

ANNUAL REPORT  
**2018**

WESTERN AREAS LTD









# HIGHLIGHTS

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Improved full year nickel price results in  
**A\$12m Net Profit** after Tax and  
**A\$11m free cashflow**



Mill Recovery Enhancement Project constructed  
**on time and on Budget**



**Industry leading**  
Lost Time Injury Frequency Rate (LTIFR) of 0.91



Strong **debt free balance sheet** maintained



**20.5kt contained nickel**  
shipped to customers



**Odysseus project early works  
programme commenced**  
targeted at returning the project to development ready status

# CORPORATE DIRECTORY

## DIRECTORS

Ian MacIver (Chairman)  
Daniel Lougher  
David Southam  
Richard Yeates  
Craig Readhead  
Timothy Netscher  
Natalia Streltsova

## COMPANY SECRETARY

Joseph Belladonna

## AUDITORS

Crowe Horwath  
Level 5  
45 St Georges Terrace  
Perth WA 6000

## BANKERS

ANZ Banking Group Limited  
77 St Georges Terrace  
Perth WA 6000

## STOCK EXCHANGE

Australian Securities Exchange  
Limited  
Code: WSA

## SOLICITORS

Ashurst  
Level 10 & 11  
123 St Georges Terrace  
Perth WA 6000

## REGISTERED OFFICE

Level 2  
2 Kings Park Road  
West Perth WA 6005  
PO Box 1891  
West Perth WA 6872

Phone: +61 (0) 8 9334 7777  
Fax: +61 (0) 8 9486 7866  
Email: [info@westernareas.com.au](mailto:info@westernareas.com.au)

ABN: 68 091 049 357

## SHARE REGISTRY

Computershare Investor  
Services Pty Ltd  
Level 11  
172 St Georges Terrace  
Perth WA 6000

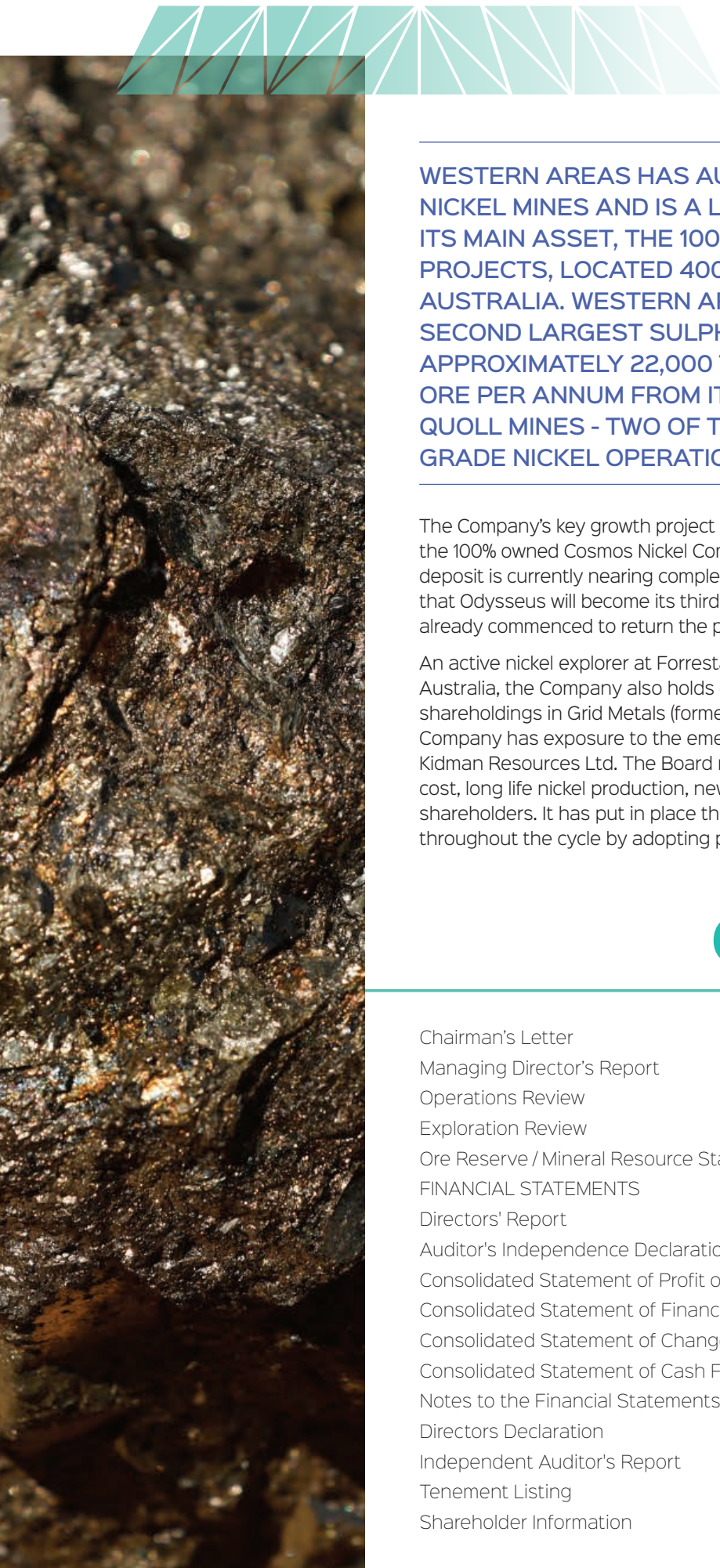
## COMPETENT PERSON'S STATEMENT:

The information within this report as it relates to exploration results, mineral resources and ore reserves is based on information compiled by Mr Graeme Gribbin, Mr Andre Wulfse and Mr Marco Orunesu Preiata of Western Areas Ltd. Mr Gribbin is a member of AIG, Mr Wulfse and Mr Orunesu Preiata are members of AusIMM, they are all full time employees of the Company. Mr Gribbin, Mr Wulfse and Mr Orunesu Preiata 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.' Mr Gribbin, Mr Wulfse and Mr Orunesu Preiata consent to the inclusion in the report of the matters based on the information in the form and context in which it appears.

## FORWARD LOOKING STATEMENT:

This Annual Report 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. 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. This Annual Report 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.





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**WESTERN AREAS HAS AUSTRALIA'S HIGHEST GRADE NICKEL MINES AND IS A LOW UNIT CASH COST PRODUCER. ITS MAIN ASSET, THE 100% OWNED FORRESTANIA NICKEL PROJECTS, LOCATED 400KM EAST OF PERTH IN WESTERN AUSTRALIA. WESTERN AREAS IS ALSO AUSTRALIA'S SECOND LARGEST SULPHIDE NICKEL MINER PRODUCING APPROXIMATELY 22,000 TO 25,000 NICKEL TONNES IN ORE PER ANNUM FROM ITS FLYING FOX AND SPOTTED QUOLL MINES - TWO OF THE LOWEST COST AND HIGHEST GRADE NICKEL OPERATIONS IN THE WORLD.**

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The Company's key growth project is the Odysseus deposit which is located at the 100% owned Cosmos Nickel Complex. A feasibility study on the Odysseus deposit is currently nearing completion. Demonstrating the Company's confidence that Odysseus will become its third mining operation, an early works program has already commenced to return the project to development ready status.

An active nickel explorer at Forrestania, Cosmos and Western Gawler in Australia, the Company also holds exploration interests in Canada through shareholdings in Grid Metals (formerly Mustang Minerals). Additionally the Company has exposure to the emerging lithium market via its shareholding in Kidman Resources Ltd. The Board remains focused on the core business of low cost, long life nickel production, new nickel discoveries and generating returns to shareholders. It has put in place the cost structure and capabilities to prosper throughout the cycle by adopting prudent capital management.

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# CHAIRMAN'S LETTER

**Ian Macliver**

Independent Non-Executive Chairman

Dear Fellow Shareholder,

On behalf of your Board of Directors, I am pleased to present to you the Annual Report for the year ended 30 June 2018. Western Areas had a safe and strong year demonstrated by significant achievements with the completion of the Mill Recovery Enhancement Project (MREP) construction and excellent progress at Cosmos, where the Definitive Feasibility Study (DFS) for Odysseus is nearing completion and early capital works for the project are underway. The Company remained focused on efficiency and productivity, and this ensured it was well positioned to capitalise on the upswing in the nickel price over the year. Our operations have been supported globally by increased demand for nickel, particularly as the Electric Vehicle (EV) market continues to grow.

The Company was pleased to announce in April that the MREP was commissioned and began producing premium high grade nickel sulphide utilising our world class bacterial processing intellectual property. The plant was completed on time and within budget. The filtration and bagging facilities are now complete which will enable the high grade sulphide product to be sold into new offtake contracts. Throughout the year, Western Areas received significant in-bound interest for this uncontracted product, mainly from participants in the EV battery market, which the Company expects will enable premium pricing terms compared to its existing contracts. This is a huge achievement for Western Areas, adding increased value to our nickel products, as well as demonstrating commercial application of our patented BioHeap™ process.

The decision to purchase Cosmos in late 2015, a counter-cyclical move, is now proving to be a significant organic growth project for the Company. The Odysseus DFS work has yielded a number of positive outcomes, most importantly a larger project than initially expected with a longer mine life beyond 10 years. The progress at Odysseus has rapidly increased confidence that the project will become Western Areas' third operating mine and second production centre.

As announced in April, an eighteen-month early capital works programme commenced. The A\$32m programme will focus on building evaporation ponds, mine camp readiness, dewatering and decline rehabilitation. Odysseus is one of the only nickel sulphide projects that will be coming into production in a timeframe that will enable it to deliver into a growing demand profile we see globally, particularly with the looming shortage of nickel sulphides product in the market.

The nickel market demonstrated positive signs of growth over the financial year, with Chinese stainless-steel demand and the growth potential of the EV market being the main drivers. From a pricing standpoint, this translated through to a strengthening nickel price, which increased over the financial year from around US\$4 per pound in early July 2017 to a three year high of over US\$7 per pound in June 2018. While nickel price volatility remains present, market fundamentals and a clear positive sentiment bodes well for the nickel price outlook.

The higher nickel price and strong cost control resulted in net profit after tax of A\$11.8m and positive free cashflow generation for the full financial year. This enabled the Board to declare a 2 cent per share fully franked final dividend based on these improved results.

The already strong debt free balance sheet was enhanced with an increase in cash at bank to A\$151.6m at the end of the financial year, despite significant investment in organic growth projects and capital infrastructure investments. We remain well placed to fund the near term expenditure requirements, as we move our Odysseus project forward and advance the various exploration programmes.

During the prior year Western Areas traded certain tenements and lithium rights at Forrestania to Kidman Resources Limited ("Kidman") in return for Kidman equity and being free-carried during an exploration programme. Western Areas remains a shareholder in Kidman and as such retains ongoing exposure to any lithium upside. The lithium sector has continued to attract significant interest over the course of the year and Western Areas is pleased to be generating clear value out of this non-core asset.





Looking forward, Western Areas will focus on further optimisation of our core business while pursuing organic growth opportunities that strengthen our position in the market. This includes our significant exploration potential at Forrestania, Cosmos and Western Gawler where increased funding is being dedicated to active programmes. The Company will also continue to strongly commit to providing a safe working environment for all our staff and contractors.

In closing, I would like to take this opportunity to thank all our staff, contractors and suppliers for their support throughout the year. The continued hard work and dedication demonstrated by all staff is instrumental to the ongoing success of Western Areas.

**Ian Macliver**

Independent Non-Executive  
Chairman



NICKEL SULPHIDE CONCENTRATE



# MANAGING DIRECTOR'S REPORT

The Company's direction for the 2018 Financial Year (FY18) was to focus on organic growth through a variety of strategic initiatives that continue to strengthen Western Areas' position in the market. The aim has been to strive to achieve a safe working environment, productivity and efficiency throughout our operations. In line with this, the completion of our MREP was a significant achievement in FY18 and allows us to capture more value from every tonne of nickel mined.

Our initiatives have been bolstered by a strengthening nickel price that increased quarter on quarter and averaged A\$7.53 per pound for FY18, up from A\$6.11 per pound in FY17. It was a strong year financially with the Company able to capitalise on the upswing in the nickel price and generate increased profits and cashflow. The achievements throughout the year would not have been possible without the continued hard work and dedication of everyone across the Company.

The Company has consistently delivered into its guidance metrics over many years. For FY18 the underground mines reported 24.5kt's of nickel in ore, with the concentrator producing 21kt's of nickel in concentrate at a low mine gate production cost of A\$2.63/lb from the Forrestania Nickel Operation. Nickel contained in concentrate delivered to offtake customers totalled 20.5kt's for the full year, resulted in revenue of A\$248.3m being recognised.

A stronger year on year nickel price and the continued focus on controllable costs have marked a return of underlying net profit after tax from ordinary activities and a continuation of absolute free cashflow generation. The solid earnings and cashflow result has enabled the declaration of a 2 cents per share final dividend payable to shareholders, marking the second consecutive year that a final dividend has been declared based on positive full year financial results.

The Company continues to maintain a strong balance sheet, with \$151.6m cash at bank and remaining debt free. This position is considered prudent given the expected investment into organic growth projects as we move forward with our near term mine development projects.

Pleasingly free cashflow has been maintained during FY18 despite significant capital expenditure into the production centre at Forrestania for projects such as the MREP and Spotted Quoll return airway shaft. Furthermore, investments have accelerated into the Company's growth projects such as the early works programme for the Odysseus deposit at Cosmos and advancement of the exploration programme across the portfolio.

In line with the strategy of organic growth, Western Areas' MREP was completed during March 2018, on time and within budget. The MREP construction was subsequently commissioned and is producing premium high grade nickel sulphide at the planned specification. The focus now turns to ramping up MREP production and utilising the newly established filtration and bagging



facilities to enable a high grade sulphide product to be sold into separate new offtake contracts that are expected to attract premium pricing above the Company's existing offtake contract terms. These new offtake contracts will target EV battery precursor suppliers or producers. Since completion of MREP, discussions have been active with several potential offtake parties and has included site visits to Forresteria. While discussions are ongoing, the short-term plan is to blend the product with existing concentrate from the Cosmic Boy Mill and sell it into the existing offtake agreements with Tsingshan and BHP Nickel West.

The Cosmos Nickel Complex continues to develop into a significant organic growth asset, the Company is confident that Odysseus will become Western Areas' third operating mine and second production centre. The decision to purchase Cosmos in late 2015 was counter-cyclical but is proving to be a catalyst for new production in WA, particularly as the demand for Class 1 nickel sulphides in the battery and EV market is forecast to grow substantially over coming years.

In April the Company commenced an eighteen-month early capital works programme consisting of three major stages, at an estimated cost of A\$32m, which will bring Odysseus to development ready status. The first programme is focused on the refurbishment of existing evaporation ponds, pipeline upgrades and continuation of pit dewatering. An existing mine camp at Odysseus with a 520 bed capacity will also be upgraded in readiness to cater for up to 100 contractors and employees.

The second work programme will involve the construction of two new evaporation ponds and dewatering of the decline, with the final stage encompassing infrastructure required to support the rehabilitation of the decline from the portal to 500 metres below the surface. Odysseus has advanced to the early works programme due to the overall confidence Western Areas has in the project and in the future growth of the nickel sulphide market.

Western Areas continued to advance the New Morning/Daybreak (NMD) project and completed an internal Scoping Study during the March quarter 2018. Using Western Areas' patented BioHeap™ process, the ore from the NMD open pit is expected to be leached to produce a nickel sulphate solution that can be treated via the MREP sulphide precipitation circuit. The capacity of the sulphidation circuit of the MREP plant is potentially up to 4,000 tonnes of contained nickel per annum, meaning the MREP does not require expansion to meet any of the potential New Morning nickel production.

The Company is pursuing the prospective exploration potential of the Western Gawler region through systematic evaluation of targets undercover, using modern geophysical techniques and targeted drilling campaigns. Key exploration initiatives to date have included air-core drilling and a Moving-Loop Electro Magnetic (MLEM) survey across multiple target areas with bedrock conductors identified. In addition, a state of the art, heliborne electromagnetic survey has been completed. The survey across five priority areas has covered a total area of 900km². Results of exploration completed to date have confirmed the prospectivity of the Western Gawler region for intrusive-related nickel, copper (and gold) mineralisation.

The Company owns 17.4m shares in Kidman. Kidman has increased in value throughout FY18 and is a good liquid asset adding to our balance sheet strength. It ensures the Company has a significant stake in an emerging lithium company while retaining direct exposure to the lithium upside on our tenements, with no expenditure requirements.

	FY18	FY17
<b>Lost Time Injury Frequency Rate (LTIFR)</b>	0.9	1.1
<b>Total Ore Mined (tns)</b>	607,120	591,778
<b>Average Mined Grade</b>	4.0%	4.4%
<b>Contained Nickel Mined (tns)</b>	24,442	25,996
<b>Total Ore Processed (tns)</b>	616,598	617,808
<b>Average Processed Grade</b>	4.0%	4.2%
<b>Average Recovery</b>	87%	89%
<b>Contained Nickel Processed (tns)</b>	21,060	23,005
<b>Nickel Sold (tns)</b>	20,549	22,639
<b>Average Nickel Price Received (US\$/tn)</b>	12,875	10,164
<b>Cash Costs before smelting/refining (A\$/tn)</b>	2.63	2.38
<b>Average Exchange Rate USD/AUD</b>	0.77	0.75

At Western Areas, the safety of its employees is fundamental to the success and sustainability of its operations. In FY18 there was one Lost Time Injury (LTI) recorded, resulting in a LTI frequency rate of 0.91 for the year. The key safety management initiatives conducted throughout the year included facilitation of operational risk management, wildfire management readiness, a preventative awareness programme addressing fitness-for-work and road safety. The Company also conducted safety re-induction sessions at both underground mines for 120 personnel who had been on site for two years or more.

A high standard of environmental management has been maintained across the Company during the financial year with no major reportable environmental incidents. As the NMD project progresses, Western Areas completed stygofauna baseline environmental monitoring and preliminary planning commenced for other environmental studies to support the approvals process for an open pit mine.

Western Areas conducts progressive rehabilitation at the Forrestania Nickel Operation each year. The Company collects native seeds from around the project area which are then propagated into seedlings at a local nursery. The annual rehabilitation planting programme was completed in July 2017 with 16,000 seedlings planted on the Spotted Quoll waste rock dump, rehabilitating approximately 3ha. The Company has successfully rehabilitated over 200 hectares in total as part of the progressive rehabilitation programme.

At Cosmos the Company continues to develop a strong and productive working relationships with the traditional owners of the land, the Tjiwarl group, completing multiple heritage surveys, ongoing cultural awareness training and employing local contractors to complete evaporation pond rehabilitation.

This year Western Areas released its first Corporate Social Responsibility (CSR) Report, reaffirming the commitment we have made to minimise our impact and ensure we are operating responsibly in the community. The Company continues to support various programmes, including the sponsorship agreements with the Perth Zoo for the Western Quoll enclosure and Western Shield. Western Shield is the Department of Biodiversity Conservation and Attractions' lead animal conservation programme, and one of the largest wildlife conservation programmes ever undertaken in Australia. The programme aims to return the balance and mix of native animals in selected areas of WA's environment to levels comparable to pre-European settlement. Western Areas believes this is a fantastic initiative and in light of this we have committed to sponsor Western Shield for five years from 2015-2020.

Looking ahead, the Company will continue to focus on providing a safe workplace for all employees and encourage a strong safety and environmental culture. In addition, Western Areas has several organic growth potential opportunities at our Forrestania and Cosmos operations, and we look forward to advancing these as the expected demand for premium nickel sulphide increases. In particular, the opportunities at the Odysseus Project and the regional exploration potential that the greater Cosmos Nickel Complex and Western Gawler demonstrates in both base and precious metals put the Company in a strong position going forward.

Finally, I would like to take this opportunity to thank our Board, all of our staff, contractors and suppliers for their support throughout the year. We will continue to strive to maximise our margins and develop our organic projects to ensure Western Areas is in a good position to capitalise on the strengthening of the nickel market.

**Daniel Lougher**

Managing Director  
and Chief Executive Officer







# OPERATIONS REVIEW

## GROUP OVERVIEW

Western Areas is an Australian based high grade, low cash cost nickel producer. The Company is listed on the Australian Securities Exchange (ASX) under the ticker symbol "WSA" and has been a member of the ASX 200 for many years. The Company owns a 100% interest in both the Forrestania Nickel Operation ("Forrestania") and the Cosmos Nickel Complex ("Cosmos") which are both located in Western Australia.

The Company's main operational asset at Forrestania is located 400km east of Perth in Western Australia. Western Areas is a sulphide nickel miner producing approximately 22,000 to 25,000 nickel ore tonnes per annum from its Flying Fox and Spotted Quoll underground mines which are two of the lowest cost and highest grade nickel operations in the world.

The high grade nickel ore mined is processed through the Cosmic Boy Concentrator (CBC) and sold into offtake agreements with Tsingshan Group, China's largest stainless steel producer, for a minimum delivery of 10,000tpa nickel in concentrate and BHP Billiton for a further 12,000tpa.

The Company continues to foster innovation within the Group such as the recently constructed MREP at Forrestania's CBC that is commercialising the Company's 100% owned proprietary BioHeap™ bacterial leaching technology. The introduction of filtering and bagging infrastructure has now enabled production of a value added, high grade, nickel product which may potentially directly supply the emerging battery market.

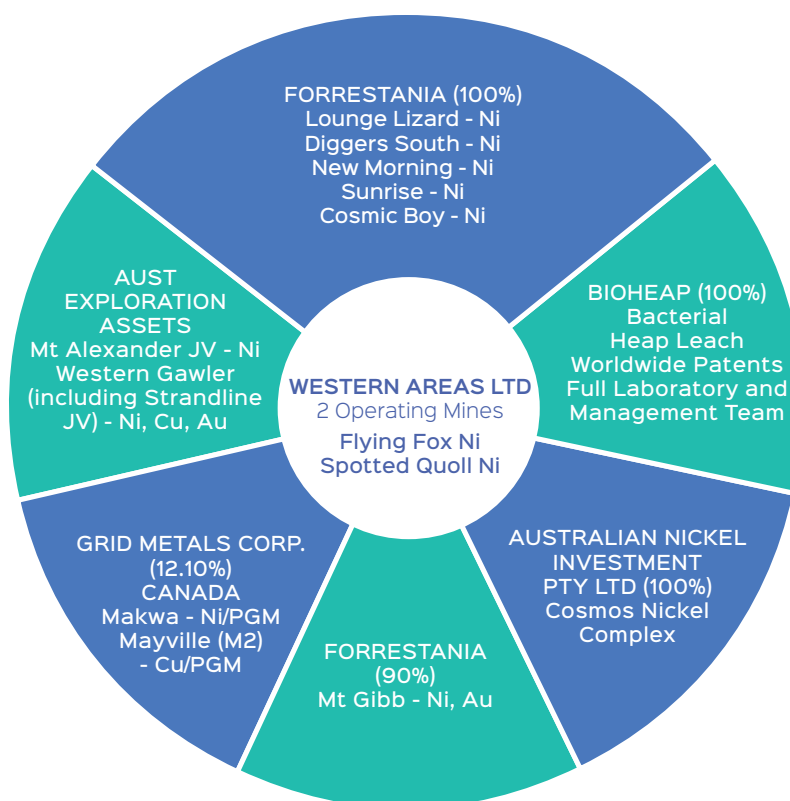
Western Areas' primary growth asset is the Odysseus Project at Cosmos. Odysseus is expected to provide the Company a third operating mine in the years ahead. The definitive mining feasibility study for Odysseus is nearing completion with a larger longer life mine expected. Such is the Company's confidence in the project that early works have commenced to ensure the site is development ready.

The Company is an active base and precious metal explorer at both Cosmos and Forrestania, with significant interests in the Western Gawler area located in South Australia.

The Board remains focused on the core business of low cost, long life nickel production, new nickel discoveries and generating returns to shareholders. It has put in place the cost structure and capabilities to prosper through commodity price cycles that includes a prudent capital management strategy and an opportunistic approach to joint venture opportunities and value based asset acquisition assessment.

## STRUCTURE

Western Areas Ltd is a company limited by shares that is incorporated and domiciled in Australia. Western Areas Ltd has prepared a consolidated financial report incorporating the material entities that it controlled during the financial year. These are shown below along with the principal assets of each.





## WESTERN AREAS SAFETY

The Forrestania Nickel Operations (FNO) had a good safety performance for FY18, with only one LTI sustained during the year at the Cosmic Boy Concentrator. The year ended with an LTI frequency rate of 0.91. The Total Recordable Injury Frequency Rate (TRIFR) at year end was 8.32 (TRIFR includes recordable injuries which require medical treatment, or result in restricted duties or lost time). This was an excellent achievement by the operations team at Forrestania.

A summary detailing the LTI free days by operating department at year end is shown in the table below.

Department	LTI free days
Surface Exploration	3,592
Spotted Quoll UG mine	2,636
Cosmic Boy Village	2,343
Surface Haulage	1,551
Flying Fox UG mine	475
Cosmic Boy Concentrator	53

The approach this year to safety was to conduct 'hands-on' training that prepare our staff for any event or incident that could occur on site. We created a simulated underground fire training facility that enabled the FNO emergency response team to conduct exercises in challenging real-world simulated conditions.

A high level of safety performance is our highest priority and year on year we review our safety management initiatives and look for new ways to improve on our training offered to employees. General health and wellbeing was also a key focus; the Company introduced complimentary health campaigns on dehydration, diabetes and seasonal issues around mental health and wellbeing.

Three nature trails were also established using existing tracks east of the village by the environmental and safety departments as a healthy exercise option.

## FORRESTANIA ENVIRONMENTAL ACTIVITIES

Environmental compliance was maintained at a high standard throughout the financial year with no reportable incidents and minor environmental incidents contained and managed internally.

All regulatory commitments were completed, including environmental monitoring and submitting key environmental reports to the relevant state and federal departments, including water quality, groundwater level monitoring, declared rare flora, and rehabilitation monitoring.

The annual rehabilitation programme involved a successful seed collection programme with approximately 34,000 seedlings delivered to a central wheatbelt nursery for seedling propagation (increase of 50% compared to last year).

The seeds were returned to FNO in June 2018 and transferred to the local FNO hot-house facility prior to planting in three selected areas, (approximately 3.5 hectares in total), i.e. Spotted Quoll Waste Dump (South) and two former gravel pits. Seedling planting was undertaken by a specialist contractor after preparation works including deep ripping and topsoil spreading.

Successful feral animal control (including baiting) campaigns were conducted that resulted in reduced feral animal sightings, plus monitoring programmes for Malleefowl (*Leipoa ocellata*) and Chuditch (*Dasyurus geoffroyi*) using motion sensor cameras. Both the Malleefowl and the Chuditch are listed as Schedule 1 Threatened Fauna at a State level and as 'vulnerable' at a Commonwealth level.

The Company submitted carbon emission data as part of Carbon Disclosure Project annual reporting requirements.



COLM HARKIN (SENIOR ENVIRONMENTAL ADVISOR) ACCEPTING SEEDLING DELIVERY FROM DUSTIN MCCREERY (CHATFIELDS NURSERY OWNER)

### COMMUNITY

The Company supported its relationship with the Perth Zoo by sponsoring the Western Quoll enclosure and the Company's ongoing sponsorship of the Western Shield programme which supports protecting the endangered numbat.

The Company continues to support the various primary schools, sporting clubs and community groups that surround the Forrestania operations.

The Company was pleased to donate raffia basket weaving supplies and additional aboriginal material to the Leonora Women's Group called "nyunnga gu" (translated as "women belong to").

### COSMOS

Environmental compliance was maintained at a high standard throughout the financial year with no reportable environmental incidents. Cosmos transitioned from care and maintenance during the first half of the year to the commencement of the Early Works infrastructure programme early in 2018.

In January, Stage One dewatering of the Cosmos open pit commenced with water discharging to a network of evaporation ponds. The dewatering programme initiated an expanded compliance monitoring programme including water quality and groundwater depths, with new water level data loggers installed on each monitoring bore to improve the monitoring network around the ponds. A network of seepage recovery bores surrounding the water management ponds (WMP) were refurbished and recommissioned to manage groundwater levels.

A ground disturbance permit (GDP) process was implemented as an additional management control for the Early Works programme and aboriginal heritage areas. The GDP will ensure that all environmental and heritage risks are considered and approvals are in place before any disturbance can proceed.

A number of aboriginal heritage surveys of exploration and key infrastructure areas were conducted during the year with the Tjiwarl Aboriginal Corporation. Tjiwarl heritage monitors continued to oversee a number of exploration drilling programmes and the Company continued its excellent working relationship with the Tjiwarl people.

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### ABORIGINAL HERITAGE SURVEYS WERE CONDUCTED DURING THE YEAR WITH THE TJIWARL ABORIGINAL CORPORATION.

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ABORIGINAL HERITAGE SURVEY WITH THE TJIWARL ABORIGINAL CORPORATION

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## FLYING FOX MINE

Capital development was kept at a minimum with only 188m of lateral capital development completed at the 230 and 215 levels. The lowest level of the mine remains at 1,262m below surface.

Production for the year was sourced from the T5 orebody (410 to 215 levels) and predominately from long-hole stoping (84%) with the remainder from a combination of 454m of ore development (180 and 200 levels plus 370 to 410 pegmatite lodes) and 157m of flat-back stoping over existing lateral development to rehabilitate areas in preparation for stoping. There was also 309m of paste development to facilitate slot drilling.

## SPOTTED QUOLL MINE

The mining of the decline re-commenced in January and advanced to a depth of 830m below the surface by year end. The decline established the first 'Stage Two' ore drive accesses (660 and 640) that resulted in three ore drives (675, 660 and 627) and has also recently started the 570 access. The 'Stage Two' district of the mine is located below and laterally offset from the single-boom area (SBA).

Ore production was split almost evenly between the two stoping areas (twin boom jumbo area (TBA) and SBA). The TBA production was sourced from the 955 to 932 levels with the successful re-opening of the 1215 and 920 plus completing the 1125, 962 and 955 levels.

Production from the SBA (911 to 710m RL) using specialist contractors completed the 901, 890, 881 and 841 levels with ongoing production from the 871 to 804 levels. Smaller ore drive development (nominal 3.5m x 3.5m 'shanty' profile) continued from the 832 to 757 levels with the same development (795 to 777 levels) over 15m past the northern ore reserve boundary.

## SPOTTED QUOLL INFRASTRUCTURE

The 'sink and line' section of the surface to 795 level primary return air way (RAW) shaft was completed late in December, which involved 56m (44m to 100m to top-of-collar) of 4.5m diameter concrete lining using drill and blast techniques, with a headframe and winder for material movement via a kibble to surface.

The surface primary fan plinths and electrical switch room concrete footings were installed in late January followed by the two primary fans and electrical switch room installed in late April. The Stage One electrical and mechanical commissioning was completed in May with the final Stage Two commissioning completed early in FY19.

The underground primary ventilation RAW network was extended to the 660 level with the excavation of two vertical (730 to 700 and 700 to 660) RAW long-hole rises. The escape-way network necessary to commence Stage Two stoping was extended, with escape ladder-ways installed in dedicated 1.0m raise-bore shafts from the 660 to 640 levels.

## MINE AND MILL PRODUCTION AND CASH COSTS

TONNES MINED		2017/2018				YTD Total
		Sep Qtr	Dec Qtr	Mar Qtr	Jun Qtr	
Flying Fox						
Ore Mined	tonnes	60,890	65,681	66,858	67,236	260,665
Grade	%	4.1%	3.7%	3.7%	3.9%	3.9%
Flying Fox Nickel Mined	tonnes	2,510	2,453	2,466	2,625	10,054
Spotted Quoll						
Ore Mined	tonnes	78,561	77,795	96,621	93,478	346,455
Grade	%	4.3%	4.5%	3.9%	4.0%	4.2%
Spotted Quoll Nickel Mined	tonnes	3,345	3,517	3,770	3,756	14,388
Total Ore Mined						
Grade	%	4.2%	4.2%	3.8%	4.0%	4.0%
Total Nickel Mined	tonnes	5,855	5,970	6,236	6,381	24,442

## FLYING FOX PRODUCTION

Flying Fox mined a total of 260,665 ore tonnes at an average grade of 3.9% nickel for 10,054 contained nickel tonnes. The total mined nickel exceeded mine plans due to diligent control of waste dilution that increased the overall ore grade. The Lounge Lizard ore tonnes mined for the year was 158,459 ore tonnes at a grade of 3.7% nickel for 5,938 nickel tonnes.

## SPOTTED QUOLL PRODUCTION

Spotted Quoll mined a total of 346,455 ore tonnes at an average grade of 4.2% nickel for 14,388 contained nickel tonnes which surpassed last year as the highest annual production of both ore and nickel tonnes to date.

THE ABILITY TO PROCESS ABOVE NAMEPLATE IS LARGELY DUE TO THE WELL PLANNED AND EXECUTED PREVENTATIVE MAINTENANCE PROGRAMME.

## COSMIC BOY NICKEL CONCENTRATOR

TONNES MILLED AND SOLD		2017/2018				YTD Total
		Sep Qtr	Dec Qtr	Mar Qtr	Jun Qtr	
Ore Processed – Mined Ore	tonnes	141,151	136,816	144,925	152,425	575,317
Ore Sorter & Low Grade Stockpile	tonnes	13,721	24,402	3,158	-	41,281
<b>Total Ore Milled</b>	<b>tonnes</b>	<b>154,872</b>	<b>161,218</b>	<b>148,083</b>	<b>152,425</b>	<b>616,598</b>
Grade	%	4.0%	4.0%	3.9%	4.0%	4.0%
Ave. Recovery	%	87%	86%	86%	89%	87%
<b>Nickel in Concentrate Produced</b>	<b>tonnes</b>	<b>5,338</b>	<b>5,527</b>	<b>4,827</b>	<b>5,368</b>	<b>21,060</b>
<b>Nickel in Concentrate Sold</b>	<b>tonnes</b>	<b>5,348</b>	<b>5,275</b>	<b>4,750</b>	<b>5,176</b>	<b>20,549</b>

The Cosmic Boy Concentrator (CBC) processed 616,598 tonnes of ore at an average grade of 4.0% nickel, despite its nameplate capacity of 550kt, which included the remainder of the ore sorter 'Fines' material (41,281t @ 1.4% nickel) in the first half of the year. A total of 137,927 tonnes of concentrate was produced at 15.3% nickel containing 21,060 nickel tonnes with an average recovery of 87%.

The ability to process above nameplate is largely due to the well planned and executed preventative maintenance programme with 98% plant availability achieved for the year.



CBC CONCENTRATOR AT DAWN





MREP PLANT

**THE PROJECT WILL  
CONTINUE IN RAMP  
UP MODE DURING THE  
FIRST HALF OF FY19.**

### MILL RECOVERY ENHANCEMENT PROJECT

The MREP commenced construction in April 2017, which uses the Company's wholly owned BioHeap™'s patented process technology to recover nickel from a waste stream produced in the CBC. The nickel recovered is converted into a high grade nickel sulphide product which can either be mixed with the CBC concentrate or sold as a separate product suitable to be processed in a refinery, which has attracted a lot of international interest from refiners of products which are destined to supply the electric vehicle (EV) market.

The MREP construction was completed and project commissioned in mid-January and has produced nickel sulphide product grading 47% nickel, 0.3% Fe and less than 200 ppm As. This material is within design and is currently being combined with the CBC's flotation concentrate. The project will continue in ramp up mode during the first half of FY19. A separate dewatering and bagging facility has been constructed to enable the sale of the high grade nickel sulphide as a separate product.

## NICKEL SALES

The delivery of concentrates has been maintained into the two existing offtake agreements. A total of 136,400 tonnes of concentrate was delivered containing 20,549 tonnes of nickel.

During the year the mode of transport for export concentrate changed from utilising half height sea containers (HHC) to lined general purpose sea containers. This has resulted in a cost reduction due to using a newer and consequently less maintenance intensive fleet of general purpose containers and not incurring a re-position charge to return empty HHC's back to Australia.

## COST OF PRODUCTION

The unit cash cost of production of nickel in concentrate (excluding smelting/refining charges, concentrate logistic and royalties) was A\$2.63/lb (US\$2.03/lb) for the full year, which was within the full year guidance range. This has been impacted by an increased proportion of ore development production tonnes (versus cheaper stoping tonnes) from both underground mines in the second half of the financial year, as development of the Spotted Quoll Stage Two mining levels are sequentially brought online and ore development drives are established at Flying Fox to access new production stopes. Contractual rise and fall charges have also trended higher across the operation due to increases in the oil, consumables, foreign exchange and wages inputs.



## THE COMPANY IS MAINTAINING FOCUS ON EMBEDDING COST REDUCTIONS INTO THE OPERATION FOR THE LONG TERM.

FINANCIAL STATISTICS		2017/2018				YTD
		Sep Qtr	Dec Qtr	Mar Qtr	Jun Qtr	
<b>Group Production Cost/lb</b>						
Mining Cost (*)	A\$/lb	1.75	1.81	1.89	2.03	1.87
Haulage	A\$/lb	0.06	0.07	0.07	0.07	0.07
Milling	A\$/lb	0.51	0.47	0.57	0.52	0.52
Admin	A\$/lb	0.20	0.18	0.21	0.21	0.20
By Product Credits	A\$/lb	(0.03)	(0.03)	(0.03)	(0.03)	(0.03)
<b>Cash Cost Ni in Con (**)</b>	<b>A\$/lb</b>	<b>2.49</b>	<b>2.50</b>	<b>2.71</b>	<b>2.80</b>	<b>2.63</b>
<b>Cash Cost Ni in Con (***)</b>	<b>US\$/lb(**)</b>	<b>1.97</b>	<b>1.92</b>	<b>2.13</b>	<b>2.12</b>	<b>2.03</b>
<b>Exchange Rate US\$ / A\$</b>		<b>0.79</b>	<b>0.77</b>	<b>0.79</b>	<b>0.76</b>	<b>0.77</b>

(\*) Mining Costs are net of deferred waste costs and inventory stockpile movements.

(\*\*) US\$ FX for Relevant Quarter is RBA average daily rate (Jun Qtr = A\$1:US\$0.76).

(\*\*\*) Payable terms are not disclosed due to confidentiality conditions of the offtake agreements. Cash costs exclude royalties and concentrate logistics costs.





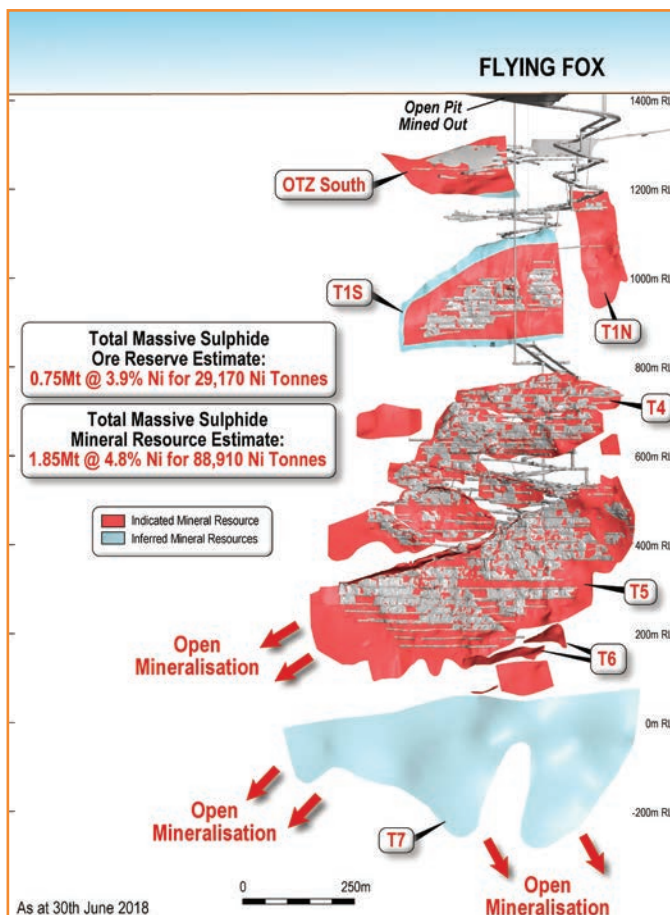


## FLYING FOX MINERAL RESOURCES AND ORE RESERVES

The Flying Fox high grade Mineral Resource and Ore Reserve estimates (depleted for mining) at the end of the financial year are as follows;

- **Mineral Resource:** 1.85 million tonnes of ore at a grade of 4.8% nickel for 88,910 tonnes of nickel; and
- **Ore Reserve:** 0.75 million tonnes of ore at a grade of 3.9% nickel for 29,170 tonnes of nickel.

The longitudinal section shows the Flying Fox mine with mineral resources and reserves depleted for mining production during the year.

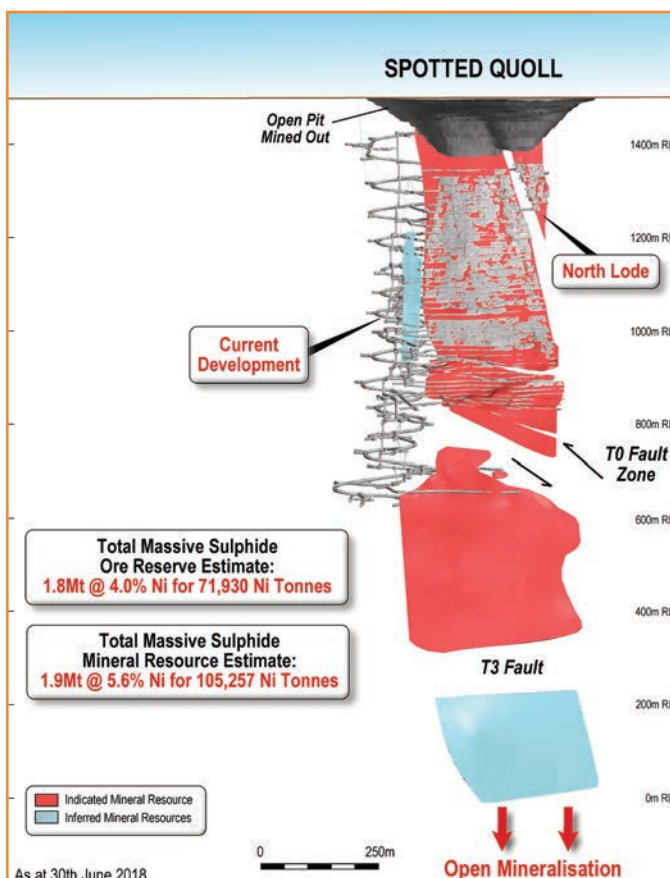


## SPOTTED QUOLL MINERAL RESOURCES AND ORE RESERVES

The Mineral Resource and Ore Reserve estimates (depleted for mining) at the end of the financial year as follows:

- **Mineral Resource:** 1.87 million tonnes of ore at a grade of 5.6% for 105,257 nickel tonnes; and
- **Ore Reserve:** 1.80 million tonnes of ore at a grade of 4.0% for 71,930 nickel tonnes.

The long section shows the Spotted Quoll Mine with mineral resources and reserves depleted for the year.





## NEW MORNING / DAYBREAK RESOURCE

An updated Mineral Resource Estimate for the NMD deposits was completed in the first half of FY18. This involved further surface drilling of the hanging wall disseminated mineralisation, which resulted in a substantial increase of the lower grade resource as shown in the table below:

## NEW MORNING / DAYBREAK OPEN-PIT SCOPING STUDY

An internal Scoping Study (Study) was completed early in FY18 delineating a potential open pit to mine the shallow ore at New Morning. The indicative open pit schedule would mine to a depth of 110m over a three to four year period. The Study assumed that the mined ore would be trucked to nearby pads where it would be crushed and agglomerated and placed into leach-pads.

Using Western Areas' patented BioHeap™ process, the ore would be leached to liberate a nickel sulphate pregnant liquor (PLS), which would then be pumped to the MREP plant for processing into a 45-50% nickel sulphide. Production capacity at the back end (sulphidation section) of the MREP plant is potentially up to 4,000 tonnes of contained nickel per annum, meaning that the MREP does not require expansion to meet potential New Morning throughput.

Indicative capital estimates for the project are expected to be relatively low given the shallow nature of the orebody. The current target is to produce a feasibility study by the end of FY19. Part of that feasibility study involves further agglomeration and column test-work on the hanging-wall disseminated ore, regulatory environmental base-line flora and fauna surveys, plus hydrological and geotechnical reviews.

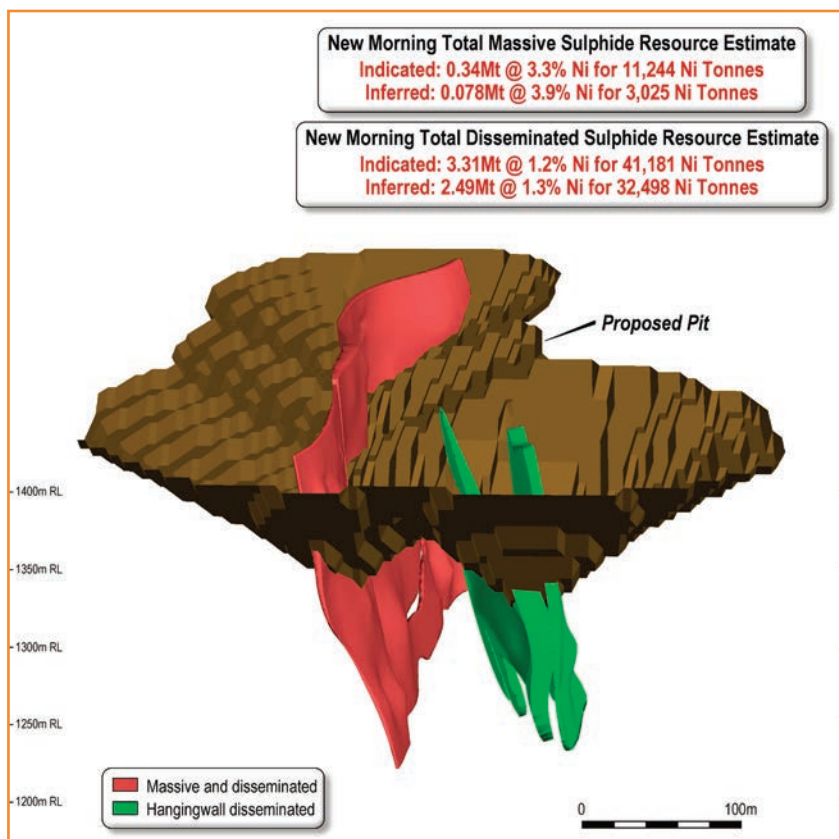
## RESOURCE ESTIMATE AS AT 30 JUNE 2018

### NMDB Low Grade at 0.5%Ni COG

RESOURCE CATEGORY	TONNES	Ni %	Ni t
Inferred	2,496,658	1.3%	32,498
Indicated	3,318,468	1.2%	41,181
<b>Total</b>	<b>5,815,126</b>	<b>1.2%</b>	<b>73,679</b>

### NMDB High Grade at 2.0% COG

RESOURCE CATEGORY	TONNES	Ni %	Ni t
Inferred	78,067	3.9%	3,025
Indicated	340,126	3.3%	11,224
<b>Total</b>	<b>418,193</b>	<b>3.6%</b>	<b>14,249</b>



## COSMOS NICKEL COMPLEX (“COSMOS”)

### ODYSSEUS DEFINITIVE FEASIBILITY STUDY

The study progressed well during the year with selection of the ‘top-down’ long-hole stoping strategy using paste fill as the primary mining method. This is underpinned by the updated mine wide mining rock mass model and definition of geo-technically significant structures. Detailed modelling has now been completed on paste fill and rock mass performance for a variety of conditions. Various decline and shaft access scenarios have been investigated with a larger longer life project expected.

In the base case mine development design option, the hoisting shaft is located centrally between the north and south orebodies with a mid-shaft loading level being considered to assist the initial mine development programme.

During April benchmarking visits were conducted by the project team to a number of similar mining operations in Canada which provided invaluable data for the study. Final scheduling is showing the mine production will be in the order of 12 years including a ramp up to steady state production over a 3 year period.

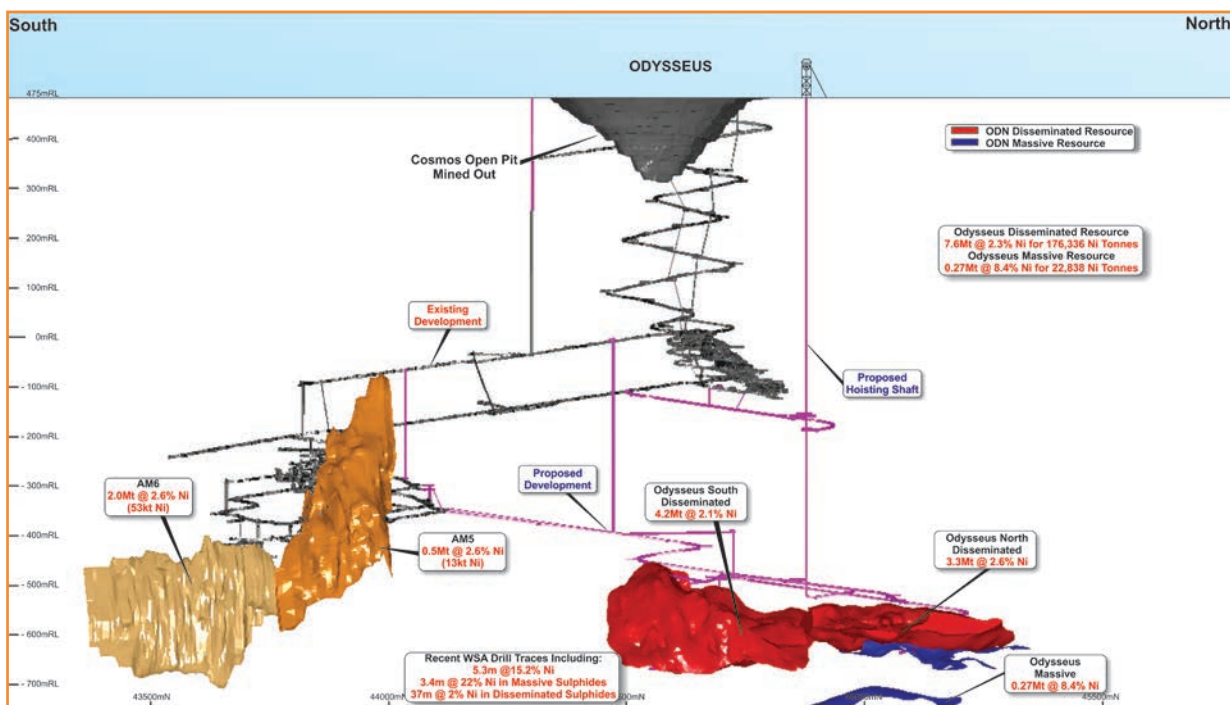
### EARLY WORKS

As previously released to the market, a programme of early works was approved for the Odysseus Project in April FY18. As part of the feasibility hydrological studies, pumping from the Cosmos open pit commenced in January, with water being discharged into the existing WMP. By the end of the financial year, the water level had dropped by 8.5m with an average pumping rate of over 45 litres/sec.

The Early Works programme comprises Three Stages over a period of 18 months;

- Stage 1: Refurbishment of the existing WMP 1 to 5, construction of two new WMP's, pipeline upgrades and continuation of in-pit dewatering. The existing Cosmos village, with a 520 room capacity, will also be upgraded in readiness to cater for up to 100 contractors and employees (completed by year end).
- Stage 2: Construction of two new WMP's (additional capacity of 1 million m<sup>3</sup>) and dewatering of the Ilias Decline (started).
- Stage 3: Infrastructure required for the rehabilitation of Ilias Decline from the portal located in the Cosmos open-pit to 500m below surface.

Once the work programmes are complete, Odysseus will be development ready based on the Pre-feasibility Study schedule. Importantly, the Company will maintain complete flexibility to suspend the programme at any time should there be an unforeseen requirement to do so.



LONG SECTION OF ODYSSEUS

## BIOHEAP™ LIMITED

The BioHeap™ management team has continued marketing campaign to promote the BioHeap™ technology. Alliances and working relationships with research institutes, engineering firms and test work facilities continue to be formed and strengthened.

BioHeap™ conducted testwork during the year for external companies who are interested in pursuing the technology for sulphide projects. These works were conducted under strict commercial confidentiality arrangements.

### LABORATORY

BioHeap™ has received several samples for testing using the BioHeap™ process as a result of discussions with potential parties interested in battery materials.

For the past 7 years, the BioHeap™ laboratory testing facilities have been located as part of CSIRO in Waterford, Perth. The lease for this laboratory was terminated in September 2018 and BioHeap™ has relocated to a new laboratory facility in the Technology/Industrial area of Canning Vale, Perth.

### NEW MORNING / DAY BREAK LEACHING TESTWORK PROGRAMME

Additional drilling at the NMD mine has generated material for BioHeap™ to conduct the next stage of testwork for the Project. This will include further agglomeration studies and column leaching on specific areas of the orebody. This work will be undertaken during FY19, as part of the New Morning feasibility study.

### COSMIC BOY SCATS LEACHING TESTWORK PROGRAMME

BioHeap™ has looked at a method to treat a waste stream from the CBC known as 'scats'. This material is hard critical size pebbles that are ejected from the ball mill during processing. The scats also contain remnants of grinding media which would damage the CBC crushers if the scats were re-fed back into the concentrator. Hence the scats are stockpiled on site as a waste product.

The scats are of ideal size for a BioHeap™ leach (6-8mm) which would be a low cost method to recover the nickel locked in this material. To determine the extraction rate of nickel from the scats, BioHeap™ performed a column leach test programme. This test simulates the possible performance from a BioHeap™ leach.

The preliminary results have indicated the material is a low acid consumer and initial leaching data has indicated that a minimum of 70% of the total available nickel is expected to be extracted from the scats product. Further columns commenced during FY18 to confirm operating conditions for the potential heap leach. Currently, the scats stockpile is reported to be at more than 250,000 tonnes with an average nickel grade of 1.5%.

Further work to evaluate the placement and costs of the BioHeap™ leach will take place in first half of FY19. The successful implementation of this project will add additional nickel into the metal recovery circuit of the MREP.





# EXPLORATION

Western Areas understands the importance of adopting a balanced exploration programme across its portfolio of tenements. The Company continues to strongly advance exploration activities across all projects, with a focus on replacing existing resources and reserves, identifying new near-mine opportunities to support mine plans, whilst actively promoting regional exploration programmes targeting greenfields discoveries.

Cosmos continues to play a key role in driving the Company towards its broader exploration strategy of identifying new mineral resources, by assessing opportunities both proximal to existing deposits and within the surrounding tenement package. The Neptune project has formed the key focus for targeting over FY18, with the realisation that this corridor, extending south from the Prospero-Tapinos deposit, is interpreted to contain the largest volumes of ultramafic bodies across the Cosmos Nickel Complex. Building on early success in FY17, recent drilling has confirmed the existence of thick sequences of high-tenor, cumulate ultramafic hosted disseminated nickel sulphides, with the potential for extensions along strike and at depth. The Company believes that Cosmos will continue to provide Western Areas with substantial additional exploration upside and a potential second mining operation to sit alongside its premium mines and exploration opportunities at FNO.

A significant increase in regional exploration targeting activities occurred across the Western Gawler group of tenements in South Australia, with the Company achieving this through its ongoing collaborative relationship with the Far West Coast Aboriginal Corporation (FWCAC) and the Aboriginal Lands Trust (ALT). The Company considers that the Western Gawler area has the potential to host significant mafic-ultramafic, intrusive-related poly-metallic (nickel, copper, +/- PGEs and gold) deposits.

To realise this potential, work in FY18 has centred on undertaking several focused drilling programmes, prioritising target locations displaying discrete bedrock conductors (acquired from surface MLEM surveys), that are proximal to areas previously identified as hosting geochemically favourable mafic / ultramafic intrusive bodies. This work, in conjunction with ongoing litho-structural interpretation of regional geophysical imagery, has seen ongoing exploration efforts at Western Gawler advance from a regional, to a more focused, prospect-scale targeting approach.

Activities across the Forresteria Nickel Belt have centred on both near-mine and regional targets, testing both base metals and gold opportunities. Near-mine exploration, testing the down-plunge extension potential for mineralisation at the Flying Fox Mine advanced towards the end of FY18, with work ongoing. The Company also shifted its exploration focus to the north within the Parker Dome region, where both reverse circulation and air-core drilling programmes were completed, testing interpreted ultramafic and structural corridors. Owing to the relatively underexplored nature of this belt, the Company recently engaged the services of SkyTEM to complete a regional-scale heli-borne electromagnetic survey, to test for the presence of shallow, bedrock conductors.

The Company is proud to confirm that exploration remained LTI free for the FY18 reporting period.

## **MT ALEXANDER JOINT VENTURE (WSA 25% NON- CONTRIBUTING INTEREST)**

With regard to E29/63, Western Areas Limited is in a Joint Venture with St George Mining Limited (SGQ). SGQ is the Manager of the Project and has a 75% interest. WSA retains a 25% non contributing interest in the Project until there is a decision to mine.

## **KIDMAN RESOURCES LIMITED FARM-IN AND JOINT VENTURE (LITHIUM)**

Western Areas Limited continues its Farm-in and Joint Venture Agreement with Kidman Resources Limited covering the Company's northern group of tenements at Forresteria. Kidman has now entered into the second year within a Stage 1 opportunity to earn 50% lithium rights. Western Areas retains all non-lithium rights over this ground.

## **SOUTHERN CROSS GOLDFIELDS JOINT VENTURE (WSA 100% NICKEL RIGHTS INTEREST)**

In August 2011, as part of the Southern Cross Goldfields Joint Venture, Western Areas acquired 70% nickel rights from Southern Cross Goldfields Limited (now Black Oak Minerals) across much of a 3,300km<sup>2</sup> tenement portfolio mainly located in the northern portion of the Southern Cross - Bullfinch Greenstone Belt and parts of the Marda-Diemals Belt within the 'Central Yilgarn Nickel Province' of Western Australia. In March 2018, Western Areas opted to relinquish its 70% nickel rights across all tenements that formed part of the original agreement, with the exception of tenements E77/1965 and E77/2091, where the Company negotiated to acquire the remaining 30%, bringing the total nickel rights ownership to 100%. E77/1965 and E77/2091 are contiguous with Western Areas Limited's pending tenement E77/2261, which lies at the northern end of the Parker Dome.

## COSMOS NICKEL COMPLEX (100% WSA)

Since the acquisition of Cosmos from Xstrata Nickel Australasia Operations (XNAO) in October 2015, the Company has embarked on numerous exploration campaigns, including geophysics and drilling. Incorporating extensive MLEM surveys and subsequent drilling campaigns, the Company's aim is to make new discoveries at Cosmos and to grow the existing mineral resource base. Commencing in FY17, and continuing into FY18, the key focus for exploration activities has centred on the Neptune project. Located approximately 2km south of the Prospero high grade nickel mine, the area is interpreted to contain the highest volume of cumulate ultramafic bodies within the Cosmos Nickel Complex.

Through FY18, the Company has continued to place a strong emphasis on growing its relationship with the Tjiwarl Group native title holders at Cosmos, by maintaining respectful, transparent and consultative communications. Two separate heritage surveys were completed in FY18, with a December quarter survey primarily supporting ongoing drilling programmes at Neptune and a second survey coordinated in the June quarter as part of the planning and approvals process for a targeted gold programme. Additional to the aforementioned heritage surveys, the Company has worked closely with traditional owner by engaging heritage monitoring across all facets of on-ground exploration activities.

Across FY17 and into the September quarter of FY18, the Company, through its Phase 1 drilling campaign at Neptune, was successful in delineating a broad zone of cumulate-ultramafic hosted disseminated nickel sulphides, extending over an initial strike-length of 800m. Building on this success, a second phase of drilling commenced in the FY18 June quarter.



EXPLORATION DRILLING AT COSMOS (NEPTUNE)

Key findings from this second phase of drilling at Neptune included:

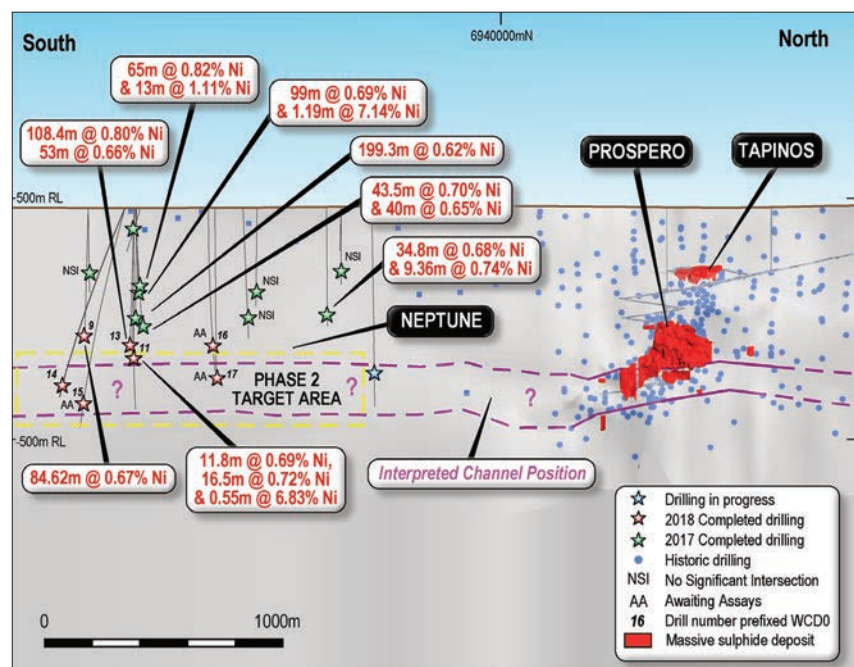
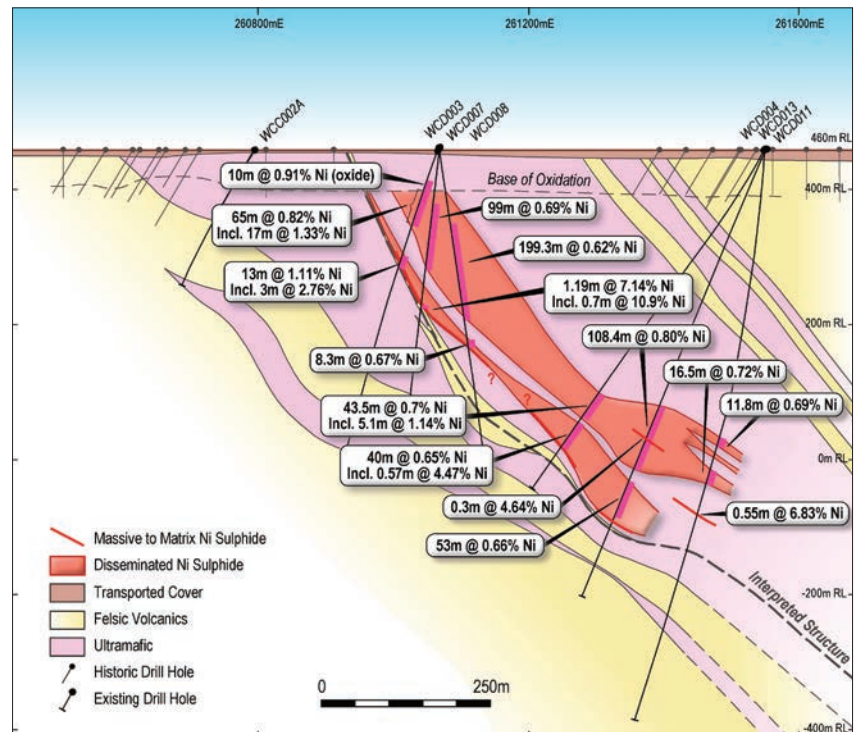
- Further delineation of high-tenor, disseminated nickel sulphide mineralisation extending over 1000m strike length.
- Returned results from an additional two drill-holes confirming a thickening in the mineralisation envelope at a depth of 400-500m below surface, suggestive that this zone is approaching the edge of a prospective channelised corridor.
- Identification of additional thin localised stringer style mineralisation with grades >2% nickel supporting the Company's belief in the potential for this corridor to host elevated accumulations of nickel sulphide.
- Shallowing of ultramafic host stratigraphy at depth, aiding further exploration testing to the east.

In total, seven diamond holes (for 5,990m) were completed in the June quarter at Neptune, with drill testing focusing on a 1.5km corridor extending north towards 6939000mN. The Company has identified that the mineralised channel hosting the Prospero deposit has the potential to extend south towards the Neptune project area. Subsequently, drilling over the FY18 period (representing Neptune Phase 2) has centred on testing a 1.5km long north-south striking zone, targeting the interpreted ultramafic basal contact environment, commencing from the 0m RL position (defined as 460m below surface).

An escalation in drilling activities into the June quarter enabled testing to commence below the 0m RL position, into the zone interpreted to represent the edge of the prospective channel location. Of the nine Neptune drill-holes completed in FY18, assays have been returned from two holes, with results confirming the continuation of two broad zones of cumulate-ultramafic hosted, disseminated nickel sulphide mineralisation, extending down-dip in excess of 600m. Results from drill-hole WCD013 were significant, returning a broad interval of 108.4m @ 0.80% Ni (commencing from 415m downhole), with a secondary zone of 53m @ 0.66% Ni (from 540m downhole). Of note was a localised thin accumulation of stringer sulphides returning 0.3m @ 4.64% Ni (from 472.55m).

Down-hole EM investigations continued within all holes at Neptune in FY18. Although the predominantly disseminated nature of mineralisation at Neptune is not amenable to detect with EM, the potential for off-hole conductors associated with a rapid transition from disseminated to massive sulphides over short distances (as has been observed in other mineralised domains at Cosmos including Odysseus) requires ongoing persistence with DHEM surveying.

The Company is encouraged by these results, with Neptune Phase 2 entering an important stage as drill targeting advances northwards and down-plunge, testing for the presence of additional disseminated, stringer and massive nickel sulphide accumulations.





## WESTERN GAWLER NICKEL-COPPER JOINT VENTURE (WSA 100% AND EARNING UP TO 90% INTEREST)

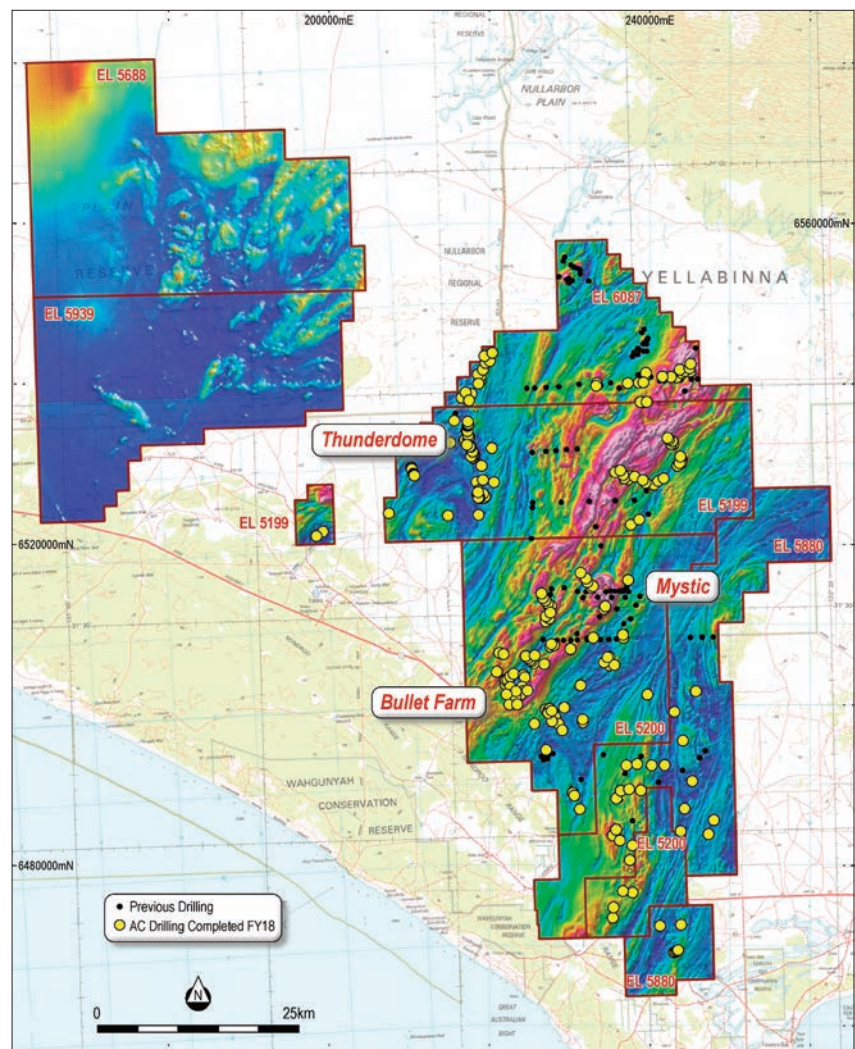
In October 2014, WSA executed a Farm-in and Joint Venture Agreements with Gunson Resources Limited (now Strandline Resources Limited) over a key tenement (EL 5880) along the eastern margin of the Western Gawler region of South Australia and continued with the staged programme to acquire up to 90% in this Strandline tenement. The Company has a consolidated land holding with 100% interest covering five tenements across the broader Western Gawler Project. With a combined area of approximately 4,450km<sup>2</sup>, the Company maintains a strategic position in Western Gawler, an area of increasing interest for gold and base metal exploration.

The Western Gawler Project lies within the Fowler Domain of western South Australia. The Fowler Domain is a Proterozoic age orogenic belt overlain by recent sedimentary cover, which is known to host mafic and ultramafic intrusive rocks. Similarly aged orogenic belts in Australia contain significant mafic-ultramafic related intrusive nickel and copper deposits including Nova-Bollinger and Nebo-Babel. The Company's exploration strategy is to explore for these deposits through systematic evaluation of targets which lie below cover sequences, using modern geophysical techniques and targeted drilling campaigns.

Results of exploration completed to date have identified the presence of mafic-ultramafic intrusive rocks (including olivine gabbro-norites) and associated geochemical anomalism, confirming the prospectivity of the Western Gawler Project for intrusive-related base metals and structurally associated, hydrothermal gold mineralisation. During the year, ongoing surface electromagnetic (EM) programmes have identified anomalous bedrock conductors that, in conjunction with existing magnetic and gravity datasets, have allowed planned drilling programmes to evolve from a regional approach to more focused, prospect-scale targeting.

Increased surface drilling and geophysical exploration activities completed in 2017-2018 have resulted in a significant progression in the Company's understanding of the geological setting of the Western Gawler Project, enabling a more targeted approach to ongoing exploration campaigns. Key highlights from this work include;

- Completion of 217 air-core drill-holes (for 13,658m).
- A total of 149 line kilometres of targeted MLEM ground surveying covering 15 prospects.
- Re-processing of aeromagnetic geophysical datasets leading to the refinement of geological interpretations and identification of new targets.
- Potential for other metal types e.g. gold and copper mineralisation highlighted.
- Co-ordination of a project-scale heritage survey and rehabilitation activities with the Far West Coast native title holders and the Aboriginal Lands Trust.
- Target generation and planning for future drilling programmes including regional-scale heli-borne EM surveys.
- The identification of the broader Thunderdome region as an emerging corridor with the potential for hosting numerous prospective mafic and ultramafic intrusive bodies.



FY18 COMPLETED DRILLING AT WESTERN GAWLER

A regionally extensive air-core drilling programme was completed during the year, testing multiple prospect-scale EM targets and geochemical anomalies defined from previous drilling programmes, along with newly interpreted target areas. Drilling was completed in conjunction with surface geophysics, allowing evaluation of new EM targets to be completed.

Drilling at Thunderdome has confirmed the presence of several discrete mafic intrusive bodies over a 10km long trend. Drill programmes targeted four subtle EM anomalies which were interpreted to be associated with mafic intrusive units, with anomalous copper and platinum group element (PGE) values associated with low levels of sulphides identified within several holes. These results have elevated the prospectivity of the Thunderdome area, with additional high priority targets identified for follow-up in the coming year. Prospective mafic host rocks associated with subtle EM anomalies were also identified within the Mystic prospect area. These target areas will be a priority focus for work programmes in FY19.

Surface geophysics continued during the year with high-powered surface EM surveys completed across fifteen high priority aeromagnetic and gravity features that are interpreted to be possible mafic-ultramafic intrusions. These broad-spaced EM surveys are capable of screening large target areas to detect bedrock conductors to a depth of 600m. During EM work at Thunderdome, four subtle anomalies were detected within the vicinity of coincident magnetic and gravity anomalies. Air-core drilling has confirmed that these locations are associated with mafic intrusions containing low levels of sulphide and anomalous geochemistry. At Bullet Farm, a broad low-conductance EM response was modelled on the margin of a regionally significant coincident magnetic / gravity anomaly. Drilling intersected predominantly granite and intermediate gneiss, with minor mafic and ultramafic rocks, lowering the prospectivity of this area. Integration and interpretation of new geophysical data is ongoing and results from this work will be used to target new areas for further geophysics and drilling.

Western Areas continues to build its relationships with the traditional owners, the Far West Coast Aboriginal Corporation (FWCAC) and the Aboriginal Lands Trust (ALT). During the year, agreement was reached to incorporate EL 5688 and EL 5939 under the existing Native Title Mining Agreement with a renewal agreement granted by the ALT to explore within the Yalata Aboriginal Reserve.

Furthermore, the FWCAC has been supporting the Company's exploration programmes by assisting with rehabilitation and monitoring activities across the Western Gawler Project. Ongoing dialogue with the ALT continues to facilitate sustained exploration within existing and new areas of exploration.

### FORRESTANIA PROJECT (100% WSA)

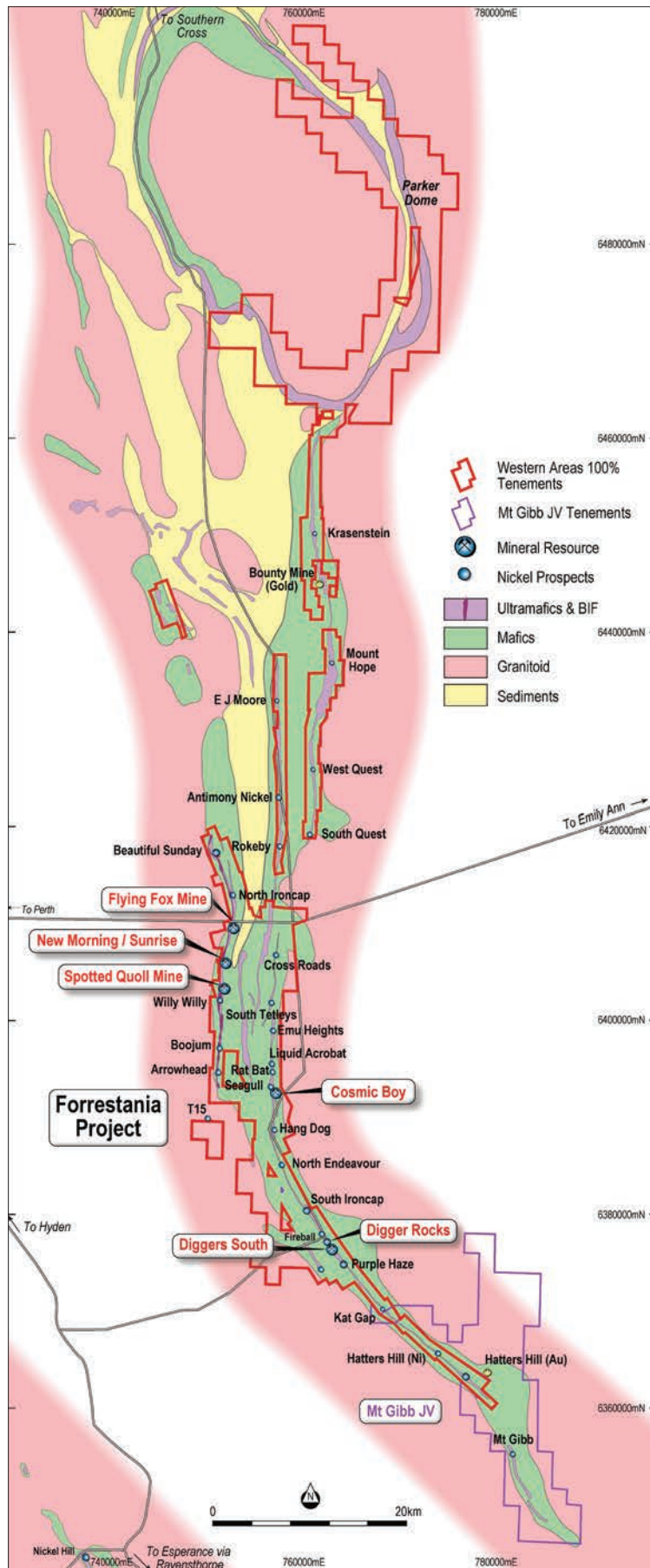
The Company acknowledges the importance of the Forrestania Nickel Belt as a district with the potential for future discoveries, along with the opportunity to discover additional nickel resources proximal to current operations. Over the course of the reporting period, the Company has advanced several projects, with a focus on drilling and geophysical surveys covering the northern group of tenements centred on Parker Dome. Additional programmes testing the potential for extensions of mineralisation at the Flying Fox deposit were also initiated in FY18.

The Parker Dome Project, lying 20km north of the Bounty Gold camp, is represented by a continuous group of tenements held by the Company, incorporating the southern and eastern portions of the Parker Dome greenstone sequence. By comparison with the main Forrestania Nickel Belt, this region is relatively under-explored, and the Company believes this ground is prospective for both komatiite-hosted nickel sulphides and gold.

In the FY18 September quarter, a review of historical drilling and mapping datasets, coupled with targeting from aeromagnetic imagery, identified several corridors considered prospective for ultramafic stratigraphy within tenement E77/1734. A series of targeted east-west drill lines was designed to test prospective ultramafic host stratigraphy, on 100m spaced centres. In total, 113 air-core drill-holes were completed for 4297m. Several anomalous intersections were returned, predominantly within saprolitic clays, with highest intersections including 4m @ 0.89% Ni (from 24m) within PDAC068 and 12m @ 0.59% Ni (from 11m) within PDAC075. Localised anomalous gold values were also noted from air-core drilling including 2m @ 0.44g/t Au (from 43m) within PDAC059, with a broader interval of 6m @ 0.21g/t Au (from 44m) noted in PDAC021.

In the March quarter 2018, a follow-up reverse circulation (RC) drilling programme (incorporating 14 drill-holes for 2288m) was conducted to further assess some of these anomalous results at depth, and to gain a greater understanding of the geological setting. Although additional anomalous values were not identified, thicker sequences of ultramafic rocks were intersected than previously noted from air-core drilling. Combined with observed cumulate textures and localised favourable Ni/Cr ratios (>1), these observations are supportive of this area being prospective for fertile ultramafic bodies that may host accumulations of nickel sulphide.





PLAN SHOWING FORRESTANIA TENEMENTS;  
MINES AND KEY PROSPECTS

In the June quarter, as part of a broader strategy to assess the regional prospectivity of the northern Forrestania package of tenements (incorporating Parker Dome), the Company executed two key geophysical programmes aimed at efficiently assessing shallow base metal and gold opportunities. The first set of work involved merging, image reprocessing and enhancing of the existing mosaic of magnetic surveys across the region into a new set of image layers. This work will allow the Company to advance detailed structural and lithostratigraphic interpretations into FY19. The company also engaged the services of SkyTEM to conduct a 1400 line kilometre heli-borne regional EM survey. Western Areas became the first company in Australia to use SkyTEM's high-power, low frequency (12.5Hz) SkyTEM312 HP system. This innovative system, which combines high current and low frequency provides a regional-scale screening tool for identifying shallow bedrock conductors through conductive overburden.

As part of the Company's ongoing strategy to identify additional resources and reserves, an opportunity existed to assess the potential for the down-plunge extension of the Flying Fox mineralised channel below existing mine workings. Work commenced late in the March quarter on a three drill-hole underground programme (two parent holes and one daughter). To date, one hole has been completed (LUG088), with a second hole (LUG087) close to target by the end of the reporting period, with a total of 1734m drilled. LUG088 successfully intersected the faulted basal contact; however, no accumulation of nickeliferous sulphide was encountered. Down-hole EM (DHEM) surveys will be carried out on completion of the first two holes.



# ORE RESERVE / MINERAL RESOURCE STATEMENT

Ore reserve summary at 30 June 2018

Deposit	Tonnes	Grade Ni%	Ni Tonnes	JORC Classification	JORC Code
Flying Fox Area	749,600	3.9	29,170	Probable Ore Reserve	2012
Spotted Quoll Area	89,600	3.8	3,450	Proved Ore Reserve	2012
	1,708,500	4.0	68,480	Probable Ore Reserve	2012
Digger South	2,016,000	1.4	28,950	Probable Ore Reserve	2004
Digger Rocks	93,000	2.0	1,850	Probable Ore Reserve	2004
<b>Total Forrestania Ore Reserves</b>	<b>4,656,700</b>	<b>2.8</b>	<b>131,900</b>		

Ore reserve summary at 30 June 2017

Deposit	Tonnes	Grade Ni%	Ni Tonnes	JORC Classification	JORC Code
Flying Fox Area	965,490	4.0	38,210	Probable Ore Reserve	2012
Spotted Quoll Area	342,210	4.1	14,060	Proved Ore Reserve	2012
	1,800,490	4.0	71,560	Probable Ore Reserve	2012
Digger South	2,016,000	1.4	28,560	Probable Ore Reserve	2004
Digger Rocks	93,000	2.0	1,850	Probable Ore Reserve	2004
<b>Total Ore Reserves</b>	<b>5,217,190</b>	<b>3.0</b>	<b>154,630</b>		

During FY18 the ore reserve/resource was depleted by mining activities.

## GOVERNANCE AND INTERNAL CONTROLS

Western Areas geology and mining departments have implemented a set of rules and working practices to control the mineral resource and ore reserves estimation and reconciliation process, as well as the quality of the data used. The Mineral Resources and Ore Reserves are reported in accordance with the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (the JORC Code) 2012 Edition (unless otherwise stated). Mineral Resources are quoted inclusive of Ore Reserves. Competent Persons named are Members of the Australasian Institute of Mining and Metallurgy and qualify as Competent Persons as defined in the JORC Code. The Western Areas risk management programme includes assessment of the risks associated with the estimations of mineral resources and ore reserves and the controls in place to ensure that robust resource and reserve calculations are reported. The risk management process measures the likelihood of errors or misstatement and monitors the controls in place that mitigate this outcome.

## WESTERN AREAS ORE MINERAL RESOURCE STATEMENT - EFFECTIVE DATE 30 JUNE 2018

Mineral Resources	Tonnes	Grade Ni%	Ni Tonnes	Classification	JORC Code
1. Flying Fox Area					
T1 South	132,279	4.6	6,085	Indicated Mineral Resource	2012
	55,219	3.9	2,154	Inferred Mineral Resource	2012
T1 North	55,779	5.9	3,290	Indicated Mineral Resource	2012
OTZ Sth Massive Zone	20,560	4.1	843	Inferred Mineral Resource	2012
OTZ Sth Massive Zone	162,338	4.0	6,574	Indicated Mineral Resource	2012
T4 Massive Zone	191,535	5.5	10,580	Indicated Mineral Resource	2012
T5 Massive Zone + Pegs	901,865	5.6	50,177	Indicated Mineral Resource	2012
T6 Massive Zone	75,707	5.2	3,905	Indicated Mineral Resource	2012
T7 Massive Zone	256,977	2.1	5,303	Inferred Mineral Resource	2012
Total High Grade	1,852,259	4.8	88,910		
T5 Flying Fox Disseminated Zone	197,200	0.8	1,590	Indicated Mineral Resource	2004
T5 Lounge Lizard Disseminated Zone	357,800	1.0	3,460	Inferred Mineral Resource	2004
	4,428,000	0.8	36,000	Indicated Mineral Resource	2004
Total Disseminated Flying Fox / Lounge Lizard	4,983,000	0.8	41,050		
Total FF / LL	6,835,259	1.9	129,960		
2. New Morning / Daybreak					
Massive Zone	340,126	3.3	11,224	Indicated Mineral Resource	2012
Disseminated Zone	78,067	3.9	3,025	Inferred Mineral Resource	2012
	3,318,468	1.2	41,181	Indicated Mineral Resource	2012
	2,496,658	1.3	32,498	Inferred Mineral Resource	2012
Total New Morning / Daybreak	6,233,319	1.4	87,928		
3. Spotted Quoll Area					
Spotted Quoll	367,880	5.9	21,595	Measured Mineral Resource	2012
	1,322,173	5.6	73,525	Indicated Mineral Resource	2012
	181,013	5.6	10,137	Inferred Mineral Resource	2012
Total Spotted Quoll	1,871,066	5.6	105,257		
Beautiful Sunday	480,000	1.4	6,720	Indicated Mineral Resource	2004
<b>Total Western Belt</b>	<b>15,419,644</b>	<b>2.1</b>	<b>329,865</b>		
4. Cosmic Boy Area					
Cosmic Boy	180,900	2.8	5,050	Indicated Mineral Resource	2004
Seagull	195,000	2.0	3,900	Indicated Mineral Resource	2004
<b>Total Cosmic Boy Area</b>	<b>375,900</b>	<b>2.4</b>	<b>8,950</b>		
5. Diggers Area					
Diggers South - Core	3,000,000	1.5	44,700	Indicated Mineral Resource	2004
Diggers South - Halo	4,800,000	0.7	35,600	Indicated Mineral Resource	2004
Digger Rocks - Core	54,900	3.7	2,030	Indicated Mineral Resource	2004
Digger Rocks - Core	172,300	1.1	1,850	Inferred Mineral Resource	2004
Digger Rocks - Halo	1,441,000	0.7	10,350	Inferred Mineral Resource	2004
Purple Haze	560,000	0.9	5,040	Indicated Mineral Resource	2004
<b>Total Diggers Area</b>	<b>10,028,200</b>	<b>1.0</b>	<b>99,570</b>		
<b>TOTAL FORRESTANIA MINERAL RESOURCE</b>	<b>25,823,744</b>	<b>1.7</b>	<b>438,385</b>		
6. Cosmos Area					
AM5	479,914	2.6	12,430	Indicated Mineral Resource	2012
	26,922	1.9	509	Inferred Mineral Resource	2012
AM6	1,704,548	2.7	45,171	Indicated Mineral Resource	2012
	329,443	2.5	8,203	Inferred Mineral Resource	2012
Odysseus South - Disseminated	4,016,949	2.1	84,767	Indicated Mineral Resource	2012
	219,641	2.0	4,302	Inferred Mineral Resource	2012
Odysseus North - Disseminated	3,128,943	2.6	81,156	Indicated Mineral Resource	2012
	225,248	2.7	6,111	Inferred Mineral Resource	2012
Odysseus North - Massive	145,830	6.1	8,836	Indicated Mineral Resource	2012
	124,900	11.2	14,002	Inferred Mineral Resource	2012
Total Cosmos Area	10,402,338	2.6	265,487		
7. Mt Goode Area					
Mt Goode	13,563,000	0.8	105,791	Measured Mineral Resource	2012
	27,363,000	0.6	158,705	Indicated Mineral Resource	2012
	12,009,000	0.5	62,447	Inferred Mineral Resource	2012
Total Mt Goode Area	52,935,000	0.6	326,943		
<b>TOTAL COSMOS MINERAL RESOURCE</b>	<b>63,337,338</b>	<b>0.9</b>	<b>592,430</b>		
<b>TOTAL WESTERN AREAS MINERAL RESOURCE</b>	<b>89,161,082</b>	<b>1.2</b>	<b>1,030,815</b>		





# FINANCIAL STATEMENTS

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The Directors of Western Areas Ltd present the financial report of the Company for the financial year ended 30 June 2018. Unless noted, all amounts in this report refer to Australian dollars. In order to comply with the provisions of the Corporations Act 2001, the Directors' Report follows:

## INFORMATION ABOUT THE DIRECTORS

The following persons were directors of Western Areas Ltd for the entire financial year and up to the date of this report unless otherwise stated.

<p><b>Ian Macliver</b> <i>BCom, FCA, SF Fin, FAICD</i></p> <p>Non-Executive Independent Chairman</p> <p>Director appointed October 2011</p>	<p>Mr Macliver is a highly experienced listed company director and Chartered Accountant with significant experience as a senior executive and director of both resource and industrial companies, with particular responsibility for company strategy development, capital raising and all other forms corporate development initiatives. Mr Macliver is Executive Chairman of Grange Consulting Group Pty Ltd which provides specialist corporate advisory services to both listed and unlisted companies.</p> <p><b>Committee responsibilities:</b></p> <ul style="list-style-type: none"> <li>Member of the Audit &amp; Risk, Remuneration, Nomination and Treasury Committee</li> </ul> <p><b>Other current listed company directorships:</b></p> <ul style="list-style-type: none"> <li>Otto Energy Ltd (since January 2004) <ul style="list-style-type: none"> <li>Member of Audit &amp; Risk Committee</li> <li>Member of Remuneration Committee</li> <li>Member of Nomination Committee</li> </ul> </li> </ul> <p><b>Former listed company directorships in last three years:</b></p> <ul style="list-style-type: none"> <li>Rent.com.au Ltd (ceased June 2015) <ul style="list-style-type: none"> <li>Chairman of the Board</li> </ul> </li> </ul>
<p><b>Daniel Lougher</b> <i>BSc. (Mining Geology) Msc. Eng, MAusIMM</i></p> <p>Managing Director &amp; CEO</p> <p>Director appointed May 2008</p>	<p>Mr Lougher is a qualified Mining Geologist and Mining Engineer with over 35 years' experience in all facets of mining project exploration, feasibility, development and operational activities in Australia and overseas. Mr Lougher's experience covers a diverse range of commodities including gold, platinum and copper.</p> <p><b>Committee responsibilities:</b></p> <ul style="list-style-type: none"> <li>Member of the Nomination Committee</li> </ul> <p><b>Other current listed company directorships:</b></p> <ul style="list-style-type: none"> <li>N/A</li> </ul> <p><b>Former listed company directorships in last three years:</b></p> <ul style="list-style-type: none"> <li>Bluejay Mining Plc (formally FinnAust Mining Plc) (ceased March 2016) <ul style="list-style-type: none"> <li>Chairman of the Board</li> </ul> </li> <li>Mustang Minerals Corp (ceased October 2015)</li> </ul> <p><b>Other relevant experience:</b></p> <ul style="list-style-type: none"> <li>Extensive training in Mine, Planning and Geotechnical Engineering (Chamber of Mines, South Africa)</li> <li>WA Mines Manager Certificate</li> </ul>

<p><b>David Southam</b> <i>BCom, CPA, MAICD</i></p> <p>Executive Director</p> <p>Director appointed November 2010</p>	<p>Mr Southam is a Certified Practicing Accountant with over 25 years' experience in accounting, banking and finance across the resources and industrial sectors. Mr Southam has been responsible for completing significant capital management initiatives and commodity offtake contracts with large domestic and international companies.</p> <p><b>Committee responsibilities:</b></p> <ul style="list-style-type: none"> <li>• N/A</li> </ul> <p><b>Other current listed company directorships:</b></p> <ul style="list-style-type: none"> <li>• Kidman Resources Ltd (Nominee Director on behalf of Western Areas Ltd) (since July 2017) <ul style="list-style-type: none"> <li>- Chairman of Audit &amp; Risk Committee</li> <li>- Member of Remuneration &amp; Nomination Committee</li> </ul> </li> <li>• Ramelius Resources Ltd (Non-Executive Director) (since 1 July 2018) <ul style="list-style-type: none"> <li>- Chairman of Audit &amp; Risk Committee</li> <li>- Member of Remuneration &amp; Nomination Committee</li> </ul> </li> </ul> <p><b>Former listed company directorships in last three years:</b></p> <ul style="list-style-type: none"> <li>• Troy Resources Ltd (ceased December 2016) <ul style="list-style-type: none"> <li>- Member of Audit and Nomination &amp; Remuneration Committee</li> </ul> </li> <li>• Sundance Resources Ltd (ceased January 2016) <ul style="list-style-type: none"> <li>- Member of Audit Committee</li> </ul> </li> </ul> <p><b>Other relevant experience:</b></p> <ul style="list-style-type: none"> <li>• Member of the Curtin University Audit &amp; Risk Committee</li> </ul>
<p><b>Richard Yeates</b> <i>BSc (Geology), MAusIMM, GAICD</i></p> <p>Non-Executive Independent Director</p> <p>Director appointed October 2009</p>	<p>Mr Yeates is an experienced international mining executive with 36 years industry experience, variously in the fields of mineral exploration, project management, feasibility studies, project finance audits, project development and transactions. He was a founding director, major shareholder and principal consultant of Resource Service Group ('RSG'), subsequently RSG Global and Coffey Mining, growing a boutique Goldfields consulting entity into an international enterprise over a 20-year period, culminating in the business sale to Coffey International Ltd (now Intech) in 2006. Mr Yeates' experience covers a wide range of commodities (including tin, tungsten, gold, copper, lead zinc, nickel, coal and mineral sands), in 39 countries on five continents.</p> <p><b>Committee responsibilities:</b></p> <ul style="list-style-type: none"> <li>• Chairman of the Nomination Committee</li> <li>• Member of the Remuneration Committee</li> </ul> <p><b>Other current listed company directorships:</b></p> <ul style="list-style-type: none"> <li>• Middle Island Resources Ltd (since March 2010) <ul style="list-style-type: none"> <li>- Managing Director and CEO</li> <li>- Member of Remuneration Committee</li> <li>- Member of Nomination Committee</li> </ul> </li> </ul> <p><b>Former listed company directorships in last three years:</b></p> <ul style="list-style-type: none"> <li>• Independent Non-Executive Director, Atherton Resources Ltd (formerly Mungana Goldmines Ltd) (ceased December 2015) <ul style="list-style-type: none"> <li>- Member of Audit &amp; Risk Committee</li> <li>- Member of Remuneration Committee</li> <li>- Member of Nomination Committee</li> </ul> </li> </ul> <p><b>Other relevant experience:</b></p> <ul style="list-style-type: none"> <li>• Director, Austmine (ceased October 2009)</li> <li>• Director, Australia-Africa Mining Industry Group (AAMIG, now AAMEG) (ceased November 2016)</li> <li>• Member, Swick Mining Services Ltd R&amp;D Advisory Board (current)</li> </ul>



## INFORMATION ABOUT THE DIRECTORS (cont'd)

<p><b>Craig Readhead</b> <i>B.Juris, LL.B, FAICD</i></p> <p>Non-Executive Independent Director</p> <p>Director appointed June 2014</p>	<p>Mr Readhead is a lawyer with over 30 years legal and corporate advisory experience with specialisation in the resources sector, including the implementation of large scale mining projects both in Australia and overseas. Mr Readhead had a distinguished legal career specialising in mining and corporate law.</p> <p><b>Committee responsibilities:</b></p> <ul style="list-style-type: none"> <li>Chairman of the Audit, Risk and Treasury Committee</li> </ul> <p><b>Other current listed company directorships:</b></p> <ul style="list-style-type: none"> <li>Beadell Resources Ltd (since April 2010) <ul style="list-style-type: none"> <li>Member of the Remuneration, Nomination &amp; Diversity and Audit &amp; Risk Committee</li> <li>Formerly Chairman of the Board (ceased July 2018)</li> </ul> </li> <li>Eastern Goldfields Ltd (since March 2013)</li> <li>Redbank Copper Ltd (since April 2013)</li> </ul> <p><b>Former listed company directorships in last three years:</b></p> <ul style="list-style-type: none"> <li>General Mining Corporation Ltd (ceased October 2015)</li> </ul> <p><b>Other relevant experience:</b></p> <ul style="list-style-type: none"> <li>Formerly President of the Australian Mining and Petroleum Law Association</li> <li>Previously a member of the WA Council of the Australian Institute of Company Directors</li> </ul>
<p><b>Tim Netscher</b> <i>BSc (Eng) (Chemical), BCom, MBA, FICChE, CEng, MAICD</i></p> <p>Non-Executive Independent Director</p> <p>Director appointed August 2014</p>	<p>Mr Netscher is an experienced international mining executive with extensive operational, project development, transactional and sustainability experience gained in senior executive and board roles over many years. His key executive positions during the past 25 years included Managing Director and CEO of Gindalbie Metals Ltd, Senior Vice President Asia Pacific Region of Newmont Inc., Managing Director of Vale Coal Australia, President of P T Inco and Executive Director of Refining &amp; New Business at Impala Platinum Ltd. Mr Netscher's experience covers a wide range of resources including nickel, coal, iron ore, uranium and gold in Africa, Asia and Australia.</p> <p><b>Committee responsibilities:</b></p> <ul style="list-style-type: none"> <li>Chairman of the Remuneration Committee</li> <li>Member of the Audit, Risk and Treasury Committee</li> </ul> <p><b>Other current listed company directorships:</b></p> <ul style="list-style-type: none"> <li>Gold Road Resources Ltd (since September 2014) <ul style="list-style-type: none"> <li>Chairman</li> <li>Member of Audit &amp; Risk Committee</li> <li>Member of Remuneration &amp; Nomination Committee</li> </ul> </li> <li>St Barbara Ltd (since February 2014) <ul style="list-style-type: none"> <li>Chairman of the Health, Safety, Environment and Community Committee</li> <li>Member of the Audit and Risk Committee</li> <li>Member of the Remuneration and Nomination Committee</li> </ul> </li> </ul> <p><b>Former listed company directorships in last three years:</b></p> <ul style="list-style-type: none"> <li>Chairman, Toro Energy Ltd (ceased September 2016) <ul style="list-style-type: none"> <li>Member of Audit &amp; Risk Committee</li> <li>Member of Remuneration Committee</li> </ul> </li> <li>Chairman, Deep Yellow Ltd (ceased December 2015) <ul style="list-style-type: none"> <li>Member of Audit &amp; Risk Committee</li> <li>Member of Remuneration Committee</li> </ul> </li> </ul> <p><b>Other relevant experience:</b></p> <ul style="list-style-type: none"> <li>Director, Queensland Resources Council</li> <li>Director, Minerals Council of Australia</li> <li>Director, Chamber of Minerals and Energy of Western Australia</li> </ul>

<p><b>Natalia Streltsova</b>  <i>MSc, PhD (Chem Eng), GAICD, MSME, MCIM</i></p> <p>Non-Executive Independent Director</p> <p>Director appointed January 2017</p>	<p>Dr Streltsova is a Chemical Engineer with over 25 years' experience in the minerals industry. She has a strong background in mineral processing and metallurgy with specific expertise in nickel, gold and base metals. Dr Streltsova has held various leadership and technical roles with major mining houses including Vale SA, BHP Billiton and WMC Resources Ltd. She has broad international experience, both in technical and in business development capacities, covering projects in Australia, Africa, South America and in the countries of the Former Soviet Union.</p> <p><b>Committee responsibilities:</b></p> <ul style="list-style-type: none"> <li>• Member of the Nomination Committee</li> </ul> <p><b>Other current listed company directorships:</b></p> <ul style="list-style-type: none"> <li>• Neometals Ltd (since April 2016) <ul style="list-style-type: none"> <li>- Chairman of the Risk Committee</li> <li>- Member of the Audit, Nominations and Remuneration Committees</li> </ul> </li> <li>• Parkway Minerals NL (since June 2015) <ul style="list-style-type: none"> <li>- Chairman of the Nomination Committee</li> <li>- Member of the Audit &amp; Risk and Remuneration Committees</li> </ul> </li> </ul> <p><b>Other relevant experience:</b></p> <ul style="list-style-type: none"> <li>• Director, CRC Parker Centre Ltd</li> </ul>
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## COMPANY SECRETARY

Mr Belladonna is a Certified Practicing Accountant and has been employed at Western Areas Ltd since 2005, originally as Financial Controller and then as the Company Secretary and Chief Financial Officer. In his time at the Company he has been intimately involved in the accounting, debt financing, corporate governance, risk management, capital raising and financial initiatives at the Company. Mr Belladonna has over 15 years' experience in the resources industry including listed gold and base metal companies in a range of management positions.

## INTERESTS IN SHARES AND OPTIONS OF THE COMPANY

Full details of the Directors' shareholdings in Western Areas are included in the Remuneration Report section of this Directors' Report.

## REMUNERATION OF KEY MANAGEMENT PERSONNEL

Information about the remuneration of directors and senior management is set out in the Remuneration Report of this Directors' Report.

## PERFORMANCE RIGHTS GRANTED TO KEY MANAGEMENT PERSONNEL

Performance Rights granted to directors and senior management during the financial year ended 30 June 2018 is set out in the Remuneration Report of this Directors' Report.

## INDEMNIFICATION OF OFFICERS AND DIRECTORS

During the financial year, the parent entity paid a premium under a contract insuring all Directors and Officers of the Company against liability incurred in that capacity. Disclosure of the nature of liabilities insured and the premium is subject to a confidentiality clause under the contract of insurance.

The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company against a liability incurred as such an officer or auditor.



## DIRECTORS' BENEFITS

No Directors of the Consolidated Entity have, since the end of the previous financial year, received or become entitled to receive a benefit (other than a benefit included in the total amount of emoluments received or due and receivable by Directors shown on page 49 of the Directors' Report) by reason of a contract made by the parent entity or a related body corporate with the director or with any entity in which the director has a substantial financial interest, with the exception of benefits that may be deemed to have arisen in relation to the transactions entered into in the ordinary course of business as disclosed in Note 28 to the accounts.

## DIRECTORS' MEETINGS

The following table sets out the number of meetings of the parent entity's Directors and meetings of the sub-committees of the Board held during the year ended 30 June 2018 and the number of meetings attended by each Director.

	Meetings of Committees				
	Directors Meetings	Audit & Risk Management	Remuneration	Nomination	Treasury
Meetings held:	11	3	2	1	1
Meetings attended:					
I Macliver	11	3	2	1	1
D Lougher	11	-	-	1	-
D Southam	11	-	-	-	-
R Yeates	11	-	2	1	-
C Readhead	11	3	-	-	1
T Netscher	11	3	2	-	1
N Streltsova	10	-	-	1	-

## PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of the Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

## DIVIDENDS PAID OR RECOMMENDED

In respect of the financial year ended 30 June 2018, the Board of Directors declared a final fully franked dividend of 2 cents to the holders of fully paid ordinary shares on 22 August 2018.

In relation to the 30 June 2017 financial year, the Board declared a final 2 cent fully franked dividend on 22 August 2017 and paid to shareholders on 6 October 2017.

## SUBSEQUENT EVENTS

The Board of Directors, on 22 August 2018, declared a final fully franked dividend of 2 cents to the holders of fully paid ordinary shares.

Other than matters detailed above, there have been no subsequent events after 30 June 2018 which have a material effect on the financial statements for the year ended 30 June 2018.

## PRINCIPAL ACTIVITIES

The principal activities of the Consolidated Entity during the year consisted of mining, processing and sale of nickel sulphide concentrate, the continued assessment of development feasibility of the high grade nickel mines and the exploration for nickel sulphides and other base metals.

## REVIEW OF OPERATIONS

### OPERATIONAL METRICS

The Company continues to strongly operate in line with plan and achieved its published guidance metrics which were updated during the year. Detailed quarterly operating reports are provided throughout the year outlining quarterly and year to date production, cost, sales and operating metrics, some of which are shown below.

Financial Year – Physical Summary			
		FY18	FY17
Tonnes Mined	Tns	607,120	591,778
Nickel Grade (average)	%	4.0%	4.4%
Tonnes Milled	Tns	616,598	617,808
Milled Grade (average)	%	4.0%	4.2%
Recovery	%	87%	89%
Nickel in Concentrate	Tns	21,060	23,005
Nickel Sales in Concentrate	Tns	20,549	22,639

Total ore mined was materially in line with the prior year, whilst head grade delivered materially matched the estimated Ore Reserve grades. The Spotted Quoll mine produced 346,455 tonnes of ore at a grade of 4.2% nickel, with Flying Fox producing 260,665 ore tonnes at an average grade 3.9%.

The nickel concentrator treated a total of 616,598 tonnes of ore during FY18, continuing to operate well above its 550,000 tonne per annum name plate capacity. As planned, year on year milled grade and nickel production were slightly lower as a result of the mines producing at Ore Reserve grades and completion of the remaining ore-sorter material (sourced from low grade Flying Fox stockpiles) in the first half of the financial year. The overall result of the ore sorter campaign was very positive increasing ore stockpile volumes and allowing flexibility in selecting the optimum mill feed blends.

Significant asset construction activity to enhance the operational capacity at Forresteria was completed during the year. The main items included the Mill Recovery Enhancement Project ('MREP'), that utilises the Company's 100% owned Bioheap™ technology, and the return airway shaft at the Spotted Quoll underground mine, including the mechanical fitout. The Spotted Quoll return airway is the final significant infrastructure capital item required to support the life of the Spotted Quoll mining, outside of regular sustaining underground mine development.



## REVIEW OF OPERATIONS (cont'd)

### FINANCIAL METRICS

#### Income Statement

Full Financial Year – Earnings Results Summary			
	FY18 \$m	FY17 \$m	Change \$m
Revenue	248.3	213.9	34.4
EBITDA <sup>(1)</sup>	84.0	84.9	(0.9)
EBIT	18.5	18.6	(0.1)
Profit Before Tax	17.2	17.4	(0.2)
Net Profit After Tax	11.8	19.3	(7.5)

(1) EBITDA is not defined by International Financial Reporting Standards. As such it is a Non-IFRS performance measure.

The A\$34.4m increase in Revenue was due to the higher average nickel price for the year at A\$7.53/lb (FY17 A\$6.11/lb), which was partially offset by a reduction in sales volumes.

Earnings before Interest, Tax, Depreciation and Amortisation ('EBITDA') and Profit Before Tax were consistent with the prior year. Underlying this result was a significant increase in earnings from ordinary business activities, that was offset by two non-recurring material transactions in the prior year being:

- 1) The sale of the Company's investment in Bluejay Mining Plc (A\$25.6m); and
- 2) Recognition of the share based consideration received from Kidman Resources Ltd (A\$7.5m).

When excluding these one-off prior year items, year on year underlying EBITDA increased by A\$32.1m and underlying Net Profit after Tax increased by A\$23.4m.

Net Profit After Tax was A\$7.5m lower than the prior year due to the increased earnings from ordinary mining activities that resulted in an increased taxation expense (A\$7.3m) as underlying business earnings are subject to normal corporate income tax.

#### Statement of Cash Flows

Full Financial Year – Cashflow Summary			
	FY18 \$m	FY17 \$m	Change \$m
Revenue	237.2	226.8	10.4
Payments to suppliers	(154.0)	(157.7)	3.7
Other	(6.2)	(2.9)	(3.3)
Net Operating Cashflow	77.0	66.2	10.8
Sale of investments	0.0	32.6	(32.6)
Capital purchases	(59.8)	(34.0)	(25.8)
Net Investing Cashflow	(59.8)	(1.4)	(58.4)
Net Financing Cashflow	(5.8)	(0.2)	(5.6)
Net Cashflow	11.3	64.6	(53.3)
Cash at Bank	151.6	140.3	11.3

Net cash flow of A\$11.3m resulted in A\$151.6m cash at bank at year end. The free cashflow result was generated as a result of an increase in nickel sales receipts resulting from a higher average nickel price for the year and the continued focus on absolute cost management and control. The absolute free cashflow result is an excellent achievement in the context of the significant year on year increase in capital and development expenditure at the current production assets located at Forrestania and investment into the Company's organic growth projects.

Net operating cashflow increased by A\$10.8m primarily due to the higher average nickel price and lower payments to suppliers during the year.

The significant year on year change in Investing Cashflow, primarily relates to investments in production assets at Forrestania, such as the Mill Recovery Enhancement Project and completion of the Spotted Quoll Return Airway Shaft. The year on year variance is also materially affected by the absences of the non-recurring sale of the investment in Bluejay Mining Plc (A\$32.6m) that occurred in the prior year.

The year on year change in net financing cashflow was due to the reintroduction of a final dividend related to the FY17 financial results which was paid in the first half of FY18.

## Statement of Financial Position

Full Financial Year – Balance Sheet Summary			
	FY18 \$m	FY17 \$m	Change \$m
Current Assets	208.7	181.2	27.5
Total Assets	571.9	518.9	53.0
Current Liabilities	47.8	29.8	18.0
Total Liabilities	83.1	59.6	23.5
Net Equity	488.8	459.3	29.5

Current assets increased primarily due to the cash at bank increasing by A\$11.3m and the ore stockpile inventory value increasing by A\$13.5m. The increase in inventory value related to both mined ore stockpiles and finished concentrate awaiting shipment at year end.

The increase in non-current assets primarily relates to the favourable revaluation of the Company's shareholding in Kidman Resources Ltd, which increased in value by A\$21.8m during FY18. Furthermore, non-current asset investment increased with construction of capital assets at the Forrestania Nickel Operation and the Odysseus early works programme at Cosmos. Amortisation charges against mine properties of A\$47.1m was partly offset by new development expenditure of A\$34.0m. Exploration and evaluation expenditure of A\$10.6m was capitalised during the year as the Company continued to invest in exploration at Cosmos, Forrestania and Western Gawler. Total assets as at the reporting date were A\$571.9m, representing an increase of A\$53.0m as compared to the prior year.

Total liabilities of A\$83.1m represented an increase of A\$23.5m from the prior year as a result of a general increase in operating and capital works across the group, which results in higher average payable balances, and an increased deferred tax liability related to a reduction in offsetting deferred tax assets.

Total equity attributable to the shareholders increased by A\$29.5m to A\$488.8m, mainly due to a significant increase in the revaluation reserve related to the Company's investment in Kidman Resources Ltd and NPAT of A\$11.8m partly offset by the dividend paid during the year related to the FY17 earnings result.

## MATERIAL BUSINESS RISKS

Western Areas is faced with economic and non-economic risks associated with achieving its business strategy and goals. An existing risk management framework formally deals with risk to ensure that the control environment is appropriate having consideration for the level of risk exposure. The senior management team regularly report to the Board on key material risks and the quality of their controls to ensure they exist within the Board's risk appetite.

### STRATEGIC LONG TERM ECONOMIC RISKS (2–5 YEARS)

#### Exploration Risk

Organic growth is a key strategic pillar, and we therefore accept the inherent risks associated with mineral exploration. Our exploration programme is focussed on highly prospective tenements within the regions of Forrestania, the Cosmos Nickel Complex and the West Gawler region. It is believed that these regions will provide us with the best opportunity to grow our near mine Resources, and establish new mining areas for the Company.

The Company cannot control the risk of there being no economic resources within the ground we are exploring, however we apply advance exploration techniques and geological knowledge to provide the best and most cost-effective way to confirm the existence of economic resources.

#### Metal & Currency Markets

The Company has no influence over the movement in the nickel price, or foreign exchange rates. Western Areas does at time hedge a portion of expected nickel sales and foreign exchange exposures in line with the board approved treasury management policy. Though the Company does not hedge 100% of the exposure, and believe it is not prudent to do so, a high level of operating and commercial discipline is practiced, which has in the past resulted in the generation of free cash flows for the business. Western Areas remains one of the lowest cost nickel producers and is debt free, which provides a significant buffer against the adverse effects of a deterioration in nickel market fundamentals.

#### Inorganic Growth & Investment

Western Areas' strategy includes investment in business development activities (joint ventures, mergers, acquisitions, innovation) to enhance our current project portfolio. Business development opportunities remain tightly contested, however we are debt free and continue to generate positive cash flow from the Forrestania Nickel Operation. Western Areas is in a competitive position to pursue business development opportunities that can provide the best possible value for our shareholders.

## OPERATING RISKS

### Business Interruption

A significant disruption to Forrestania Nickel Operations could have a significant adverse effect on Western Areas' operating revenue. The Forrestania Nickel Operations consist of the Spotted Quoll and Flying Fox mines, the Cosmic Boy concentrator and associated infrastructure. There are some single line exposures in our production chain, including the primary supply of electricity from a third-party provider. A significant failure event at one of the single line exposures has the potential to significantly reduce nickel production and consequent revenue from nickel sales. In recent times, bushfires have exposed our operations to some delays and downtime particularly in relation to infrastructure connected to our operations (power lines and roads). Forrestania Nickel Operations has well established risk and business continuity management practices that prevent and respond to known business interruption risks.

Within our corporate environment we have made significant strides to enhance the protection of the Company's information technology systems and data.



## Counter Parties

Western Areas relies on a number of contractor entities to support exploration, mining, logistics and maintenance activities. The financial failure of one of our key contractors (e.g. a mining contractor) could result in interruptions to production plans, and affect our operating costs. Western Areas practices a high level of due diligence prior to awarding a contract, and actively manage our supply chain partners. The Company believes in building relationships with our supply chain partners to generate long term value.

## New Technology/Markets

There is inherent risk of developing new production lines and the Company has been working with offtake partners to establish appetite for offtake for an enhanced value in use high grade concentrate product that can be utilised within the growing electric vehicle ('EV') battery market. The Mill Recovery Enhancement Project is new technology that is facilitating the entry into new markets, while realising greater recoveries from nickel tonnes mined by monetising what would once be sent to waste.

## SUSTAINABILITY RISKS

### Safety & Health

The safety and well-being of people undertaking activities on behalf of the Company remains an absolute priority. There are a number of inherent hazards associated with exploration, mining and mineral processing that require ongoing management and assurance to ensure our safety performance is in line with the high standards we expect. Western Areas continues to demonstrate excellence in safety performance, and continues to work with its contractors and partners to make Western Areas a safe place.

Western Areas' values the contribution of our people and have put in place the required systems and support to motivate, empower, and reward our people.

### People

The attraction and retention of skilled personnel is an emerging risk attributed to the increase in mining and project activity within West Australia and abroad, along with a loss of capacity within the West Australian job market due to the recent downturn and an aging workforce. With the growing optimism within the natural resource industry, the demand for good quality people will continue to be challenging.

Western Areas focuses on recognising and rewarding performance to incentivise individuals, and maintaining a positive, supportive and open communication to foster a culture of learning and development. The Western Areas employment offering is an attractive proposition for the skills, experience and expertise the Company requires.

### Compliance

The Company has a number of statutory and regulatory obligations to fulfil including corporate, financial, health and safety, environmental, land management, tenure, and human resources. Western Areas readily accepts that fulfilling compliance obligations is a necessary part of maintaining its license to operate. The governance framework and compliance management practices are built into roles and responsibilities, planning processes and day to day activities. Compliance is an accepted part of Western Areas culture.

### Stakeholders

Western Areas is committed to being a proactive member in the communities where it operates, recognising the needs of all stakeholder groups and engaging with them to seek positive outcomes. This includes working closely with relevant government departments, traditional owners, pastoralists, businesses, and community members to ensure there is ongoing support for the Company's activities.

## REMUNERATION REPORT (AUDITED)

This report outlines the remuneration arrangements in place for Key Management Personnel (KMP) which includes Non-Executive Directors and Executives of Western Areas Ltd. The remuneration structures of Western Areas have been extremely well supported by its shareholders based on the Annual General Meeting (AGM) voting results, and the Company has been mindful to monitor market standards and conditions closely. Given the level of support and acceptance, there have been no material changes in remuneration practices or incentive programmes during the 2018 financial year (FY18).

Key points/changes for FY18:

- The Remuneration Report resolution at the 2017 AGM was incredibly well supported with 99% of votes cast supporting the resolution;
- Continuation of the highly successful \$1,000 tax exempt share plan offering to all staff (excluding KMP), aligning all staff to shareholder outcomes and encouraging employees to act like owners of the business;
- Following an improvement in market conditions, corporate performance, increasing competition for talent and positive commodity price outlook, a staged reversal of the 10% base salary reduction for the Executive Directors' and Key Management Personnel was implemented during the FY18 – the initial base salary reduction was implemented in March 2016; and
- A partial reversal of the 10% reduction in Non-executive Directors' remuneration was agreed with effect from 1 January 2018. The Non-executive Directors salaries still remain reduced by 5%, which was first implemented in March 2016.

The report is comprised of the following key sections:

- Section A: Who this report covers
- Section B: Use of remuneration consultants
- Section C: Remuneration governance and philosophy
- Section D: Executive remuneration framework
- Section E: Link between performance and remuneration outcomes
- Section F: Non-executive director remuneration
- Section G: Service contracts
- Section H: Details of remuneration

### SECTION A: WHO THIS REPORT COVERS

The following people acted as directors of the Company during the financial year:

- |                    |                                    |
|--------------------|------------------------------------|
| • Mr I MacIver     | Independent Non-Executive Chairman |
| • Mr D Lougher     | Managing Director                  |
| • Mr D Southam     | Executive Director                 |
| • Mr R Yeates      | Independent Non-Executive Director |
| • Mr C Readhead    | Independent Non-Executive Director |
| • Mr T Netscher    | Independent Non-Executive Director |
| • Mrs N Streltsova | Independent Non-Executive Director |

Other KMP's of the Company during the financial year were:

- |                   |   |
|-------------------|---|
| • Mr J Belladonna | Chief Financial Officer & Company Secretary |
| • Mr W Jones      | General Manager Operations                  |

### SECTION B: USE OF REMUNERATION CONSULTANTS

Western Areas engaged PwC as Remuneration Consultants during FY18 to provide assistance with documentation management and ongoing market trend monitoring and development in relation to the Long Term Incentive ('LTI') plans. No 'remuneration recommendations' as defined in the Corporations Act 2001 were made or supplied by PwC.

## SECTION C: REMUNERATION GOVERNANCE AND PHILOSOPHY

The Remuneration Committee is responsible for assisting the Board in fulfilling its responsibilities relating to the remuneration of Directors, the Managing Director and KMP, remuneration practices, strategies and disclosures generally to ensure that the Company's remuneration policy:

- Reflects the competitive global market in which we operate;
- Retains staff throughout commodity price cycles, which is crucial to ensure achievement of corporate goals and objectives;
- Rewards individuals based on performance across a range of disciplines that apply to delivering results and executing strategies for the Company;
- Links executive remuneration to the creation of shareholder value; and
- Remuneration arrangements are equitable, fair and facilitate the deployment of senior management across the Company.

Remuneration levels and other terms of employment are reviewed at least annually by the Remuneration Committee, having regard to performance against goals set each year, qualifications and experience, relevant market conditions and independent remuneration benchmarking reports.

## SECTION D: EXECUTIVE REMUNERATION FRAMEWORK

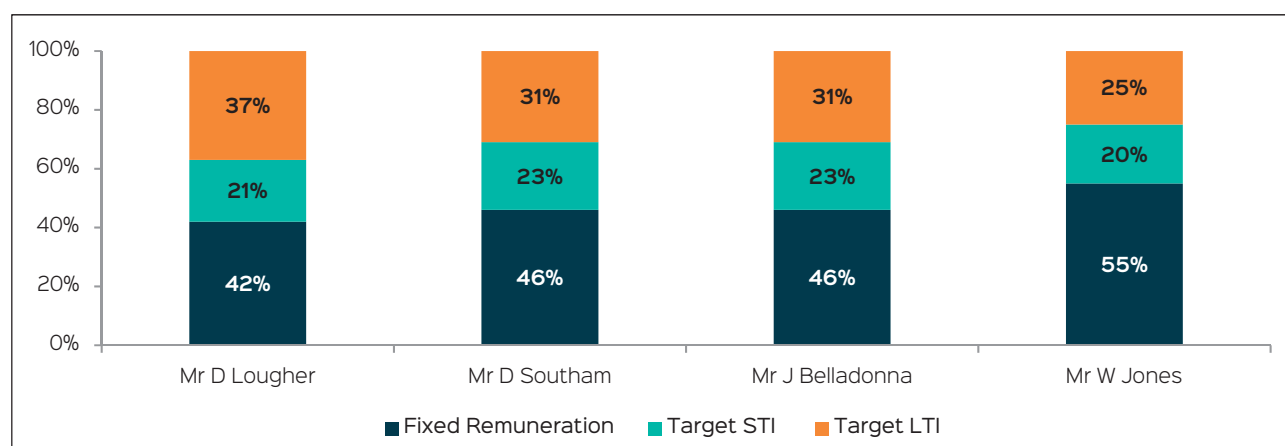
The Company's Executive reward structure provides a combination of fixed and variable pay, and is comprised of:

- Fixed remuneration, inclusive of base pay, superannuation, allowances, and salary-sacrifice component;
- Short term incentives; and
- Long term incentives.

Remuneration element	Description	Performance metrics	Potential opportunity	Changes for FY19
Fixed remuneration	Inclusive of base pay, superannuation, allowances and salary-sacrifice component	Nil	Position at median against market	Reviewed, in line with market positioning
STI	Cash bonus on achievement of individual and Company key performance indicators ('KPIs')	KPIs used span across key focus areas of the business (operations, corporate, resource replenishment and exploration)	40% to 55% of base salary	N/A
LTI	Performance Rights	Relative TSR over a 3-year period measured against a custom peer group consisting of 24 companies	50% to 100% of base salary	N/A

## Remuneration mixes

The relative proportion of target FY18 total remuneration packages split between fixed and variable remuneration is shown below:





## REMUNERATION REPORT (AUDITED) (cont'd)

### SECTION D: EXECUTIVE REMUNERATION FRAMEWORK (cont'd)

#### Remuneration mixes (cont'd)

The target remuneration mix of higher level KMP has been designed with emphasis on LTI exposure. This further aligns Executives with shareholders and a focus on long term value generation.

In the event of serious misconduct or a material misstatement in the Company's financial statements, the Remuneration Committee can cancel or defer performance based remuneration that has not yet been vested or paid. There is currently no formal claw back of performance based remuneration paid in prior financial years. It is noted that senior Executives have a balanced blend of physical, financial, mineral resource and exploration targets included in their key performance indicators, which limits the potential reward payable based on achieving financial targets alone to trigger STI payments.

#### Fixed remuneration

The fixed remuneration component is reviewed annually by the Remuneration Committee. Base salary for each Executive is benchmarked against market data for comparable roles in the market.

Following a near two year 10% reduction in KMP base salaries, the discount was reversed in a staged manner during the financial year. The discount was first implemented in March 2016. In assessing the removal of the discount, the Remuneration Committee considered the overall Company performance, earnings and cashflow outcomes, reinstatement of a final dividend, the increasingly competitive employee market and the positive commodity price outlook.

#### Short term incentive ('STI')

It is the Company's policy to cap STI payments at a targeted STI level. The percentage is applied against the relevant Executive's base salary only and excludes all allowances and superannuation. It is noted that all STI targets for FY18 were based off the 5% reduced base salary level.

The full list of KPIs set for Executives in FY18 is below. For each Executive, KPIs relevant to their area of influence are selected from the list below and assigned each year.

	Overview KPI	Why KPI was set
<b>Operations</b>		
Forrestania safety performance	Based on Lost Time Injury performance in each quarter.	Motivate and reward the continued focus on safety standards and procedures.
Forrestania environmental incidents	Based on a minimum reported environmental incidents by quarter.	Motivate and reward the continued focus on best practice environmental management.
Forrestania unit cash cost	Focused on average unit cash costs for Flying Fox ('FF') and Spotted Quoll ('SQ') mines per pound of nickel produced. Performance better than budget is required.	Motivate and reward the stringent management of production costs outcomes that exceed the Board set business plan.
Forrestania nickel in ore production	Must exceed the budgeted nickel metal in ore production target from FF and SQ mines.	Motivate and reward nickel production outcomes that exceed Board set business plans.
Forrestania mill recoveries	Achieve a set threshold recovery above budget levels for the combined ore feed from FF and SQ mines.	Motivate and reward nickel production outcomes that exceed Board set business plans.
Forrestania nickel in concentrate sales	Sale of nickel metal in concentrate to exceed a set tonnage target.	Motivate and reward nickel sales outcomes that exceed Board set business plans.

	Overview KPI	Why KPI was set
<b>Corporate</b>		
Earnings	Achieve EBIT target above budget.	Motivate and reward financial outcomes that exceed Board set business plans.
Cashflow	Achieve pre-funding cashflow target above budget.	Motivate and reward financial outcomes that exceed Board set business plans.
Construction of the Mill Recovery Enhancement Project ('MREP')	Achieving on time and on budget construction of the MREP. Achieving design product specification.	Motivate and reward construction and commissioning outcomes related to a new key asset construction.
Business development	Based on business development activities and project pipeline development that provides opportunities to add value or protect value in the Company and for the shareholders.	Motivate and reward business development initiatives that provide market intelligence, preservation of capital and enhance corporate growth opportunities identification.
<b>Mineral Resources and Exploration</b>		
Nickel resource	Establishing replacement nickel reserves or mining inventory tonnages.	Motivate and reward mine life extension outcomes at Board set levels.
Project evaluation and developments	Based on Board set outcomes associated with the evaluation and development activities for new projects.	Motivate and reward timely delivery of key growth initiatives and activities.
New nickel resources	Establishing new published nickel resources exceeding targeted nickel tonnage levels.	Motivate and reward economic nickel discovery.
New nickel discovery	Discovery of a new Nickel deposit.	Motivate and reward economic nickel discovery.

## Long Term Incentive ('LTI')

Under the shareholder approved LTI plan Executives receive a grant of Performance Rights each year with each grant measured against a 3-year TSR period. No vesting occurs until the end of the third year to ensure Executives are focused on the long-term shareholder value generation.

The number of Performance Rights to be granted is determined by dividing the LTI dollar value of the award by the fair value of a Performance Right as calculated by an independent valuation expert at 1 July of each respective year.

The quantum of LTI grants made during FY18 was as follows:

Name	LTI quantum (% of base salary) <sup>(i)</sup>	Number of Performance Rights issued <sup>(ii)</sup>	Fair Value at allocation date <sup>(ii)</sup>	Exercise date	Expiry date
Mr D Lougher	100%	420,280	\$1.66	Upon receipt of a vesting notice issued in FY21	30/6/2023
Mr D Southam	75%	236,480	\$1.66	As above	30/6/2023
Mr J Belladonna	75%	159,320	\$1.66	As above	30/6/2023
Mr W Jones	50%	114,570	\$1.66	As above	30/6/2023

(i) % of base salary was calculated on the base salary applicable 1 July 2017 including the 5% base salary discount.

(ii) \$1.66 was the fair value of the performance rights as calculated on 1 July 2017. For accounting purposes, the fair value, as required under AASB 2, is measured on the date of the Annual General Meeting where the Performance Rights are approved. For FY18 this was \$2.47/right as at 22 November 2017.

## REMUNERATION REPORT (AUDITED) (cont'd)

### SECTION D: EXECUTIVE REMUNERATION FRAMEWORK (cont'd)

#### Long Term Incentive ('LTI') (cont'd)

##### Performance conditions

Western Areas TSR performance for the FY18 grant will be assessed against a customised peer group comprising the following 24 companies:

Altona Mining Ltd	Hillgrove Resources Ltd	Northern Star Resources Ltd	Rex Minerals Ltd
Alumina Ltd	Independence Group NL	OM Holdings Ltd	Sandfire Resources Ltd
Avanco Resources Ltd	Medusa Mining Ltd	Oz Minerals Ltd	Syrah Resources Ltd
Beadell Resources Ltd	Metals X Ltd	Poseidon Nickel Ltd	Talisman Resources Ltd
Bougainville Copper Ltd	Mincor Resources NL	Panoramic Resources Ltd	Zimplats Holdings Ltd
Cudoco Ltd	Mt Gibson Iron Ltd	Pilbara Minerals Ltd	Westgold Resources Ltd

No Performance Rights will vest unless the percentile ranking of the Company's TSR for the relevant performance year, as compared to the TSR's for the peer group companies, is at or above the 50<sup>th</sup> percentile and the participant remains employed with the Company as at 30 June 2020.

The following table sets out the vesting outcome based on the Company's relative TSR performance:

Relative TSR performance	Performance Vesting Outcomes
Less than 50 <sup>th</sup> percentile	0% vesting
At the 50 <sup>th</sup> percentile	50% vesting
Between 50 <sup>th</sup> and 75 <sup>th</sup> percentile	Pro-rata/progressive vesting from 50% – 100%
At or above 75 <sup>th</sup> percentile	100% vesting

##### Performance period and vesting

No Performance Rights will vest unless they meet a relative TSR measure for the period 1 July 2017 to 30 June 2020 as measured against the peer group and satisfaction of the service based vesting condition which requires the participant remains employed as at 30 June 2020. Upon satisfaction of the performance and service condition, the Performance Rights will vest upon receipt of a vesting notice during the 2021 financial year.

##### Share trading policy

The trading of shares issued to participants under any of the Company's employee equity plans is subject to, and conditional upon, compliance with the Company's employee share trading policy contained in the Corporate Code of Conduct. Executives are prohibited from entering into any hedging arrangements over unvested performance rights received via the LTI plan. The Company would consider a breach of this policy as gross misconduct which may lead to disciplinary action and potentially dismissal.

### SECTION E: LINK BETWEEN PERFORMANCE AND REMUNERATION OUTCOMES

The remuneration framework detailed above has been tailored with the objective of attracting and retaining the highest calibre staff who contribute to the success of the Company, while maintaining alignment between Company performance and individual rewards. The remuneration policies seek a balance between the interests of stakeholders and competitive market remuneration levels.

#### Company Performance

The Company continued a consistent high level to performance during FY18 achieving its production and cost guidance, as provided and updated for the market during the year. This consistent performance and a strengthening nickel price enabled free cashflow and net profits to be generated. Capital assets have been constructed on time and on budget and importantly new and innovative growth projects have been advanced. These outcomes have occurred while maintaining a class leading performance in safety and environmentally management.



The table below shows the KPIs of the Company over the last 5 years.

Year Ended 30 June	2018	2017	2016	2015	2014
Lost time injury frequency rate	0.9	1.1	0	0	1.9
Nickel tonnes Sold (tns)	20,549	22,639	24,793	26,036	25,756
Nickel Price – US\$	\$5.84/lb	\$4.58/lb	\$4.14/lb	\$6.58/lb	\$7.46/lb
Reported Cash Cost US\$/lb (*)	\$2.03/lb	\$1.80/lb	\$1.64/lb	\$1.94/lb	\$2.28/lb
Net Profit/(Loss) after Tax ('000)	11,837	19,299	(29,783)	35,013	25,460
EPS	4.34	7.09	(12.3)	15.1	12.2
Dividend Cents/share	2.0	2.0	-	7.0	5.0
Market capitalisation (\$)	971M	575M	582M	753M	1,073M
Closing share price (\$)	3.56	2.11	2.15	3.23	4.62
TSR – 3-year peer ranking (% percentile)	57 <sup>th</sup>	60 <sup>th</sup>	74 <sup>th</sup>	84 <sup>th</sup>	93 <sup>rd</sup>

(\*) Cash cost of production before smelting & refining, concentrate haulage and royalties.

## Short term incentive

Based on the achievements of the Company in FY18, the Remuneration Committee determined that Executives achieved between 76% and 87% of their target STI opportunity. It is noted that no KMP achieved 100% of their target STI award.

Performance achieved during the year against the above KPIs has resulted in Executives earning the STI payments below.

Name	Target STI quantum (% of base salary)	Target FY18 STI quantum (\$)	STI quantum earned (\$)	STI quantum not earned (\$)
Executive Directors				
Mr D Lougher	55%	383,000	290,000	93,000
Mr D Southam	55%	288,000	253,000	35,000
Executives				
Mr J Belladonna	55%	194,000	170,000	24,000
Mr W Jones	40%	152,000	118,000	34,000

STI payments have historically fluctuated in line with Company performance. The table below demonstrates the variability in awards received over time.

Year Ended 30 June	2018	2017	2016	2015	2014	2013
Average KMP STI payout (%)	82%	83%	56%	90%	87%	29%

## Long Term Incentive

The performance rights that vested and were converted into shares during FY18 were originally issued in FY15. The relative TSR performance of the grant was assessed at the completion of the 3-year performance period ending on 30 June 2018. As a result of the assessment, Western Areas was positioned at the 57<sup>th</sup> percentile against the peer group which resulted in 64% vesting of the grant.

## REMUNERATION REPORT (AUDITED) (cont'd)

### SECTION F: NON-EXECUTIVE DIRECTOR REMUNERATION

#### Non-Executive Director (NED) fees limits

NED fees are determined within an aggregated fee limit of \$1,000,000, which was approved by shareholders at the 2012 AGM. This aggregated fee limit is reviewed from time to time and the apportionment amongst Directors is reviewed annually. The following fees (including statutory superannuation) were applicable for the year:

Fees	Financial Year	Board Chair	Board Member
Actual	2018	\$178,391	\$154,606

#### Non-Executive Directors fee structure

NED remuneration consists of a base Directors fee for their role as Board members, and is inclusive of compensation for any role on nominated Board sub-committees. That is, no separate committee fees are payable. NEDs do not receive any performance-based pay.

It is an objective of the Company to encourage Directors to own shares in Western Areas. However, share based payments in the form of options or equity in the Company are not offered to NEDs as encouraged by Corporate Governance guidelines.

There is no scheme to provide retirement benefits to NEDs, other than statutory superannuation.

### SECTION G: SERVICE CONTRACTS

#### Executives

A summary of the key contractual provisions for each of the current executives as at 30 June 2018 is set out below:

Name & job title	Base salary	Superannuation	Contract duration	Notice period	Termination provision
D Lougher, Managing Director*	\$734,400	11%	No fixed term	3 months	12 months termination payment and accrued leave entitlements
D Southam, Executive Director*	\$550,914	11%	No fixed term	3 months	12 months termination payment and accrued leave entitlements
J Belladonna, Chief Financial Officer/ Company Secretary*	\$371,200	11%	No fixed term	3 months	6 months termination payment and accrued leave entitlements
W Jones, General Manager Operations	\$400,400	11%	No fixed term	1 month	6 months termination payment and accrued leave entitlements

\* In the event that there is a takeover of, or merger with, the Company, the Company must pay the Executive a change of control bonus within 10 days of that takeover or merger occurring.

The amount of the takeover bonus will be calculated as follows:

- The positive difference (expressed as a percentage of the 20-day VWAP) between the bid price for the Company's shares as a result of a takeover or merger bid, and the volume weighted share price of the Company's share price for the 20 days immediately preceding the takeover or merger bid; and
- Multiplied by 3, as a percentage of the Executive's base annual salary at the time that such a bid is completed.

(This contractual position is a legacy item that has not been applicable to any new executive appointment in over 7 years.)

All other senior management contracts are as per the Company's standards terms and conditions and there are no contractual entitlements to cash bonuses, options or performance rights.

#### Non-Executive Directors

Non-Executive Directors receive a letter of appointment before commencing duties on the Board. The letter outlines compensation arrangements relevant to the Director. Non-Executive appointments have no end date, retirement, redundancy or minimum notice periods included in their contracts.

## SECTION H: DETAILS OF REMUNERATION

	Short Term Employee Benefits				Post Employment	Long Term Employee Benefits (accounting valuation)		TOTAL
	Base Salary	STI Payments/Bonuses	Allowances & Other	Non-Monetary	Super-annuation	Long Service Leave	Share Based Payments LTI	
<b>Non-executive Directors</b>								
I MacIver	160,713	-	-	-	17,678	-	-	178,391
FY2017	156,369	-	-	-	17,201	-	-	173,570
C Readhead	139,284	-	-	-	15,322	-	-	154,606
FY2017	135,520	-	-	-	14,907	-	-	150,427
T Netscher	154,606	-	-	-	-	-	-	154,606
FY2017	150,427	-	-	-	-	-	-	150,427
R Yeates	139,284	-	-	-	15,322	-	-	154,606
FY2017	135,520	-	-	-	14,907	-	-	150,427
N Streltsova	139,284	-	-	-	15,322	-	-	154,606
FY2017	67,760	-	-	-	7,454	-	-	75,214
<b>Total Non-Executive Remuneration FY2018</b>								<b>796,815</b>
Total Non-Executive Remuneration FY2017								700,065
	Short Term Employee Benefits				Post Employment	Long Term Employee Benefits (accounting valuation)		TOTAL
	Base Salary	STI Payments/Bonuses <sup>(i)</sup>	Allowances & Other <sup>(ii)</sup>	Non-Monetary	Super-annuation	Long Service Leave	Share Based Payments LTI <sup>(iii)</sup>	
<b>Executive Directors</b>								
D Lougher	716,040	290,000	57,764	48,748	25,000	18,346	890,042	2,045,940
FY2017	660,961	275,700	50,681	49,488	32,083	16,512	864,519	1,949,944
D Southam	537,142	253,000	38,086	50,663	25,000	13,763	500,750	1,418,404
FY2017	495,823	229,500	31,040	55,178	30,000	12,386	486,388	1,340,315
<b>Executive Officers</b>								
J Belladonna	361,920	170,000	41,624	41,624	25,000	9,271	337,400	964,022
FY2017	334,081	157,500	45,334	45,334	27,500	8,346	327,725	913,735
W Jones	390,390	118,000	37,091	37,091	25,000	10,002	225,669	825,995
FY2017	360,361	125,500	36,300	36,300	32,083	9,002	235,668	808,370
<b>Total Executive Remuneration FY2018</b>								<b>5,254,361</b>
Total Executive Remuneration FY2017								5,012,364

(i) Includes all paid and/or accrued bonuses for the applicable year.

(ii) Includes over-cap super.

(iii) LTI refers to the value of Performance Rights that were expensed during FY18. No Options were granted or remain outstanding at the end of the financial year.

## Related Party Transactions

There were no related party transactions with KMP during FY18.



## REMUNERATION REPORT (AUDITED) (cont'd)

### SECTION H: DETAILS OF REMUNERATION

#### Shareholding by Key Management Personnel

The number of shares held by KMP (and their related parties) in the Group during the financial year is as follows:

	Balance at 1 July 2017	Granted as Remuneration	On Vesting of Performance Rights	Other Changes During the Year	Balance at 30 June 2018
I MacIver	36,448	-	-	-	36,448
D Lougher	462,430	-	143,598	(193,598)	412,430
D Southam	131,932	-	80,791	(147,800)	64,923
R Yeates	10,000	-	-	-	10,000
T Netscher	12,000	-	-	-	12,000
C Readhead	20,000	-	-	-	20,000
J Belladonna	242,630	-	54,736	(127,066)	170,000
W Jones	170,950	-	39,145	(40,890)	169,205
<b>TOTAL</b>	<b>1,086,390</b>	<b>-</b>	<b>317,970</b>	<b>(509,354)</b>	<b>895,006</b>

#### Options held by Key Management Personnel

There were no options held by key management at any time during FY18.

#### Performance Rights held by Key Management Personnel

Details of Performance Rights held by KMP and granted but not yet vested under the LTI plan at 30 June 2018 are outlined below:

	Balance at 1 July 2017	Number granted as Remuneration	Number vested	Number expired/ lapsed	Balance at 30 June 2018	Portion vested (%)	Portion unvested (%)
D Lougher	880,430	420,280	(143,598)	(61,542)	1,095,570	0%	100%
D Southam	495,335	236,460	(80,791)	(34,624)	616,380	0%	100%
J Belladonna	333,755	159,320	(54,436)	(23,329)	415,310	0%	100%
W Jones	240,002	114,570	(39,145)	(16,777)	298,650	0%	100%
<b>TOTAL</b>	<b>1,949,522</b>	<b>930,630</b>	<b>(317,970)</b>	<b>(136,272)</b>	<b>2,425,910</b>	<b>0%</b>	<b>100%</b>

All Performance Rights issued during FY18 were allotted in accordance with the shareholder approved Western Areas LTI plan. The rights were granted on 30 November 2017 and have a zero exercise price.

END OF AUDITED REMUNERATION REPORT.

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

No significant changes in the consolidated group's state of affairs occurred during the financial year.

## FUTURE DEVELOPMENTS

Disclosure of information regarding likely developments in the operations of the consolidated entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the consolidated entity. Accordingly, this information has not been disclosed in this report.

## ENVIRONMENTAL REGULATION AND PERFORMANCE

The Consolidated Entity has conducted exploration and development activities on mineral tenements. The right to conduct these activities is granted subject to State and Federal environmental legislation and regulations, tenement conditions and Mining Proposal commitments. The Consolidated Entity aims to ensure that a high standard of environmental management is achieved and, as a minimum, to comply with all relevant legislation and regulations, tenement conditions and Mining Proposal commitments. The Company has achieved a high level of compliance with all environmental conditions set for its projects and actively strives for continual improvement.

## AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration to the Directors of Western Areas Ltd on page 52 forms part of the Directors' Report for the year ended 30 June 2018.

## NON-AUDIT SERVICES

The entity's auditor, Crowe Horwath, provided non-audit services, related to renewable energy lodgements, amounting to \$4,500 during FY18 (FY17: \$4,500). The Board has the following procedures in place before any non-audit services are obtained from the auditors:

- all non-audit services are reviewed and approved by the Board and the Audit & Risk Management Committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided does not compromise the general principles relating to auditor independence as set out in APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

## ROUNDING OF AMOUNTS

The Company is a company of the kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with the Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Signed in accordance with a resolution of the Board of Directors.



**D Lougher**  
Managing Director

Perth, 22 August 2018



### AUDITOR'S INDEPENDENCE DECLARATION

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Western Areas Ltd for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in blue ink that reads "Crowe Horwath Perth".

**CROWE HORWATH PERTH**

A handwritten signature in blue ink, appearing to be "Cyrus Patel".

**CYRUS PATELL**

Partner

Signed at Perth, 22 August 2018

*Crowe Horwath Perth is a member of Crowe Horwath International, a Swiss Verein. Each member of Crowe Horwath is a separate and independent legal entity. Liability limited by a scheme approved under Professional Standards Legislation. Liability limited other than for the acts or omissions of financial services licensees.*



# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 30 JUNE 2018

	Notes	Consolidated Entity	
		2018 \$'000	2017 \$'000
Sales		248,268	213,920
Operating Costs		(146,408)	(146,493)
Depreciation and Amortisation	4	(64,872)	(65,717)
Other income	2	3,494	4,486
Profit on Sale of tenements & investments	2	-	33,063
Finance costs	4	(1,934)	(1,854)
Employee benefit expense		(11,342)	(9,185)
Foreign exchange gain/(loss)		1,143	(436)
Write-off of non-current assets		-	(48)
Share based payments	29	(3,598)	(3,060)
Administration expenses		(4,286)	(6,254)
Care and maintenance expense		(1,750)	(1,310)
Share of loss of associates accounted for using the equity method		-	(694)
Realised derivative (loss)/gain		(1,552)	932
<b>Profit before income tax</b>		<b>17,163</b>	<b>17,350</b>
Income tax (expense)/benefit	7	(5,326)	1,949
<b>Profit for the year</b>		<b>11,837</b>	<b>19,299</b>
<b>Other comprehensive income, net of tax</b>			
<i>Items that may be reclassified to profit or loss</i>			
Changes in fair value of hedging instruments		(2,012)	249
Changes in financial assets at fair value through other comprehensive income	9	21,911	2,646
<b>Total comprehensive income for the year</b>		<b>31,736</b>	<b>22,194</b>
Basic earnings per share (cents per share)	18	4.34	7.09
Diluted earnings per share (cents per share)	18	4.27	7.01

The accompanying notes form part of these financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

	Notes	Consolidated Entity	
		2018 \$'000	2017 \$'000
<b>Current Assets</b>			
Cash and cash equivalents	19(b)	151,643	140,294
Trade and other receivables	5	22,209	19,182
Inventories	6	34,805	21,280
Derivative financial instruments	16	-	420
<b>Total Current Assets</b>		<b>208,657</b>	<b>181,176</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	8	89,003	82,884
Intangible assets		506	506
Exploration & evaluation expenditure	10	97,784	87,157
Mine properties	11	142,673	155,813
Financial assets at fair value through other comprehensive income	9	33,307	11,396
<b>Total Non-Current Assets</b>		<b>363,273</b>	<b>337,756</b>
<b>Total Assets</b>		<b>571,930</b>	<b>518,932</b>
<b>Current Liabilities</b>			
Trade and other payables	13	41,396	26,345
Borrowings	14	267	170
Provisions	15	4,514	3,323
Derivative financial instruments	16	1,592	-
<b>Total Current Liabilities</b>		<b>47,769</b>	<b>29,838</b>
<b>Non-Current Liabilities</b>			
Borrowings	14	445	304
Provisions	15	24,408	23,544
Deferred tax liabilities	12	10,496	5,902
<b>Total Non-Current Liabilities</b>		<b>35,349</b>	<b>29,750</b>
<b>Total Liabilities</b>		<b>83,118</b>	<b>59,588</b>
<b>Net Assets</b>		<b>488,812</b>	<b>459,344</b>
<b>Equity</b>			
Contributed equity	17	442,963	442,963
Other reserves	30	44,533	21,447
Retained earnings		1,316	(5,066)
<b>Total Equity</b>		<b>488,812</b>	<b>459,344</b>

The accompanying notes form part of these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 30 JUNE 2018

	Issued Capital \$'000	Capital Raising Costs \$'000	Share Based Payment Reserve \$'000	Hedge Reserve \$'000	Investment Reserve \$'000	Retained Earnings \$'000	Total Equity \$'000
<b>Total equity at 1 July 2016</b>	459,184	(16,221)	24,528	171	(9,296)	(24,365)	434,001
Comprehensive income							
Profit for the year						(19,299)	(19,299)
Other comprehensive loss for the year				249	2,646		(2,895)
<b>Total comprehensive profit for the year</b>				249	2,646	(19,299)	(22,194)
Transactions with owners in their capacity as owner, and other transfers							
Share based payments expense			3,060				3,060
Deferred tax asset on performance rights			89				89
<b>Total equity at 30 June 2017</b>	459,184	(16,221)	27,677	420	(6,650)	(5,066)	459,344
Comprehensive income							
Profit for the year						11,837	11,837
Other comprehensive profit for the year				(2,012)	21,911		19,899
<b>Total comprehensive (loss)/profit for the year</b>				(2,012)	21,911	11,837	31,736
Transactions with owners in their capacity as owner, and other transfers							
Share based payments expense			3,598				3,598
Deferred tax liability on performance rights			(411)				(411)
Dividends paid						(5,455)	(5,455)
<b>Total equity at 30 June 2018</b>	459,184	(16,221)	30,864	(1,592)	15,261	1,316	488,812

The accompanying notes form part of these financial statements.



# CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 30 JUNE 2018

	Notes	Consolidated Entity	
		2018 \$'000	2017 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		237,242	226,844
Payments to suppliers & employees		(154,007)	(157,743)
Interest received		2,480	1,702
Royalties paid		(9,194)	(9,818)
Other receipts		880	593
Interest paid		(25)	(14)
Realisation on settlement of derivatives		(410)	496
Income tax refund		-	4,130
<b>Net cash inflow from operating activities</b>	19(a)	<b>76,966</b>	<b>66,190</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant & equipment		(22,544)	(6,280)
Proceeds from sale of property, plant & equipment		4	-
Proceeds from sale of investments		-	32,583
Mine development expenditure		(26,268)	(15,703)
Exploration & evaluation expenditure		(10,972)	(11,983)
<b>Net cash outflow from investing activities</b>		<b>(59,780)</b>	<b>(1,383)</b>
<b>Cash flows from financing activities</b>			
Finance lease payments		(282)	(219)
Borrowing costs		(100)	-
Dividends paid to company's shareholders		(5,455)	-
<b>Net cash outflow from financing activities</b>		<b>(5,837)</b>	<b>(219)</b>
Net increase in cash and cash equivalents held		11,349	64,588
Cash and cash equivalents as at the beginning of the financial year		140,294	75,706
<b>Cash and cash equivalents at end of financial year</b>	19(b)	<b>151,643</b>	<b>140,294</b>

The accompanying notes form part of these financial statements.

## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements and notes represent those of Western Areas Ltd and Controlled Entities (the “consolidated group” or “group”).

The separate financial statements of the parent entity, Western Areas Ltd, have not been presented within this financial report as permitted by amendments made to Corporations Act 2001 effective as at 28 June 2010.

The group is a for profit entity for financial reporting purposes under Australian Accounting Standards.

The Financial Report was approved by the Board of Directors on 22 August 2018.

### BASIS OF PREPARATION

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (‘AASB’) and the Corporations Act 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless stated otherwise.

Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

### ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (‘AASB’) that are mandatory for the current reporting period.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

#### a) Principles of Consolidation

The Group financial statements consolidate those of Western Areas Ltd (‘company’ or ‘parent’) and all of its subsidiaries as of 30 June 2018. The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 30 June.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary’s profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### b) Investments in Associates and Joint Arrangements

Associates are those entities over which the Group is able to exert significant influence but which are not subsidiaries.

A joint venture is an arrangement that the Group controls jointly with one or more other investors, and over which the Group has rights to a share of the arrangement's net assets rather than direct rights to underlying assets and obligations for underlying liabilities. A joint arrangement in which the Group has direct rights to underlying assets and obligations for underlying liabilities is classified as a joint operation.

Investments in associates and joint ventures are accounted for using the equity method. Interests in joint operations are accounted for by recognising the Group's assets (including its share of any assets held jointly), its liabilities (including its share of any liabilities incurred jointly), its revenue from the sale of its share of the output arising from the joint operation, its share of the revenue from the sale of the output by the joint operation and its expenses (including its share of any expenses incurred jointly).

Any goodwill or fair value adjustment attributable to the Group's share in the associate or joint venture is not recognised separately and is included in the amount recognised as the investment.

The carrying amount of the investment in associates and joint ventures is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate and joint venture, adjusted where necessary to ensure consistency with the accounting policies of the Group.

Unrealised gains and losses on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

### c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors.

### d) Foreign Currency Transactions and Balances

The financial statements are presented in Australian dollars, which is Western Areas Ltd's functional and presentation currency.

#### Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

#### Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency equity reserve.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

### e) Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. All revenue is stated net of the amount of goods and services tax ('GST').

## Sale of Goods

Revenue from the sale of nickel is recognised when the performance obligation of delivering the products to the buyer has been satisfied, currently being the point at which the product is delivered on site to the buyer or passes the ships' rail or as otherwise agreed between Western Areas and the buyer. Revenue is recognised at estimated sales value. The estimated sales value is determined by reference to the estimated metal content, metal recovery, payability, the metal price and exchange rate. Revenue is provisionally priced at the date revenue is recognised. An adjustment is made to reflect the final sales value when the actual metal content and metal recovery has been determined. The final metal content and metal recovery is generally known between 30 and 90 days after delivery to the customer.

## Interest

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

## Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

## f) Finance Costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

## g) Inventories

Inventories are measured at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories on hand by the method most appropriate to each class of inventory with the majority being valued on an average cost basis. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

The cost of mining stocks includes direct materials, direct labour, transportation costs and variable and fixed overhead costs relating to mining activities.

The cost of consumables and spare parts includes cost of materials and transportation costs.

## h) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

### Property

Land and buildings are carried at cost, less accumulated depreciation for buildings.

### Plant and Equipment

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1(p) for details of impairment).



## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### h) Property, Plant and Equipment (cont'd)

#### Plant and Equipment (cont'd)

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the consolidated group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

#### Depreciation

Depreciation of an asset (including amounts classified as Works in Progress) begins when it is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by Management. The depreciable amount of all property, plant and equipment is depreciated on a straight line basis over their useful lives or the estimated life of mine, whichever is shorter. Land is not depreciated. The depreciation rates used for each major type of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Property	2% - 20%
Plant and equipment	2% - 33% or units of production over life of mine
Motor vehicles	20%
Furniture and fittings	6% - 27%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit or loss in the period in which they arise.

### i) Exploration and Evaluation Expenditure

Exploration and evaluation expenditures incurred are capitalised in respect of each identifiable area of interest. These costs are only capitalised for areas of interest where rights of tenure are current, to the extent that they are expected to be recovered through the successful development of the area of interest or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves and active and significant operation in relation to the area of interest are continuing.

Accumulated costs in relation to an abandoned area are written off in full against profit or loss in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are transferred to mine properties and are amortised at the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. In accordance with AASB 6, where circumstances suggest that the carrying amount of an asset exceed its recoverable amount, an impairment loss will be recognised.

## j) Mine Properties

Development expenditure incurred by or on behalf of the consolidated entity is accumulated separately for each area of interest in which economically recoverable resources have been identified. Such expenditure comprises costs directly attributable to the construction of a mine, the related infrastructure and expenditure transferred from the capitalised exploration and evaluation expenditure phase.

Amortisation is charged using the units-of production method, with separate calculations being made for each area of interest. The units-of-production basis results in an amortisation charge proportional to the depletion of proved and probable reserves.

Mine properties are tested for impairment in accordance with the policy in Note 1(p).

Costs of site restoration are provided for over the life of the facility from when exploration commences and are included in the costs from that stage. Site restoration costs include obligations relating to dismantling and removing mining plant, reclamation, waste dump rehabilitation and other costs associated with restoration and rehabilitation of the site. Such costs have been determined using estimates for current costs and current legal requirements and technology.

Any changes in the estimates for the costs are accounted for on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly, the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

## k) Income Tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entity's which intend to settle simultaneously.

Western Areas Ltd (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### k) Income Tax (cont'd)

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

### l) Goods and Services Tax ('GST')

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

### m) Employee Benefits

#### Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

#### Other long-term employee benefits obligations

The liabilities for long service leave and annual leave that are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised as non-current liabilities and are therefore measured at the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of government bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

#### Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

#### Share-based payments

The consolidated entity has provided benefits to its Key Management Personnel in the form of share-based payments, whereby services were rendered partly or wholly in exchange for shares or rights over shares. The Remuneration Committee approved the grant of performance rights as incentives to attract Executives and to maintain their long term commitment to the Company. These benefits are awarded at the discretion of the Board, or following approval by shareholders (equity-settled transactions).

The costs of these equity-settled transactions are measured by reference to the fair value of the equity instruments at the date on which they are granted. The fair value of performance rights granted is determined using the Black Scholes Option Pricing Model ('BSM') that includes a Monte Carlo Simulation Model to value the Rights, further details of which are disclosed in Note 29.

The costs of these equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the equity instrument (vesting date).

At each subsequent reporting date until vesting, the cumulative charge to the income statement is the product of (i) the fair value at grant date of the award; (ii) the current best estimate of the number of equity instruments that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met and (iii) the expired portion of the vesting period. The charge to the income statement for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding credit to equity.

Until an equity instrument has vested, any amounts recorded will be adjusted if more or fewer equity instruments vest than were originally anticipated to do so. Any equity instrument subject to a market condition is considered to vest irrespective of whether or not that market condition is fulfilled, provided that all other conditions are satisfied.

If the terms of an equity-settled award are modified, as a minimum, an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share based payment arrangement, or is otherwise beneficial to the recipient of the award, as measured at the date of modification.

If an equity-settled transaction is cancelled (other than a grant cancelled by forfeiture when the vesting conditions are not satisfied), it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new equity instrument is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new equity instrument are treated as if they were a modification of the original award, as described in the preceding paragraph.

### **n) Leases**

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the consolidated entity will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.



## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### o) Financial Instruments

#### Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to the income statement immediately.

#### Classification and Subsequent Measurement

Financial instruments are subsequently measured at either of fair value or amortised cost using the effective interest rate method. *Fair value* represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

A financial asset is subsequently measured at amortised cost, using effective interest method and net of any impairment loss, if:

- The asset is held within the business model whose objective is to hold assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest.

*Amortised cost* is calculated as:

- a) the amount at which the financial asset or financial liability is measured at initial recognition;
- b) less principal repayments;
- c) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and
- d) less any reduction for impairment.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

#### Financial assets at fair value through profit and loss

As from 1 July 2013 the group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value, or
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. The group is required to reclassify all affected debt investments when and only when its business model for managing those assets changes.

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

## Financial assets at fair value through profit and loss (cont'd)

A gain or loss on a debt investment that is subsequently measured at fair value and is not part of a hedging relationship is recognised in profit or loss and presented net in the income statement within other income or other expenses in the period in which it arises. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the financial asset is derecognised or impaired and through the amortisation process using the effective interest rate method.

The group subsequently measures all equity investments at fair value. Where the group's management has made an irrevocable election to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Dividends from such investments continue to be recognised in profit or loss as other revenue when the group's right to receive payments is established and as long as they represent a return on investment.

## Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

## De-recognition

Financial assets are de-recognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are de-recognised where the related obligations are discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

## Derivative financial instruments

Derivative financial instruments are used by the consolidated entity to hedge exposures to commodity prices and foreign currency exchange rates.

The Group documents at the inception of a transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

Derivatives are initially recognised at fair value on the date the contract is entered into and are subsequently remeasured to their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Hedging derivatives are either Fair Value Hedges or Cashflow Hedges.

### *Fair Value Hedges*

Changes in the fair value of derivatives classified as fair value hedges are recognised in the Income Statement, together with any changes in the fair value of the hedge asset or liability that are attributable to the hedged risk.

### *Cash Flow Hedge*

Cash flow hedges are used to cover the consolidated entity's exposure to variability in cash flows that is attributable to particular risk associated with a recognised asset or liability or a firm commitment which could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, whilst the ineffective portion is recognised in profit or loss. Amounts taken to equity are transferred out of equity and included in the measurement of the hedged transaction when the forecast transaction occurs.

Cash flow hedges are tested for effectiveness on a regular basis both retrospectively and prospectively to ensure that each hedge is highly effective and continues to be designated as a cash flow hedge. If the forecast transaction is no longer expected to occur, amounts recognised in equity are transferred to profit or loss.

## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### o) Financial Instruments (cont'd)

#### Derivative financial instruments (cont'd)

##### *Cash Flow Hedge (cont'd)*

If the hedging instrument is sold, terminated, expires, exercised without replacement or rollover, or if the hedge becomes ineffective and is no longer a designated hedge, amounts previously recognised in equity remain in equity until the forecast transaction occurs.

##### *All Other Derivatives*

Changes in the fair value of derivatives that do not qualify for hedge accounting are recognised in the Income Statement.

### p) Impairment of Assets

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

#### Reversal of impairment losses

An impairment loss recognised in prior periods for an asset/CGU is reversed if there has been a change in the estimates used to determine the asset's/CGU's recoverable amount since the last impairment loss was recognised. When an impairment loss subsequently reverses, the carrying amount of the asset/CGU is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset/CGU in prior years.

### q) Rounding Amounts

The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

### r) Cash and Cash Equivalents

Cash and cash equivalents comprise cash-on-hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts.

### s) Provisions

Provisions are recognised where the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow is able to be reliably measured.

## t) Intangibles

Expenditure during the research phase of a project is recognised as an expense when incurred. Patents and trademarks are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.

Patents and trademarks have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project.

## u) Critical Accounting Estimates and Balances

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

### Share-based payment transactions

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Monte Carlo model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

### Provision for impairment of inventories

The provision for impairment of inventories assessment requires a degree of estimation and judgement. Costs incurred in or benefits of the productive process are accumulated as stockpiles, nickel and other metals in process, ore on run of mine ore pads and product inventory. Net realisable value tests are performed at least annually and represent the estimated future sales price of the product based on prevailing metal prices, less estimated costs to complete production and bring the product to sale.

Stockpiles are measured by estimating the number of tonnes added and removed from the stockpile, the number of contained metal tonnes based on assay data, and the estimated recovery percentage based on the expected processing method.

Although the quantity of recoverable metal is reconciled by comparing the grades of the ore to the quantities of metals actually recovered (metallurgical balancing), the nature of the process inherently limits the ability to precisely monitor recoverability levels. As a result the metallurgical balancing process is constantly monitored and the engineering estimates are refined based on actual results over time.

### Fair value measurement hierarchy

The consolidated entity is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.



## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### u) Critical Accounting Estimates and Balances (cont'd)

#### Estimation of useful lives of assets

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

#### Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The consolidated entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

It is reasonably possible that the underlying metal price assumption may change which may then impact the estimated life of mine determinant and may then require a material adjustment to the carrying value of mining plant and equipment, mining infrastructure and mining development assets. Furthermore, the expected future cash flows used to determine the value-in-use of these assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including reserves and production estimates, together with economic factors such as metal spot prices, discount rates, estimates of costs to produce reserves and future capital expenditure. At 30 June 2018, there were no impairment charge to Exploration, Evaluation and Development.

#### Income tax

The consolidated entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain.

#### Provision for restoration and rehabilitation

Provision is made for the costs of Restoration and rehabilitation when the related environmental disturbance takes place as outlined in Note 15. The provision recognised represents management's best estimate of the costs that will be incurred, but significant judgement is required as many of these costs will not crystallise until the end of the life of the mine. Estimates are reviewed annually and are based on current regulatory requirements and the estimated useful life of the mine.

Engineering and feasibility studies are undertaken periodically; however significant changes in the estimates of contamination, restoration standards and techniques will result in changes to provisions from period to period.

#### Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

#### Employee benefits provision

As discussed in Note (m), the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

## v) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

If the entity reacquires its own equity instruments, for example as the result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the profit and loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

## w) Comparative figures

Where necessary, comparative figures have been restated to conform with changes in presentation for the current year.

## x) Trade and other payables

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

## y) Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

The Group applies the simplified approach to providing for expected credit losses as prescribed by AASB 9.

## z) Earnings per share

### Basic earnings per share

Basic earnings per share are calculated by dividing:

- The profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares; by the,
- Weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year (Note 18).

### Diluted earnings per share

Diluted earnings per share adjust the figures used in the determination of basic earnings per share to take into account:

- The after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- The weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### aa) New Accounting Standards and Interpretations not yet mandatory or early adopted

#### AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition.

The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied.

Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied.

Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgements made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer.

The Group has reviewed all its sales contracts to identify potential changes in: timing of revenue recognition, measurement of the amount of revenue and note disclosure between the current standard, AASB 118 Revenue, and AASB 15.

Currently revenue for domestic sales is recognised when the concentrates are delivered to the customers' premises, which is the point when the customer takes over the risk and rewards of ownership transfer. The Consolidated Entity's assessment indicates that under AASB 15, revenue will continue to be recognised on the same basis when the customer obtains control of the concentrates as this is when the consolidated entity has satisfied its performance obligations under the contract. Revenue for export sales is currently recognised when shipments of concentrates are loaded on to the vessel as the risk and reward of ownership is transferred to the customer at that point.

The Consolidated Entity's assessment under AASB 15 indicates that the export contracts are made up of two performance obligations. The first obligation to deliver the concentrates to the port of shipment and the second obligation is to organise shipping of the concentrate, which will be satisfied when concentrates are delivered to the destination port. Under AASB 118, the Group recognises such shipping and other freight revenue and accrues the associated costs in full on loading whereas under AASB 15, freight and, where applicable, insurance, are required to be accounted for as separate performance obligations with revenue recognised over time as the service is rendered. The Group has determined that AASB 15 will have no material impact on the way the Group accounts for its revenue.

## AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred.

A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). The Group has yet to commence an assessment of the impact of AASB 16. Management intend to commence the development of an implementation plan prior to 30 June 2019. It is expected that the plan is likely to involve the establishment of an implementation team whose responsibility will be to firstly gain a clear understanding of the requirements of the new Standards, and thereafter assess the potential impact on the Group (in the form of accounting and disclosure, taxation, systems and processes and internal controls) of this new Standard. This assessment will then establish the areas that require change for the purposes of full implementation. As part of finalising the plan, Management will determine the appropriate adoption date and transition method, as well as ensuring appropriate communication with relevant stakeholders.

## NOTE 2: OTHER INCOME & PROFIT ON SALE OF TENEMENTS & INVESTMENTS

Interest income  
Other income  
Profit on sale of PP&E  
Partial Exemption Certificate credits

### Total other income

Profit on sale of Bluejay Plc shares  
Profit on discontinuance of equity accounting  
Profit on sale of tenements to Kidman Resources Ltd  
Total profit on sale of tenements & investments

Consolidated Entity	
2018 \$'000	2017 \$'000
2,611	1,872
879	829
4	-
-	1,785
<b>3,494</b>	<b>4,486</b>
-	12,417
-	13,178
-	7,468
<b>-</b>	<b>33,063</b>

## NOTE 3: DIVIDENDS

### Dividends proposed

A fully franked final dividend of 2 cents per share is proposed for the year ended 30 June 2018 (2017: 2 cents per ordinary share)

### Dividends paid

A final dividend of 2 cents per share was paid for the year ended 30 June 2017 (2016: Nil)  
No interim dividend for 2018 (2017: Nil)

Consolidated Entity	
2018 \$'000	2017 \$'000
5,470	5,446
<b>5,470</b>	<b>-</b>
5,445	-
-	-
<b>5,445</b>	<b>-</b>



## NOTE 4: PROFIT BEFORE INCOME TAX

Profit before income tax includes the following specific expenses:

- Depreciation of property, plant and equipment
  - Amortisation of mine development asset
  - Rental expenditure relating to operating leases
  - Employee benefits expense
    - Defined contribution superannuation expense
  - Finance costs:
    - Provisions: unwinding of discount
    - Interest expense – finance leases
    - Borrowing costs amortised
- Total borrowing costs**

Consolidated Entity	
2018 \$'000	2017 \$'000
17,764	17,711
47,108	48,006
1,019	1,186
2,117	2,107
1,297	1,227
24	14
613	613
<b>1,934</b>	<b>1,854</b>

## NOTE 5: TRADE AND OTHER RECEIVABLES

Trade debtors  
Other receivables  
GST refund due  
Prepayments

Consolidated Entity	
2018 \$'000	2017 \$'000
19,855	8,851
929	2,088
1,128	1,050
297	7,193
<b>22,209</b>	<b>19,182</b>

There are no balances within trade and other receivables that contain amounts that are past due but not impaired. It is expected the balances will be received when due as there is no recent history of default or expectation that they will default.

## NOTE 6: INVENTORIES

Ore stockpiles  
Nickel concentrate stockpiles  
Consumables and spare parts

Consolidated Entity	
2018 \$'000	2017 \$'000
26,765	16,177
3,634	1,281
4,406	3,822
<b>34,805</b>	<b>21,280</b>

## NOTE 7: INCOME TAX

The components of the tax expense comprise:

- Current tax
- Deferred tax
- R&D Tax offset
- Adjustment of current tax for prior periods

**Income tax expense/(benefit)**

Consolidated Entity	
2018 \$'000	2017 \$'000
-	-
4,594	(211)
(246)	(510)
978	(1,228)
<b>5,326</b>	<b>1,949</b>

The prima facie tax on the profit from ordinary activities before income tax at the statutory income tax rate compared to the income tax expense at the groups' effective income tax rate is reconciled as follows:

Prima facie tax on profit/(loss) before income tax at 30% (2017: 30%)

*Adjusted for the tax effect of:*

- Exploration write-off
- Share based payment expense
- Sale of foreign investment
- Foreign branch losses (Bluejay Mining Plc)
- Other temporary differences
- Income tax benefit on share based payments

**Tax Expense/(Benefit)**

Consolidated Entity	
2018 \$'000	2017 \$'000
5,149	5,205
-	14
1,079	918
-	(7,679)
-	208
821	(333)
(1,723)	(282)
<b>5,326</b>	<b>(1,949)</b>

## NOTE 8: PROPERTY, PLANT AND EQUIPMENT

Property – at cost

Accumulated depreciation

Plant & equipment – at cost

Work in Progress – at cost

Accumulated depreciation

Plant & equipment under lease

Accumulated depreciation

Total property, plant & equipment – at cost

Accumulated Depreciation

**Total**

Consolidated Entity	
2018 \$'000	2017 \$'000
48,049	48,049
(33,294)	(28,638)
14,755	19,411
145,693	144,245
31,520	9,571
(103,933)	(91,052)
73,280	62,764
2,428	1,942
(1,460)	(1,233)
968	709
227,690	203,807
(138,687)	(120,923)
<b>89,003</b>	<b>82,884</b>

## ASSETS PLEDGED AS SECURITY

The property, plant and equipment are assets over which a mortgage has been granted as security over project loans. The terms of the mortgage preclude the assets from being sold or being used as security for further mortgages without the permission of the existing mortgagor. Assets under lease are pledged as security for the associated lease liabilities (Note 14(b)).

## NOTE 8: PROPERTY, PLANT AND EQUIPMENT (cont'd)

### MOVEMENT IN CARRYING AMOUNTS

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current year:

	Consolidated Entity	
	2018 \$'000	2017 \$'000
<b>Property</b>		
Written down value at the beginning of the year	19,411	23,135
- Additions	-	872
- Depreciation expense	(4,656)	(4,596)
Written down value at the end of the year	<b>14,755</b>	<b>19,411</b>
<b>Plant &amp; Equipment</b>		
Written down value at the beginning of the year	62,764	72,683
- Additions	23,397	3,010
- Depreciation expense	(12,881)	(12,929)
Written down value at the end of the year	<b>73,280</b>	<b>62,764</b>
<b>Plant &amp; Equipment under Lease</b>		
Written down value at the beginning of the year	709	547
- Additions	486	348
- Depreciation expense	(227)	(186)
Written down value at the end of the year	<b>968</b>	<b>709</b>

## NOTE 9: FINANCIAL ASSETS

	Consolidated Entity	
	2018 \$'000	2017 \$'000
Opening Balance	11,396	1,281
- Disposal of investment in associate	-	(280)
- Fair value of consideration received for Tenement sale	-	5,222
- Proceeds on farm in joint venture at initial fair value	-	2,527
- Changes in fair value through other comprehensive income	21,911	2,646
	<b>33,307</b>	<b>11,396</b>

In accordance with the terms of AASB 9, the Company made an irrevocable election to recognise movements in the fair value of its shares in Kidman Resources Ltd and Grid Metals Inc at each reporting period through Other Comprehensive Income. As at 30 June 2018, the investment in Kidman was fair valued at \$32.42m (2017: 10.63m).

## NOTE 10: EXPLORATION & EVALUATION EXPENDITURE

Exploration & Evaluation Expenditure consists of:

- At cost
- Cosmos Nickel Complex

**Total Exploration and Evaluation Expenditure**

Consolidated Entity	
2018	2017
\$'000	\$'000
70,679	60,052
27,105	27,105
<b>97,784</b>	<b>87,157</b>

### MOVEMENT IN CARRYING AMOUNT

Movement in the carrying amounts for exploration and evaluation expenditure between the beginning and the end of the current period:

Written down value at the beginning of the year

- Expenditure incurred during the year
- Tenements sold at written down value
- Write-off

**Written down value at the end of the year**

Consolidated Entity	
2018	2017
\$'000	\$'000
87,157	80,360
10,627	7,126
-	(281)
-	(48)
<b>97,784</b>	<b>87,157</b>

### CARRY FORWARD EXPLORATION & EVALUATION EXPENDITURE

The recovery of the costs of exploration and evaluation expenditure carried forward is dependent upon the discovery of commercially viable mineral and other natural resource deposits and their subsequent development and exploitation or alternatively their sale.

## NOTE 11: MINE PROPERTIES

Capitalised development expenditure consists of:

- Mine development
- Acquisition of mining assets
- Exploration expenditure transfer
- Deferred mining expenditure
- Capitalised restoration costs
- Capitalised interest
- Accumulated amortisation

**Total Mine Development**

Consolidated Entity	
2018	2017
\$'000	\$'000
166,796	154,872
59,796	59,796
76,000	76,000
371,825	349,781
11,645	11,645
11,175	11,175
(554,564)	(507,456)
<b>142,673</b>	<b>155,813</b>

### MOVEMENT IN CARRYING AMOUNT

Movement in the carrying amounts for mine development expenditure between the beginning and the end of the current period:

#### Development Expenditure

Written down value at the beginning of the year

- Additions
- Amortisation charge for the year

**Written down value at the end of the year**

Consolidated Entity	
2018	2017
\$'000	\$'000
155,813	183,579
33,968	20,240
(47,108)	(48,006)
<b>142,673</b>	<b>155,813</b>



## NOTE 12: DEFERRED TAX LIABILITIES

The balance comprises temporary differences attributable to:

### a) Liabilities

- Exploration & evaluation expenditure
- Mine development
- Other

### b) Assets

- Property, plant and equipment
- Provisions
- Tax losses
- Employee share trust
- Other

### Net deferred tax liabilities

### c) Reconciliation

#### i) Gross movement

*The overall movement in the deferred tax account is as follows:*

Opening balance  
(Credit)/Debit to income statement  
Closing balance

#### ii) Deferred tax liability

*The movement in the deferred tax liabilities for each temporary difference during the year is as follows:*

Exploration & development expenditure:

Opening balance  
(Debit)/Credit to income statement  
Closing balance

Mine development:

Opening balance  
Credit/(Debit) to income statement  
Closing balance

Other:

Opening balance  
Credit to income statement  
Closing balance

Consolidated Entity	
2018 \$'000	2017 \$'000
(21,151)	(17,707)
(6,780)	(9,997)
(213)	(274)
(28,144)	(27,978)
5,061	5,002
5,006	5,838
3,879	9,752
1,178	192
2,524	1,292
17,648	22,076
(10,496)	(5,902)
(5,902)	(6,113)
(4,594)	211
(10,496)	(5,902)
(17,707)	(50,782)
(3,444)	33,075
(21,151)	(17,707)
(9,997)	27,673
3,217	(37,670)
(6,780)	(9,997)
(274)	(286)
61	12
(213)	(274)

## NOTES TO THE FINANCIAL STATEMENTS

### c) Reconciliation (cont'd)

- iii) Deferred tax assets

The movement in the deferred tax assets for each temporary difference during the year is as follows:

Provisions:

Opening balance

(Debit)/Credit to income statement

Closing balance

Property, plant and equipment:

Opening balance

Credit to income statement

Closing balance

Tax losses:

Opening balance

Debit to income statement

Closing balance

Employee share trust:

Opening balance

Credit/(Debit) to income statement

Closing balance

Other:

Opening balance

Credit/(Debit) to income statement

Closing balance

Consolidated Entity	
2018 \$'000	2017 \$'000
5,838	5,583
(832)	255
5,006	5,838
5,002	(1,938)
59	6,940
5,061	5,002
9,752	11,378
(5,873)	(1,626)
3,879	9,752
192	965
986	(773)
1,178	192
1,292	1,294
1,232	(2)
2,524	1,292

## NOTE 13: TRADE & OTHER PAYABLES

	Consolidated Entity	
	2018 \$'000	2017 \$'000
Trade payables	17,792	8,255
Accrued expenses	23,604	18,090
	<b>41,396</b>	<b>26,345</b>

## NOTE 14: BORROWINGS

		Consolidated Entity	
		2018	2017
		\$'000	\$'000
<b>Current</b>			
Lease liabilities		267	170
		267	170
<b>Non-Current</b>			
Lease liabilities		445	304
		445	304

### a) CORPORATE LOAN FACILITY

The Corporate Loan facility can be made available for broad company purposes as agreed between the Australia and New Zealand Banking Group Ltd ('ANZ') and Western Areas Ltd. In December 2017 the ANZ corporate loan facility ('facility') was renegotiated by the Company. The new facility is a secured, two year, A\$25m revolving cash facility. Initial term of the facility is 12 months, which is extendable for a further 12 months (24 months in total).

The carrying value of assets secured under the corporate loan facility is as follows:

		Consolidated Entity	
		2018	2017
		\$'000	\$'000
Note			
	11	142,673	155,813
	8	88,035	82,175
		230,708	237,988

### b) LEASE LIABILITIES

The lease liabilities are secured over the assets under the lease. The finance leases have an average term of 3 years and an average implicit discount rate of 5.05%. Refer to Note 8 for the carrying value of the assets under lease.

## NOTE 15: PROVISIONS

		Consolidated Entity	
		2018	2017
		\$'000	\$'000
<b>Current</b>			
Employee entitlements		4,514	3,323
<b>Non-Current</b>			
<b>Rehabilitation and restoration cost</b>			
Opening balance		22,917	22,649
Unwinding of discount		1,297	1,227
Rehabilitation expenditure incurred during the period		(123)	(959)
Closing balance		24,091	22,917
<b>Employee entitlements</b>			
		317	627
		24,408	23,544

- Employee entitlements relate to the balance of annual leave and long service leave accrued by the consolidated entity's employees. Recognition and measurement criteria have been disclosed in Note 1.
- Rehabilitation and restoration costs relate to an estimate of restoration costs that will result from the development of the Forresteria Nickel Project and Cosmos Nickel Project. Based on the current known mine life, restoration activities are not expected to commence within the next 8 years, following full exhaustion of mine life rehabilitation activities will be undertaken.

## NOTE 16: DERIVATIVE FINANCIAL INSTRUMENTS

	Consolidated Entity	
	2018 \$'000	2017 \$'000
<b>Current Assets</b>		
Foreign exchange/nickel options – current assets	-	420
Foreign exchange/nickel options – current liabilities	1,592	-

Collar options are used to hedge cash flow risk associated with future transactions. Gains and losses arising from changes in the fair value of derivatives are initially recognised directly in the statement of comprehensive income. At the date of settlement, amounts included in the hedge reserve are transferred from equity and included in the income statement.

## NOTE 17: ISSUED CAPITAL

	Consolidated Entity	
	2018 \$'000	2017 \$'000
272,792,647 fully paid ordinary shares (2017: 272,276,625)	442,963	442,963

## MOVEMENTS IN ISSUED CAPITAL

	Number of Shares	\$'000
<b>2018</b>		
Balance at beginning of the financial year	272,276,625	442,963
- Performance rights vested issued as shares	482,422	-
- Tax exempt share plan shares	33,600	-
<b>Balance at end of the financial year</b>	<b>272,792,647</b>	<b>442,963</b>
<b>2017</b>		
Balance at beginning of the financial year	270,924,958	442,963
- Performance rights vested issued as shares	1,307,740	-
- Tax exempt share plan shares	43,927	-
<b>Balance at end of the financial year</b>	<b>272,276,625</b>	<b>442,963</b>

## CAPITAL MANAGEMENT

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor, and market confidence and to sustain future development of the business. There were no changes to the consolidated entity's approach to capital management during the year. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

The Board effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

## PERFORMANCE RIGHTS

Information relating to performance rights issued, exercised and lapsed during the year and the performance rights outstanding at the end of the year are detailed in Note 29 Share Based Payments.

## TERMS AND CONDITIONS OF ORDINARY SHARES

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid upon shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.



## NOTE 17: ISSUED CAPITAL (cont'd)

### TAX EXEMPT SHARE PLAN

During February 2018, the Company issued \$1,000 worth of shares to eligible employees under the newly introduced Western Areas Ltd Tax Exempt Share Plan, eligible employees were those that satisfied the minimum service condition and were not included in the existing performance rights plan.

## NOTE 18: EARNINGS PER SHARE

Earnings used to calculate basic/diluted earnings per share

Weighted average number of ordinary shares outstanding during the year used in calculating earnings per share

Weighted average number of ordinary shares outstanding during the year used in calculating dilutive earnings per share

Consolidated Entity	
2018 \$'000	2017 \$'000
11,837	19,299
2018 Number	2017 Number
272,746,202	272,081,823
277,113,672	275,329,044

## NOTE 19: CASH FLOW INFORMATION

### a) RECONCILIATION OF THE NET PROFIT AFTER TAX TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Profit after income tax
Depreciation expense
Amortisation expense
Impairment/write-off expenses
Profit on discontinue of equity accounting and sale of Bluejay shares
Profit on sale of tenements
Other
Share based payment expense
Rehabilitation provision interest unwound
Rehabilitation expense
Provision for employee entitlements
<b>Change in Assets and Liabilities</b>
Increase in trade and other payables
Increase in inventories
(Increase)/Decrease/ in trade and other receivables
Decrease in interest payable
Increase/(Decrease) in tax liabilities
<b>Net cash provided by operating activities</b>

## b) RECONCILIATION OF CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprises:

Cash on hand and at bank

Consolidated Entity	
2018 \$'000	2017 \$'000
151,643	140,294

## c) FINANCING FACILITIES AVAILABLE

As at the reporting date the Consolidated Entity had the following financing facilities in place:

	Total Facility \$'000	Utilised at Balance Date \$'000	Available Facilities (*) \$'000
<b>Banking Facilities:</b>			
ANZ Banking Group			
- Cash advance facility*	25,000	-	25,000
- Asset Finance	1,000	679	321
<b>Performance Guarantees:</b>			
ANZ Banking Group			
- Security bond facility	1,000	472	528
	<b>27,000</b>	<b>1,151</b>	<b>25,849</b>

\* The Corporate Loan facility can be made available for broad company purposes as agreed between the Australia and New Zealand Banking Group Ltd ('ANZ') and Western Areas Ltd (refer Note 14a).

## d) NON-CASH FINANCING ACTIVITIES

During the year, the consolidated entity acquired plant & equipment by means of a finance lease to the value of \$486k (2017: \$348k).

## NOTE 20: COMMITMENTS

The Directors are not aware of any commitments as at the date of these financial statements other than those listed below.

### a) OPERATING LEASE COMMITMENTS

Non-cancellable operating leases contracted for but not capitalised in the accounts:

- No later than 1 year
- Later than 1 year and not later than 5 years

**Lease expenditure contracted for at year end**

Consolidated Entity	
2018 \$'000	2017 \$'000
645	680
1,436	2,081
<b>2,081</b>	<b>2,761</b>

The operating leases are for miscellaneous office equipment and office premises in West Perth. The West Perth office lease expires August 2021.

## NOTE 20: COMMITMENTS (cont'd)

### b) FINANCE LEASE COMMITMENTS

- No later than 1 year
- Later than 1 year and not later than 5 years
- Total Minimum Lease Payments
- Future finance charges
- Total Lease Liability
- Current
- Non-current

Consolidated Entity	
2018 \$'000	2017 \$'000
267	170
445	304
712	474
53	35
765	509
297	197
468	312
765	509

The finance lease commitments relate primarily to motor vehicles, but also include some office equipment. Motor vehicles are finance leased under 3-year contracts at normal commercial rates, balloon payments are generally required at the expiry of the finance lease, at which point the Company takes ownership of the vehicle.

### c) CAPITAL EXPENDITURE COMMITMENTS

- No later than 1 year
- Later than 1 year and not later than 5 years
- Total minimum commitments

Consolidated Entity	
2018 \$'000	2017 \$'000
25,784	11,963
-	-
25,784	11,963

On 10 April 2018, the Company announced the commencement of an early works programme for the Odysseus Project at Cosmos. A total of \$32m has been approved by the Board and will comprise three major work groups staged over an eighteen-month period. For full details please refer to the ASX Announcement dated 10 April 2018.

### d) EXPLORATION EXPENDITURE COMMITMENTS

- No later than 1 year
- Later than 1 year and not later than 5 years
- Total Minimum Payments

Consolidated Entity	
2018 \$'000	2017 \$'000
6,255	5,143
25,020	20,572
31,275	25,715

Under the terms and conditions of the Company's title to its various tenements, it has an obligation to meet tenement rents and minimum levels of exploration expenditure as gazetted by the Department of Mines and Petroleum. Some of this cost may be met by joint venture partners.

## NOTE 21: AUDITOR REMUNERATION

During the year the following fees were paid or payable for services provided by the auditor of the Company:

- Audit and review of financial statements
- Audit of Jobs and Competitiveness Programme Assistance Application

Consolidated Entity	
2018 \$'000	2017 \$'000
92	94
5	5
<b>97</b>	<b>99</b>

## NOTE 22: MATERIAL CONTRACTS

The Company has two main customers. A summary of the key terms of the off-take agreements entered into with these customers are detailed below. Credit risk associated with these customers is detailed in Note 27.

A 3-year Offtake Contract with BHP Nickel West ('BHPNW') effective 1 February 2017 to deliver up 10,000 tonnes of nickel contained in concentrate per annum with a 30,000 tonne aggregate limit.

A 3-year Offtake Contract with Tsingshan Group ('Tsingshan'), through its associated entity Golden Harbour Pte Ltd, effective 1 February 2017 to deliver up 10,000 tonnes of nickel contained in concentrate per annum.

## NOTE 23: CONTINGENT LIABILITIES

The Directors are not aware of any contingent liabilities as at the date of these financial statements.

## NOTE 24: SUBSEQUENT EVENTS

On 22 August 2018, the Board of Directors declared a fully franked dividend of 2 cents per share to the holders of fully paid ordinary shares.

Other than the matter detailed above, there have been no subsequent events after 30 June 2018 which had a material effect on the financial statements for the year ended 30 June 2018.

## NOTE 25: STATEMENT OF OPERATIONS BY SEGMENTS

### IDENTIFICATION OF REPORTABLE SEGMENT

The group identifies its operating segments based on the internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

### BASIS OF ACCOUNTING FOR PURPOSES OF REPORTING BY OPERATING SEGMENTS

#### Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors as the chief decision maker is in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.



## NOTE 26: KEY MANAGEMENT PERSONNEL

### KEY MANAGEMENT PERSONNEL

Key management personnel of the Consolidated Entity (as defined by AASB 124: Related Party transactions) include the following:

I Macliver	Chairman (Non-Executive)
R Yeates	Director (Non-Executive)
C Readhead	Director (Non-Executive)
T Netscher	Director (Non-Executive)
N Streltsova	Director (Non-Executive)
D Lougher	Managing Director
D Southam	Executive Director
J Belladonna	Chief Financial Officer/Company Secretary
W Jones	General Manager Operations

Refer to the remuneration report contained in the Directors' Report for details of the remuneration paid or payable to each member of the group's key management personnel for the year ended 30 June 2018.

The total of remuneration paid to key management personnel of the Consolidated Entity during the year is detailed below:

	Consolidated Entity	
	2018 \$'000	2017 \$'000
Short term employee benefits	3,882	3,576
Share based payments	1,954	1,914
Post-employment benefits	215	222
	<b>6,051</b>	<b>5,712</b>

## NOTE 27: FINANCIAL RISK MANAGEMENT

### FINANCIAL RISK MANAGEMENT POLICIES

The Treasury Committee consisting of senior management meets on a regular basis to analyse and discuss amongst other issues, monitoring and managing financial risk exposures of the consolidated entity. The Treasury Committee monitors the consolidated entity financial risk management policies and exposures and approves financial transactions within the scope of its authority. It also reviews the effectiveness of internal controls relating to commodity price risk, counter party credit risk, currency risk, financing risk and interest rate risk.

The Treasury Committee's overall risk management strategy seeks to assist the consolidated entity in meeting its financial targets, while minimising potential adverse effects on financial performance. Its functions include the review of the use of hedging derivative instruments, credit risk policies and future cash flow requirements.

### SPECIFIC FINANCIAL RISK EXPOSURES AND MANAGEMENT

The main risks the Group is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk, foreign currency risk and commodity and equity price risk.

#### a) Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults.

The carrying amount of financial assets exposed to credit risk is detailed below:

	Consolidated Entity	
	2018 \$'000	2017 \$'000
Cash and cash equivalents	151,643	140,294
Trade and other receivables	22,209	19,182
Financial assets at fair value through other comprehensive income	33,307	11,396
Derivative financial instruments	-	420

## Cash and cash equivalents and derivative financial instruments

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings.

## Trade and other receivables

The consolidated entity does not have significant credit risk exposure to trade receivables as the consolidated entity's customers are considered to be of high credit quality. There were no balances within trade and other receivables that are past due. It is expected these balances will be received when due. Export sales are conducted under an irrevocable letter of credit prior to product being loaded at the port of Esperance.

## Financial assets at fair value through other comprehensive income

Credit risk on financial assets at fair value through other comprehensive income is minimised by undertaking transactions with recognised counterparties on recognised exchanges.

## b) Liquidity Risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages this risk through the following mechanisms which include:

- preparing forward looking cash flow analysis in relation to its operational, investing and financing activities
- using derivatives that are only traded in highly liquid markets
- monitoring undrawn credit facilities, to the extent that they exist
- obtaining funding from a variety of sources
- maintaining a reputable credit profile
- managing credit risk related to financial assets
- investing surplus cash only with major financial institutions
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets

The tables below reflect an undiscounted contractual maturity analysis for financial assets and liabilities. Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward.

## NOTE 27: FINANCIAL RISK MANAGEMENT (cont'd)

### SPECIFIC FINANCIAL RISK EXPOSURES AND MANAGEMENT (cont'd)

#### b) Liquidity Risk (cont'd)

##### Financial liability and financial asset maturity analysis

The Consolidated Entity's contractual maturity analysis of financial assets and financial liabilities is shown below:

	1 year or less \$'000	Over 1 to 5 years \$'000	More than 5 years \$'000	Total contractual cash flows \$'000
<b>2018 Consolidated Entity</b>				
<b>Financial Assets – Non-Derivative</b>				
Cash and Cash Equivalents	151,643	-	-	151,643
Trade and Other Receivables	22,209	-	-	22,209
Financial assets at fair value through other comprehensive income	-	-	33,307	33,307
	173,852	-	33,307	207,159
<b>Financial Liabilities – Non-Derivative</b>				
Trade and Other Payables	41,396	-	-	41,396
Lease Liabilities	267	445	-	712
<b>Financial Liabilities – Derivative</b>				
Derivative Collar Options (net settled)	1,592	-	-	1,592
	43,255	445	-	43,700
Net Financial Assets/(Liabilities)	130,597	(445)	33,307	163,459
<b>2017 Consolidated Entity</b>				
<b>Financial Assets – Non-Derivative</b>				
Cash and Cash Equivalents	140,294	-	-	140,294
Trade and Other Receivables	19,182	-	-	19,182
Financial assets at fair value through other comprehensive income	-	-	11,396	11,396
<b>Financial Assets – Derivative</b>				
Derivative Collar Options (net settled)	420	-	-	420
	159,896	-	11,396	171,292
<b>Financial Liabilities – Non-Derivative</b>				
Trade and Other Payables	26,345	-	-	26,345
Lease Liabilities	170	304	-	474
	26,515	304	-	26,819
Net Financial Assets/(Liabilities)	133,381	(304)	11,396	144,473

#### c) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, price risk and currency risk.

##### i) Interest Rate Risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at reporting date whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. Interest rate risk is managed using a mix of fixed and floating rate debt.

# NOTES TO THE FINANCIAL STATEMENTS

At the reporting date, the interest rate risk profile of the consolidated entity's interest bearing financial instruments was as follows:

	Floating interest rate \$'000	Fixed interest maturing in:			Non- interest bearing \$'000	Total \$'000	Weighted average interest rate
		1 year or less \$'000	Over 1 to 5 years \$'000	More than 5 years \$'000			
<b>2018 Consolidated Entity</b>							
<b>Financial Assets</b>							
Cash and Cash Equivalents	151,643	-	-	-	-	151,643	2.62%
Trade and Other Receivables	-	-	-	-	22,209	22,209	
Financial assets at fair value through other comprehensive income	-	-	-	-	33,307	33,307	
	151,643	-	-	-	55,516	207,159	
<b>Financial Liabilities</b>							
Trade and Other Payables	-	-	-	-	41,396	41,396	5.05%
Lease liability	-	267	445	-	-	712	
	-	267	445	-	41,396	42,108	
<b>Net Financial Assets/(Liabilities)</b>	<b>151,643</b>	<b>(267)</b>	<b>(445)</b>	<b>-</b>	<b>14,120</b>	<b>165,051</b>	
<b>2017 Consolidated Entity</b>							
<b>Financial Assets</b>							
Cash and Cash Equivalents	140,294	-	-	-	-	140,294	2.48%
Trade and Other Receivables	-	-	-	-	19,182	19,182	
Financial assets at fair value through other comprehensive income	-	-	-	-	11,396	11,396	
	140,294	-	-	-	30,578	170,872	
<b>Financial Liabilities</b>							
Trade and Other Payables	-	-	-	-	26,345	26,345	4.88%
Lease liability	-	170	304	-	-	474	
	-	170	304	-	26,345	26,819	
<b>Net Financial Assets/ (Liabilities)</b>	<b>140,294</b>	<b>(170)</b>	<b>(304)</b>	<b>-</b>	<b>4,233</b>	<b>144,053</b>	

Interest rate sensitivities have not been included in the financial report as the changes in profit before tax due to changes in interest rate is not material to the results of the Consolidated Entity.

## ii) Price Risk

### a) Equity Price Risk

The consolidated entity is exposed to equity securities price risk. This arises from investments held by the Group and classified on the statement of financial position as financial assets at fair value through other comprehensive income.

A majority of the consolidated entity's equity investments are publicly traded and are quoted either on the ASX or the TSXV.

The table below summarises the impact of increases/decreases of these two indexes on the Consolidated Entity's comprehensive income. The analysis is based on the assumption that the equity indexes had increased by 10% / decreased by 10% (2017 – increased by 10% / decreased by 10%) and foreign exchange rate increased by 5% / decrease by 5% (2017 increased by 5% / decrease by 5%) with all other variables held constant and all the Consolidated Entity's equity instruments moved according to the historical correlation with the index. The percentages are the sensitivity rates used when reporting equity price risk internally to key management personnel and represents management's assessment of the possible change in equity prices.



## NOTE 27: FINANCIAL RISK MANAGEMENT (cont'd)

### SPECIFIC FINANCIAL RISK EXPOSURES AND MANAGEMENT (cont'd)

#### c) Market Risk (cont'd)

##### ii) Price Risk (cont'd)

##### a) Equity Price Risk (cont'd)

	Consolidated Entity	
	30 June 2018 \$'000	30 June 2017 \$'000
Financial assets at fair value through other comprehensive income Index		
ASX	3,242	532
TSX	142	121

Comprehensive income would increase/decrease as a result of gains/losses on equity securities classified as financial assets at fair value through other comprehensive income. A decrease in the share price and exchange rate would result in a further decrease in fair value compared to cost.

##### b) Commodity Price Risk

The Consolidated Entity is exposed to commodity price risk. Commodity price risk arises from the sale of nickel. The entity manages its commodity price risk exposure arising from future commodity sales through sensitivity analysis, cash flow management and forecasting and where appropriate utilise derivative financial instruments to reduce price risk.

The following table details the Consolidated Entity's sensitivity to a US\$500/tonne increase and decrease in the nickel price. US\$500 is the sensitivity rate used when reporting commodity price risk internally to key management personnel and represents management's assessment of the possible change in commodity price. The table below assumes all other variables remaining constant.

##### Sensitivity analysis

	Profit \$'000	Equity \$'000
<b>Year Ended 30 June 2018</b>		
+/- \$500/tonne nickel	+/-147	+/-147
<b>Year Ended 30 June 2017</b>		
+/- \$500/tonne nickel	+/-120	+/-120

##### Nickel Collar Options

The consolidated entity enters into financial transactions in the normal course of business and in line with Board guidelines for the purpose of hedging and managing its expected exposure to nickel prices. The hedges are treated as cashflow hedges in accordance with AASB 9 "Financial Instruments: Recognition and Measurement".

The following table summarises the nickel collar options open at 30 June 2018.

	Consolidated Group	
	2018	2017
Nickel Tonnes	3,600	-
US Price (\$/tonne) Cap	15,587	-
USD Value (\$'000)	56,113	-
US Price (\$/tonne) Floor	13,167	-
USD Value (\$'000)	47,401	-

## iii) Currency Risk

Currency risk arises when future commercial transactions and recognised financial assets and liabilities are denominated in a currency that is not the entity's functional currency. The Consolidated Entity manages its foreign currency risk exposure through sensitivity analysis, cash flow management, forecasting and where appropriate, utilises derivative financial instruments. The carrying amount of the Consolidated Entity's foreign currency denominated monetary assets and monetary liabilities at the reporting date is as follows:

	30 June 2018		30 June 2017	
	Financial liabilities	Financial assets	Financial liabilities	Financial assets
US\$ '000	-	9,655	-	15,494

The following table details the consolidated entity's sensitivity to a 5% increase and decrease in the Australian Dollar against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 5% change in foreign currency rates.

### Sensitivity analysis

	Profit \$'000	Equity \$'000
<b>Year Ended 30 June 2018</b>		
+5% in \$A/\$US	850	850
-5% in \$A/\$US	(886)	(886)
<b>Year Ended 30 June 2016</b>		
+5% in \$A/\$US	1,061	1,061
-5% in \$A/\$US	(960)	(960)

### Foreign exchange collar options

The consolidated entity had open foreign exchange collar options at 30 June 2018 relating to highly probable forecast transactions and recognised financial assets and financial liabilities. These contracts commit the Group to buy and sell specified amounts of foreign currencies in the future at specified exchange rates. The hedges are treated as cash flow hedges in accordance with AASB 9 "Financial Instruments: Recognition and Measurement".

The following table summarises the notional amounts of the consolidated entity's commitments in relation to foreign exchange collar options. The notional amounts do not represent amounts exchanged by the transaction counter parties and are therefore not a measure of the exposure of the consolidated entity through the use of these contracts.

	Notional Amounts		Exchange Rate	
	2018 \$'000	2017 \$'000	2018 \$	2017 \$
<b>Consolidated Group</b>				
Buy AUD/Sell USD			Put – Call	Put – Call
Settlement:				
- Less than 6 months	30,000	15,000	0.737 – 0.788	0.725 – 0.755
- 6 months to 1 year	-	-	-	-

## NOTE 27: FINANCIAL RISK MANAGEMENT (cont'd)

### SPECIFIC FINANCIAL RISK EXPOSURES AND MANAGEMENT (cont'd)

#### d) Net fair values

The fair values of financial assets and financial liabilities are presented in the following table and can be compared to their carrying values as presented in the balance sheet. Fair values are those amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fair values derived may be based on information that is estimated or subject to judgment, where changes in assumptions may have a material impact on the amounts estimated. Areas of judgment and the assumptions have been detailed below. Where possible, valuation information used to calculate fair value is extracted from the market, with more reliable information available from markets that are actively traded. In this regard, fair values for listed securities are obtained from quoted closing market bid prices. Where securities are unlisted and no market quotes are available, fair value is obtained using discounted cash flow analysis and other valuation techniques commonly used by market participants.

Differences between fair values and carrying values of financial instruments with fixed interest rates are due to the change in discount rates being applied by the market since their initial recognition by the Group. Most of these instruments which are carried at amortised cost are to be held until maturity and therefore the net fair value figures calculated bear little relevance to the Group.

		2018		2017	
	Note	Carrying Amount \$'000	Net Fair Value \$'000	Carrying Amount \$'000	Net Fair Value \$'000
Financial Assets					
Cash and cash equivalents	i	151,643	151,643	140,294	140,294
Financial assets at fair value through other comprehensive income	ii	33,307	33,307	11,396	11,396
Derivative financial assets	iii	-	-	420	420
Loans and receivables	i	22,209	22,209	19,182	19,182
		207,159	207,159	171,292	171,292
Financial Liabilities					
Trade and other payables	i	41,396	41,396	26,345	26,345
Derivative financial liabilities	iii	1,592	1,592	-	-
Other liabilities	i	712	712	474	474
		43,700	43,700	26,819	26,819

The fair values disclosed in the above table have been determined based on the following methodologies:

- Cash and cash equivalents, trade and other receivables and trade and other liabilities are short-term instruments in nature whose carrying value is equivalent to fair value. Trade and other payables exclude amounts provided for annual leave, which is not considered a financial instrument.
- Quoted closing bid prices at reporting date.
- Fair valuation calculations are performed by an independent financial risk management consulting firm, the calculations include valuation techniques incorporating observable market data relevant to the hedged position.

## Financial Instruments Measured at Fair Value

The financial instruments recognised at fair value in the statement of financial position have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the measurements. The fair value hierarchy consists of the following levels:

- quoted prices in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
<b>2018</b>				
<b>Financial assets:</b>				
Financial assets at fair value through other comprehensive income	33,307	-	-	33,307
<b>Financial liabilities:</b>				
Derivative financial instruments	-	(1,592)	-	(1,592)
	<b>33,307</b>	<b>(1,592)</b>	<b>-</b>	<b>31,715</b>
<b>2017</b>				
<b>Financial assets:</b>				
Financial assets at fair value through other comprehensive income	11,396	-	-	11,396
Derivative financial instruments	-	420	-	420
	<b>11,396</b>	<b>420</b>	<b>-</b>	<b>11,816</b>

## NOTE 28: RELATED PARTY TRANSACTIONS

There were no other related party transactions during the financial year other than those included in the key management compensation as disclosed in the Remuneration Report contained in the Directors' Report.

## NOTE 29: SHARE BASED PAYMENTS

### a) EXPENSES ARISING FROM SHARE BASED TRANSACTIONS

	Consolidated Entity	
	2018 \$'000	2017 \$'000
Equity settled share options and performance rights granted during:		
- Year ended 30 June 2018	1,121	-
- Year ended 30 June 2017	1,449	1,248
- Year ended 30 June 2016	1,028	974
- Year ended 30 June 2015	-	838
<b>Total expense recognised as employee costs</b>	<b>3,598</b>	<b>3,060</b>

### b) PERFORMANCE RIGHTS

Under the Performance Rights plan, executives and senior management are granted a right to be issued a share in the future subject to the performance based vesting conditions being met. The Company's share price performance is measured via a relative total shareholder return ('TSR'). The Company's TSR is measured against a customised peer group of companies.

For grants made under the LTI plan during FY16, vesting will occur subject to the meeting of a 3-year service condition to 30 June 2018 and the performance condition tested against the relative TSR measure for the period 1 July 2015 to 30 June 2018.

## NOTE 29: SHARE BASED PAYMENTS (cont'd)

### b) PERFORMANCE RIGHTS (cont'd)

For grants made under the LTI plan during FY17, vesting will occur subject to the meeting of a 3-year service condition to 30 June 2019 and the performance condition tested against the relative TSR measure for the period 1 July 2016 to 30 June 2019.

For grants made under the LTI plan during FY18, vesting will occur subject to the meeting of a 3-year service condition to 30 June 2020 and the performance condition tested against the relative TSR measure for the period 1 July 2017 to 30 June 2020.

The following table sets out the vesting outcome based on the Company's relative TSR performance:

Relative TSR performance	Performance Vesting Outcomes
Less than 50 <sup>th</sup> percentile	0% vesting
At the 50 <sup>th</sup> percentile	50% vesting
Between 50 <sup>th</sup> and 75 <sup>th</sup> percentile	Pro-rata/progressive vesting from 50% - 100%
At or above 75 <sup>th</sup> percentile	100% vesting

No Performance Rights will vest unless the percentile ranking of the Company's TSR for the relevant performance year, as compared to the TSRs for the peer group companies, is at or above the 50<sup>th</sup> percentile.

The valuation inputs used in determining the fair value of performance rights issued during the year is detailed below:

	2018	2017
Underlying share price	\$3.08	\$2.98
Exercise price of rights	Nil	Nil
Risk free rate	1.86%	1.85%
Volatility factor	50%	48.4%
Dividend yield	1.18%	1.65%
Effective life	3.0 years	3.0 years
Entitled number of employees	23	19

### Performance Rights held by Key Management Personnel at 30 June 2018

	Balance at 1 July 2017	Granted as Remuneration	Exercise of Performance Rights	Lapsed/ Cancelled/ Other	Balance at 30 June 2018	Performance Rights Vested
D Lougher	880,430	420,280	(143,598)	(61,542)	1,095,570	-
D Southam	495,335	236,460	(80,791)	(34,624)	616,380	-
J Belladonna	333,755	159,320	(54,436)	(23,329)	415,310	-
W Jones	240,002	114,570	(39,145)	(16,777)	298,650	-
<b>TOTAL</b>	<b>1,949,522</b>	<b>930,630</b>	<b>(317,970)</b>	<b>(136,272)</b>	<b>2,425,910</b>	<b>-</b>

### Performance Rights held by Key Management Personnel at 30 June 2017

	Balance at 1 July 2016	Granted as Remuneration	Exercise of Performance Rights	Expired/ Lapsed/ Cancelled	Balance at 30 June 2017	Performance Rights Vested
D Lougher	970,640	375,540	(456,435)	(9,315)	880,430	-
D Southam	546,093	211,280	(256,797)	(5,241)	495,335	-
J Belladonna	355,779	142,360	(161,096)	(3,288)	333,755	-
W Jones	269,481	102,370	(129,212)	(2,637)	240,002	-
<b>TOTAL</b>	<b>2,141,993</b>	<b>831,550</b>	<b>(1,003,540)</b>	<b>(20,481)</b>	<b>1,949,522</b>	<b>-</b>

### c) SHARE OPTION PLANS

There were no options outstanding as at 30 June 2018.



**NOTE 30: RESERVES****i) SHARE BASED PAYMENT RESERVE**

The share based payment reserve records the items recognised as expenses on valuation of employee share options and performance rights.

**ii) HEDGE RESERVE**

The hedge reserve records revaluations of items designated as hedges.

**iii) INVESTMENT REVALUATION RESERVE**

The investment revaluation reserve records revaluations of financial assets at fair value through other comprehensive income.

**NOTE 31: INTERESTS IN SUBSIDIARIES**

The consolidated financial statements incorporate the assets, liabilities and results of the following wholly-owned subsidiaries in accordance with the accounting policy described in Note 1:

Name	Country of Incorporation	Percentage of equity held	
		2018	2017
Western Platinum NL	Australia	100%	100%
Australian Nickel Investments Pty Ltd	Australia	100%	100%
Bioheap Ltd	Australia	100%	100%
Western Areas Nickel Pty Ltd	Australia	100%	100%
Western Areas Employee Share Trust	Australia	100%	100%

All the entities above are members of the tax consolidated group of which Western Areas Ltd is the head entity. Western Areas Ltd is the parent entity and is incorporated and domiciled in Australia.

## NOTE 32: PARENT INFORMATION

The following information has been extracted from the books of the parent and has been prepared in accordance with the accounting standards.

### STATEMENT OF FINANCIAL POSITION

	Parent Entity	
	2018 \$'000	2017 \$'000
<b>Assets</b>		
Current Assets	206,834	178,618
Non-Current Assets	379,589	354,334
<b>Total Assets</b>	<b>586,423</b>	<b>532,952</b>
<b>Liabilities</b>		
Current Liabilities	41,791	28,415
Non-Current Liabilities	27,920	21,305
<b>Total Liabilities</b>	<b>69,711</b>	<b>49,720</b>
<b>Net Assets</b>	<b>516,712</b>	<b>483,232</b>
<b>Equity</b>		
Issued capital	442,963	442,963
Reserves	44,533	21,445
Retained Earnings	29,216	18,824
<b>Total Equity</b>	<b>516,712</b>	<b>483,232</b>
<b>Statement of Comprehensive Income</b>		
Profit for the year	15,847	23,009
<b>Total comprehensive income for the year</b>	<b>35,746</b>	<b>25,904</b>

### GUARANTEES

Western Areas Ltd has not entered into any guarantees, in the current or previous financial year, in relation to the debts of its subsidiaries.

### CONTINGENT LIABILITIES

The Directors are not aware of any contingent liabilities as at the date of these financial statements.

### CONTRACTUAL COMMITMENTS

Refer to Note 20, all commitments were entered into by Western Areas Ltd or its fully owned subsidiary Australian Nickel Investments Pty Ltd.

## NOTE 33: ADDITIONAL COMPANY INFORMATION

Western Areas Ltd is a Public Company, incorporated and domiciled in Australia.

Registered office and Principal place of business:

Level 2  
2 Kings Park Road  
West Perth WA 6005

Tel: +61 8 9334 7777  
Fax: +61 8 9486 7866

Web: [www.westernareas.com.au](http://www.westernareas.com.au)  
Email: [info@westernareas.com.au](mailto:info@westernareas.com.au)

- 1) In the opinion of the Directors of Western Areas Ltd:
  - a) the Consolidated Entity's financial statements and notes set out on pages 53 to 94 are in accordance with the Corporations Act 2001, including:
    - i) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2018 and of its performance, for the financial year ended on that date; and
    - ii) complying with Australian Accounting Standards and the Corporations Regulations 2001;
  - b) the financial report also complies with International Financial Reporting Standards as set out in Note 1;
  - c) the remuneration disclosures that are contained in the remuneration report in the Directors' Report comply with Australian Accounting Standard AASB 124 Related Party Disclosures, the Corporations Act 2001 and the Corporations Regulations 2001;
  - d) there are reasonable grounds to believe that the Consolidated Entity will be able to pay its debts as and when they become due and payable.
2. The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer, Managing Director, Executive Director and Chief Financial Officer for the financial year ended 30 June 2018.

Signed in accordance with a resolution of the Board of Directors.



**D Lougher**  
Managing Director

Dated – 22 August 2018



## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WESTERN AREAS LTD REPORT ON THE AUDIT OF THE FINANCIAL REPORT

### Opinion

We have audited the financial report of Western Areas Ltd (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements comprising a summary of significant accounting policies and the Director's Declaration.

In our opinion the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (a) Giving a true and fair view of the Group's financial position at 30 June 2018 and of its financial performance for the year then ended; and
- (b) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of this report. We are independent of the Group in accordance with the independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How we addressed the Key Audit Matter
<b>Amortisation of mine properties (mines in production)</b>	
Amortisation of mine properties was material to our audit and represented an area of significant estimate and judgement within the financial report. As outlined in Note 4, the Group recorded amortisation expenses of \$47.1m for the year ended 30 June 2018.	Our procedures included, but were not limited to: <ul style="list-style-type: none"> <li>Ensuring the Group's amortisation accounting policy was in accordance with Australian Accounting Standards and was consistently applied;</li> </ul>

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Key Audit Matter	How we addressed the Key Audit Matter
As outlined in Notes 1(h) and 1(j), the annual amortization expense was calculated using the unit of production method that was highly dependent on management's estimate of the remaining ore reserves for each mine and actual production volumes.	<ul style="list-style-type: none"> <li>Recalculation of the amortisation rate and checking the amortisation rate inputs by:               <ul style="list-style-type: none"> <li>agreeing reserve estimations to published reserve statements; and</li> <li>agreeing production volumes to the Group's Quarterly Activity Reports.</li> </ul> </li> <li>Assessing the competency and objectivity of the experts used by management in compiling the ore reserve estimations and evaluating the appropriateness and adequacy of the work.</li> </ul>
<b>Impairment of mine properties (mines in production) and property, plant and equipment</b>	
<p>As outlined in Notes 8 and 11, the carrying value of the Group's Mine Properties was \$142.7m and the carrying value of Property, Plant and Equipment was \$89.0m at 30 June 2018. These represented significant balances recorded in the Group's consolidated statement of financial position.</p> <p>The process undertaken by management to assess whether there were any indicators of impairment involved significant judgement.</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>Evaluating management's documented assessment of the existence or otherwise of impairment indicators from both internal and external sources;</li> <li>Corroborating representations made by management with available external data and evidence obtained by us during the course of our audit; and</li> <li>Considering the appropriateness of relevant disclosures in the notes to the financial statements.</li> </ul>
<b>Provision for rehabilitation</b>	
<p>At 30 June 2018, the carrying value of the Group's provision for rehabilitation was \$24.1m. The accounting policy adopted by the Group in relation to its provision for rehabilitation was disclosed in Notes 1(j, s and u) and further disclosures were in Note 15.</p> <p>This area was a key audit matter because the calculations of the provision were complex and based on the estimates of future costs of the required work, including volume and unit rates, the timing of future cash flows and the discount rate.</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>Obtaining the closure cost estimates prepared by management;</li> <li>Challenging the reasonableness of key assumptions and conclusions reached by management, by reference to information obtained by us during the course of our audit, as well as publicly available information;</li> <li>Checking the mathematical accuracy of the calculations; and</li> <li>Assessing the competency and objectivity of the expert used by management and evaluating the appropriateness and adequacy of the work.</li> </ul>

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Key Audit Matter	How we addressed the Key Audit Matter
<b>Commercial Production for Mill Recovery Enhancement Project (MREP)</b>	
<p>At 30 June 2018, the Group had capitalised costs associated with the MREP of \$28.0m. This amount formed part of the Property, Plant and Equipment balance of \$89.0m at 30 June 2018.</p> <p>Formal commissioning of the MREP was completed on 31 March 2018, however amortisation of capitalised costs will only commence upon achieving a commercial level of production, as determined by Management.</p> <p>We focused on this area due to the significant degree of management judgement involved in determining when commercial levels of production have been achieved.</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>Discussion with management on the criteria used to determine the date of commercial production;</li> <li>Evaluation and challenging of management's assessment as to whether the predetermined criteria had been met by reference to information obtained by us during the course of our audit, as well as any publicly available information;</li> <li>Reviewed management's cost capitalisation and amortisation methodologies and evaluated the application of these policies in conjunction with the conclusions reached in relation to the achievement (or otherwise) of commercial production.</li> <li>Considering the appropriateness of relevant disclosures in the notes to the financial statements.</li> </ul>

## Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's 2018 Annual Report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based upon the work we have performed, we conclude that there is material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the Directors' for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

#### **Auditor's Responsibilities for the Audit of the Financial Report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Mis-statements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained whether a material uncertainty exists related to events and conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the group financial report. The auditor is responsible for the direction, supervision and performance of the group audit. The auditor remains solely responsible for the audit opinion.

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We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may be reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## **Report on the Remuneration Report**

### ***Opinion on the Remuneration Report***

We have audited the Remuneration Report included in pages 42 to 50 of the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Western Areas Ltd for the year ended 30 June 2018 complies with section 300A of the *Corporations Act 2001*.

### ***Responsibilities***

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

A handwritten signature in blue ink that reads "Crowe Horwath Perth".

**CROWE HORWATH PERTH**

A handwritten signature in blue ink, appearing to read "Cyrus Patell".

**CYRUS PATELL**  
Partner

Signed at Perth, 22 August 2018

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Name	Lease	Status	WSA Interest	Applicant/Holder
Forrestania	E74/0470	Granted	100%	Western Areas Ltd
	E77/1734	Granted	100%	Western Areas Ltd
	E77/1865	Granted	100%	Western Areas Ltd
	E77/2127	Pending	100%	Western Areas Ltd
	E77/2228	Pending	100%	Western Areas Ltd
	E77/2235	Pending	100%	Western Areas Ltd
	E77/2236	Pending	100%	Western Areas Ltd
	E77/2261	Pending	100%	Western Areas Ltd
	E77/2440	Pending	100%	Western Areas Ltd
	E77/2523	Pending	100%	Western Areas Ltd
	E77/2524	Pending	100%	Western Areas Ltd
	E77/2527	Pending	100%	Western Areas Ltd
	G70/0226	Granted	100%	Western Areas Ltd
	G70/0231	Granted	100%	Western Areas Ltd
	L70/0111	Granted	100%	Western Areas Ltd
	L74/0011	Granted	100%	Western Areas Ltd
	L74/0012	Granted	100%	Western Areas Ltd
	L74/0025	Granted	100%	Western Areas Ltd
	L74/0044	Granted	100%	Western Areas Ltd
	L77/0104	Granted	100%	Western Areas Ltd
	L77/0141	Granted	100%	Western Areas Ltd
	L77/0182	Granted	100%	Western Areas Ltd
	L77/0197	Granted	100%	Western Areas Ltd
	L77/0203	Granted	100%	Western Areas Ltd
	L77/0204	Granted	100%	Western Areas Ltd
	M74/0057	Granted	100%	Western Areas Ltd
	M74/0058	Granted	100%	Western Areas Ltd
	M74/0064	Granted	100%	Western Areas Ltd
	M74/0065	Granted	100%	Western Areas Ltd
	M74/0081	Granted	100%	Western Areas Ltd
	M74/0090	Granted	100%	Western Areas Ltd
	M74/0091	Granted	100%	Western Areas Ltd
	M74/0092	Granted	100%	Western Areas Ltd
	M77/0098	Granted	100%	Western Areas Ltd
	M77/0215	Granted	100%	Western Areas Ltd
	M77/0216	Granted	100%	Western Areas Ltd
	M77/0219	Granted	100%	Western Areas Ltd
	M77/0284	Granted	100%	Western Areas Ltd
	M77/0285	Granted	100%	Western Areas Ltd
	M77/0286	Granted	100%	Western Areas Ltd
	M77/0329	Granted	100%	Western Areas Ltd
	M77/0335	Granted	100%	Western Areas Ltd
	M77/0336	Granted	100%	Western Areas Ltd
	M77/0389	Granted	100%	Western Areas Ltd
	M77/0399	Granted	100%	Western Areas Ltd
	M77/0458	Granted	100%	Western Areas Ltd
	M77/0542	Granted	100%	Western Areas Ltd
	M77/0543	Granted	100%	Western Areas Ltd
	M77/0545	Granted	100%	Western Areas Ltd
	M77/0550	Granted	100%	Western Areas Ltd
	M77/0568	Granted	100%	Western Areas Ltd
	M77/0574	Granted	100%	Western Areas Ltd
	M77/0582	Granted	100%	Western Areas Ltd
	M77/0583	Granted	100%	Western Areas Ltd
	M77/0584	Granted	100%	Western Areas Ltd
	M77/0585	Granted	100%	Western Areas Ltd
	M77/0586	Granted	100%	Western Areas Ltd
	M77/0587	Granted	100%	Western Areas Ltd
	M77/0588	Granted	100%	Western Areas Ltd
	M77/0589	Granted	100%	Western Areas Ltd
	M77/0911	Granted	100%	Western Areas Ltd
	M77/0912	Granted	100%	Western Areas Ltd

# TENEMENT LISTING

Name	Lease	Status	WSA Interest	Applicant/Holder
	P77/4278	Granted	100%	Western Areas Ltd
	P77/4279	Granted	100%	Western Areas Ltd
	P77/4473	Pending	100%	Western Areas Ltd
	P77/4474	Pending	100%	Western Areas Ltd
	P77/4475	Pending	100%	Western Areas Ltd
	P77/4476	Pending	100%	Western Areas Ltd
	P77/4477	Pending	100%	Western Areas Ltd
	P77/4478	Pending	100%	Western Areas Ltd
	P77/4479	Pending	100%	Western Areas Ltd
	P77/4496	Pending	100%	Western Areas Ltd
	P77/4497	Pending	100%	Western Areas Ltd
	P77/4498	Pending	100%	Western Areas Ltd
	P77/4499	Pending	100%	Western Areas Ltd
	P77/4500	Pending	100%	Western Areas Ltd
	P77/4501	Pending	100%	Western Areas Ltd
	E77/1399	Granted	100%	Western Areas Nickel Pty Ltd
	E77/1416	Granted	100%	Western Areas Nickel Pty Ltd
	E77/1436	Granted	100%	Western Areas Nickel Pty Ltd
	E77/1581	Granted	100%	Western Areas Nickel Pty Ltd
	M77/0099	Granted	100%	Western Areas Nickel Pty Ltd
	M77/0324	Granted	100%	Western Areas Nickel Pty Ltd
	M77/0467	Granted	100%	Western Areas Nickel Pty Ltd
	M77/0468	Granted	100%	Western Areas Nickel Pty Ltd
	M77/0544	Granted	100%	Western Areas Nickel Pty Ltd
	P77/4067	Granted	100%	Western Areas Nickel Pty Ltd
	E77/1965	Granted	100% Ni Rights	Black Oak Minerals Limited
	E77/2091	Granted	100% Ni Rights	Black Oak Minerals Limited
	E77/1400	Granted	100% Ni Rights	MH Gold Pty Ltd
	E77/2099	Granted	100% Ni Rights	MH Gold Pty Ltd
<b>Cosmos</b>	E36/0935	Pending	100%	Australian Nickel Investments Pty Ltd
	M36/0127	Granted	100%	Australian Nickel Investments Pty Ltd
	M36/0180	Granted	100%	Australian Nickel Investments Pty Ltd
	M36/0302	Granted	100%	Australian Nickel Investments Pty Ltd
	M36/0303	Granted	80.6%	Australian Nickel Investments Pty Ltd (80.6%) and Alkane Resources Ltd (19.4%)
	M36/0305	Granted	100%	Australian Nickel Investments Pty Ltd
	M36/0329	Granted	80.6%	Australian Nickel Investments Pty Ltd (80.6%) and Alkane Resources Ltd (19.4%)
	M36/0330	Granted	80.6%	Australian Nickel Investments Pty Ltd (80.6%) and Alkane Resources Ltd (19.4%)
	M36/0332	Granted	100%	Australian Nickel Investments Pty Ltd
	M36/0349	Granted	100%	Australian Nickel Investments Pty Ltd
	M36/0371	Granted	100%	Australian Nickel Investments Pty Ltd
	M36/0377	Granted	100%	Australian Nickel Investments Pty Ltd
	M36/0467	Granted	100%	Australian Nickel Investments Pty Ltd
	M36/0632	Granted	100%	Australian Nickel Investments Pty Ltd
	M36/0633	Granted	100%	Australian Nickel Investments Pty Ltd
	M36/0659	Granted	100%	Australian Nickel Investments Pty Ltd
	L36/0042	Granted	100%	Australian Nickel Investments Pty Ltd
	L36/0067	Granted	100%	BHP Billiton Yakabindie Nickel Pty Ltd
	L36/0068	Granted	100%	BHP Billiton Yakabindie Nickel Pty Ltd
	L36/0069	Granted	100%	BHP Billiton Yakabindie Nickel Pty Ltd
	L36/0070	Granted	100%	BHP Billiton Yakabindie Nickel Pty Ltd
	L36/0071	Granted	100%	BHP Billiton Yakabindie Nickel Pty Ltd
	L36/0072	Granted	100%	BHP Billiton Yakabindie Nickel Pty Ltd
	L36/0073	Granted	100%	BHP Billiton Yakabindie Nickel Pty Ltd
	L36/0074	Granted	100%	BHP Billiton Yakabindie Nickel Pty Ltd
	L36/0075	Granted	100%	BHP Billiton Yakabindie Nickel Pty Ltd
	L36/0076	Granted	100%	BHP Billiton Yakabindie Nickel Pty Ltd



## TENEMENT LISTING

Name	Lease	Status	WSA Interest	Applicant/Holder
	L36/0077	Granted	100%	BHP Billiton Yakabindie Nickel Pty Ltd
	L36/0078	Granted	100%	BHP Billiton Yakabindie Nickel Pty Ltd
	L36/0079	Granted	100%	BHP Billiton Yakabindie Nickel Pty Ltd
	L36/0080	Granted	100%	BHP Billiton Yakabindie Nickel Pty Ltd
	L36/0081	Granted	100%	BHP Billiton Yakabindie Nickel Pty Ltd
	L36/0094	Granted	100%	BHP Billiton Yakabindie Nickel Pty Ltd
	L36/0095	Granted	100%	BHP Billiton Yakabindie Nickel Pty Ltd
	L36/0118	Granted	100%	Australian Nickel Investments Pty Ltd
	L36/0119	Granted	100%	Australian Nickel Investments Pty Ltd
	L36/0145	Granted	100%	Australian Nickel Investments Pty Ltd
	L36/0148	Granted	100%	Australian Nickel Investments Pty Ltd
	L36/0159	Granted	100%	Australian Nickel Investments Pty Ltd
	L36/0171	Granted	100%	Australian Nickel Investments Pty Ltd
	L36/0172	Granted	100%	Australian Nickel Investments Pty Ltd
	L36/0189	Granted	100%	Australian Nickel Investments Pty Ltd
	L36/0194	Granted	100%	Australian Nickel Investments Pty Ltd
	L36/0199	Granted	100%	Australian Nickel Investments Pty Ltd
	L36/0225	Pending	100%	Australian Nickel Investments Pty Ltd
<b>Western Gawler (SA)</b>	EL 5199	Granted	100%	Western Areas Ltd
	EL 5200	Granted	100%	Western Areas Ltd
	EL 5688	Granted	100%	Western Areas Ltd
	EL 5880	Granted	75%	Strandline Resources Limited
	EL 5939	Granted	100%	Western Areas Ltd
	EL 6087	Granted	100%	Western Areas Ltd
<b>Mt Alexander JV</b>	E29/0638	Granted	25%	Blue Thunder Resources Pty Ltd (75%), Western Areas Ltd (25%)
<b>Mt Gibb JV</b>	E74/0603	Pending	90%	Western Areas Ltd
<b>Musgraves</b>	E69/3160	Pending	100%	Western Areas Ltd

# SHAREHOLDER INFORMATION

(AS AT 31 AUGUST 2018)

## Distribution of Shareholdings

i. Distribution schedule of holdings	Ordinary shares*
1 - 1,000	1,810
1,001 - 5,000	1,869
5,001 - 10,000	775
10,001 - 100,000	914
100,001 Over	99
Total number of holders	5,467
ii. Number of holders of less than a marketable parcel	491
iii. Number of overseas holders	163
iv. Percentage held by 20 largest holders	80.0%

\*All ordinary shares carry one vote per share without restriction

## Largest Security Holders

Names of the 20 largest holders of Ordinary Shares are listed below:

Name	No. of shares	%
HSBC Custody Nominees <Australia> Limited	82,597,654	30.20
J P Morgan Nominees Australia Limited	44,047,416	16.11
Citicorp Nominees Pty Limited	33,797,478	12.36
National Nominees Limited	22,779,700	8.33
BNP Paribas Nominees Pty Ltd <Agency Lending Drp A/C>	7,732,891	2.83
Northmead Holdings Pty Ltd	7,072,000	2.59
BNP Paribas Noms Pty Ltd <Drp>	5,101,432	1.87
AMP Life Limited	2,076,765	0.76
Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	1,819,536	0.67
Zero Nominees Pty Ltd	1,536,944	0.56
HSBC Custody Nominees <Australia> Limited-GSCO ECA	1,529,957	0.56
Merrill Lynch (Australia) Nominees Pty Limited	1,484,602	0.54
Sandhurst Trustees Ltd <Endeavor Asset Mgmt MDA A/C>	1,228,481	0.45
Warbont Nominees Pty Ltd <Unpaid Entrepot A/C>	1,192,762	0.44
Bell Potter Nominees Ltd <BB Nominees A/C>	1,160,595	0.42
UBS Nominees Pty Ltd	789,558	0.29
BNP Paribas Nominees Pty Ltd <IB AU Noms Retailclient DRP>	739,155	0.27
HSBC Custody Nominees <Australia> Limited - A/C 2	706,998	0.26
Bogdanis Nominees Pty Ltd <Bogdanis Nom Super Fund A/C>	700,000	0.26
Mr Alan Robert Greenwell + Mrs Margaret Eleanor Greenwell	692,500	0.25
<b>Total</b>	<b>218,786,424</b>	<b>80.00</b>

## Substantial Shareholders

Name	No. of shares	%
Paradise Investment Mgt	22,786,684	8.33%
<b>Total</b>	<b>22,786,684</b>	<b>8.33%</b>





**WESTERN AREAS LTD**



Registered Office  
Level 2, 2 Kings Park Road  
West Perth WA 6005

PO Box 1891  
West Perth WA 6872

Phone: +61 (0) 8 9334 7777  
Fax: +61 (0) 8 9486 7866

Email: [info@westernareas.com.au](mailto:info@westernareas.com.au)  
[westernareas.com.au](http://westernareas.com.au)