth options and innovation

- Exciting exploration hits
- Odysseus FS and Mill Enhancement

## Positioned for nickel recovery

- A\$1/lb lift in nickel price = circa A\$35m EBITDA
- New and improved offtake contracts implemented

ASX code	WSA
Share price	2.22
Shares outstanding (m)	272.2
Market Cap (A\$m) <sup>1</sup>	604.2
Cash (A\$m) <sup>2</sup>	112.0

## Cosmos Nickel Complex

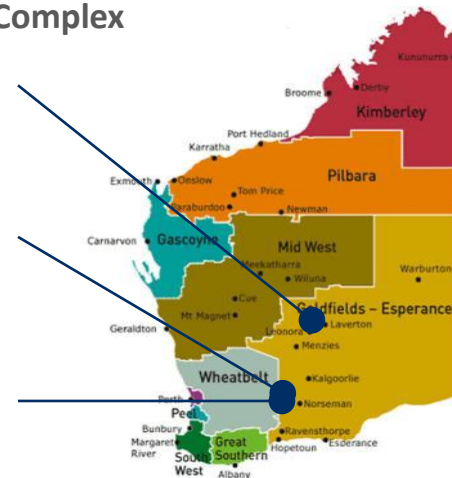
567kt Ni resources  
PFS complete  
DFS underway

## Flying Fox

12kt Ni mined FY16  
44kt Ni reserves  
102kt Ni resources

## Spotted Quoll

15kt Ni mined FY16  
91kt Ni reserves  
112kt Ni resources



**A leading mid-tier base metal producer**

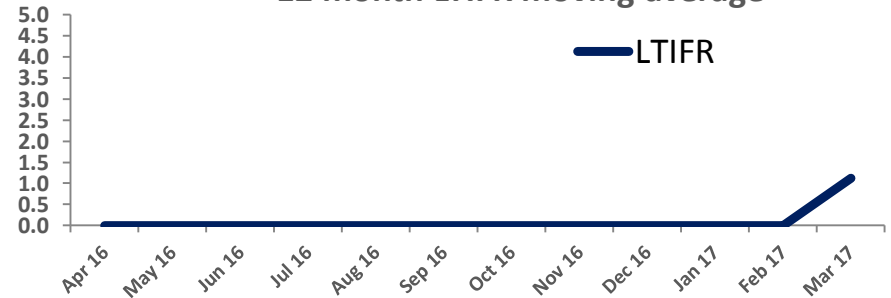
# WESTERN AREAS ARE SAFE AREAS



## Days LTI free

Exploration	<b>3,199</b>	Nov-08
Spotted Quoll	<b>1,364</b>	Aug-11
Cosmic Boy Concentrator	<b>1,381</b>	Oct-13
Flying Fox	<b>23</b>	Mar-17

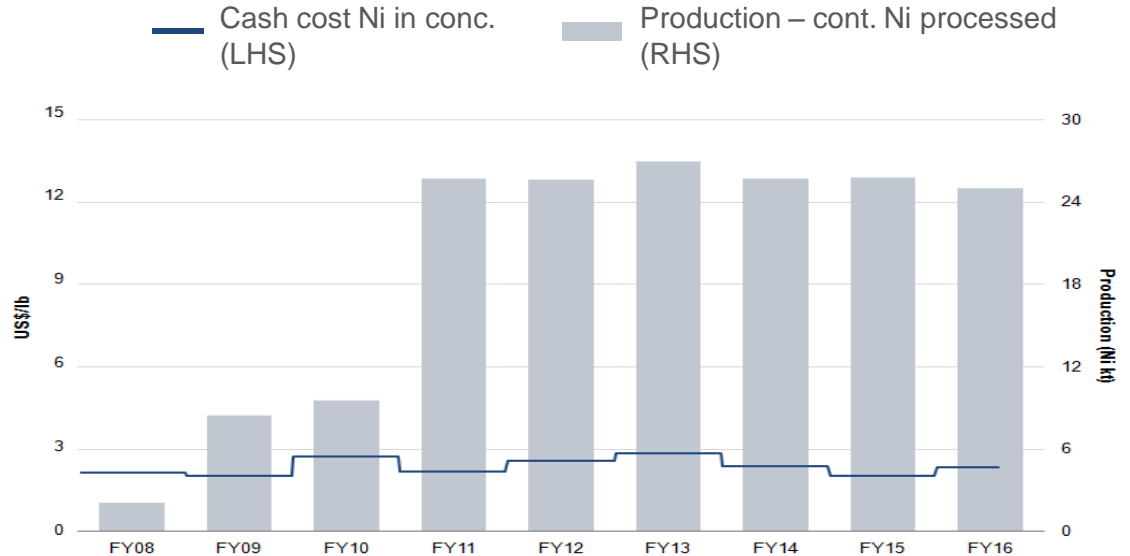
## 12 month LTIFR moving average



**Safe operations make efficient operations**

# CONSISTENT LOW COST PRODUCER

- **FY17 GUIDANCE METRICS IMPROVED**
- Spotted Quoll mine tracking toward record production
- Unit cash cost of production at A\$2.44/lb (US\$1.84/lb) of nickel in concentrate
- Mill continued to perform well above nameplate capacity
- Exceptional consistency and 6 years without a guidance miss



**A management team which consistently delivers guidance**

# MARCH QUARTER RESULTS – ALL ABOUT DELIVERY

Item	Unit	2015/2016	2016/2017			FY17 YTD
		Jun Qtr	Sep Qtr	Dec Qtr	Mar Qtr	Total
Total Ore Mined	tonnes	139,935	153,192	148,907	149,083	451,182
Mine Grade	Ni %	4.9%	4.1%	4.6%	4.5%	4.4%
<b>Total Nickel Mined</b>	<b>tonnes</b>	<b>6,832</b>	<b>6,357</b>	<b>6,867</b>	<b>6,778</b>	<b>20,002</b>
Ore Processed (Milling/Concentrator)	tonnes	154,114	159,616	155,143	151,849	466,608
Processed Grade	Ni %	4.5%	4.1%	4.2%	4.2%	4.2%
Average Processing Recovery	%	90%	89%	90%	88%	89%
<b>Total Nickel in Concentrate</b>	<b>tonnes</b>	<b>6,321</b>	<b>5,763</b>	<b>5,844</b>	<b>5,672</b>	<b>17,279</b>
<b>Total Nickel Sold</b>	<b>tonnes</b>	<b>6,268</b>	<b>5,188</b>	<b>6,249</b>	<b>5,397</b>	<b>16,834</b>
Contained Nickel in Stockpiles	tonnes	2,525	2,944	3,070	4,242	
Cash Cost Nickel in Concentrate	A\$/lb	2.25	2.53	2.35	2.23	2.36
Cash Cost Nickel in Concentrate	US\$/lb	1.68	1.91	1.76	1.69	1.79
Exchange Rate	US\$/A\$	0.75	0.76	0.75	0.76	0.76
<b>Realised Nickel Price (before payability)</b>	<b>A\$/lb</b>	<b>5.44</b>	<b>6.54</b>	<b>6.57</b>	<b>6.14</b>	<b>6.42</b>



# MANAGING THROUGH THE CYCLE

## Reducing cost structure

### *Cash cost reduction has been a consistent feature*

- March quarter 2017 was the lowest since June 2015
- Ore sorter project
- Operations team efficiency drive – pinch valve and blasting techniques

## Prudent capital management

### *Remaining debt free with A\$112.0m cash at bank (31 Mar 2017)*

- FY17 YTD free cashflow over A\$36m
- Zero debt and ability to fund internal projects

## Innovation and being ahead of the pack

### *Driving greater returns from what we have*

- Game changing offtake contract directly with China's largest stainless steel producer
- Mill Recovery Enhancement Project – delivering value from treating tailings
- EV Battery market penetration – long term positioning

## Opportunistic approach

### *Build portfolio*

- Cosmos acquisition has delivered exceptional value
- Bluejay Mining plc value £18.7m (formerly FinnAust)
- Farmed out lithium exploration rights – 5.2% of Kidman Resources

### *Maintain valuation discipline*

- Be patient in assessing opportunities. Do not succumb to the fear of “missing out”

**The cost structure and capabilities to prosper throughout the cycle**

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# OPERATIONS

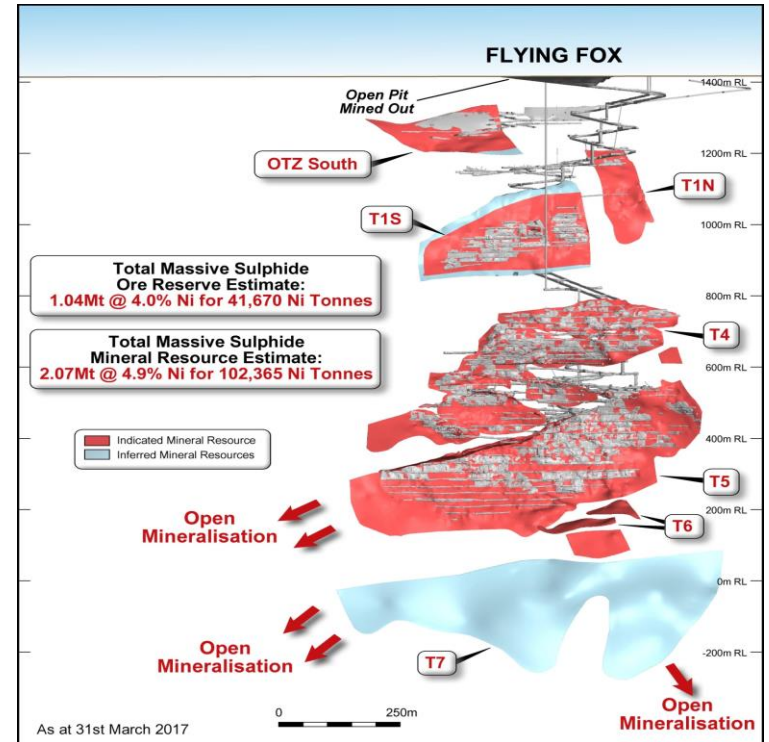


# FLYING FOX MINE

Reserve	1.09Mt @ 4.0%
Contained nickel	44,020 Ni tonnes
Resource	2.04Mt @ 4.9%
Contained nickel	102,365 Ni tonnes
Mine life	4 years

## Key points

- FY16 production – 12,432 Ni tonnes
- Reserve life has a demonstrated history of replenishment
- Added OTZ South Massive Zone – 182,898t @ 4.1% Ni for 7,417 nickel tonnes
- Recent resource extension drilling into T6 domain has been encouraging, **including 8.0m @ 10.7% Ni**
- Has been operating for over 12 years



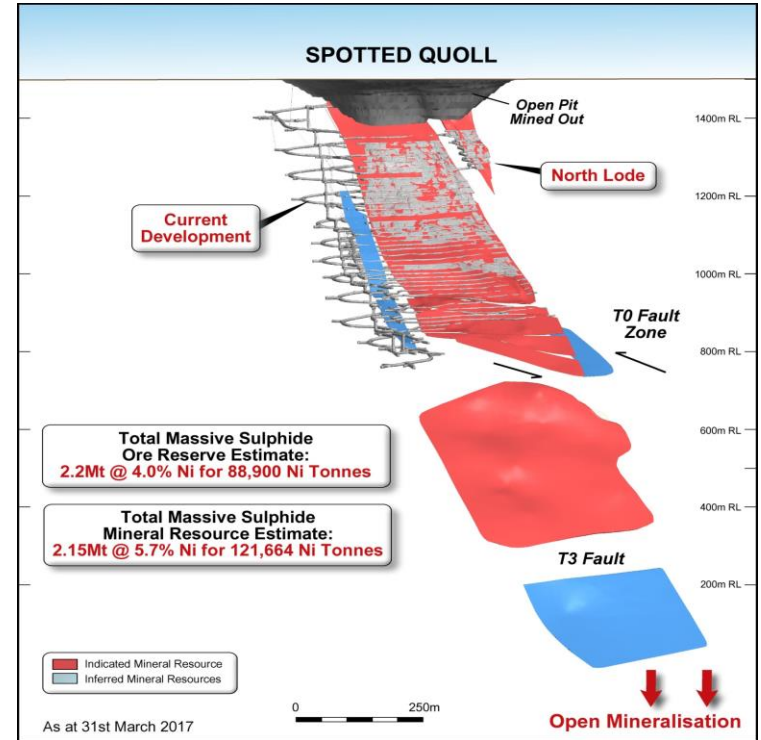
**WSA's foundation asset within Forrestania**

# SPOTTED QUOLL MINE

Reserve	2.2Mt @ 4.0%
Contained nickel	88,900 Ni tonnes
Resource	2.2Mt @ 5.7%
Contained nickel	121,664 Ni tonnes
Mine life	8 years

## Key points

- March Mineral Resource upgrade +12,650 nickel tonnes
- Reserve upgrade in progress
- Has never recorded an LTI
- FY16 record annual production – 15,175 Ni tonnes
- Remains open at depth and to the North
- Production has outperformed reserve tonnes and grade consistently
- Top down mining with paste fill



**WSA Explored, Discovered and Developed**

# FORRESTANIA NICKEL CONCENTRATOR

## Concentrator Summary

- Mill processed an annual record of 616k tonnes of ore in FY16, for 25,009 nickel tonnes
- 12% above name plate capacity of 550,000 tpa
- Concentrate grades of between 15.0% to 16.0% Ni
  - Premium blending product (Fe/Mg ratio >15:1)
  - Desirable to smelters

## Export Infrastructure and Logistics

- Export concentrate transported to Esperance Port in half height containers and shipped through to China
- Shipping contract in place, FOB Terms
- BHPB Nickel West concentrate delivered to Kambalda



**WSA produces a high quality and in demand nickel concentrate**

# OFFTAKE CONTRACTS

## New Contracts Executed

- New contract terms will improve financial returns
- WSA has become a lead innovator with nickel concentrates

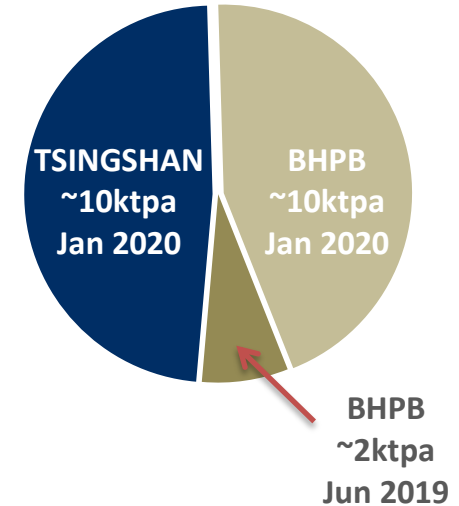
## About Tsingshan Group

- China's largest stainless steel producer
- Estimated to consume 25% of China's nickel demand
- Revenue of RMB85 billion in 2015, 20,000 employees
- Contracted through associated Singaporean entity Golden Harbor International Pte Ltd

## About Roasting

- WSA first tested its concentrate in 2012 and 2013 with Tsingshan
- Creates a high grade Nickel Oxide that can be blended with Laterite ore
- By-products of sulphuric acid for stainless steel
- Most concentrates do not suit roasting due to no by-product credits such as Cobalt, Copper and PGE's
- Proven process that opens up opportunities with Tsingshan

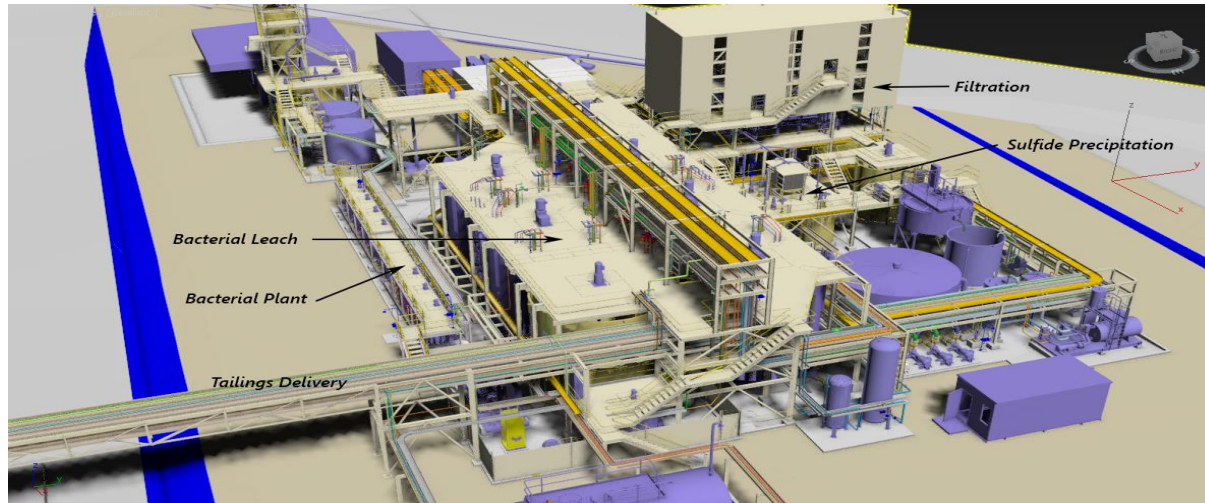
## New & Improved Contracts



# INNOVATION – MILL RECOVERY ENHANCEMENT PROJECT

## Mill Recovery Enhancement Project (MREP)

- A\$17.5m remaining to be spent, unit cost A\$2.44/lb and <3 year payback (refer to announcement 12 April 2017)
- Construction commences Q3 CY17 and commissions Q1 CY18
- Utilising BioHeap process to leach tailings (previously considered waste)
- Up to 1,400 nickel tonnes per annum – two options for sale:
  1. Blend 45% to 50% nickel grade product into existing concentrate production and offtakes (base case)
  2. Sell new product into the EV battery space, with potential premium to offtake contracts



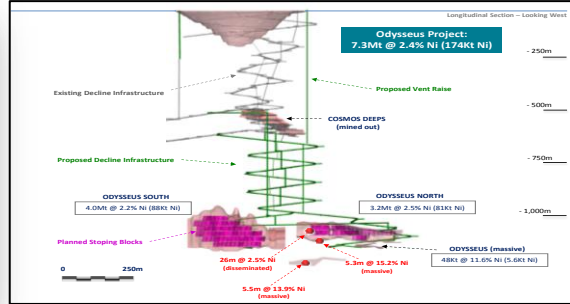
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# GROWTH & EXPLORATION OUTLOOK





# BUILDING THE PLATFORM



## Exploration and Growth

- Cosmos Nickel Complex
- Western Gawler JV
- Forrestania

## Development

- Odysseus DFS underway
- New Morning
- Mill Recovery Enhancement

## Production

- Spotted Quoll
- Flying Fox
- Cosmic Boy Concentrator

**A portfolio with production and growth optionality**

# ORGANIC GROWTH PROFILE

## Large holding in 2 significantly endowed nickel provinces

### Forrestania Operations – Western Australia

- New Morning project – Near mine leveraging existing infrastructure with studies underway
- History of reserve/resource extension
- Mill Recovery Enhancement Project – lift metallurgical recoveries by 3-5%
- Evaluating Lithium potential at the Forrestania tenements

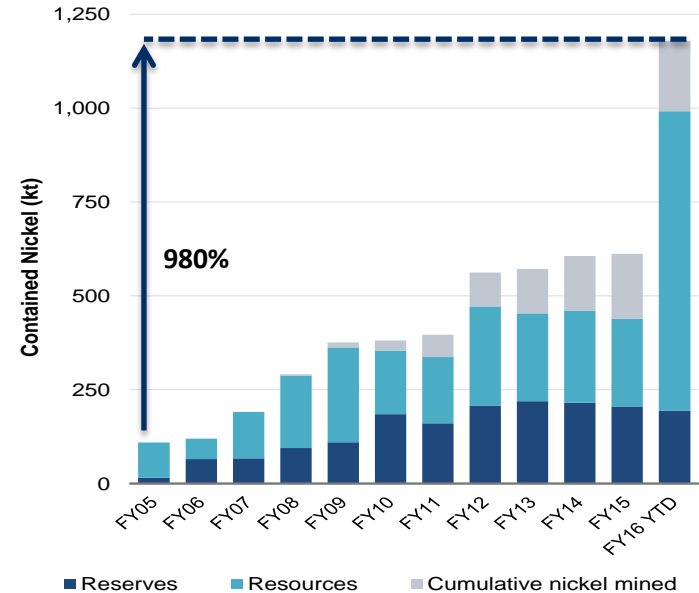
### Cosmos Nickel Complex / Odysseus – Western Australia

- Existing resources and infrastructure (previous Glencore/Xstrata/Jubilee Mines operation)
- Odysseus PFS completed (DFS underway) and significant high grade intersections
- First pass drilling at Neptune successful

### Western Gawler – South Australia

- First mover advantage
- Intrusive style and geologically similar to Nova

## Historic reserves & resources

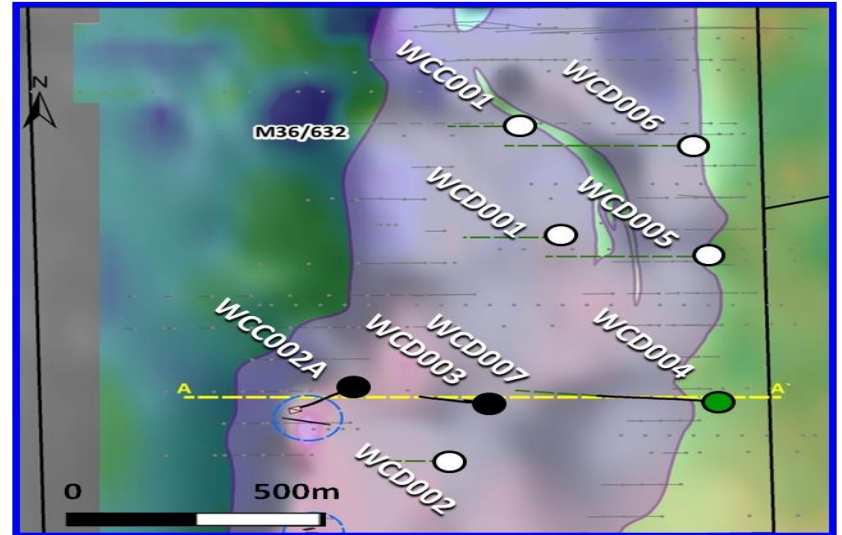
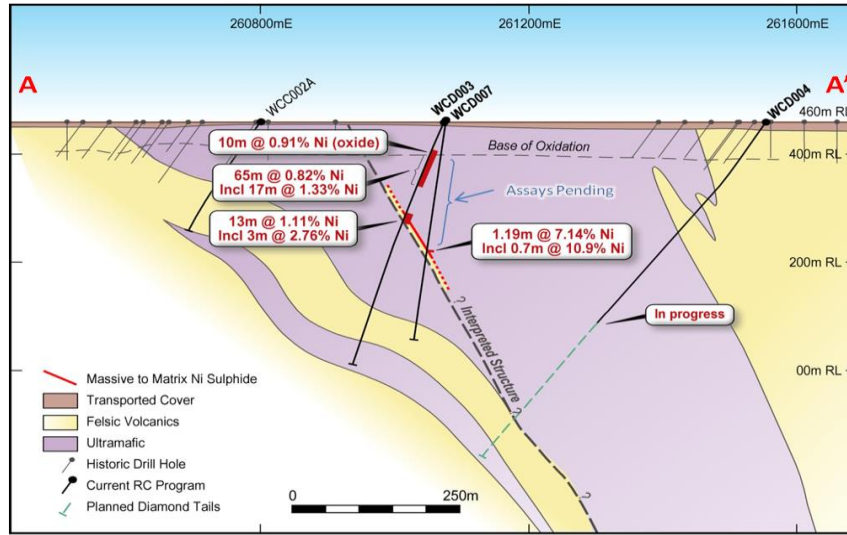


**WSA has a track-record of discovery and development**

# COSMOS EXPLORATION - NEPTUNE

## Drilling Results

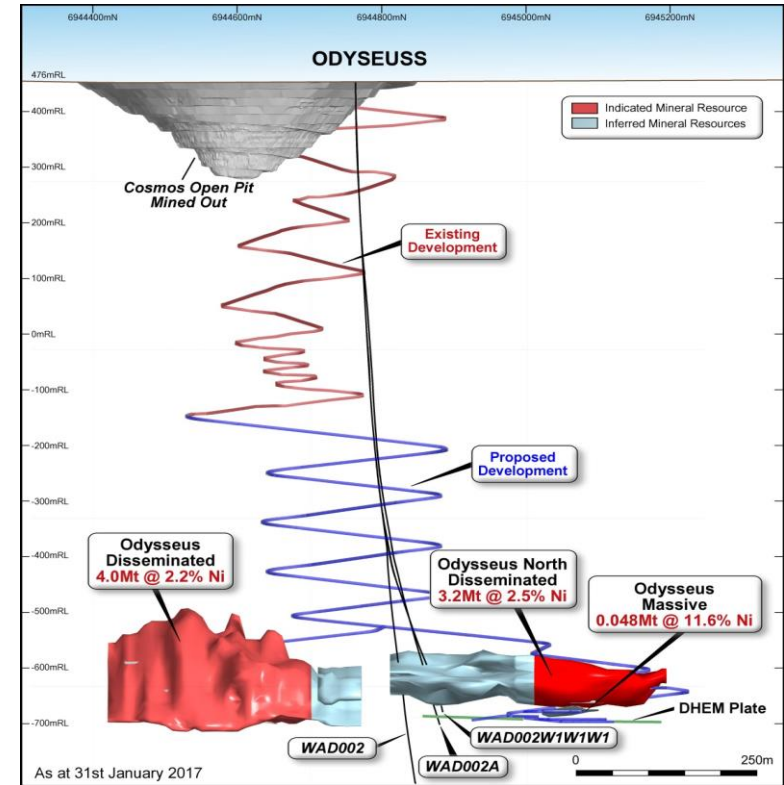
- First drill program completed at Neptune and high grade nickel sulphides intersected
- 65.0m @ 0.82% Ni, including 17.0m @ 1.33% Ni
- **1.2m @ 7.1% Ni, including 0.7m @ 10.9% Ni**



# ODYSSEUS PRE-FEASIBILITY STUDY RESULTS

## Key Metrics on a page:

Mineral Resources	Tonnes (Mt)	Grade % Ni	Ni Tonnes (kt)
Indicated Resources	5.52	2.4	129.8
Inferred Resources	1.80	2.5	44.2
Total Resources	7.32	2.4	174.0
Resources in LOM Production Target	Tonnes (Mt)	Grade % Ni	Ni Tonnes (kt)
Indicated Resources	4.10	2.3	94.3
Inferred Resources	0.77	2.3	17.9
Total Resources	4.87	2.3	112.2
Capital Costs			
Pre-production total capital cost (incl. 5-16% contingency)			\$190 - \$210m
Comprising:			
	CY2017		\$7m
	CY2018		\$34m
	CY2019 – 2020		\$149 - \$169m
Post production LOM			\$68m
Production Parameters			
Life of Mine			7.5yrs
Ore Tonnes Mined			4.87Mt
Ore Processing Capacity (Year 1)			430ktpa
Ore Processing Capacity (Year 2 onwards)			750ktpa
Nickel in concentrate - LOM			87kt
Nickel in concentrate - Annual average			12kt
Life of Mine Financial Economics			
Base Case Nickel Price			US\$7.50/lb
Exchange Rate (AUD:USD)			0.75
Revenue			\$1,520m
C1 Cash Costs			\$3.21/lb (US\$2.41/lb)
All In Sustaining Costs			\$3.69/lb (US\$2.77/lb)
EBITDA			\$840m
Net Cash Flow (pre-tax)			\$580m
Undiscounted Cash Breakeven Nickel Price			\$6.09/lb (US\$4.57/lb)
Pre-tax NPV (7% real)			\$292m
IRR			28%
Capital Payback Period			3.5yrs



For full pre-feasibility detail, see ASX announcement, 30 March 2017

# ODYSSEUS PFS – KEY FEATURES AND TIMETABLE

## Western Areas next mining operation

- Very low sustaining capital expenditure after initial pre-production capex
- Very low all-in unit sustaining costs of A\$3.69/lb (US\$2.70/lb)
- DFS completion Q1 CY2018 – A\$5-A\$7m cost
- Substantial upside opportunities not included:
  - AM5 and AM6 orebodies (53kt of contained nickel)
  - Recent massive sulphide drilling success beneath Odysseus (see next slide)
  - Regional drilling success at Neptune
  - Opportunities for a roasting concentrate

Milestone	Estimated Timing
<b>PFS Completed</b>	Q1 CY2017
<b>Commence DFS</b>	Q2 CY2017
<b>DFS Completed</b>	Q1 CY2018
<b>Commence dewatering and mine rehabilitation for 12 months</b>	Q1 CY2018
<b>Commence new decline development for 24 months</b>	Q1 CY2019
<b>First Development Ore Mined</b>	Q4 CY2020
<b>First Concentrate production at 430ktpa</b>	Q1 CY2021
<b>Plant Upgraded to 750ktpa to reach full production capacity</b>	H1 CY2022

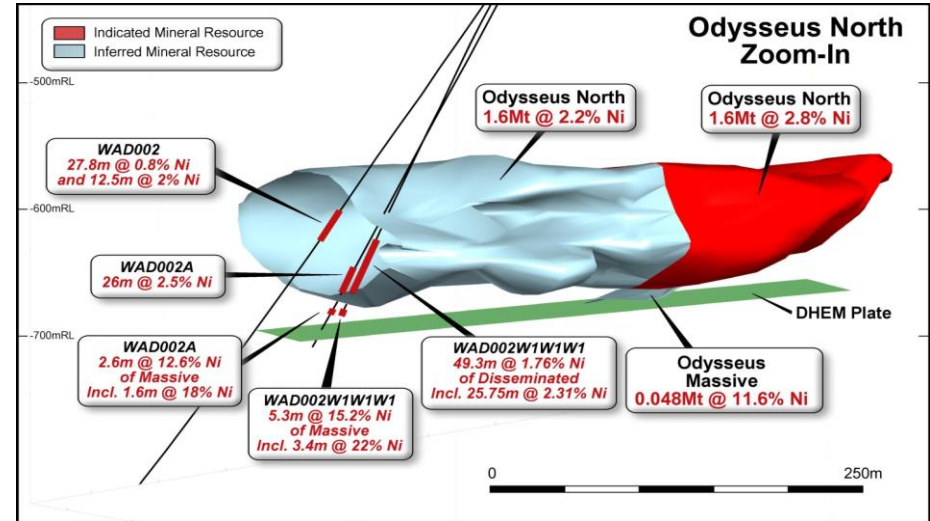
# ODYSSEUS NORTH EXPLORATION RESULTS

## Program Design

- Drill Inferred Resource at ODYN with 2 goals:
  - Increase Indicated Resource category
  - Test high grade potential of Odysseus massive sulphide

## Drilling Outcome

- New high grade zone discovered with two significant intersections, best being **5.3m @ 15.2% Ni, including 3.4m @ 22.0% Ni**
- Represents upside opportunity to Odysseus studies not included in PFS
- DHEM modelled plate 160m South of existing high grade Inferred Resource of **0.5Mt at 11.6% Ni**
- Significant high grade disseminated intersections that should convert a substantial portion of Inferred to Indicated category, including **26.0m @ 2.5% Ni** and **49.3m @ 1.8% Ni**



# WESTERN GAWLER JOINT VENTURE

## Greenfields Exploration

- Large strategic holding (4,450km<sup>2</sup>)
- Camp scale opportunities
- Majority 100% owned
  - With Strandline farm in agreement – WSA earning up to 90%

## Right Address

- Prospective under explored belt
- Analogous to Fraser Range
- Targeting poly-metallic base metal and gold mineralisation

## Right Rocks

- Mafic/Ultramafic intrusive rocks
- Magmatic nickel sulphides confirmed in multiple locations (Petrology)

## Right Signatures

- Anomalous values returned from drilling



# EXPLORATION SUMMARY – WESTERN GAWLER

## Broad scale prospectivity for Ni/Cu and Gold

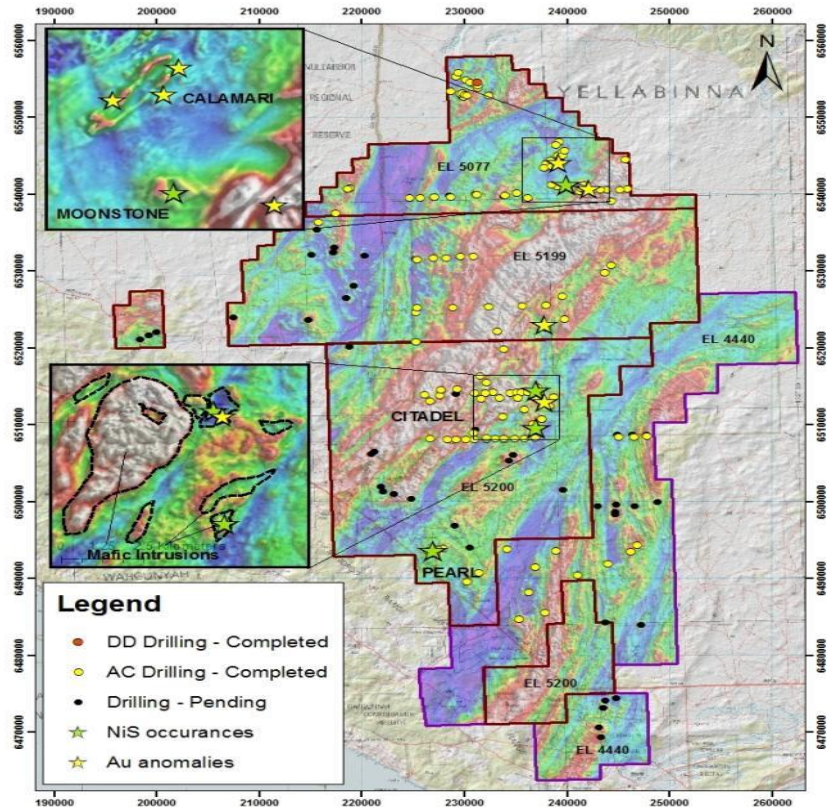
### Successful first phase of exploration

- Broad spaced drilling complete
- Mafic/Ultramafic intrusions identified
- Coincident magnetic and gravity anomalies identified such as Pearl, Citadel, Moonstone, Calamari

### Planned exploration (next six months)

- Currently completing gravity and ground EM surveys at Pearl and Citadel
- Finalise targeting with AC/RC drilling to commence in June quarter FY17
- Confirm lithology with focus on base metals and gold

### Community – Proactive engagement to support activities



Exploration drilling overlaying magnetics (RTP)



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# NICKEL MARKET



# GEO-POLITICAL FORCES, BUT STRONG DEMAND

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## Pre Indonesian Ore Ban Relaxation

- 2017 heading for a deficit of between 70-75k nickel tonnes
- Recent 300 series stainless steel growth in China has been around 13%

## Indonesia relaxes the laterite ore export ban implemented in 2014

- This is not a reversal of the ban and exports allowed under certain circumstances
  - The volume of ore that can be exported is being finalised
  - Exporter must show plans and demonstrate progress to constructing in-country processing facilities
  - Only impacts ore <1.7% nickel
  - Exporters must prove 30% of low grade is processed in-country
  - Rules on majority ownership transfer over 10 years
- Only around 3.7Mt of <1.7% nickel laterite to be exported per annum announced – immaterial!

## Philippines due to announces significant nickel mine closures and suspensions

- Mining and Resources Secretary Lopez announces closures and suspensions that could impact 50% of domestic laterite nickel exports
- Concerned about mining in Water Sheds
- Strong opposition from mining groups and appeal process underway
- Lopez to go before Commission (for confirmation) on 2 May 2017

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THE END

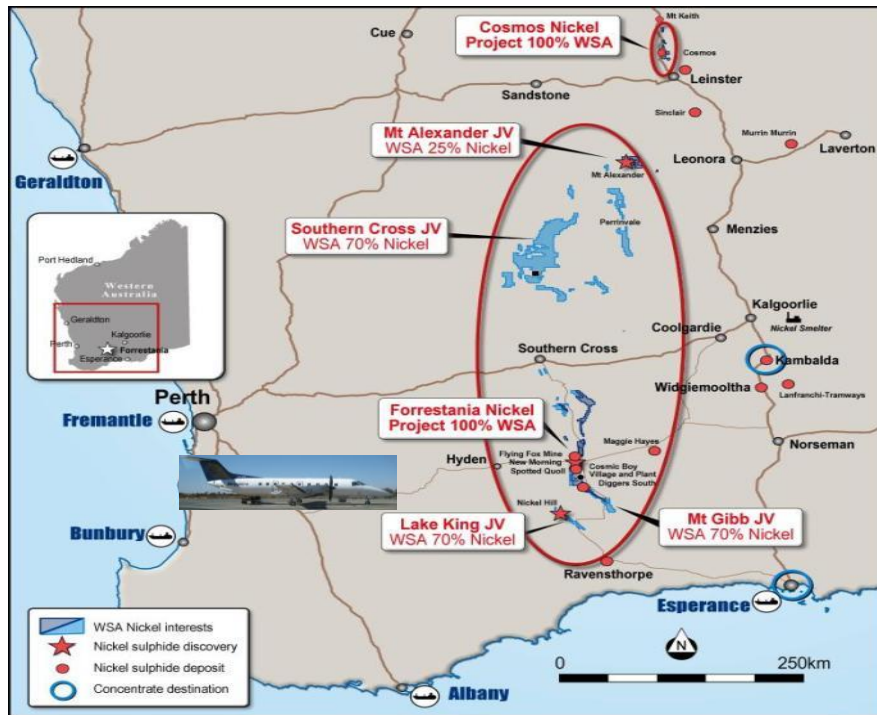
A large mining truck is shown from a low angle, filled with a pile of dark, jagged rocks. The truck is positioned in a quarry or mine, with a steep, rocky wall visible in the background. The truck's massive, treaded tires are prominent in the foreground. A dark blue rectangular overlay covers the left side of the image, featuring a white horizontal line above the text 'THE END'.

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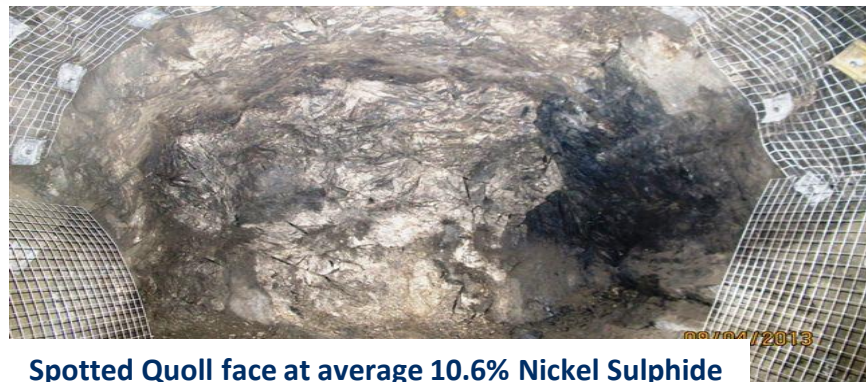
# APPENDICES



# LOCATION – EASILY ACCESSIBLE SITES



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



Spotted Quoll face at average 10.6% Nickel Sulphide

**Premier and stable mining district with high quality mines and organic growth options**

# FY17 GUIDANCE UPGRADED

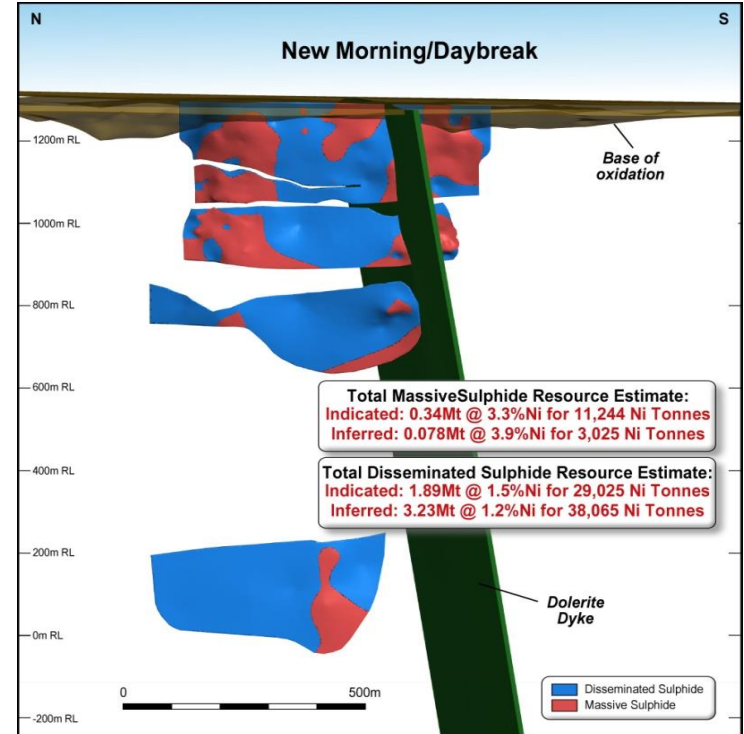
Metric	Updated FY17 Guidance	Original FY17 Guidance
Mine Production (Nickel tonnes in Ore)	<b>25,000 to 26,000</b>	22,500 to 24,500
Nickel tonnes in Concentrate Production	<b>22,000 to 23,000</b>	20,200 to 22,000
Unit Cash Cost of Production (Nickel in Concentrate)	<b>A\$2.35/lb to A\$2.50/lb</b>	A\$2.40/lb to A\$2.75/lb
Sustaining Capex	<b>No Change</b>	A\$22.0m to A\$24.0m
Forrestania and Regional Exploration	<b>No Change</b>	A\$8.0m
Odysseus PFS	<b>No Change</b>	A\$2.0m

## Comments

- Production improvements reflect higher grade mainly from Spotted Quoll with reduced dilution and blasting innovations;
- Unit cash cost of production an outcome of higher production, improved grade and cost out initiatives;
- Sustaining capital includes the last major one-off item of capex at either mine – ventilation shaft for A\$6m; and
- Odysseus PFS approved in march quarter. DFS has now commenced

# NEW MORNING / DAYBREAK

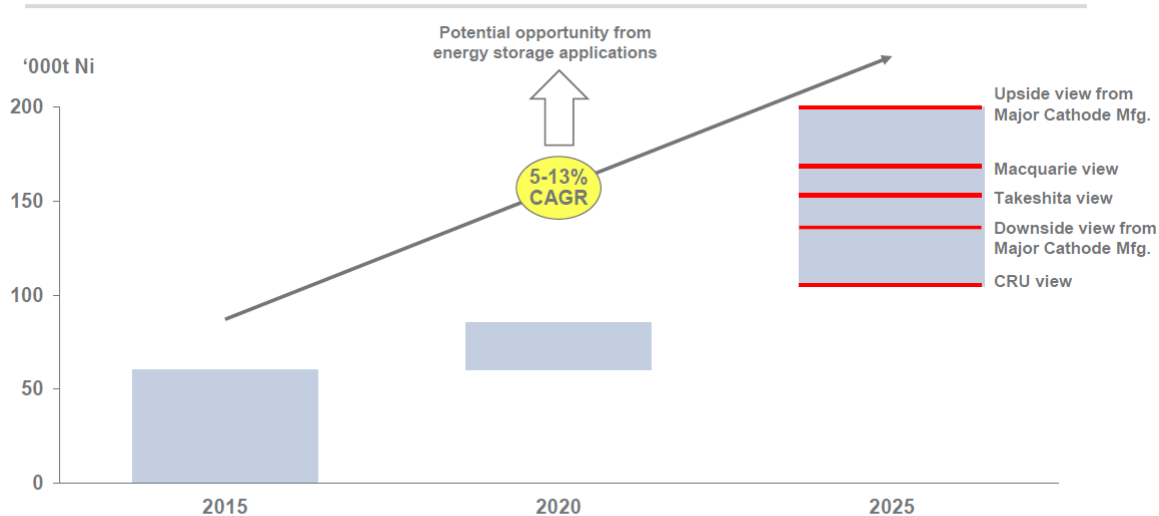
- 2.5km from Flying Fox and 2.8km from Spotted Quoll
- All material approvals in place, potential major capex savings and accessible from either mine
- Open Pit and shallow underground studies commenced
- BioHeap testwork ongoing to evaluate heap leach criteria
- **Massive sulphide Resource of 418kt @ 3.4% for 14,249 nickel tonnes**
- **Low grade resource (at 0.5% Ni COG) of 5.1m tonnes @ 1.3% for 67,090 nickel tonnes**



# GROWING EMERGING MARKET – ELECTRIC VEHICLES

- Nickel is increasingly being included in battery formulations as it leads to higher energy density batteries. Approximately 50kgs Ni in each Tesla EV.
- **Nickel demand from batteries is expected to grow at faster pace than seen historically, from ~50kt in 2015 to 150-200kt by 2025**

Forecast **nickel consumption** in the battery segment

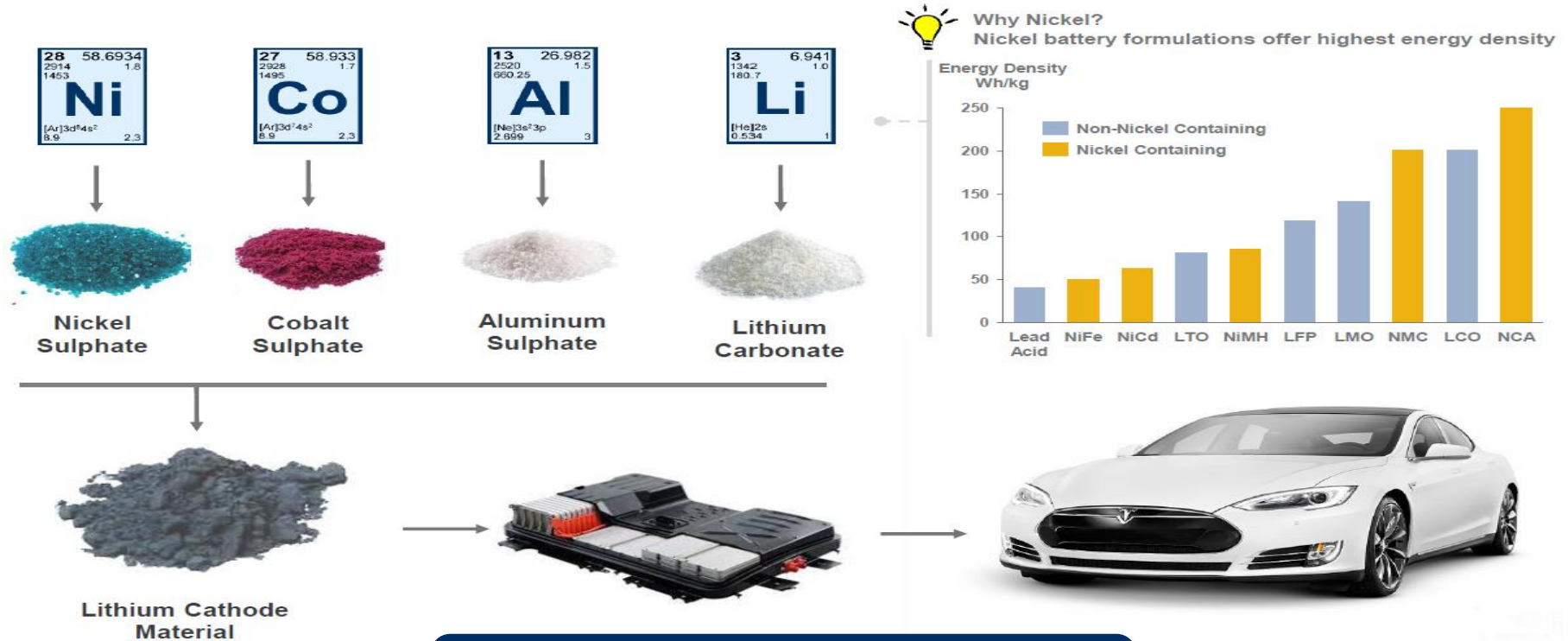


Source: Takeshita 2015, CRU, Macquarie, Vale sources





# NICKEL IS A KEY INGREDIENT IN LITHIUM-ION BATTERIES (~50KG NI PER CAR)



“Our cells should be called Nickel-Graphite, because primarily the cathode is nickel and the anode side is graphite with silicon oxide... [there’s] a little bit of lithium in there, but it’s like the salt on the salad,” Tesla CEO Elon Musk

# WESTERN AREAS VALUE EQUATION

Strong leverage to turnaround in nickel price through current operations and organic projects

- Zero Lost Time Injuries in past 30 months

Safety



- High Grade
- Lowest Quartile Cash Costs

Highest Grade Nickel Globally



- Operational cashflow positive

Cashflow Positive



- Guidance continually met or exceeded

Strong Track Record of Delivery



- Pipeline of growth opportunities

Growth



- Fundamentals and forecasts positioned to rebound

Nickel Price Primed for Upside



- Strong “can do” management

History of Discovery and Development



- No debt with significant financial flexibility

Strong Balance Sheet

