WESTERN AREAS LTD

# Western Areas Ltd

## Annual General Meeting Presentation

## 21 November 2013

**"Think Nickel, think Western Areas"**

# Disclaimer and Forward Looking Statements

WESTERN AREAS LTD

This presentation is being furnished to you solely for your information and for your use and may not be copied, reproduced or redistributed to any other person in any manner. You agree to keep the contents of this presentation and these materials confidential. The information contained in this presentation does not constitute or form any part of any prospectus, offer or invitation to purchase any securities and neither the issue of the information nor anything contained herein shall form the basis of, or be relied upon in connection with, any contract or commitment on the part of any person to proceed with any transaction.

The information in this presentation does not constitute financial product advice (nor investment, tax, accounting or legal advice) and does not take into account your individual investment objectives, including the merits and risks involved in an investment in shares in the Company, or your financial situation, taxation position or particular needs. This presentation is not a recommendation to acquire shares. You must not act on the basis of any matter contained in this presentation, but must make your own independent assessment, investigations and analysis of the Company and the Company's shares and obtain any professional advice you require before making any investment decision based on your investment objectives.

You must not take or transmit this presentation or a copy of this presentation into the United States or Japan or distribute it, directly or indirectly, in the United States or Japan or to any US persons. By your acceptance of this document, you acknowledge that you are a not a "U.S. person" for the purposes of the US Securities Act. Neither this document, in whole or in part, nor any copy thereof may be taken or transmitted to any other person. The distribution of this document to other persons or in other jurisdictions may be restricted by law, and persons into whose possession this document comes should inform themselves about, and observe, any such restrictions. Any failure to comply with these restrictions may constitute a violation of the federal securities laws of the United States and the laws of other jurisdictions. The distribution of this presentation in other jurisdictions may be restricted by law, and persons into whose possession this presentation comes should inform themselves about, and observe, any such restrictions.

The information contained in this presentation has been prepared by Western Areas Ltd. No representation or warranty, express or implied, is or will be made in or in relation to, and no responsibility or liability is or will be accepted by Western Areas Ltd, employees or representatives as to the accuracy or completeness of this information or any other written or oral information made available to any interested party or its advisers and any liability therefore is hereby expressly disclaimed. No party has any obligation to notify opinion changes or if it becomes aware of any inaccuracy in or omission from this presentation. All opinions and projections expressed in this presentation are given as of this date and are subject to change without notice.

This document contains forward-looking statements that are subject to risk factors associated with a mining business. These statements are subject to certain risks and uncertainties that could cause the performance or achievements of Western Areas Ltd to differ materially from the information set forth herein, although such information reflects forecasts and projections prepared in good faith based upon methods and data that are believed to be reasonable and accurate as at the dates thereof and although all reasonable care has been taken to ensure that the facts stated herein are accurate and that the forward-looking statements, opinions and expectations contained herein are based on fair and reasonable assumptions. Western Areas Ltd undertakes no obligation to revise these forward-looking statements to reflect subsequent events or circumstances. Individuals should not place undue reliance on forward-looking statements and are advised to make their own independent analysis and determination with respect to the forecasted periods, which reflect Western Areas Ltd's view only as of the date hereof. Past performance is not necessarily a guide to future performance and no representation or warranty is made as to the likelihood of achievement or reasonableness of any forward looking statements or other forecast.

The information within this PowerPoint presentation was compiled by Mr. David Southam, but the information as it relates to mineral resources and reserves was prepared by Mr. Dan Lougher and Mr. Andre Wulfse. Mr. Southam, Mr. Lougher and Mr. Wulfse are full time employees of Western Areas Ltd. Mr. Lougher and Mr. Wulfse are members of 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 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr. Southam, Mr. Lougher and Mr. Wulfse consent to the inclusion in this presentation of the matters based on the information in the form and context in which it appears.

For Purposes of Clause 3.4 (e) in Canadian instrument 43-101, the Company warrants that Mineral Resources which are not Mineral Reserves do not have demonstrated economic viability.

THIS PRESENTATION IS NOT FOR DISTRIBUTION TO U.S. NEWSWIRE SERVICES OR FOR DISSEMINATION IN THE U.S.

# Agenda

WESTERN AREAS LTD

- Introduction
- Review of FY13 & Nickel Market
- Safety
- Operations
- Exploration & Growth

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

**Explore**

**Develop**

**Sales**

**Produce**

# Introduction – Corporate Summary

WESTERN AREAS LTD

| | |
|---|---|
| Listing: | Member of S&P ASX 200 |
| Shares on Issue: | 196.8M |
| Share Price: | ~ A$2.60 (Nov 2013) |
| Market Cap: (undiluted) | ~ A$515 million |
| Cash: | A$85M at 30 Sept 2013 |

| Top 15 Shareholders | % |
|---|---|
| 1 T Streeter | 12.2 |
| 2 JCP Partners | 8.6 |
| 3 Schroder Investment Management | 7.5 |
| 4 Colonial Group | 6.0 |
| 5 A Greenwell | 5.0 |
| 6 Celeste Funds Management | 4.1 |
| 7 Concise Asset Management | 3.3 |
| 8 Antares Equities | 3.1 |
| 9 Avoca Investment Management | 2.5 |
| 10 Giovanni Santalucia | 2.4 |
| 11 Tribeca | 2.4 |
| 12 UBS | 2.4 |
| 13 BlackRock | 2.0 |
| 14 Legg Mason | 1.8 |
| 15 JP Morgan | 1.7 |
| TOTAL | 65.0 |

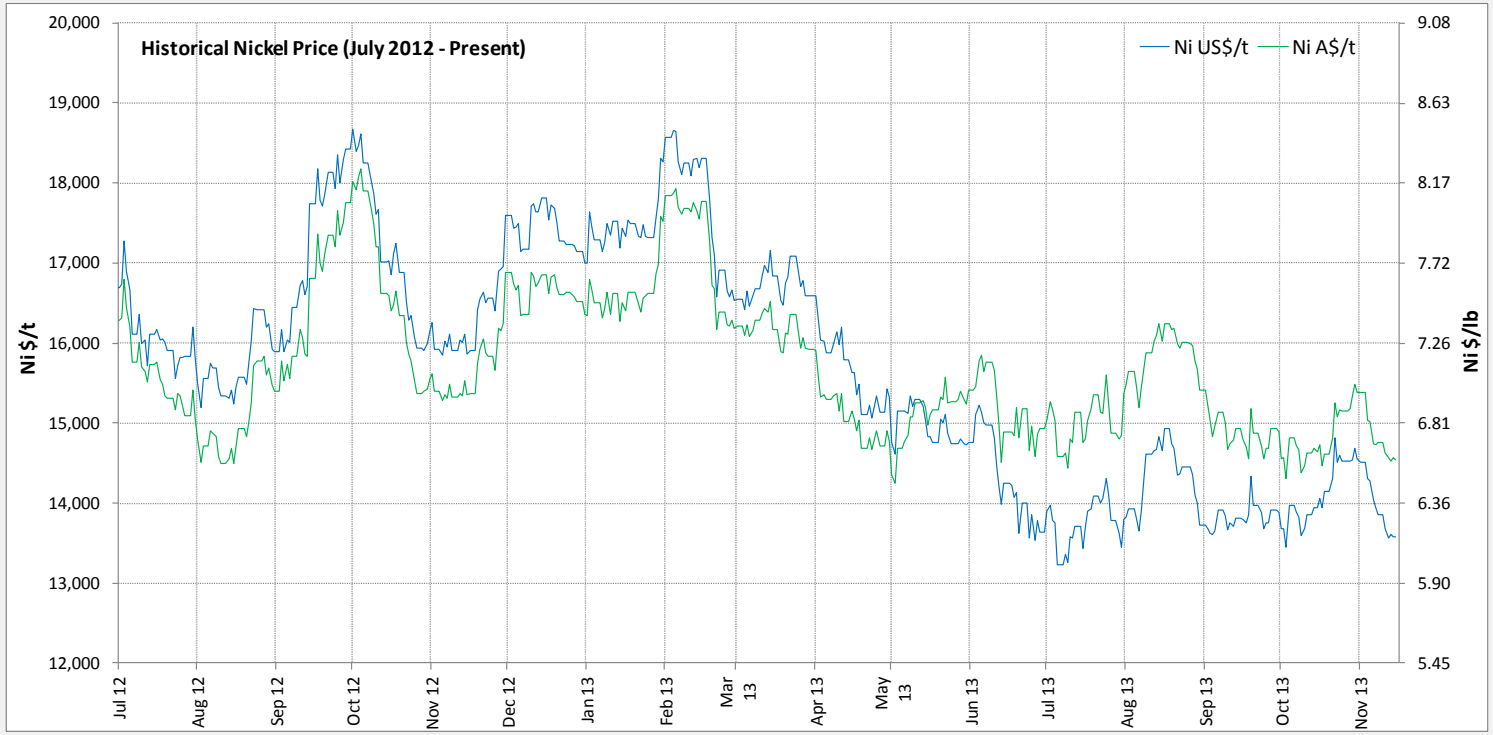
Lounge Lizard 10m wide face of 7% Massive Nickel Sulphide

# FY13 and FY14 YTD in Review

WESTERN AREAS LTD

FY13 was a challenging year with external events working against the Australian nickel industry:

- Declining USD nickel price from FY12 – down US$0.76/lb
- Continued strong AUD
- Increased LME stockpile – driven by soft US and European stainless steel demand



# FY13 and FY14 YTD in Review

WESTERN AREAS LTD

## YOUR COMPANY RESPONDED TO THE CONDITIONS SWIFTLY AND STRONGLY

- Safety performance continues to be strong – low employee turnover
- Costs of production steadily declined – low of A$2.28/lb in the Sept Q 2013
  - Grade continues to remain strong and ahead of reserve
  - Supplier and service providers have assisted in bringing absolute cost savings
  - Wages are into their second year of being frozen
- Spotted Quoll successfully ramped up from 3kt to over 10kt per annum of nickel:
  - Delivered ahead of schedule
  - Delivered on budget
  - Delivered with no commissioning issues
- Production from both mines beat guidance in FY13 and has started FY14 better than expected
- Capex reduced by $17m in FY13 from FY12 as mines become steady state

# FY13 and FY14 YTD in Review

WESTERN AREAS LTD

**Company Response (Cont'd….)**

- Over the last two years A$151m of debt has been repaid
- Over the last four years around $80m has been returned to shareholder in dividends
- New offtake agreement delivered with improved payment terms and a new strategic alliance signed with Jinchuan
- Outokumpu life of mine royalty has been paid out
- The New Morning channel is showing a large nickel endowment – encouraging intersections to date
- Signed a farm-in agreement with Traka Resources for the West Musgraves:
  - Geophysics complete
  - Permitting submitted
  - Drilling within six months of signing agreement
- Finnish exploration assets to be listed on the London AIM market around 2 December 2013

# Nickel Price Outlook

WESTERN AREAS LTD

**There are a number of factors that influence the nickel price:**

1. Level of global nickel supply
2. Cost and capacity of Chinese nickel pig iron production
3. Potential Indonesian nickel laterite export ban – January 2014
4. Stainless Steel demand in China, Europe and North America

**What we believe is occurring:**

1. Any perceived nickel oversupply is marginal – a supply response is beginning to occur:
   - Glencore – all Australian sulphide production ceased, Falcondo operation closed
   - Norilsk – all Australian operations ceased, ex-Russia project up for sale
   - Votorantim – nickel smelter being closed down in South America
   - Talvivaara – well publicised production and funding issues
   - Large HPAL projects still facing technical and high cost issues

# Nickel Price Outlook (Cont'd..)

WESTERN AREAS LTD

2. Chinese NPI production capped between 450kt to 500kt of contained nickel. Unit costs range from US$6/lb to US$9/lb:
   - Latest RKEAF technology relies on Indonesian laterite
   - Laterite must be >1.8% Ni and <25% Fe – Philippines laterite is out of spec
   - Large power consumer – power costs rising in China
   - Total Chinese market for nickel is between 800kt to 900kt per year – growing at 5% per annum

3. Potential Indonesian outcomes may be driven by economics and options include:
   - Maintain the outright ban on laterite exports
   - Implement a "soft ban" on certain exports
   - Raise laterite export taxes
   - Use a combination of a "soft ban" and export taxes

4. Stainless Steel demand remains strong in China – moving to consumer based and building project demand

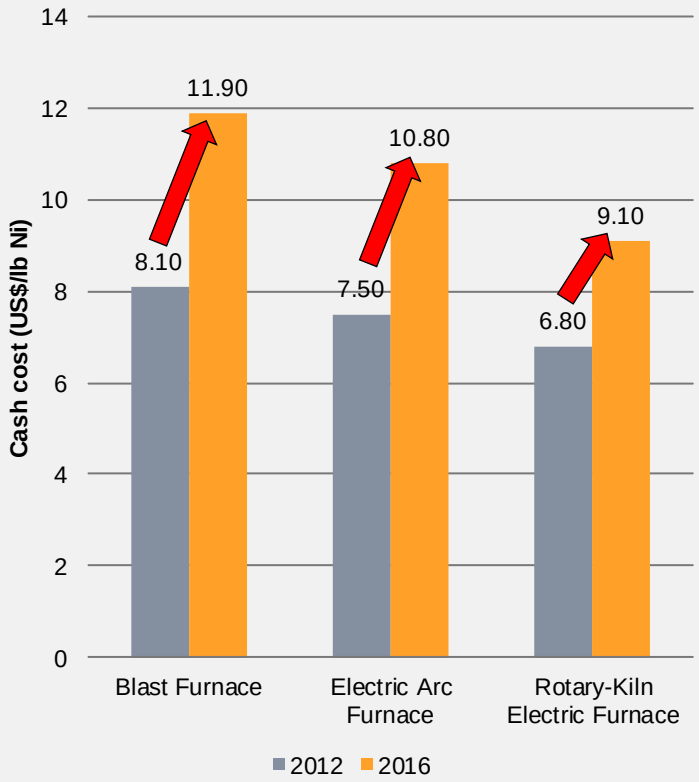
5. European stainless steel demand is muted, whilst US showing signs of a small recovery

# Nickel Pig Iron (NPI) to become expensive

WESTERN AREAS LTD

NPI is too expensive to continue to fill the gap……..

**2012 and 2016 estimated NPI cash cost (US$/lb)**



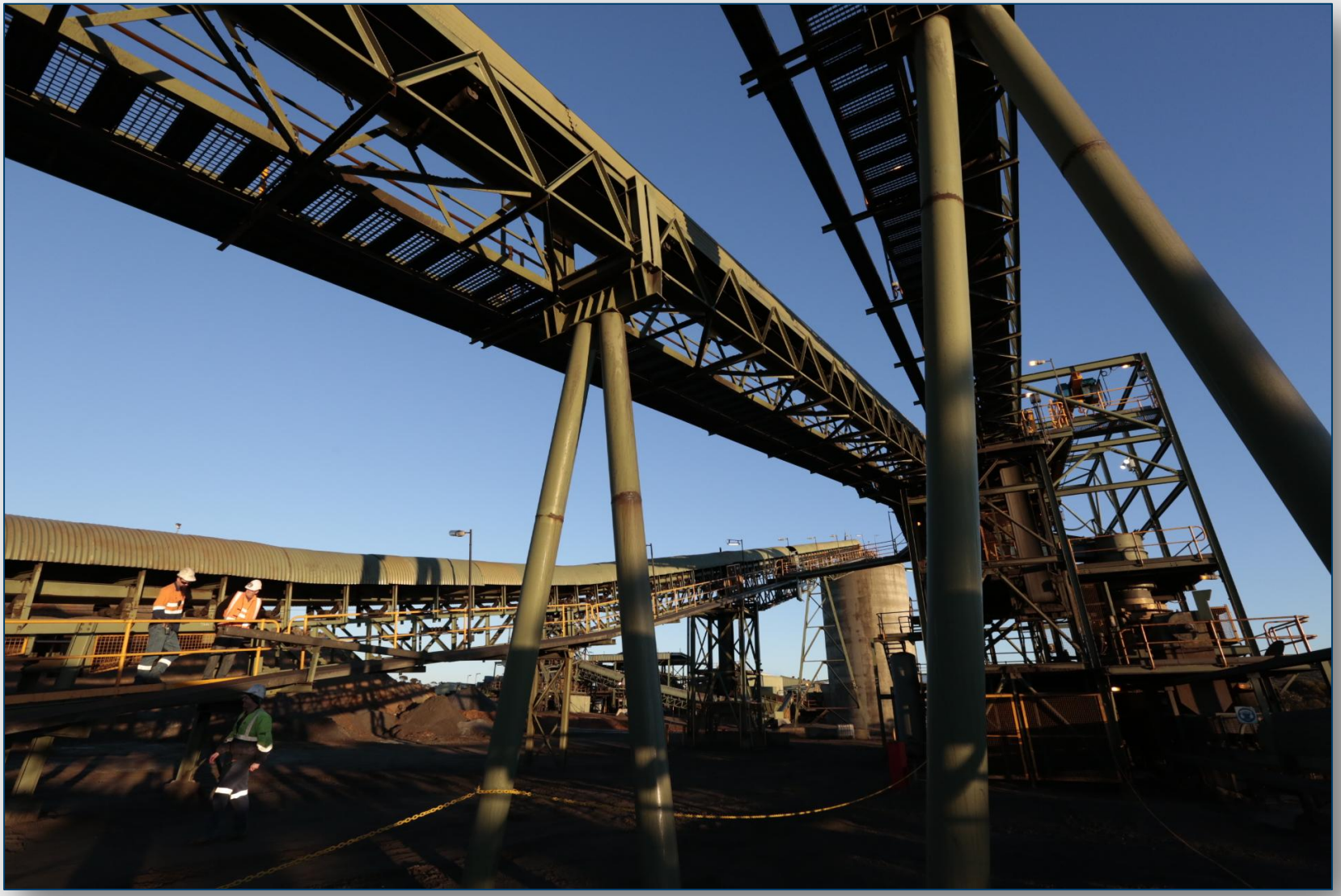

## Cost Pressures

1. Electricity (25-75% of cost)
2. Labour costs increasing
3. Indonesian Laterite the only supplier for low cost RKEAF
4. Increase ore export taxes

NPI is already a high cost method of nickel production, and domestic economic forces in China may adversely impact economics

# Operations

WESTERN AREAS LTD

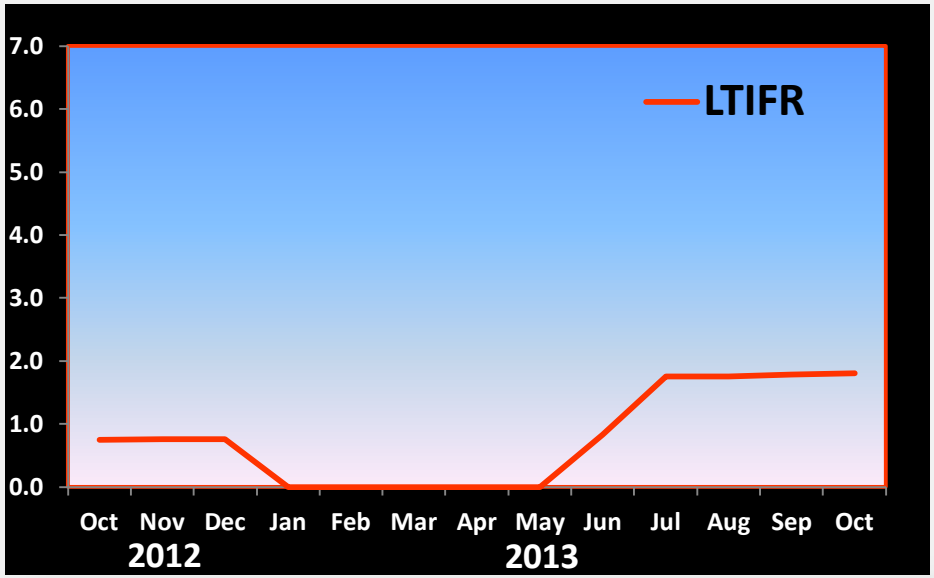


# Western Areas are Safe Areas

WESTERN AREAS LTD

## Continuous Safety Improvement

- LTIFR 1.81
- Flying Fox >114 days LTI free
- Spotted Quoll >929 days LTI free
- Exploration >1,826 days LTI free
- Cosmic Boy Concentrator >131 days LTI free
- MTIFR 8.1
- Contractors and Employees fully integrated into a site wide commitment




## Environment & Social

- No environmental breaches
- Strong local commitments from the Hyden Respite Centre, Perth Zoo (Northern Quoll) and Starlight Children's Foundation WA

Starlight Children's Foundation Australia

# September Quarterly - Outperformance

WESTERN AREAS LTD

| Tonnes Mined | | 2012/2013 Dec Qtr | Mar Qtr | Jun Qtr | 2013/2014 Sep Qtr |
|---|---|---|---|---|---|
| **Total - Ore Tonnes Mined** | Tns | 140,753 | 142,003 | 127,181 | 163,739 |
| **Grade** | Ni % | 4.9% | 5.0% | 4.7% | 5.1% |
| **Total Ni Tonnes Mined** | **Tns** | **6,957** | **7,147** | **6,031** | **8,290** |
| **Tonnes Milled and Sold** | | **Dec Qtr** | **Mar Qtr** | **Jun Qtr** | **Sep Qtr** |
| Ore Processed | Tns | 151,855 | 145,348 | 146,256 | 150,475 |
| Grade | % | 4.9% | 5.0% | 5.1% | 4.9% |
| Ave. Recovery | % | 90% | 91% | 89% | 90% |
| **Ni Tonnes in Concentrate** | **Tns** | **6,722** | **6,611** | **6,634** | **6,593** |
| Ni Tonnes in Concentrate Sold | Tns | 6,829 | 6,845 | 7,222 | 6,554 |
| **Total Nickel Sold** | **Tns** | **6,829** | **6,845** | **7,222** | **6,554** |
| **Stockpiles** | | **Dec Qtr** | **Mar Qtr** | **Jun Qtr** | **Sep Qtr** |
| **Contained Ni in Stockpiles** | **Tns** | **8,074** | **7,330** | **5,700** | **6,661** |
| **Financial Statistics** | | **Dec Qtr** | **Mar Qtr** | **Jun Qtr** | **Sep Qtr** |
| **Group Production Cost/lb** | | | | | |
| Mining Cost (*) | *A$/lb* | 2.27 | 2.23 | 1.87 | 1.65 |
| Haulage | *A$/lb* | 0.05 | 0.05 | 0.05 | 0.06 |
| Milling | *A$/lb* | 0.41 | 0.41 | 0.38 | 0.40 |
| Admin | *A$/lb* | 0.17 | 0.19 | 0.18 | 0.19 |
| By Product Credits | *A$/lb* | (0.02) | (0.02) | (0.02) | (0.02) |
| **Cash Cost Ni in Con (***)** | ***A$/lb*** | **2.89** | **2.86** | **2.46** | **2.28** |
| ***Cash Cost Ni in Con/lb (***)*** | ***US$/lb (**)*** | **3.00** | **2.97** | **2.44** | **2.09** |
| ***Exchange Rate US$ / A$*** | | **1.04** | **1.04** | **0.99** | **0.92** |

## Comments

1. Highest mine production and lowest unit cash cost @ A$2.28/lb in concentrate since the Dec Q 2011.
2. Positive reserve reconciliation on grade/tonnes plus cost reduction program delivering results.
3. Record Spotted Quoll mine production 4,090t nickel (5.3% grade).
4. Concentrator availability 98%, recovery 90% and 10% above capacity.
5. Rain impacted road conditions and sales to BHP, therefore stocks increased.
6. Cash at Bank increased A$4.9m to A$85.3m despite half yearly interest payment & QP settlements.
7. 13 quarters in a row of on target or better operational performance.
8. FY14 guidance to be updated at half year - however cannot hide from it being a very good start - above budget.

# Flying Fox Mine

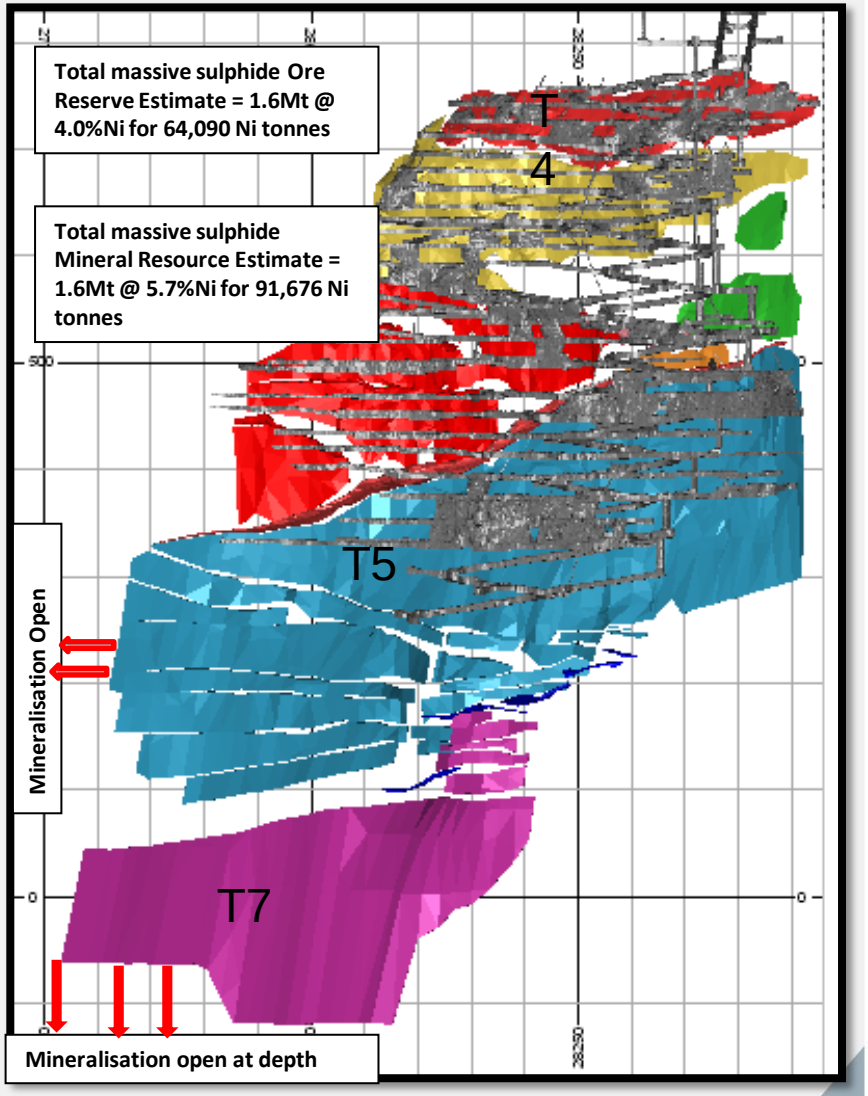
WESTERN AREAS LTD

## Mineral Resource and Ore Reserve

- High Grade (excluding disseminated sulphide resource) Mineral Resource: 1.6Mt @ 5.7% Ni = 91,676 Ni Tonnes
- Ore Reserve: 1.6Mt @ 4.0% Ni = 64,090 Ni Tonnes
- Nickel grades increase with depth from 3.9% to 5.8%
- Underground drilling program to extend Mineral Resource is ongoing
- Over 700m strike length in T5

## Production

- FY2013 – 348,448t @ 4.9% Ni for 17Kt nickel
- Low cash cost operation <US$3/lb
- Life of Mine – 5-6 Years, extensional drilling in progress



# Spotted Quoll Mine

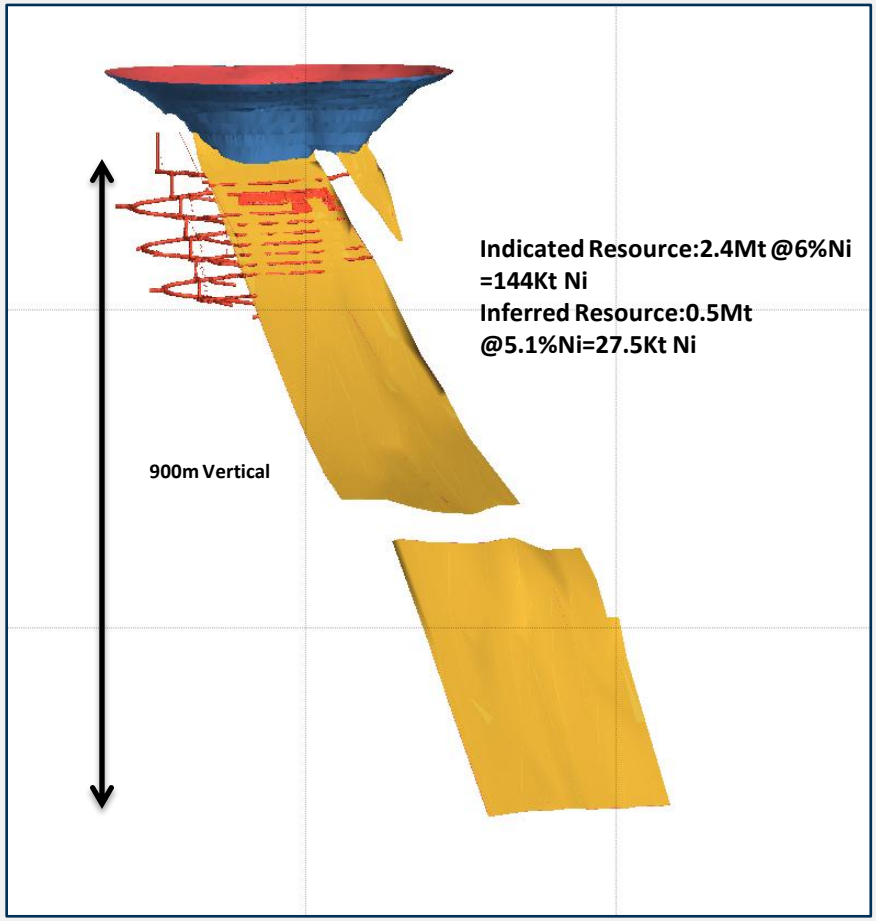
WESTERN AREAS LTD

## Mineral Resource and Ore Reserves

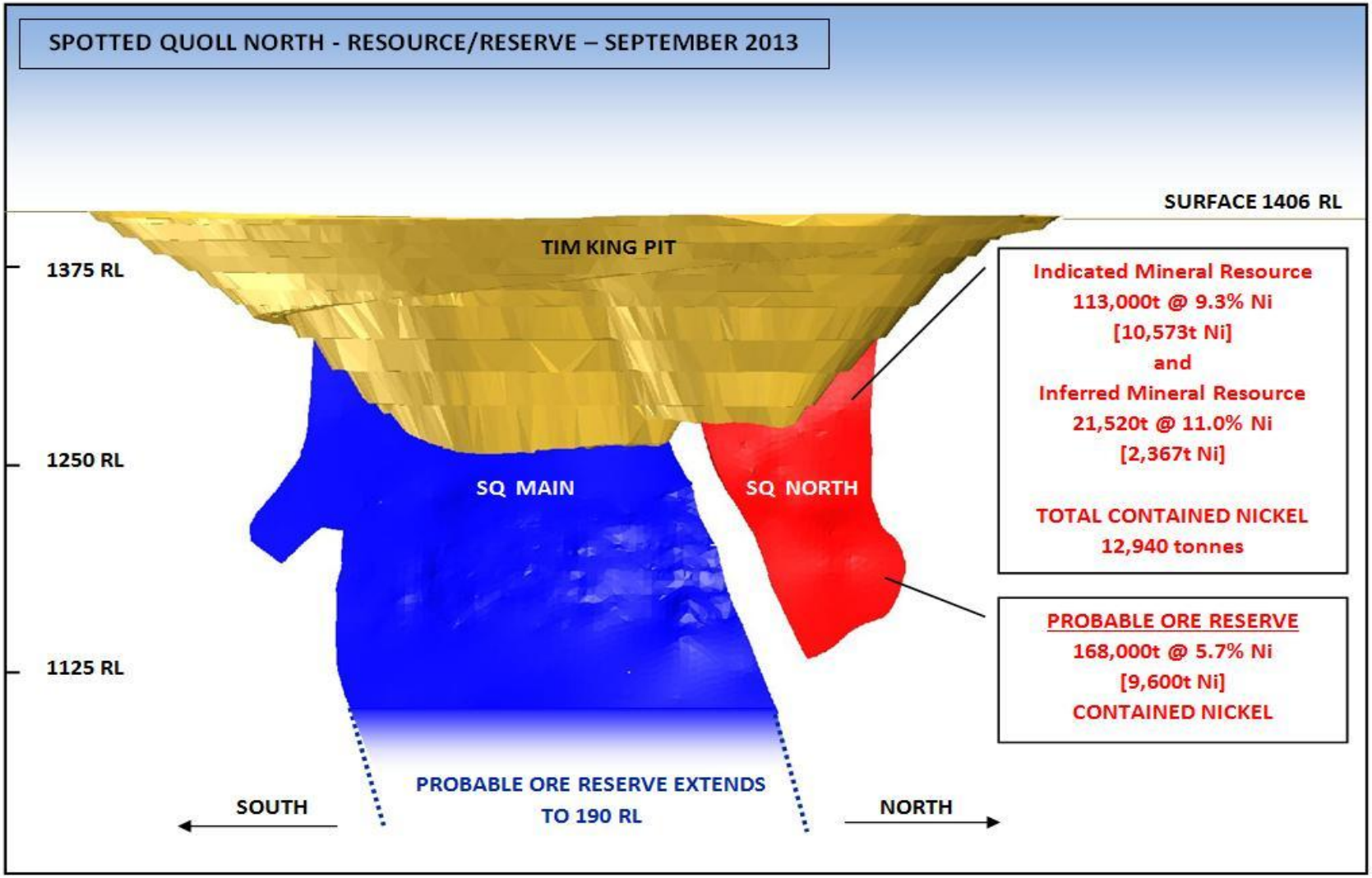
- Ore reserve now 2.9mt @ 4.2% containing 121,400t nickel
- Remains open at depth and to the North
- Surface drilling program complete to improve conversion of inferred resource to indicated resource – Sept Q
- Already >10 year mine life on reserve
- **New Spotted Quoll North Resource of 113kt @ 9.3% for 12,940 nickel tonnes**

## Production

- FY2013 – 207,288t @ 5.1% Ni for 10.6Kt nickel
- Successfully ramped up nickel production to a 12ktpa run rate in FY2014
- Top-down mining using paste fill. Plant fully operational



# Spotted Quoll North



# Forrestania Nickel Concentrator

WESTERN AREAS LTD

## Concentrator Summary

- Current nameplate capacity of 550,000tpa of ore (but being exceeded)
- Nickel concentrate output circa 25,000tpa Ni
- Concentrate grades of around 14.0% Ni
  - **Premium blending product (Fe/Mg ratio >15)**
  - Desirable to smelters as it enables lower quality concentrates to be economically utilised after blending
- 14,000t of concentrate storage capacity

## Export Infrastructure and Logistics

- Access to >1400 sealed shipping containers
- No environmental issues
- Using 25 trucks for concentrate transportation
- Shipping contract in place, FOB Esperance Port

# Exploration and Growth Outlook

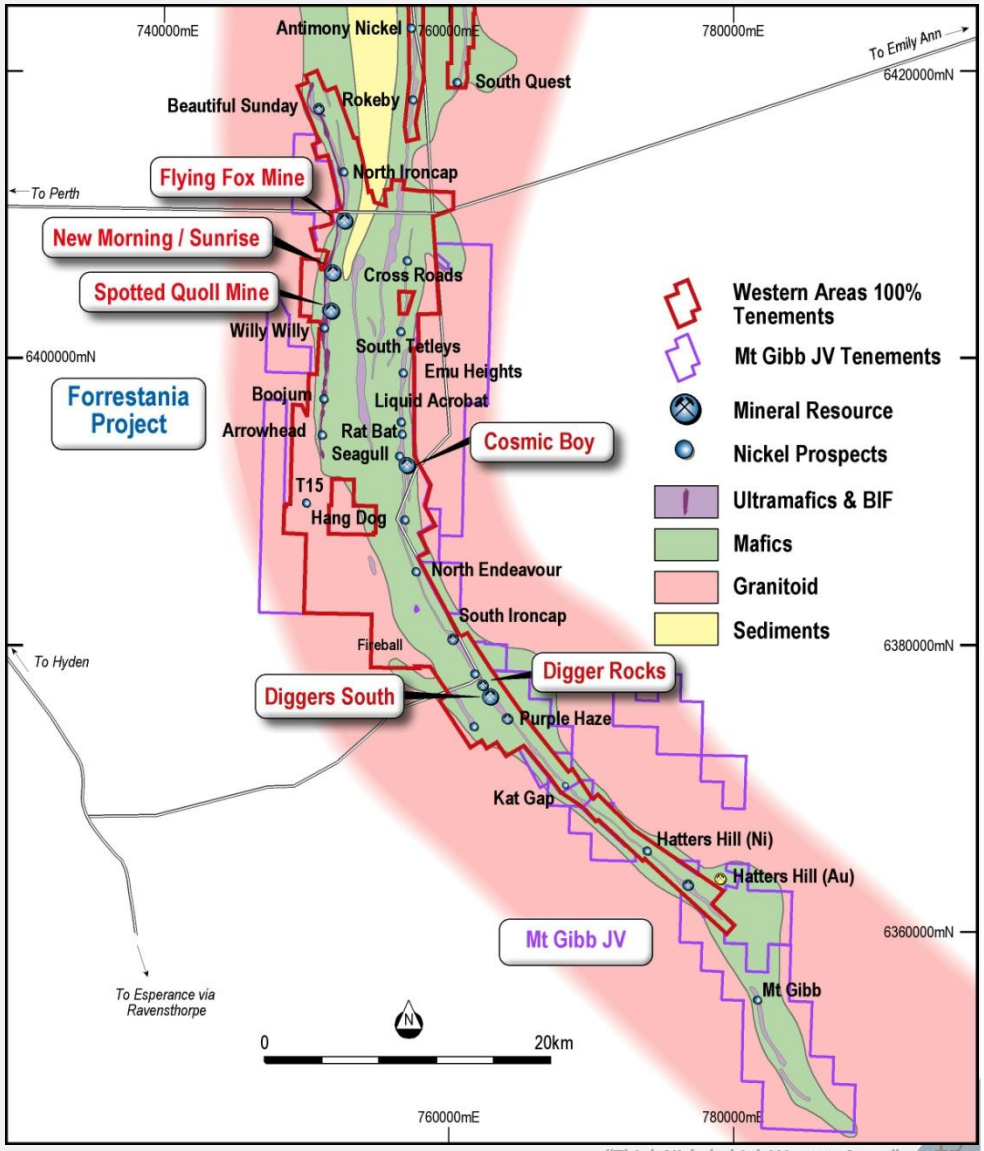
WESTERN AREAS LTD

# Forrestania Tenements

WESTERN AREAS LTD

## Regional Geology

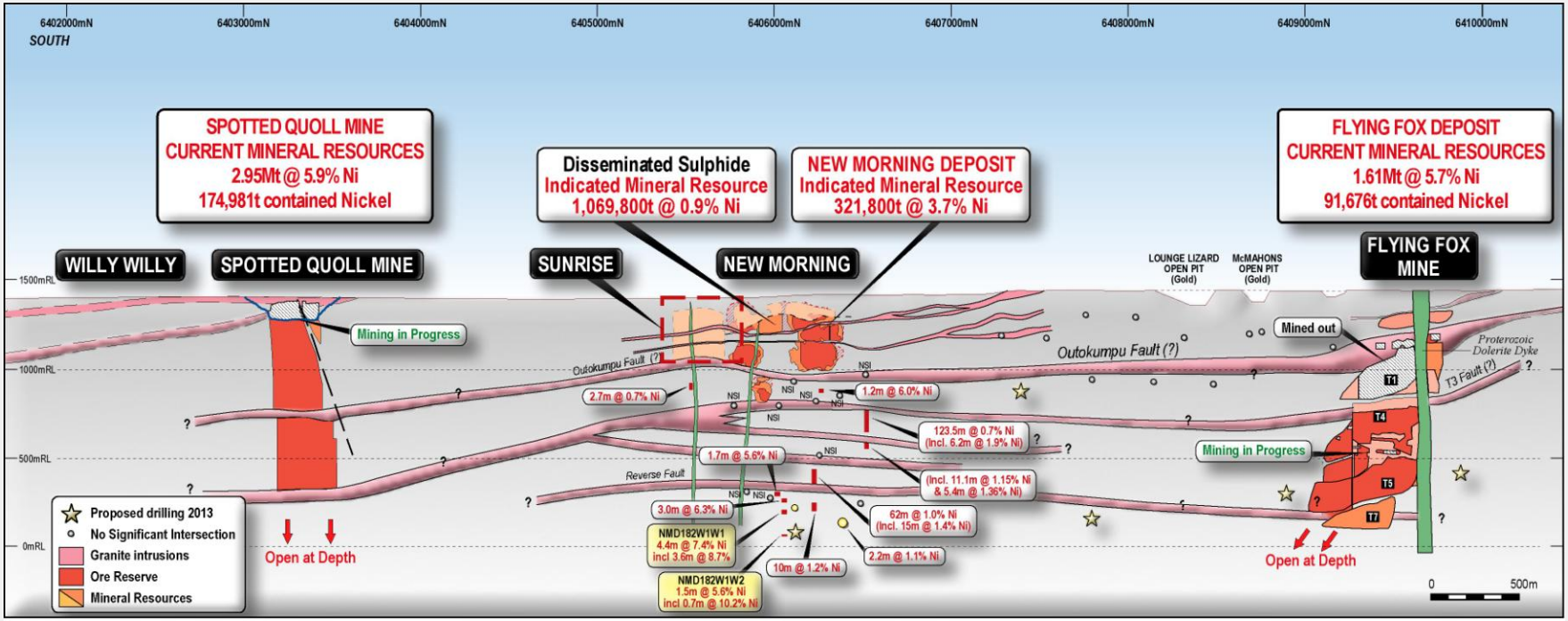
- 120km strike length (900 sq km) of prospective Forrestania Nickel Project, within 400km long nickel province
- Six ultramafic belts
- Nickel sulphide deposits and most occurrences in two belts (Eastern and Western)
- Western Ultramafic Belt hosts the high grade Flying Fox, Spotted Quoll and new Morning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



# Short Term – Near Mine Exploration

WESTERN AREAS LTD

- Exploration Budget of A$15M for FY14, majority spent on drilling at Forrestania
- Drilling Priority within 8km long zone (below). New discovery would access existing mine infrastructure. Systematic approach
- Recent New Morning massive sulphide and Sunrise discoveries




WESTERN AREAS LTD

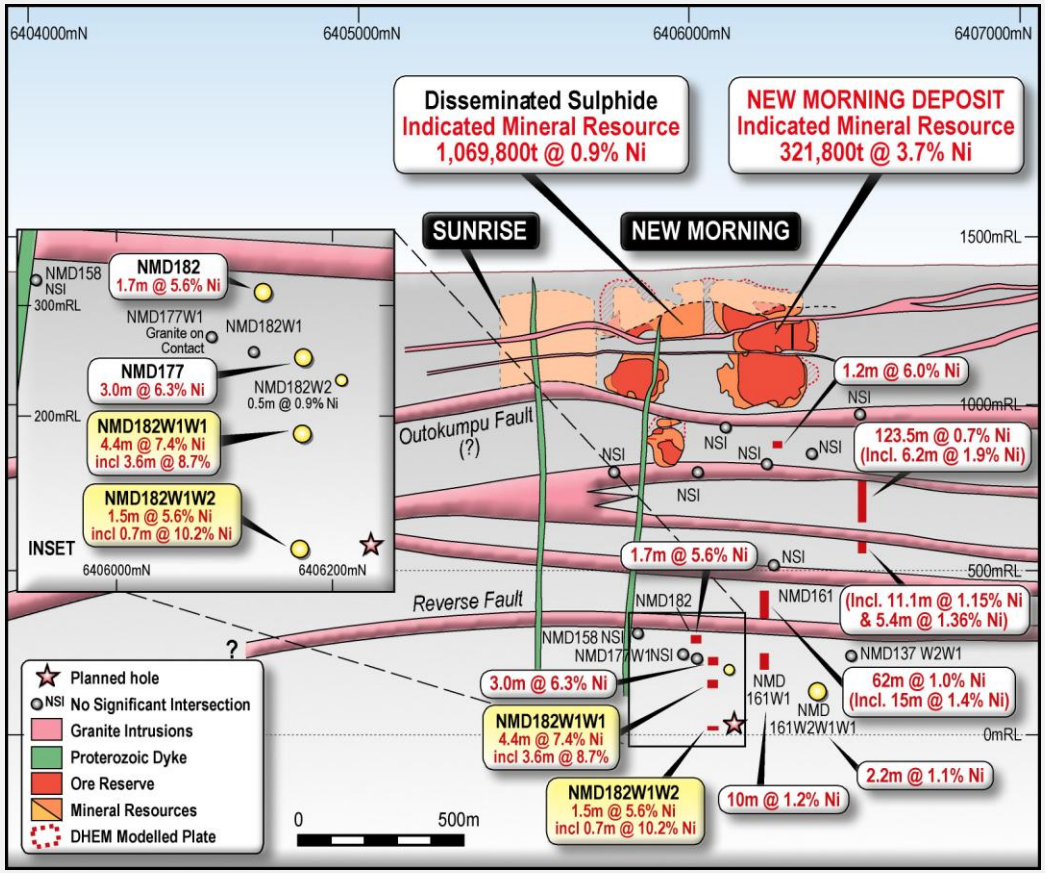
Interpreted Longitudinal Projection (8 Km Long) - November 2013
FLYING FOX, NEW MORNING, SPOTTED QUOLL & WILLY WILLY

ANCP0131BBBD

# High Grade Discovery at New Morning

WESTERN AREAS LTD

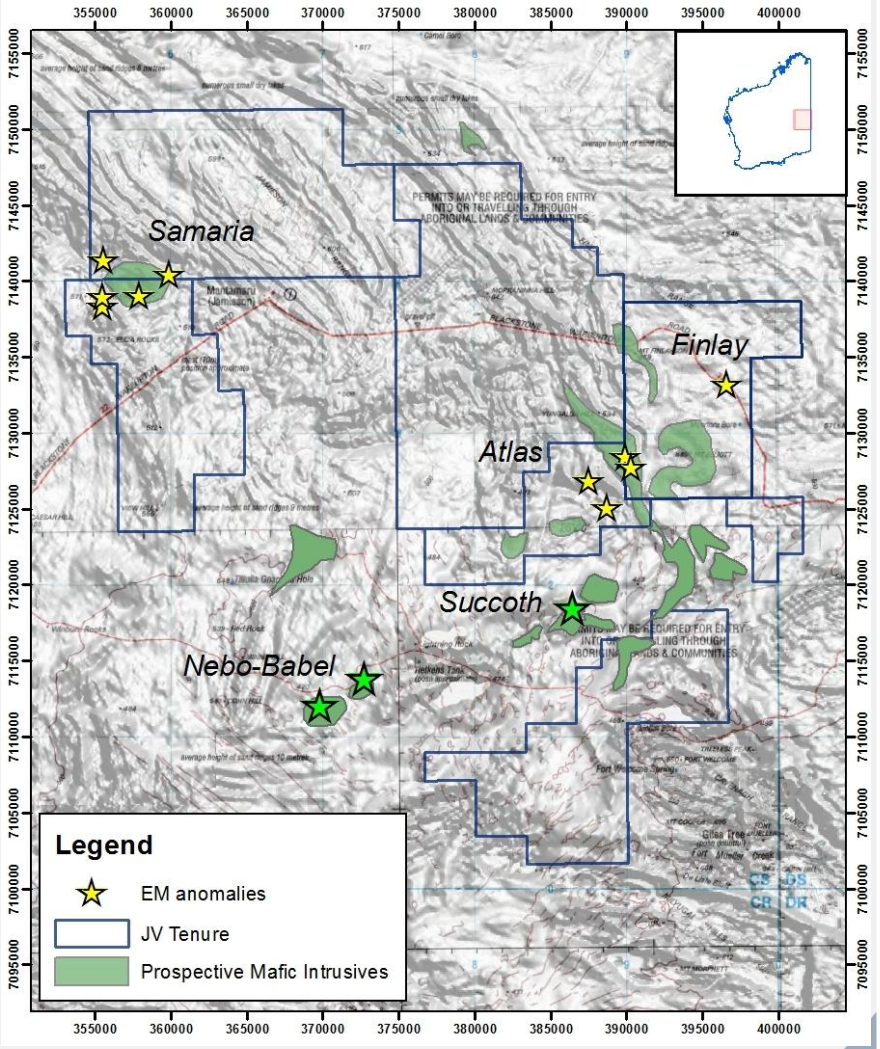
- WSA's latest new high grade discovery, 2.5km from Flying Fox and 2.8km from Spotted Quoll
  - All approvals in place, potential major capex savings & accessible from either mine
- Massive sulphide discovered below New Morning:
  - **4.4m @ 7.4% nickel including 3.6m @ 8.7% nickel**
  - **3.0m @ 6.3% nickel including 2.4m @ 7.6% nickel**
  - **1.5m @ 5.6% nickel including 0.7m @ 10.2% nickel**
- Major drilling program continues with use of DHEM data



# West Musgrave JV

WESTERN AREAS LTD

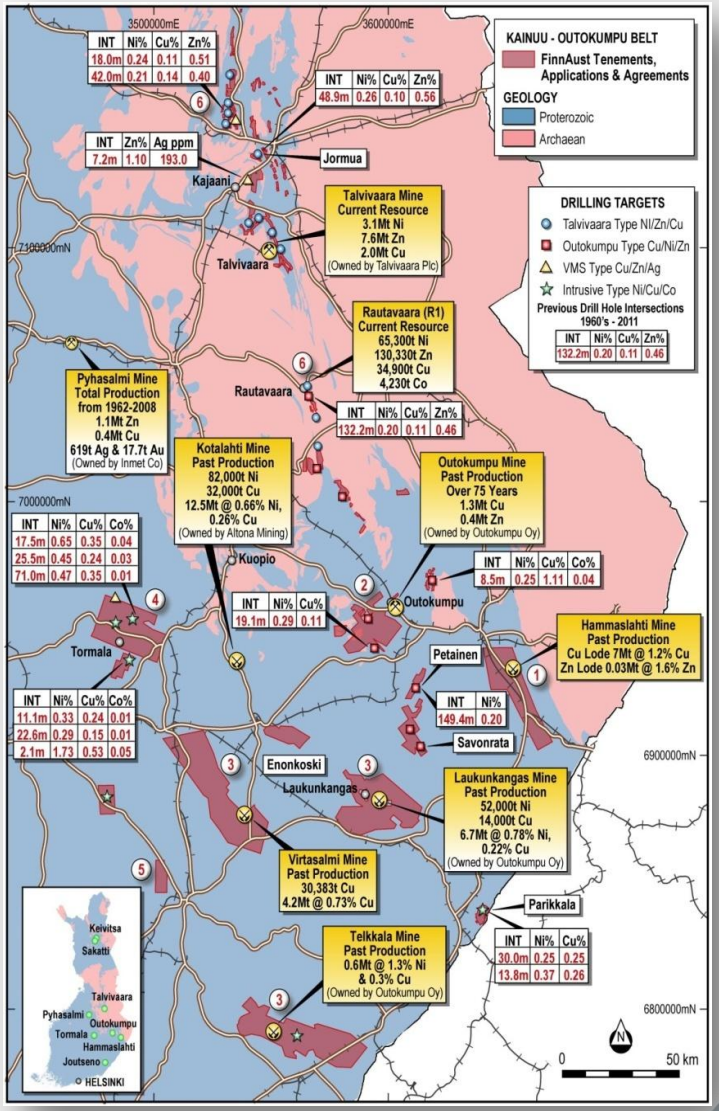
- Attractive entry point for highly prospective landholding where significant pre-work completed
- Up to 70% earn into prospective **West Musgrave** tenements (1,075km$^2$) with Traka Resources
- Demonstrated strong endowment (BHPB's Nebo – Babel – Succoth deposits)
- Targeting massive sulphides (nickel/copper)
- Geophysical surveys commenced on priority targets (MLEM)
- A number of highly conductive targets identified with drilling to commence in December



# Finland – FinnAust Mining PLC Projects

WESTERN AREAS LTD

- Listing on AIM around 2 December 2013. 68% WSA owned post listing
- 300km long base metal province in Finland
- Numerous nickel/copper/zinc mines & occurrences
- **Focus on two key projects:**
  - **Outokumpu Copper Project**
  - **Hammaslahti VMS Project**
- Drill priority targets in December for potential extensions and repetitions to known copper deposits
- Geophysics proving very effective in defining targets - ZTEM survey completed



# Questions?

WESTERN AREAS LTD