

**WESTERN AREAS LTD**



# **FY19 HALF YEAR RESULTS PRESENTATION**

FEBRUARY 2019

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# AGENDA



Corporate



Operations



Growth & Exploration



Nickel Market



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The information within this PowerPoint presentation was compiled by Western Areas management, but the information as it relates to exploration results, mineral resources or ore reserves was prepared by Mr Graeme Gribbin, Mr Andre Wulfse or Mr Marco Orunesu-Preiata respectively. Mr Gribbin, Mr Wulfse and Mr Orunesu-Preiata are full time employees of Western Areas Ltd. Mr Gribbin is a member of Australian Institute of Geoscientists (AIG). Mr Wulfse and Mr Orunesu-Preiata are members of Australian Institute of Mining and Metallurgy (AusIMM) and have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as Competent Persons as defined in the 2012 Edition of the ‘Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves’(2012 JORC Code). Mr Gribbin, Mr Wulfse and Mr Orunesu-Preiata consent to the inclusion in this presentation of the matters based on the information in the form and context in which it appears.

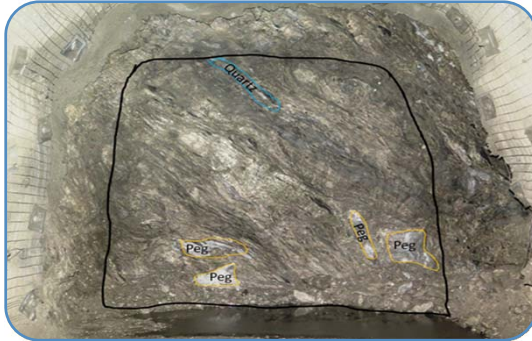
# CORPORATE



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# KEY TAKEAWAYS – 1H FY19



## Operations

- Consistent reliable production, 10.8kt Ni concentrate
- 10.4kt Ni concentrate sales
- FY19 production & unit cash cost guidance on track, unchanged
- One LTI – LTIFR at 3.2

## Financial

- Cash at bank A\$134.3m, no debt
- Positive cashflow from operations A\$43m
- Sales revenue A\$123.7m
- Realised Ni price A\$7.45/lb
- Cash costs A\$3.07/lb
- EBITDA of A\$30.6m, 25% margin
- NPAT of A\$0.2m

## Future Growth

- Odysseus DFS completed. Decision to mine. Odysseus is a long life, low AISC project
- A\$21.5m invested in Odysseus early works & feasibility
- MREP premium grade sulphide product sales into spot market
- A\$9.3m exploration

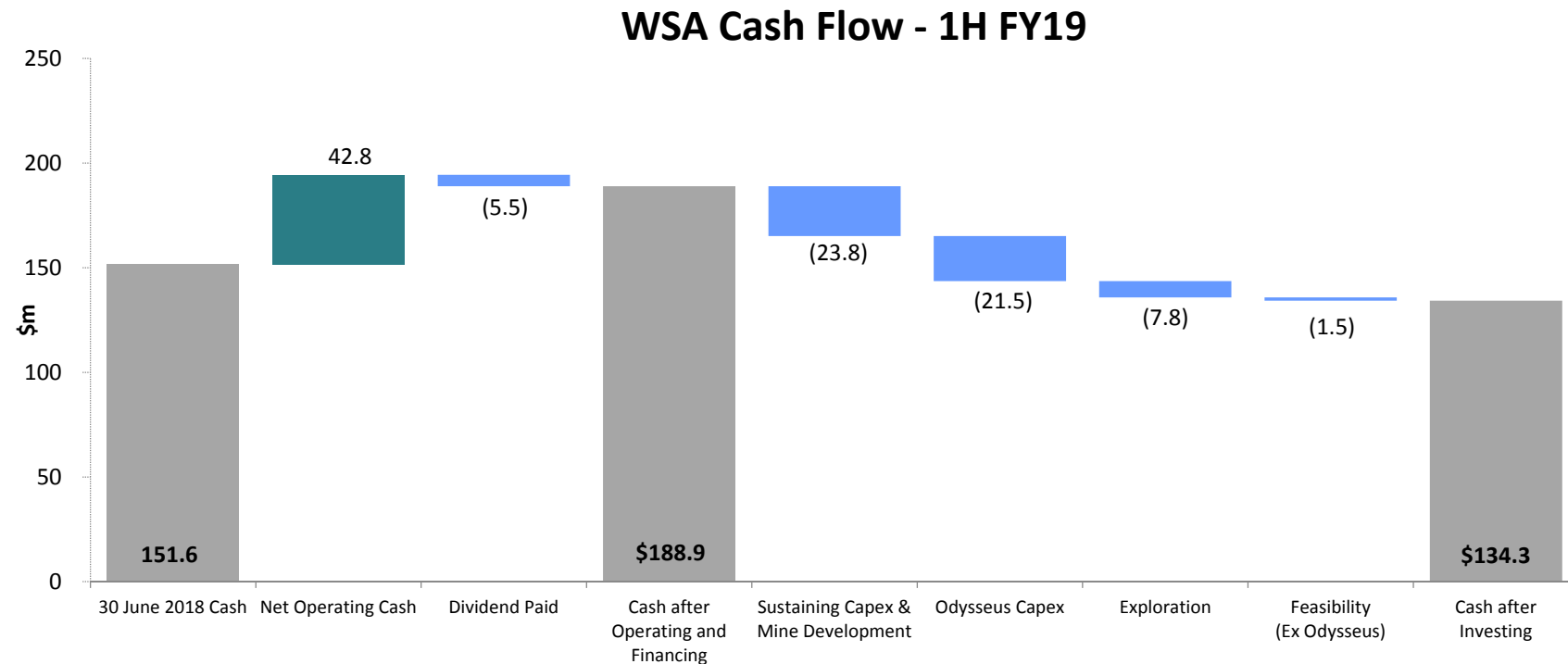
# FINANCIAL SNAPSHOT

1st Half Highlights	1H 2019	1H 2018	2H 2018
Mill Production (tonnes Ni)	10,794	10,865	10,195
Sales Volume (tonnes Ni)	10,404	10,614	9,935
Cash Costs (US\$/lb)	2.22	1.94	2.11
Cash Costs (A\$/lb)	3.07	2.49	2.74
Exchange Rate USD/ AUD	0.72	0.78	0.77
Nickel Price (U\$/lb)	5.40	5.31	6.38
Realised Price Before Payability (A\$/lb)	7.45	6.81	8.29
Revenue (\$'000)	123,657	115,812	132,456
EBITDA (\$'000)	30,592	36,384	47,585
EBIT (\$'000)	705	4,846	14,251
NPAT (\$'000)	150	3,506	8,331
Cashflow from Operations (\$'000)	42,994	31,628	45,338
Sustaining Capex ('\$'000)	23,829	28,680	20,132
Growth Expenditure ('\$'000)	29,310	4,990	5,982
Cash at Bank (\$'000)	134,262	132,552	151,643
Dividend (cents)	0.0	0.0	2.0

## Key Takeaways – 1H FY19 v 1H FY18

- Consistent and reliable production and sales volumes.
- Realised price (before payability) increased with nickel production deficit confirmed by drop in LME inventory
- EBITDA A\$30.6m and breakeven NPAT, planned higher costs partly offset by higher nickel price
- Odysseus growth expenditure accelerated to \$21.5m during the half. Initial water management and surface infrastructure works completed. Shaft head gear procured
- Sustaining capex at normal levels

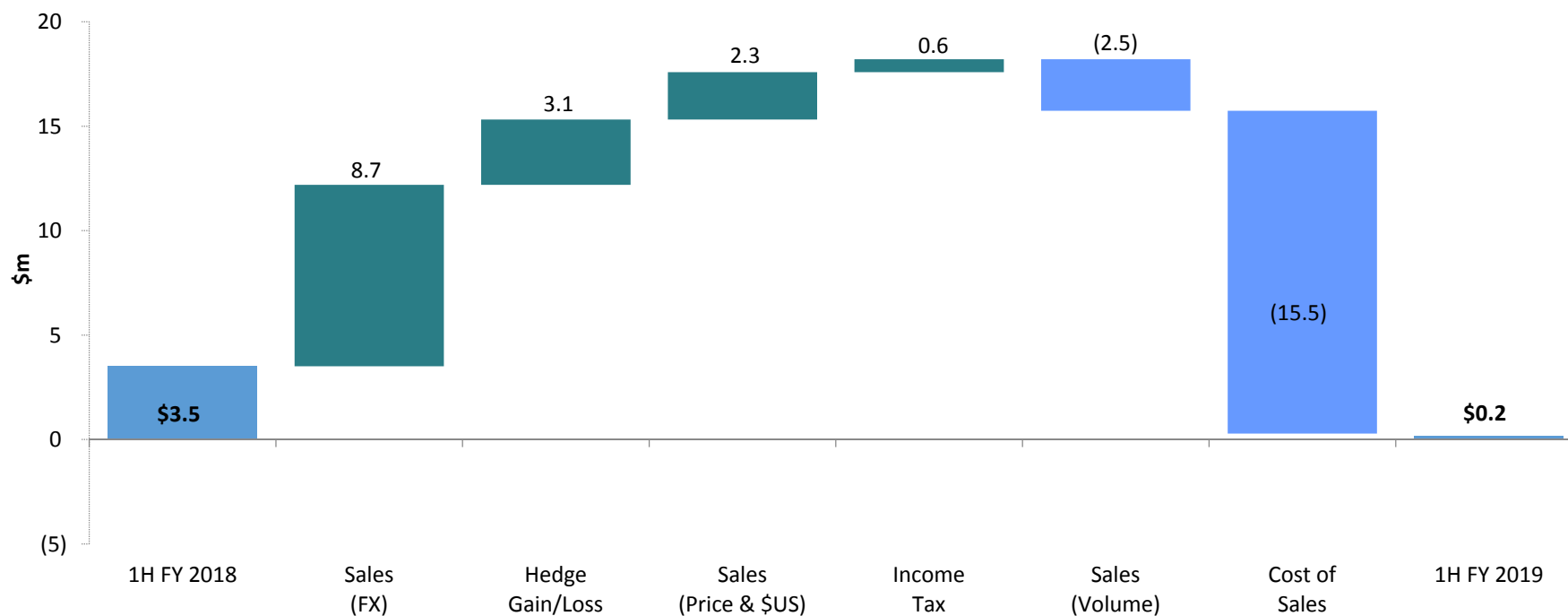
# CASHFLOW WATERFALL



- Operating cashflow remains robust
- Organic growth investments increased in line with plan. Odysseus decision to mine confirmed, early works surface component completed, dewatering pump installed and shaft haulage infrastructure secured
- Sustaining capital returned to normal run of mine levels at Spotted Quoll. Flying Fox reducing in line with the mine plan

# NPAT WATERFALL

## WSA NPAT - 1H FY 2018 vs 1H FY 2019



- Higher net sales revenue driven by favourable FX rates and higher nickel price
- Unit costs in line with guidance largely reflecting higher contractor, rise & fall and labour costs across the mining sector.
- Cost of sales comparative period includes low cost free carry low grade ore sorter material



# FY19 GUIDANCE

Target	Updated FY19 Guidance	Comment
Nickel tonnes in Concentrate Production	20,500 to 22,000	Unchanged
Unit Cash Cost of Production (Nickel in Concentrate)	A\$2.80/lb to A\$3.20/lb	Unchanged
Sustaining and Mine Development Capital Expenditure	A\$32.0m to A\$36.0m	Unchanged
Expansion Projects & Feasibility	A\$23.0m to A\$25.0m	A\$5m overhead reallocation
Odysseus Early Works	A\$24.0m to A\$28.0m	Unchanged
Exploration	A\$12.0m to A\$15.0m	Unchanged

- 1H FY19 delivered all metrics within the updated guidance range released during October 2018
- Increased expansion project capital expenditure due to capitalisation of Cosmos mine site care and maintenance costs, rather than remaining an operating cost, following the Odysseus decision to mine

# OPERATIONS



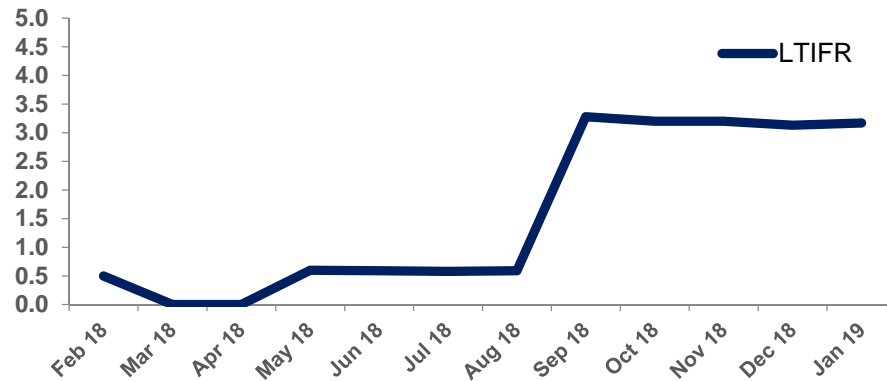
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# WESTERN AREAS ARE SAFE AREAS



	Days LTI free	
Spotted Quoll	<b>2,851</b>	Aug-11
Cosmos	<b>1,218</b>	Oct-15 (no injuries)
Flying Fox	<b>690</b>	May-17
Cosmic Boy Concentrator	<b>146</b>	May-18
Exploration	<b>132</b>	Sep-18

12 month LTIFR moving average



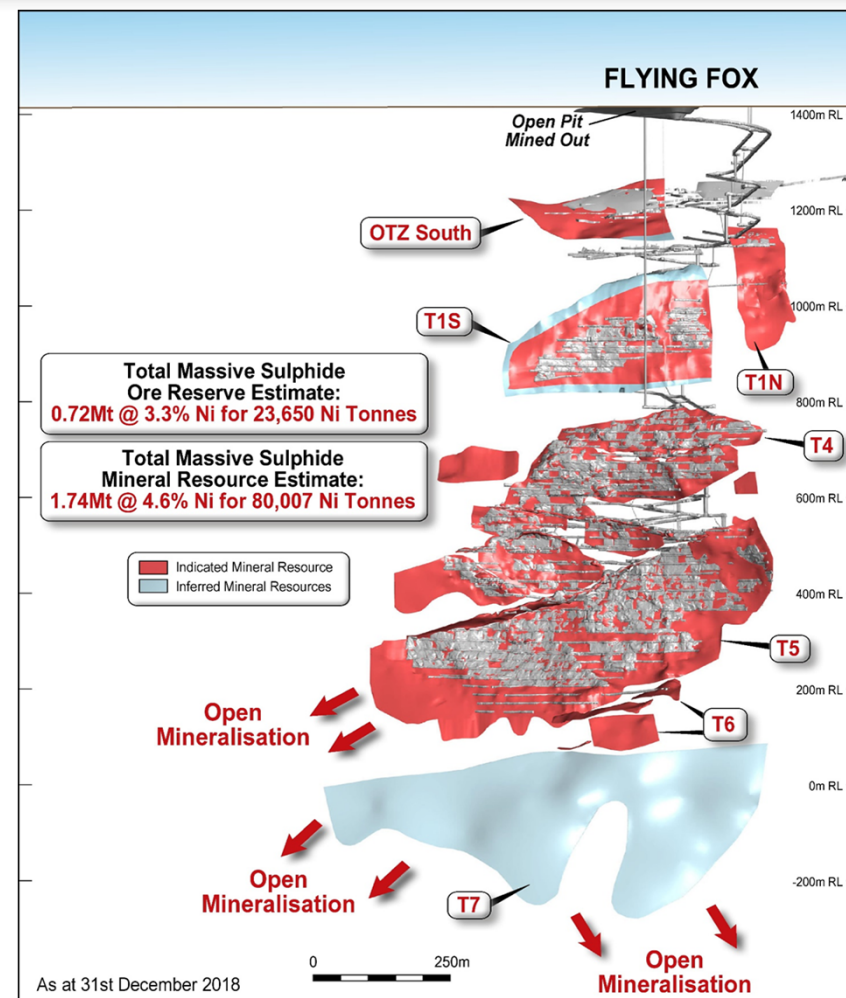
Safe operations make efficient operations

# FLYING FOX MINE

Reserve Contained nickel	0.72Mt @ 3.3% 23,650 Ni tonnes
Resource Contained nickel	1.74Mt @ 4.6% 80,007 Ni tonnes
Mine life (on reserves)	3 years

## Key points

- FY18 production – 10k Ni tonnes
- Has been operating for over 12 years
- Significant low grade disseminated resource –  
Heap leach evaluation underway



WSA foundation asset within Forrestania

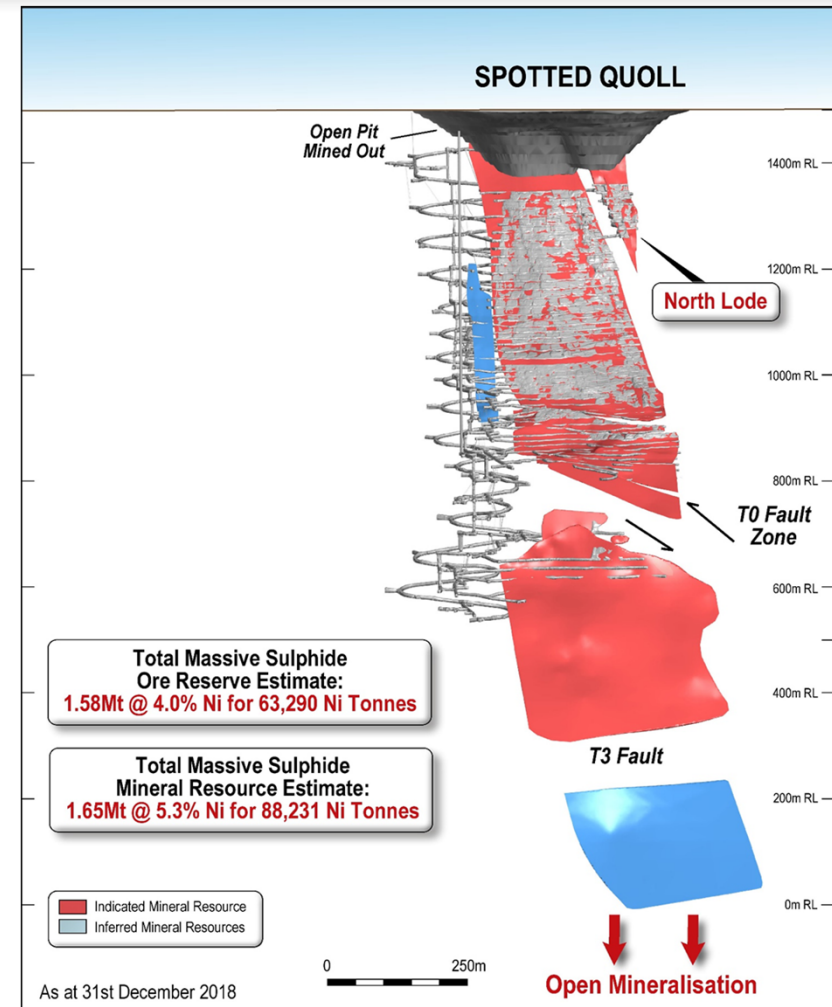


# SPOTTED QUOLL MINE

Reserve Contained nickel	1.58Mt @ 4.0% 63,290 Ni tonnes
Resource Contained nickel	1.65Mt @ 5.3% 88,231 Ni tonnes
Mine life	7 years

## Key points

- Has never recorded an LTI
- FY18 annual production – 14.4k Ni tonnes
- Production has outperformed reserve tonnes and grade consistently
- Top down mining with paste fill
- Resource extension drilling commenced – first drill hole since 2009



WSA Explored, Discovered and Developed



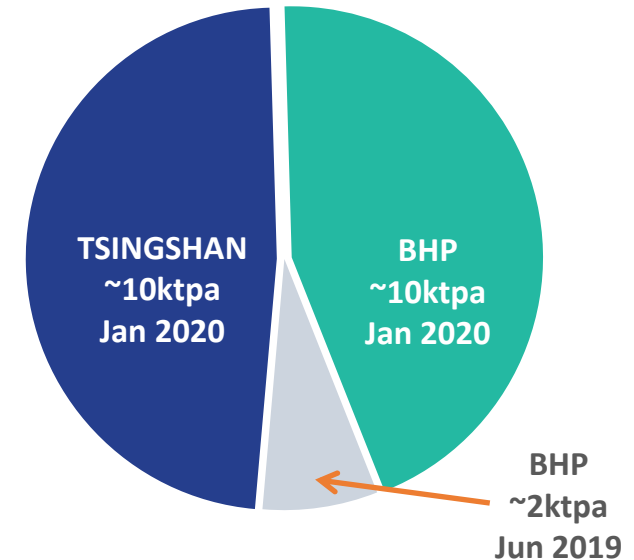
# COSMIC BOY NICKEL CONCENTRATOR

## Concentrator Summary

- Mill processed an annual record of 616,598 tonnes of ore in FY18, for 21,060 nickel tonnes
- 12% above name plate capacity of 550,000 tpa
- Concentrate grades of between 15.0% to 16.0% Ni
  - Premium blending product (Fe/Mg ratio >15:1)
  - Desirable to smelters and roasters

## Export Infrastructure and Logistics

- Export concentrate transported to Esperance Port in containers and shipped through to China
- BHP Nickel West concentrate delivered to Kambalda by road



### *Offtake agreements under 1 year to expiry*

#### Our Partners:

- BHP: 55%
  - Tsingshan: 45%
- ✓ China's largest stainless steel producer
  - ✓ Consumes ~25% of China's nickel demand
  - ✓ Utilises roasting technology

# GROWTH & EXPLORATION OUTLOOK



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# ODYSSEUS – EARLY WORKS PROGRESSING WELL

## *Early Works Activities*

- Decline rehabilitation commenced
- Water Management Ponds all constructed and operational
- De-watering of open pit on schedule
- Schlumberger pump for underground dewatering operational
- Camp commissioned with over 150 rooms available (out of 520), gym, wifi and all amenities

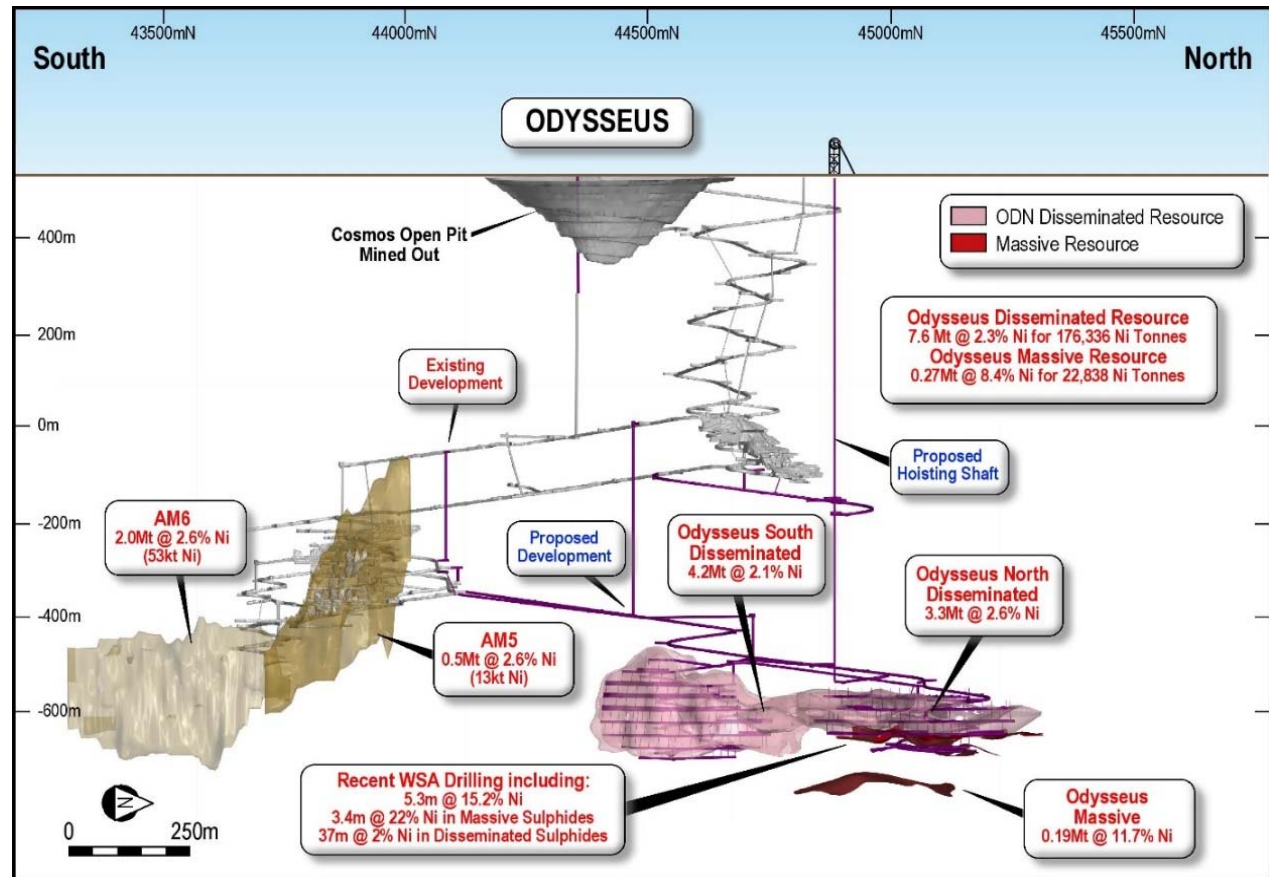




# ODYSSEUS – NOW A LARGER PROJECT

## Western Areas Second Operational Hub

- Large, long life, low cost
  - ✓ Ore Reserve 8.1mt @ 2.0% for 164kt nickel
  - ✓ Mine life > 10 years
  - ✓ AISC A\$3.50/lb
- Once ramped up, average nickel in concentrate production >13.0ktpa (14.6ktpa from FY24-FY31)
- DFS released 22 October 2018
- Pre-production capex A\$299m includes:
  - ✓ Shaft hoisting
  - ✓ Larger mill (900ktpa immediately)
- Significant upside:
  - ✓ AM5 & AM6 deposits contain an Indicated Mineral Resource of 57.6kt of nickel (not included in DFS)
  - ✓ Record massive sulphide intersections
  - ✓ Regional drilling success at Neptune



# MILL RECOVERY ENHANCEMENT PROJECT (MREP) NOW COMMISSIONED

*Produces additional new higher-grade product (45%-50% Ni)*

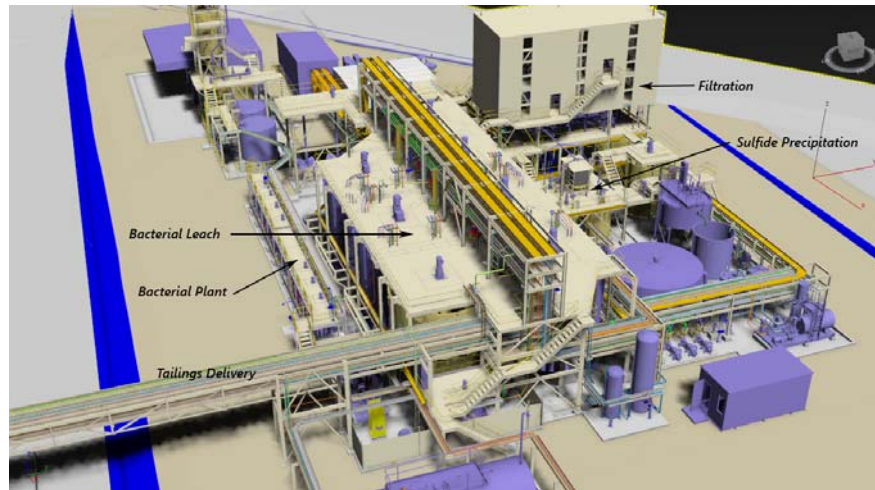
*Generating value from waste tailings*

*New customers - EV battery market*

- Construction completed on time and on budget
- Product specification achieved. Now ramping up volume to nameplate capacity (1,400t nickel pa max)
- Filtration and bagging facilities to sell a new high grade nickel sulphide product complete
- Premium payables versus concentrate
- Back-end of plant capable of up to 4,000t of nickel pa – Mill Scats, New Morning, Flying Fox to provide future feed options

## Front End – BioHeap Leach

- 1400 tpa capacity
- Tailings stream from Cosmic Boy - applies BioHeap Leach, then passes to precipitation

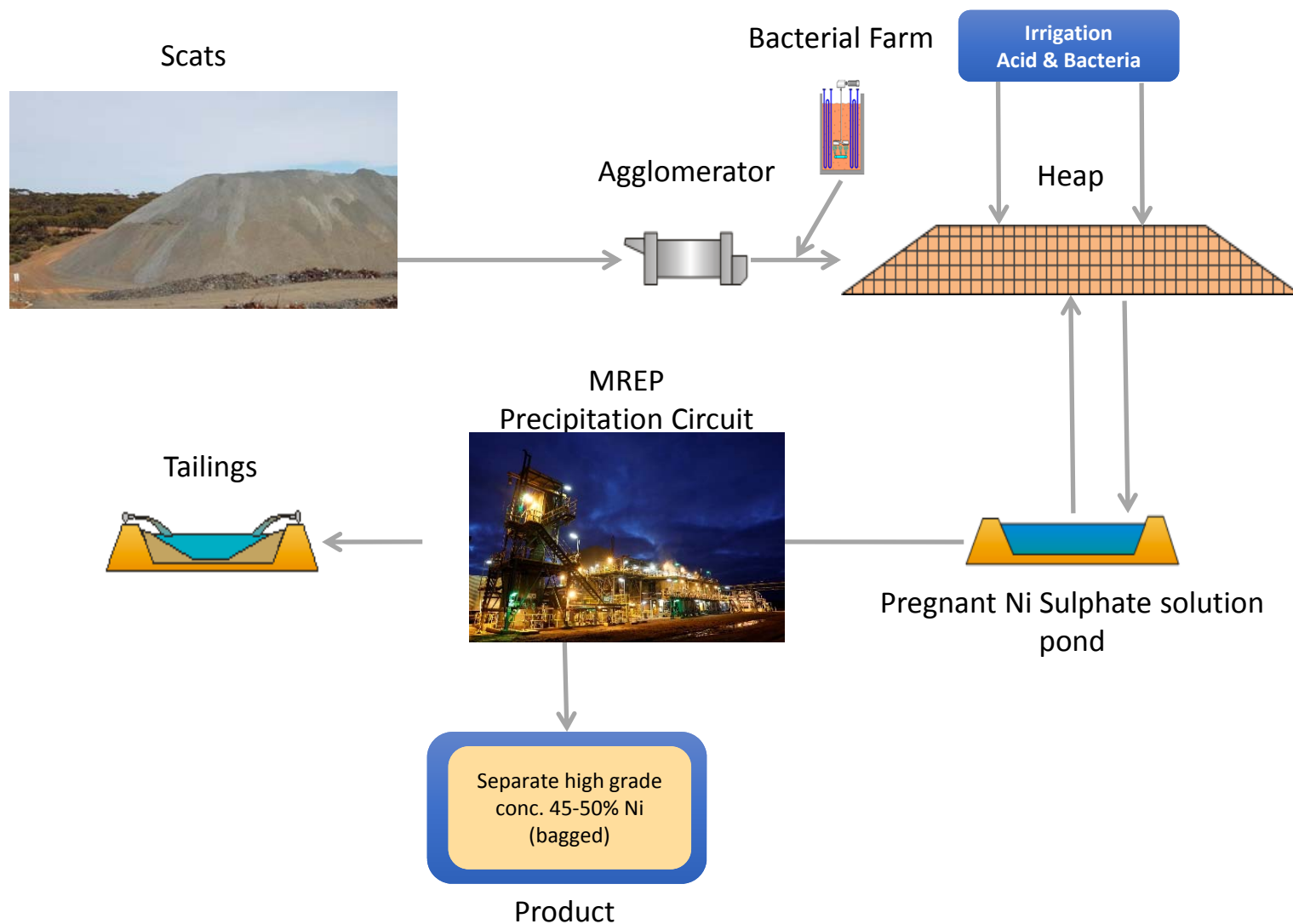


## Back End – Precipitation

- 4000 tpa capacity
- 1400 tpa - leached material from BioHeap front end
- 2600tpa - other sources of nickel in solution eg. heap leach elsewhere in Forrestania, or scats treatment

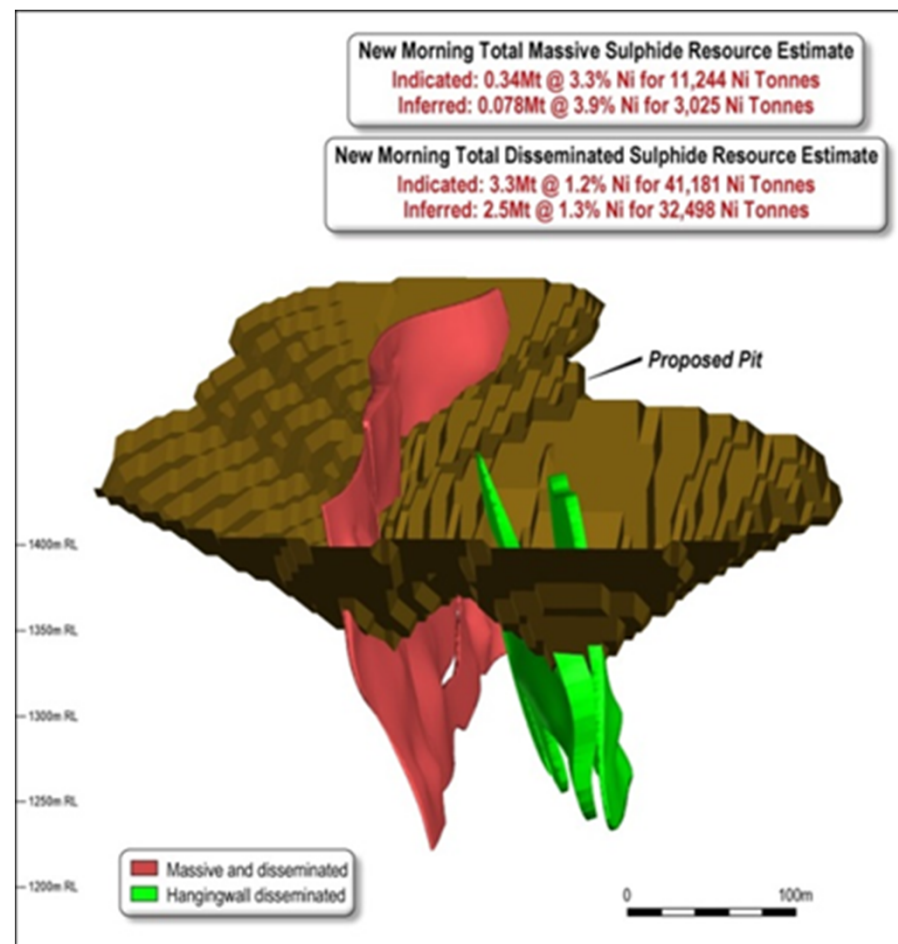


# CONCEPTUAL FLOWSHEET – NICKEL SCATS



# NEW MORNING / DAYBREAK

- Massive sulphide resource of 418kt @ 3.6% for 14,269 nickel tonnes
- Low grade resource (at 0.5% Ni COG) of 5.8m tonnes @ 1.3% for 73,679 nickel tonnes
- Located 2.5km from Flying Fox and 2.8km from Spotted Quoll
- Open Pit Scoping Study commenced
- BioHeap® testwork ongoing to evaluate heap leach criteria



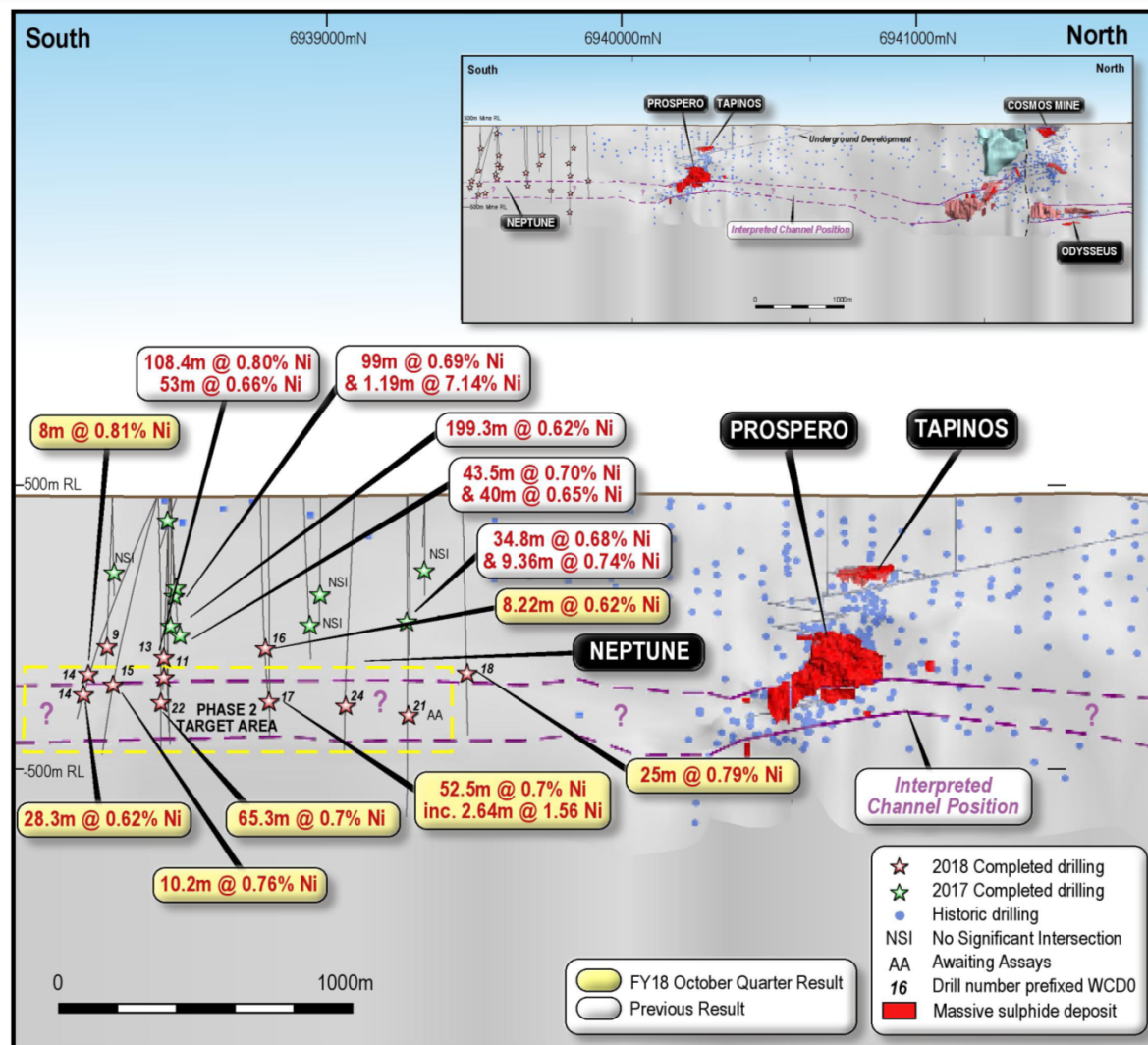
# COSMOS EXPLORATION

## Drilling Results - Neptune

- Phase 2 drilling campaign at Neptune well advanced with mineralisation confirmed over 1km along strike including
  - ✓ 108m @ 0.8% Ni, incl 0.3m @ 4.64% Ni
  - ✓ 16.5m @ 0.72% Ni; and
  - ✓ 0.55m @ 6.83% Ni

## Drilling Results - Odysseus

- Very high grade drill results at Odysseus North, extension to project resource
- Significant exploration upside:**
  - ✓ Recent massive sulphide drilling success beneath Odysseus
  - ✓ 3.4m @ 22% Ni



# WESTERN GAWLER PROJECT

## Prospective Greenfields Exploration Asset

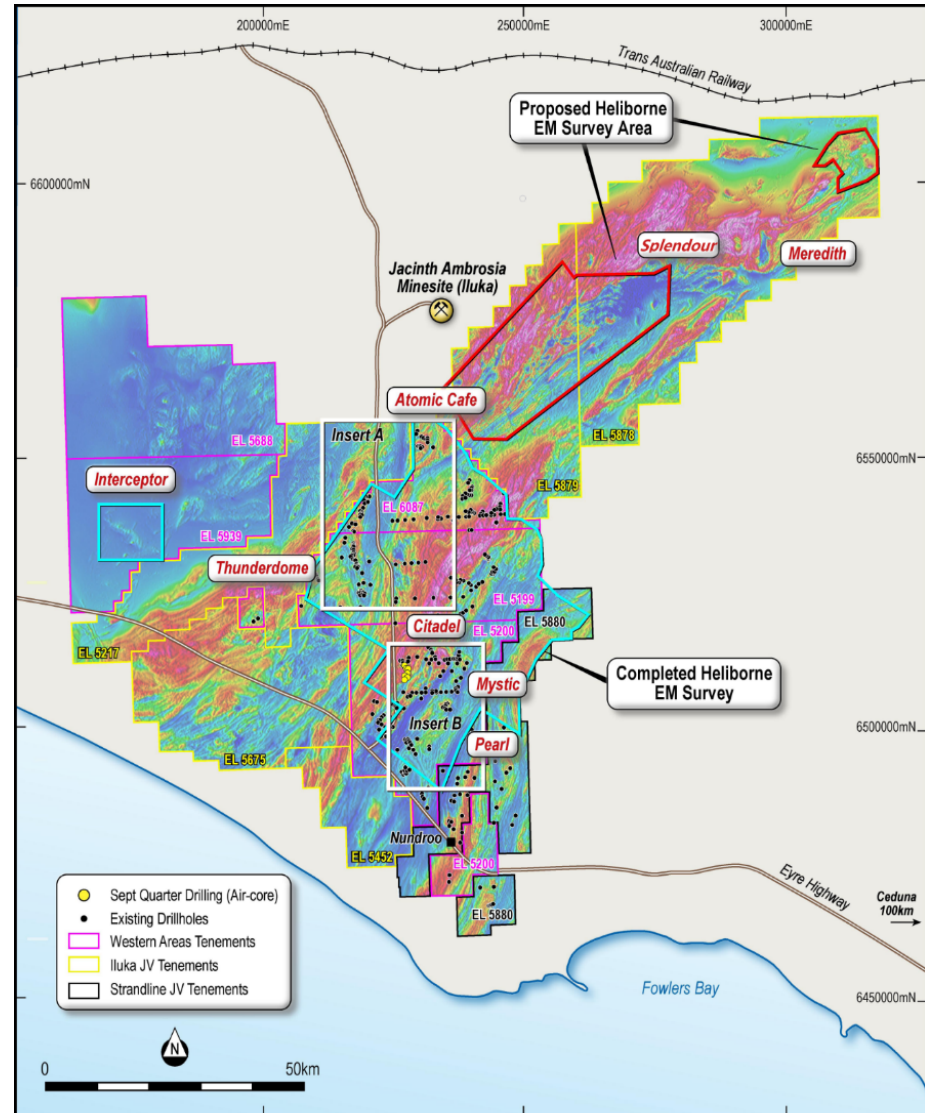
- 4,450km<sup>2</sup> WSA tenement holding
- Ramp-up of exploration activities across FY18
  - 217 drill holes.
  - 149 line kilometers of Moving Loop EM ground surveys
- Regional scale SkyTEM airborne EM survey completed in early FY19
- Identification of Thunderdome as emerging prospective corridor hosting numerous mafic intrusions

## Strategic agreement with Iluka

- Five lease covering an additional 5,070km<sup>2</sup>
- Two stage Farm-in earning up to 75% base and precious metals rights
- Effectively representing close to 100% of the highly prospective Fowler Domain

## Ramp-up of Exploration Activity

- Elevated funding support in FY19
- Integrated series of belt scale exploration campaigns planned
- Strong pipeline of targets identified





# NICKEL MARKET



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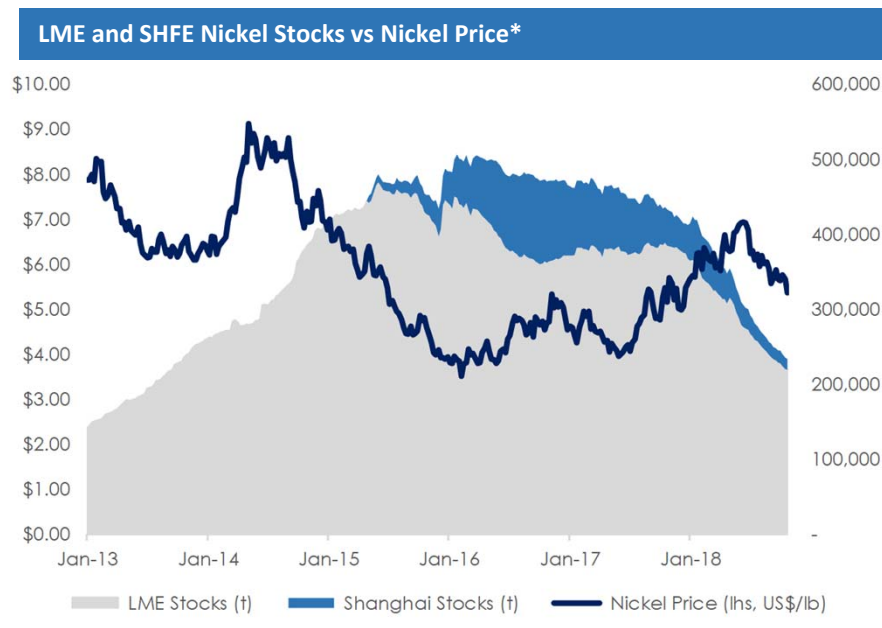
# WHAT WE ARE SEEING

- **Significant increase in inbound off-take enquiries** for Nickel Sulphide concentrate post current contract period, primarily linked to the Electric Vehicle battery sector.
- **Our partner, China's largest stainless steel producer, Tsingshan**, has strong growth plan which will require significant additional nickel units – **reinforcing industry wide trend.**
- **Technology change to NCM 811** which requires even more nickel
- **Current nickel price too low** to incentivise new project development. New mine development can take 3 years – the nickel “pie” is not expanding.
- **May see divergent market in nickel supply** emerging between stainless steel and EV
- **LME and other stockpiles shrinking** on the back of current stainless demand



Estimated electrification impact per vehicle (avg NMC battery)

40-50kg <b>Ni</b>	50-75kg <b>Cu</b>
5-15kg <b>Co</b>	+ Cu for charging point + Cu for grid access



\* GMR Research 2018

# APPENDIX



# INCOME STATEMENT

Earnings Data (\$'000)	1H FY 2019	1H FY 2018
Exchange Rate USD/ AUD	0.72	0.78
Nickel Price (U\$/lb avg)	5.40	5.31
Realised Nickel Price (A\$/lb)	7.45	6.81
Revenue	123,657	115,812
<b>EBITDA</b>	<b>30,592</b>	<b>36,384</b>
<i>EBITDA Margin (%)</i>	<i>24.7%</i>	<i>31.4%</i>
Depreciation & Amortisation	(29,887)	(31,538)
<b>EBIT</b>	<b>705</b>	<b>4,846</b>
Finance, Interest & Other	(791)	(961)
Tax	236	(379)
<b>NPAT</b>	<b>150</b>	<b>3,506</b>
Dividend (cents)	<b>0.0</b>	0.0

## Key Takeaways – 1HFY19 v 1HFY18

- Sales revenue A\$7.8m higher due to higher nickel price, despite slightly lower sales volume (-210 nickel tonnes).
- EBITDA A\$30.6m and EBITDA margin 24.7% resulting from the improved nickel price, offset by increased mining costs as planned and guided
- Comparative period included free carry low grade material, following successful ore sorter project.
- Lower D&A costs resulting from out of reserve Spotted Quoll nickel tonnes diluting amortisation charges
- Nickel price has commenced 2HFY19 in a positive trend

# CASHFLOW STATEMENT

Cashflow Statement (\$'000)	1H FY 2019	1H FY 2018
Operating Cashflow	42,994	31,628
<i>Less:</i>		
Exploration	(7,807)	(3,814)
Feasibility	(3,044)	
Cosmos Early Works / Feasibility	(20,003)	(1,176)
Mine Development	(14,495)	(15,172)
Capital Expenditure	(9,334)	(13,508)
Proceeds from sale of assets	-	4
<b>Pre-Financing Cashflow</b>	<b>(11,689)</b>	<b>(2,038)</b>
Financing Costs	(172)	(149)
Dividends Paid	(5,470)	(5,455)
Borrowing cost & Stamp Duties	(50)	(100)
<b>Net Cashflow</b>	<b>(17,381)</b>	<b>(7,742)</b>
<b>Cash at Bank</b>	<b>134,262</b>	<b>132,552</b>

## Key Takeaways – 1HFY19 v 1HFY18

- Robust operating cashflow result, higher nickel price resulting in higher cash receipts from nickel sales.
- Pre-financing cashflow -A\$11.7m due to active investments into growth projects:
  1. *Odysseus* early works package;
  2. Schlumberger high volume pump installed;
  3. Shaft haulage Infrastructure purchased, and
  4. Significant increase in exploration expenditure spend across the portfolio.
- FY18 final dividend payment (A\$5.5m) paid to shareholders during the half

# BALANCE SHEET

Balance Sheet (A\$'000)	1H FY 2019	FY 2018
Cash at Bank	134,262	151,643
Receivables	16,618	22,209
Stockpiles & Inventory	30,432	34,805
PP&E	113,162	89,003
Exploration & Evaluation	104,022	97,784
Mine Development	134,909	142,673
Kidman Investment	18,997	32,418
Other	1,009	1,395
<b>TOTAL ASSETS</b>	<b>553,411</b>	<b>571,930</b>
Trade & Other Payables	40,298	41,396
Derivatives & Other Current Provisions	4,304	6,106
Short Term Borrowings	278	267
Rehabilitation & Other Long Term Provisions	25,641	24,853
Deferred Tax Liability	9,950	10,496
<b>TOTAL LIABILITIES</b>	<b>80,471</b>	<b>83,118</b>
<b>SHAREHOLDERS EQUITY</b>	<b>472,940</b>	<b>488,812</b>

## Key Takeaways – 1HFY19 v 1HFY18

- Strong cash position maintained with increased nickel price, offset by higher capex and costs reporting in line with guidance
- Trade & Other Payables increased in line with capital projects and enlarged scope of operations
- PP&E increase due to construction and commissioning of the Cosmos operation early works package, shaft haulage infrastructure and return airway fans at Spotted Quoll
- Mine Development asset value falling inline with amortisation charges offset by normal sustaining capital for the Forrestania mines
- Kidman equity valued at A\$19.0m at 31 December 2018 (current value A\$23.5)



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