

# NEWS RELEASE

25 August 2020

ASX: WSA

WESTERN AREAS LTD



## WESTERN AREAS FULL YEAR FINANCIAL RESULT & FY21 GUIDANCE

Western Areas Ltd (ASX: WSA, “Western Areas” or the “Company”) is pleased to announce the Company’s financial results for the year ended 30 June 2020 (“FY20”) and key operational guidance metrics for the year ending 30 June 2021 (“FY21”):

### Key Metrics & Activities for FY20

- ✓ Increase in sales revenue to A\$308.4m (A\$268.7m)
- ✓ Average realised price of nickel (before payability) of A\$9.42/lb (A\$7.84/lb)
- ✓ Improved EBITDA A\$121.9m (A\$80.8m) and EBITDA margin of 39% (30%)
- ✓ Net Profit After Tax of A\$31.9m (A\$14.2m) – highest in seven years
- ✓ Strong balance sheet with cash at bank of A\$144.8m and no debt
- ✓ Nickel produced in concentrate 20.9kt (21.7kt), Nickel in concentrate sales 19.9kt (21.5kt)
- ✓ Fully franked final dividend of 1.0c per share (2.0c per share), in addition to earlier 1.0c interim dividend (nil)
- ✓ New offtake agreements completed; favourable contractual outcomes achieved
- ✓ Odysseus Project advancing well, new underground development activities commencing
- ✓ Strategic 19.9% investment in Panoramic Resources Ltd completed

(Comparisons in brackets refer to the corresponding period FY19)

A strong financial result has been achieved in FY20 with higher revenues underpinning healthy increases in earnings for the Company. The stronger nickel price and reliable performance from the Forrestania operations has delivered a 51% increase in EBITDA and 123% increase in NPAT. The Forrestania operations continued to operate in line with expectations producing 20.9kt of nickel in concentrate and materially delivering into guidance metrics for the financial year. This was achieved while also operating under COVID-19 regulations, which required the adoption of a number of new protocols and procedures during the second half of the financial year.

*Western Areas Managing Director, Dan Lougher, said he was immensely proud of both the operations and construction teams who delivered an excellent operational and financial performance during FY20.*

*“Thanks to the very strong financial performance we have delivered in FY20, the balance sheet is in great shape to continue to fund development of our growth projects, enable advancement of our exciting exploration opportunities and pay a dividend to shareholders. Western Areas is now set for long term nickel exposure, in what is expected to be a growing market for some years to come thanks to EV linked battery demand. The long-life Odysseus project makes Western Areas one of the few companies that can demonstrate a clear mining reserve that extends into the 2030’s and beyond,” Mr Lougher said.*

*“The year was impacted by events out of our team’s control, such as bushfires through December, followed by the fast moving and unpredictable disruptions caused by COVID-19. The resilience displayed by the various teams has been superb and my personal thanks goes out to all the staff. Despite the various disruptions, the Company continues to deliver on its production and cost expectations,” Mr Lougher said.*

FY20 was very busy on many fronts at Western Areas, with significant progress in advancing the Company’s growth focused agenda and strategies, including establishment of new offtake agreements, development of the Odysseus project at Cosmos, completion of a 19.9% investment in Panoramic Resources Ltd (Panoramic) and early stage promise shown at the Western Gawler exploration program in South Australia. Pleasingly, the Company continued to operate safely and efficiently through the COVID-19 challenges.



Western Areas continues to maintain a strong balance sheet with closing cash at bank of A\$144.8m and zero debt. Significant operating cashflow of A\$120.4m was assisted by an increase in the year on year nickel price and delivering into the midpoint of cost guidance for nickel produced in concentrate. Capital invested into the new long-life Odysseus project accelerated with A\$57.8m invested into mostly mine development activity during FY20. Sustaining capital at Forresteria totalled A\$41.6m and exploration expenditure was A\$15.5m. A further A\$28.6m was invested into Panoramic. The Company remains well positioned to continue investing in growth and fund the Odysseus mine development during FY21.

The Board has declared a fully franked 1 cent per share dividend in conjunction with the FY20 full year results, increasing the total dividend payout for the year to 2 cents per share, matching the FY19 total payout. The dividend is in recognition of the strong operating and earnings metrics for FY20, while also ensuring the Company continues to reinvest into future growth and long-term nickel production.

Full Year Highlights	FY 2020	FY 2019	Change
Mine Production (tonnes Ni)	23,391	23,208	183
Mill Production (tonnes Ni)	20,926	21,675	(749)
Recovery (%)	89%	88%	1%
Sales Volume (tonnes Ni)	19,857	21,483	(1,626)
Cash Costs (US\$/lb)	2.10	2.13	(0.03)
Cash Costs (A\$/lb)	3.13	2.98	0.15
Exchange Rate USD/ AUD	0.67	0.72	(0.04)
Nickel Price (US\$/lb)	6.33	5.59	0.74
Realised Price Before Payability (A\$/lb)	9.42	7.84	1.58
Revenue (\$'000)	308,352	268,716	39,636
EBITDA (\$'000)	121,864	80,751	41,113
EBIT (\$'000)	46,233	20,579	25,654
NPAT (\$'000)	31,868	14,194	17,674
Cashflow from Operations (\$'000)	120,364	98,297	22,067
Growth & Sustaining Capex (\$'000)	114,820	97,033	17,787
Net Listed Investments Cashflow (\$'000)	4,412	(536)	
Cash at Bank (\$'000)	144,792	144,261	531
Total Dividends (cents)	2.0	2.0	-

Construction activities at the long-life Odysseus project accelerated during FY20 with permanent underground dewatering pump stations being commissioned, creating a step change in dewatering rates from the underground workings. This enabled the majority of the required underground rehabilitation to be completed. With the underground rehabilitation phase now essentially complete, the focus of the project moves to new underground decline development toward the Odysseus ore bodies.

Considerable surface civil works have commenced for the construction of the ore haulage shaft headframe and winder installation. In South Africa (RSA) the shaft headframe was deconstructed and transported to workshops for refurbishment which is nearing completion prior to the equipment being shipped to Australia later this calendar year. Notwithstanding COVID-19 related shutdowns that have delayed shaft headframe works in RSA, mine development and raisebore activities in Australia are the time critical development path items, continued on schedule, enabling the overall project to remain on track for first concentrate production late in calendar year 2022.



In January 2020, the Company announced that, following a highly competitive tender process, it had awarded two new offtake contracts to BHP Billiton Nickel West Pty Ltd (“Nickel West”) and Jinchuan Co. Ltd (“Jinchuan”) for the Company’s high grade Forrestania concentrate products. The Company was very pleased with the new, more favourable, commercial terms contained in the contracts. Importantly, as well as being large long-standing operators in the stainless-steel linked smelting and refining value chains, both offtake partners have demonstrated clear paths toward increasing involvement in the manufacture of nickel sulphate for the Electric Vehicle (EV) battery market. The Nickel West contract has a three-year duration and the Jinchuan contract is for a minimum two years, with the option of a one-year extension, should Western Areas and Jinchuan mutually agree.

Consistent with the Company’s strategy of investing in base metal projects at attractive entry points in the cycle, the Company acquired 19.9% of Panoramic via a A\$28.6m investment into Panoramic’s recently completed capital raising. The investment enhances Western Areas’ portfolio of quality nickel projects via exposure to the Savannah North mine in the east Kimberley region of Western Australia, which has a significant nickel sulphide resource that includes valuable copper and cobalt by-products.

Western Areas remains positive on the outlook for nickel and its strong fundamental demand drivers over the medium and long-term remain supportive. While acknowledging that broader global markets have been significantly impacted by COVID-19 and volatile trading will continue for the near term, the Company is confident stainless-steel demand will continue to grow and the new EV battery market will continue to drive additional demand as it moves toward higher nickel content batteries.

### FY21 Guidance

Category	FY21 Guidance
Nickel tonnes in Concentrate Production	19,000 to 21,000
Unit Cash Cost of Production (Nickel in Concentrate)	A\$3.25/lb to A\$3.75/lb
Mine Development	A\$25m to A\$30m
Capital & Growth	A\$7m to A\$10m
Cosmos & Odysseus Development	A\$90m to A\$110m
Exploration	A\$14m to A\$17m

### Commentary on FY21 Guidance is provided as follows:

- COVID-19** – The Company notes that the COVID-19 situation remains dynamic and unpredictable as such guidance ranges have been expanded for FY21 to allow for some uncertainty in this regard. Should the Company foresee any material impacts, it will update the market immediately.
- Nickel in Concentrate** – FY21 production guidance reflects a blended production of traditional flotation and MREP high grade nickel sulphide precipitate. Spotted Quoll provides approximately 60% of ore feed, with Flying Fox providing the balance. The Flying Fox production includes the introduction of some lower grade areas of the mine into the plan. As such overall head grade is expected to be lower year on year. MREP is forecast to contribute between 500 to 700 nickel tonnes of the total guidance.
- Unit Cash Costs** – Unit cash costs will continue to vary quarter on quarter, dependent on the relative proportions of nickel coming from ore development and stope operations. Cost increases for rise and fall adjustments have been included to reflect expected cost trends in the resource industry. Mined ore head grade is expected to trend in line with published Reserve grades across the two mines. Cost guidance reflects Spotted Quoll ore being predominantly mined from the deeper, stage two levels of the mine, which incurs an increased haulage cost to surface.
- Sustaining Mine Development** – Sustaining mine development expenditure at Forrestania will predominantly be completed in the first half of FY21. Flying Fox capital is focused on the final development areas at the mine. Spotted Quoll will complete its decline development into the lower areas of the mine in the first half of FY21. From FY22, sustaining capital expenditure at Forrestania is expected to fall significantly.



- **Capital and Growth Expenditure** – This includes feasibility studies across the group. Capital expenditure includes refurbishment and improvement modifications at the Cosmic Boy Concentrator and implementation of the scat heap leach trial at Forrestania.
- **Odysseus Development Expenditure** – Capital expenditure at Cosmos primarily relates to underground mine develop toward the Odysseus orebodies, shaft raisebore drilling, shaft headframe infrastructure civil works and winder house installation (shaft and winder expenditure was originally budgeted in FY20).

First concentrate production remains on track for late in calendar year 2022. The updated preproduction development expenditure profile is FY21 – A\$90m, FY22 – A\$120m, FY23 – A\$42m. This reflects the inclusion of:

- the actual mining contract rates, in place of the DFS assumptions from 2018;
  - the finalised shaft haulage infrastructure engineering design and constructions costs, now incorporating the use of Australian based re-erection construction crews and engineers, due to COVID 19 travel restrictions; and
  - FY23 expenditure has now been disaggregated, originally it was grouped with FY22.
- **Cosmos Other Capital Expenditure** – Other capital expenditure at Cosmos primarily relates to the capitalisation of site administration and support costs (camp and infrastructure maintenance, environmental, health & safety, etc), that were originally included as an operating care and maintenance cost. In line with accounting standards these will now be capitalised as part of the mine development. FY21 – A\$10m, FY22 – A\$10m, FY23 – A\$5m.
  - **Exploration** – The Company expects investment in exploration for FY21 to remain in line with FY20. Western Gawler will see increased activity during the coming year to following up on promising early results from FY20. The Cosmos and Forrestania areas will remain comparable to prior years.

## Results Presentation

A **Results Presentation** has been released today and will be followed by a **conference call at 9.30am AEDT**, details of which were announced on 17 August 2020.

**-ENDS-**

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### **FORWARD LOOKING STATEMENT:**

This release contains certain forward-looking statements including nickel production targets and cost guidance. Often, but not always, forward looking statements can generally be identified by the use of forward looking words such as “may”, “will”, “expect”, “intend”, “plan”, “estimate”, “anticipate”, “continue”, and “guidance”, or other similar words and may include, without limitation, statements regarding plans, strategies and objectives of management, anticipated production and expected costs.

Examples of forward looking statements used in this report include: “Western Areas is now set for long term nickel exposure, in what is expected to be a growing market for some years to come thanks to EV linked battery demand”, and, “The Odysseus overall project to remain on track for first concentrate production late in calendar year 2022”, and “the Company is confident stainless-steel demand will continue to grow and the new EV battery market will continue to drive additional demand as it moves toward higher nickel content batteries”.



These forward-looking statements are subject to a variety of risks and uncertainties beyond the Company's ability to control or predict which could cause actual events or results to differ materially from those anticipated in such forward-looking statements. Western Areas Ltd undertakes no obligation to revise these forward-looking statements to reflect subsequent events or circumstances.

This announcement does not include reference to all available information on the Company and should not be used in isolation as a basis to invest in Western Areas. Any potential investors should refer to Western Area's other public releases and statutory reports and consult their professional advisers before considering investing in the Company.