



# Western Areas Ltd

## Equity Raising

18 February 2014

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“Think Nickel, think Western Areas”



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## Financial data

All dollar values are in Australian dollars (A\$ or AUD) and financial data is presented as at 31 December 2013 unless otherwise stated.

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Forward-looking statements, opinions and estimates provided in this Presentation are based on assumptions and contingencies which are subject to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions. Forward-looking statements including projections, guidance on future earnings and production and cost estimates, and guidance on industry trends are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance and may involve significant elements of subjective judgment, assumptions as to future events that may not be correct, known and unknown risks, uncertainties and other factors, many of which are outside the control of WSA. A number of factors could cause actual results, performance or achievements to vary materially from any forward-looking statements and the assumptions on which statements are based, including but not limited to the risk factors set out in this Presentation.

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## Competent persons statement

The information within this Presentation as it relates to mineral resources, ore reserves and exploration results and mine development activities is based on information compiled by Mr Andre Wulfse and Mr Dan Lougher of WSA. Mr Wulfse and Mr Lougher are members of The Australian Institute of Mining and Metallurgy (AusIMM) and are full time employees of WSA. Mr Wulfse and Mr Lougher 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 Wulfse and Mr Lougher consent to the inclusion in this Presentation of the matters based on the information in the form and context in which it appears. The information contained in this Presentation in relation to the Flying Fox Mine was prepared and first disclosed under the 2004 Edition of the JORC Code. It has not been updated since to comply with the 2012 Edition of the JORC Code on the basis that the information has not materially changed since it was last reported.

For the 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.

## Cautionary note regarding reserves and resources

You should be aware that as an Australian company with securities listed on the ASX, the Company is required to report reserves and resources in Australia in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ("JORC Code"). You should note that while the Company's reserve and resource estimates may comply with the JORC Code, they may not comply with the relevant guidelines in other countries and, in particular, do not comply with (i) National Instrument 43-101 (Standards of Disclosure for Mineral Projects) of the Canadian Securities Administrators and (ii) Industry Guide 7, which governs disclosures of mineral reserves in registration statements filed with the U.S. Securities and Exchange Commission. The JORC Code differs in several significant respects from Industry Guide 7. In particular, Industry Guide 7 does not recognise classifications other than proven and probable reserves and, as a result, the SEC generally does not permit mining companies to disclose their mineral resources in SEC filings. Information contained in this presentation describing the Company's mineral deposits may not be comparable to similar information made public by Canadian or U.S. companies subject to the reporting and disclosure requirements of Canadian or United States securities laws. You should not assume that quantities reported as "resources" will be converted to reserves under the JORC Code or any other reporting regime or that the Company will be able to legally and economically extract them.

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## Western Areas Ltd (“Western Areas” or “WSA”) is pleased to announce the following equity raising

- A fully underwritten placement to institutional and sophisticated investors to raise approximately A\$89 million (“**Placement**”); and
  - A share purchase plan to raise up to A\$15 million (“**SPP**”)
- together the “**Equity Raising**”
- Funds raised from the Equity Raising will be used to:
    - **Together with existing cash, repay the A\$110.2 million convertible bond** due on 2 July 2014 and provide majority coverage for the July 2015 convertible bond of A\$125.0 million
      - WSA generated A\$19.2 million of free cash flow during H1 FY2014 and held A\$99.9 million cash at bank as at 31 December 2013
      - Assuming an Equity Raising of A\$104 million (pre raising costs) the cash balance will increase to A\$203.9 million\*
      - Combined with an existing undrawn loan facility with ANZ for A\$125 million, provides over A\$300 million of coverage
    - **Provide earnings accretion to shareholders**
      - Retiring the July 2014 bond with cash, rather than more debt, results in A\$11.7 million in interest and bond accretion costs per annum being removed
      - The Board intends to potentially replace the interest costs with a higher and more sustainable dividend stream
    - **Provide additional balance sheet flexibility for Western Areas** to consider value adding capital projects such as in-tank leaching (mill recovery enhancement)

\*this balance uses the 31 December closing cash balance



- **A high grade and low unit cash cost nickel producer**
- **A proven explorer**, developer and operator led by an experienced management team
- **An S&P/ASX 200** index member
  - Market cap of A\$645 million at current prices (pre raising)
- **Profitable**, even at the current low nickel price
- **A proven dividend** payer
- **Strategic owner** of sought after nickel in concentrate from traders and smelter operators. Offtake tender due to commence second half of CY2014
- **Employer of approximately 500 staff**, either directly or through contractors
- **14 consecutive** quarterly reports of no downside operational surprises
- **Committed** to stable organic growth from the current solid platform
- **Improving nickel price sentiment and outlook**



<b>Placement</b>	<ul style="list-style-type: none"><li>▪ Fully underwritten Placement to institutional and sophisticated investors to raise approximately A\$89 million</li><li>▪ Approximately 29.5 million shares will be issued utilising Western Areas' 15% placement capacity</li></ul>
<b>Placement Price</b>	<ul style="list-style-type: none"><li>▪ The Placement is being offered at a fixed price of A\$3.00 per new share ("Placement Price")</li><li>▪ The Placement Price represents a:<ul style="list-style-type: none"><li>• 8.5% discount to the last closing price of A\$3.28 per share prior to the Placement; and</li><li>• 3.3% discount to the 5-day VWAP of A\$3.10 per share prior to the Placement</li></ul></li></ul>
<b>Ranking of the new shares</b>	<ul style="list-style-type: none"><li>▪ New Shares issued under the Placement will rank equally from allotment of those shares in all respects with existing fully paid ordinary Western Areas shares</li><li>▪ Will be eligible for the declared fully franked interim dividend of 1c per share</li></ul>
<b>Underwriting</b>	<ul style="list-style-type: none"><li>▪ The Placement is fully underwritten by Macquarie Capital (Australia) Limited and UBS AG, Australia Branch</li></ul>



# Share Purchase Plan Overview



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<b>Share purchase plan</b>	<ul style="list-style-type: none"><li>▪ Non-underwritten SPP to raise up to a maximum of A\$15 million ("Cap")</li><li>▪ Eligible Western Areas shareholders with registered addresses in Australia and New Zealand will be invited to invest up to a maximum of A\$15,000 in New Shares per shareholder</li><li>▪ Western Areas reserves the right (in its absolute discretion) to scale-back the maximum participation amount per shareholder and the Cap</li></ul>
<b>Share purchase plan price</b>	<ul style="list-style-type: none"><li>▪ New Shares issued under the SPP will be issued at the Placement Price</li></ul>
<b>Ranking</b>	<ul style="list-style-type: none"><li>▪ New Shares issued under the SPP will rank equally from allotment of those New Shares in all respects with existing fully paid ordinary Western Areas shares</li></ul>
<b>Interim Dividend</b>	<ul style="list-style-type: none"><li>▪ New Shares issued under the Placement and SPP will be eligible for the interim fully franked dividend of 1c per share announced today</li></ul>



## Enhanced flexibility to repay debt and pursue growth

Sources	A\$m	Uses	A\$m
Cash on hand (as at 31 December 2013)	99.9 <sup>1</sup>	July 2014 Convertible Bond redemption	110.2
Placement and SPP	104.0 <sup>2</sup>	Potential July 2015 Convertible Bond redemption	125.0
ANZ undrawn debt facility	125.0 <sup>1</sup>	1H2014 Dividend Declared <sup>3</sup>	2.3
		Potential Discretionary Operational Enhancement Projects <sup>4</sup>	20.0
		Cash / Facility 'buffer'	71.4
<b>Total</b>	<b>328.9</b>	<b>Total</b>	<b>328.9</b>

## Comments

- The available cash and facilities combined equates to over A\$300 million in available facilities and cash at a time when Western Areas' operations are significantly cash flow positive
  - The primary goal of the equity raising is to address the impending maturity of the July 2014 Convertible Bond
- After the redemption of the July 2014 convertible bonds, Western Areas will still retain sufficient cash and facility capacity to cover the July 2015 Convertible Bond redemption when it falls due along with other growth options (excluding any positive cashflow generation from operations over the next 17 months)
- ANZ has, in principle, agreed to a longer dated facility (March 2017, was March 2016) which allows financial flexibility past the maturity date of the 2015 Convertible Bond

### Notes:

1. Cash and debt numbers contained in the Half Year Financial Statements
2. Gross proceeds (pre-Offer costs) assuming maximum amount of A\$15 million raised under the SPP
3. Refer to H1 FY2014 results announcement
4. Refer to comments on potential capital projects such as the in tank leaching project – subject to decision to proceed



## Placement Timetable

Event	Date <sup>1,2</sup>
Placement bookbuild	Tuesday, 18 February 2014
Announcement of completion of Placement	Wednesday, 19 February 2014
Settlement of New Shares issued under the Placement	Monday, 24 February 2014
Allotment and trading of New Shares issued under the Placement	Tuesday, 25 February 2014

## SPP Timetable

Event	Date <sup>1,2</sup>
SPP record date	7pm (AEDST) Monday, 17 February 2014
Announcement date of SPP	Tuesday, 18 February 2014
Opening date of SPP	Tuesday, 25 February 2014
Closing date of SPP	Thursday, 20 March 2014
Allotment date	Friday, 28 March 2014
Anticipated quotation of New Shares on ASX	Monday 31 March 2014

### Notes:

- 1 Timetable is subject to change. Western Areas reserves the right to alter the above dates at its discretion and without notice, subject to the ASX Listing Rules and Corporations Act.
- 2 All dates and time refer to Australian Eastern Daylight Savings Time

# Summary of Key Risk Factors



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**There are various risks associated with an investment in Western Areas and many of these are outside the control of the Company. Please refer to the expanded Key Risks section on pages 33 to 36 for further detail.**

## Operational risks

- Maintaining and increasing nickel production and exploration risk
- Production and cost targets
- Mineral reserves and resources estimates
- Environmental impact
- Security of tenure
- Government regulations and policies and legislative changes
- Dependence on key personnel and labour
- Off-take agreements

## General risks

- Risks associated with investment in equity capital
- Fluctuations in nickel prices
- Risk of dividends not being paid
- Exchange rate fluctuations
- Financing considerations
- Hedging arrangements
- Litigation and disputes
- Changes to taxation





# Western Areas Ltd

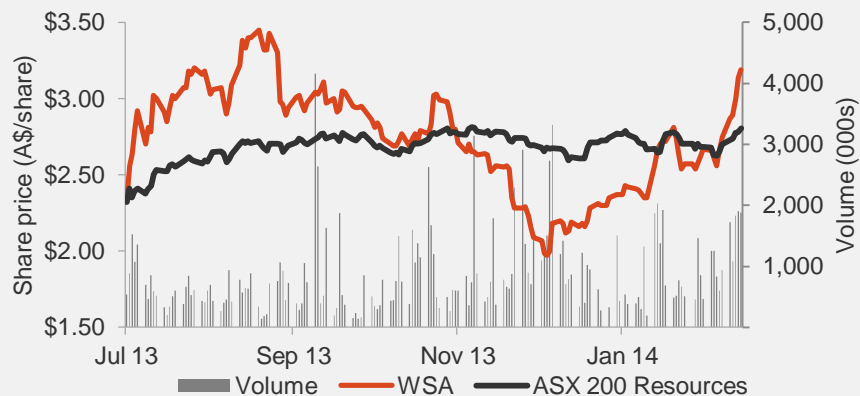
## Overview

“Think Nickel, think Western Areas”





## WSA vs ASX 200 Resources (FY14 YTD)<sup>1</sup>



Source: IRESS

## Top Shareholders <sup>7</sup>

Name	(%)
Terry Streeter	12.2
Schroder Investment Management	9.3
JCP Investment Partners	8.8
Commonwealth Bank	8.0

## Key Information

	Pre-Placement and SPP	Post-Placement and SPP <sup>2</sup>
Share price	3.28	n/a
52 week high/low (A\$)	4.75 / 1.94	n/a
Shares outstanding (m)	196.9	231.4 <sup>6</sup>
Market Capitalisation (A\$m)	645.7	749.7 <sup>5</sup>
Cash (A\$m)	99.9 <sup>3</sup>	203.9 <sup>4</sup>
Debt (A\$m) <sup>3</sup>	235.2	235.2
Undrawn ANZ Facility	125.0	125.0

## Board & Senior Management

Name	Position
Ian MacIver	Non-Executive Chairman
Dan Lougher	Managing Director & CEO
David Southam	Executive Director
Joseph Belladonna	Chief Financial Officer & Company Secretary
Julian Hanna	Non-Executive Director
Richard Yeates	Independent, Non-Executive Director
Robin Dunbar	Independent, Non-Executive Director

Notes: Market data as at 17 February 2014

1. ASX 200 Resources Index rebased to WSA Share Price
2. Pro forma assumes Placement and SPP successfully raise gross proceeds (pre raising costs) of A\$104m
3. Cash as at 31 December 2013 half yearly report and convertible bond debt
4. Includes cash balance as at 31 December 2013 plus assumed A\$104m Equity Raising proceeds pre raising costs

5. Theoretical pro forma market capitalisation assumes pre Placement and SPP market capitalisation plus Placement and SPP proceeds
6. Existing shares on issue plus ~29.5m new shares issued as part of the Placement and ~5.0m new shares issued as part of the SPP
7. Based on Beneficial Owner analysis and ASX substantial shareholder notices (Form 604)

"Think Nickel, think Western Areas"



## Production Assets

### Flying Fox

- 1<sup>st</sup> nickel mine
- 15kt nickel per annum

### Spotted Quoll

- 2<sup>nd</sup> nickel mine
- 10kt to 15kt nickel per annum

### Cosmic Boy

- Nickel concentrator – treats ore from both mines

## Exploration & Growth

### Forrestania & WA Regional

- Nickel

### Canadian Assets

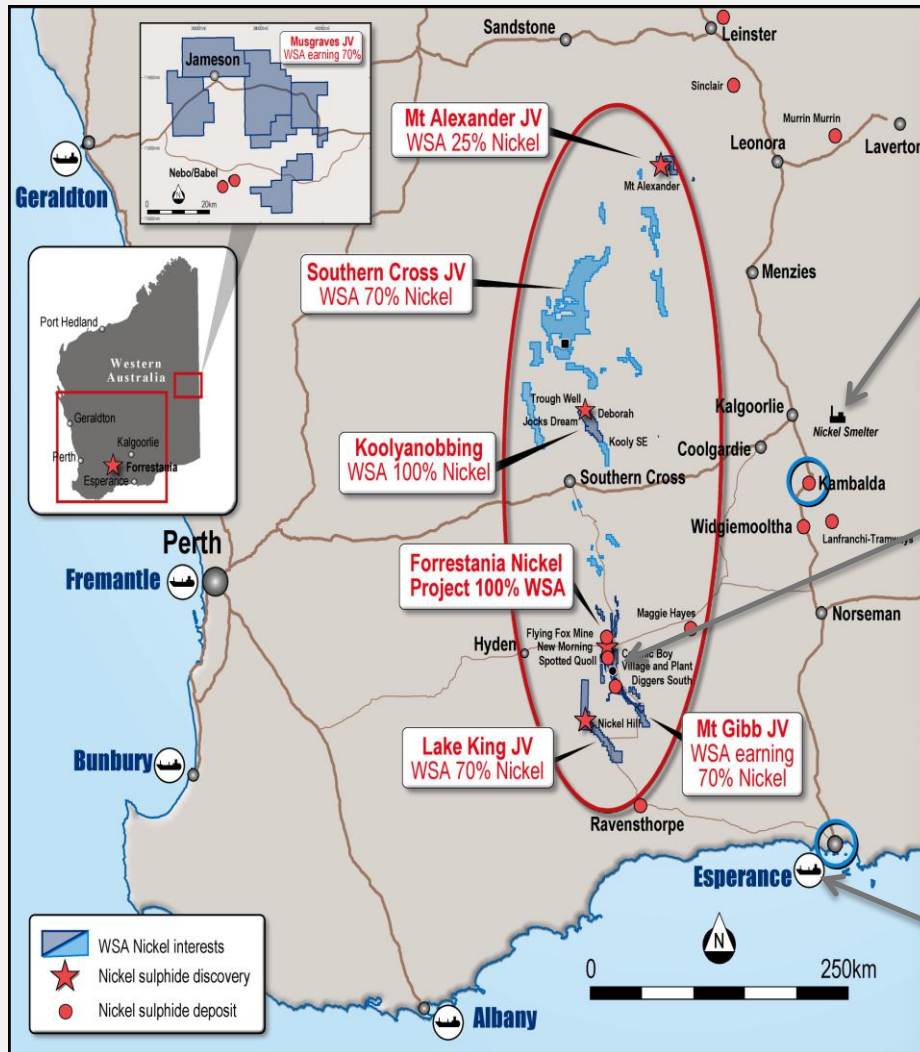
- Nickel/Copper
- PGEs

### Finland

- VMS
- Outokumpu Cu

**Disciplined Acquisition Potential (Nickel & Base Metals)**





WSA concentrate to BHP Billiton



WSA operations



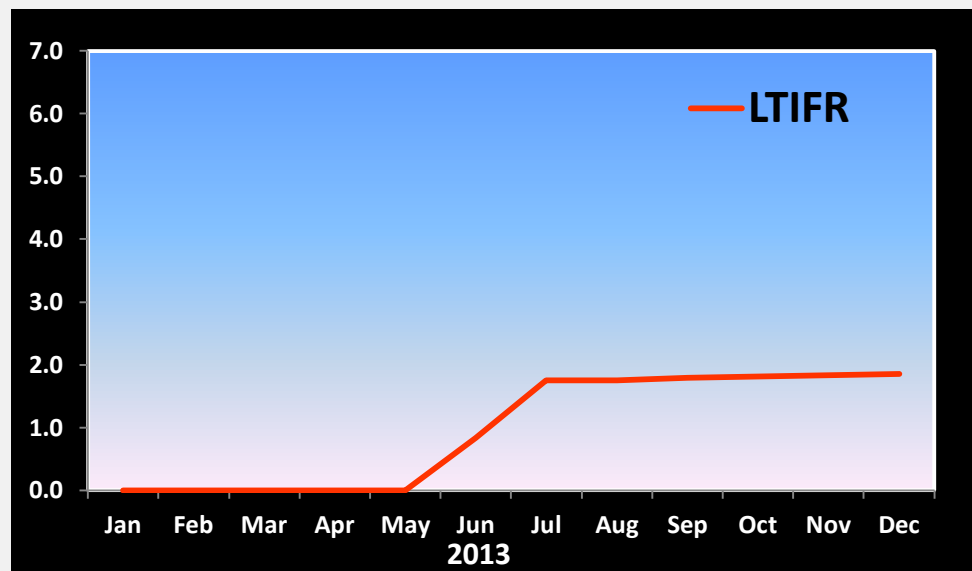
WSA concentrate exports





## Continuous Safety Improvement

- LTIFR 1.83
- Flying Fox >175 days LTI free
- Spotted Quoll >990 days LTI free
- Exploration >1,887 days LTI free
- Cosmic Boy Concentrator >192 days LTI free
- MTIFR 7.4
- 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







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

1. Level of global nickel supply
2. Cost and capacity of Chinese nickel pig iron (“NPI”) production
3. Indonesian nickel laterite export ban – implemented 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 projects 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





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 estimated to be between 800kt to 900kt per year – with growth forecast to be at 5% per annum\*
3. Indonesian ban implemented and exports have ceased:
  - China is estimated to have between 6 and 9 months of Indonesian laterite supply\*
  - Uncertainty on ban staying in full force – Indonesian election process during April/ May
  - Potential exists to raise laterite export taxes
  - Believe there is now a cap on NPI production at worse
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





# December Quarterly - Outperformance



Tonnes Mined		2012/2013		2013/2014		HY
		Mar Qtr	Jun Qtr	Sep Qtr	Dec Qtr	Total
<b>Flying Fox</b>						
Ore Tonnes Mined	Tns	82,668	73,716	86,642	83,095	169,737
Grade	Ni %	4.9%	4.7%	4.8%	4.6%	4.7%
Ni Tonnes Mined	Tns	4,081	3,447	4,200	3,791	7,991
<b>Spotted Quoll - Underground</b>						
Ore Tonnes Mined	Tns	59,335	53,465	77,097	74,720	151,817
Grade	Ni %	5.2%	4.8%	5.3%	4.8%	5.1%
Ni Tonnes Mined	Tns	3,066	2,584	4,090	3,616	7,706
<b>Total - Ore Tonnes Mined</b>	Tns	142,003	127,181	163,739	157,815	321,554
<b>Grade</b>	Ni %	5.0%	4.7%	5.1%	4.7%	4.9%
<b>Total Ni Tonnes Mined</b>	Tns	<b>7,147</b>	<b>6,031</b>	<b>8,290</b>	<b>7,407</b>	<b>15,697</b>
Tonnes Milled and Sold		2012/2013		2013/2014		HY
		Mar Qtr	Jun Qtr	Sep Qtr	Dec Qtr	Total
Ore Processed	Tns	145,348	146,256	150,475	148,901	299,376
Grade	%	5.0%	5.1%	4.9%	4.9%	4.9%
Ave. Recovery	%	91%	89%	90%	88%	89%
<b>Ni Tonnes in Concentrate</b>	Tns	<b>6,611</b>	<b>6,634</b>	<b>6,593</b>	<b>6,427</b>	<b>13,020</b>
Ni Tonnes in Concentrate Sold	Tns	6,845	7,222	6,554	6,409	12,963
<b>Total Nickel Sold</b>	Tns	<b>6,845</b>	<b>7,222</b>	<b>6,554</b>	<b>6,409</b>	<b>12,963</b>
Financial Statistics		2012/2013		2013/2014		DEC
		Mar Qtr	Jun Qtr	Sep Qtr	Dec Qtr	YTD
<b>Group Production Cost/lb</b>						
Mining Cost	A\$/lb	2.23	1.87	1.65	1.88	1.76
Haulage	A\$/lb	0.05	0.05	0.06	0.06	0.06
Milling	A\$/lb	0.41	0.38	0.40	0.44	0.42
Admin	A\$/lb	0.19	0.18	0.19	0.19	0.19
By Product Credits	A\$/lb	(0.02)	(0.02)	(0.02)	(0.03)	(0.02)
<b>Cash Cost Ni in Con</b>	<b>A\$/lb</b>	<b>2.86</b>	<b>2.46</b>	<b>2.28</b>	<b>2.54</b>	<b>2.41</b>
<b>Cash Cost Ni in Con/lb</b>	<b>US\$/lb</b>	<b>2.97</b>	<b>2.44</b>	<b>2.09</b>	<b>2.36</b>	<b>2.22</b>
<b>Exchange Rate US\$ / A\$</b>		<b>1.04</b>	<b>0.99</b>	<b>0.92</b>	<b>0.93</b>	<b>0.92</b>

## Comments

1. Continued low unit cash costs for the Dec half. 10% down on previous half.
2. Positive reserve reconciliation on grade/tonnes plus cost reduction program delivering results.
3. Production of nickel in ore and concentrate remain ahead of the guidance run rate.
4. Cash at Bank increased to A\$100m with A\$19m free cashflow for the half.
5. 14 quarters in a row of on target or better operational performance.

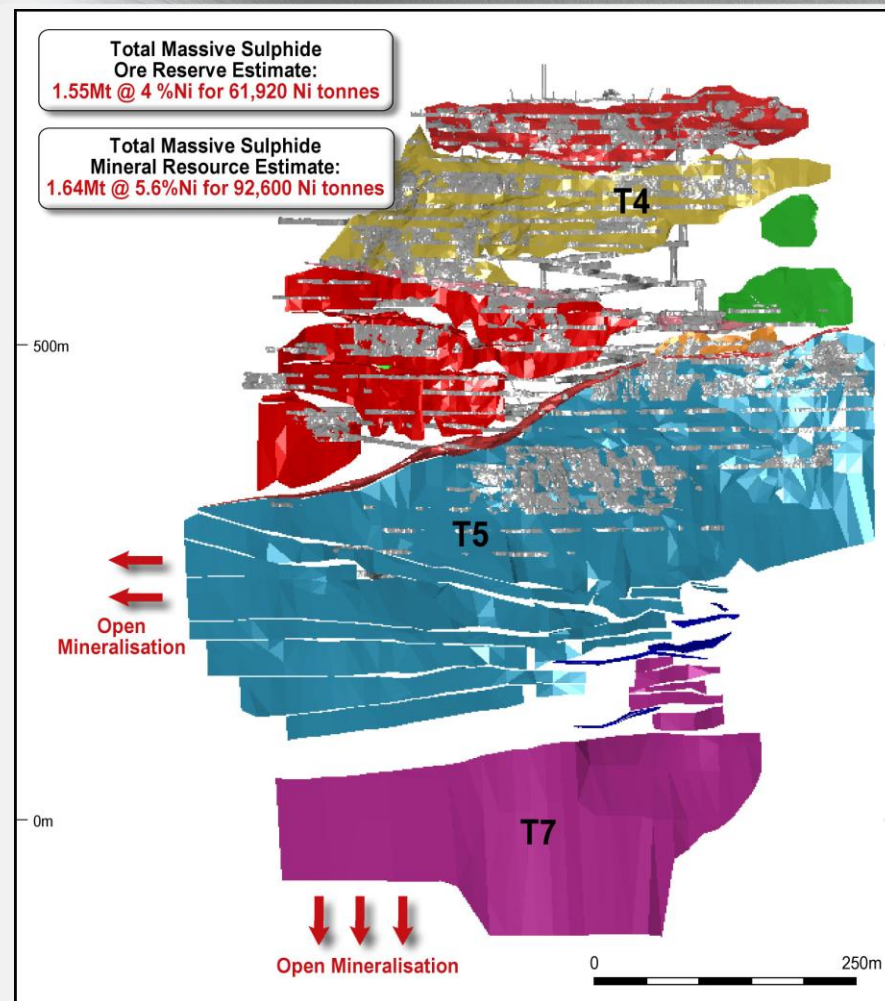


## Mineral Resource and Ore Reserve

- High Grade (excluding disseminated sulphide resource) Mineral Resource: 1.64Mt @ 5.6% Ni = 92,600 Ni Tonnes
- Ore Reserve: 1.55Mt @ 4.0% Ni = 61,920 Ni Tonnes
- 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
- Estimated Life of Mine – 5-6 Years, extensional drilling in progress



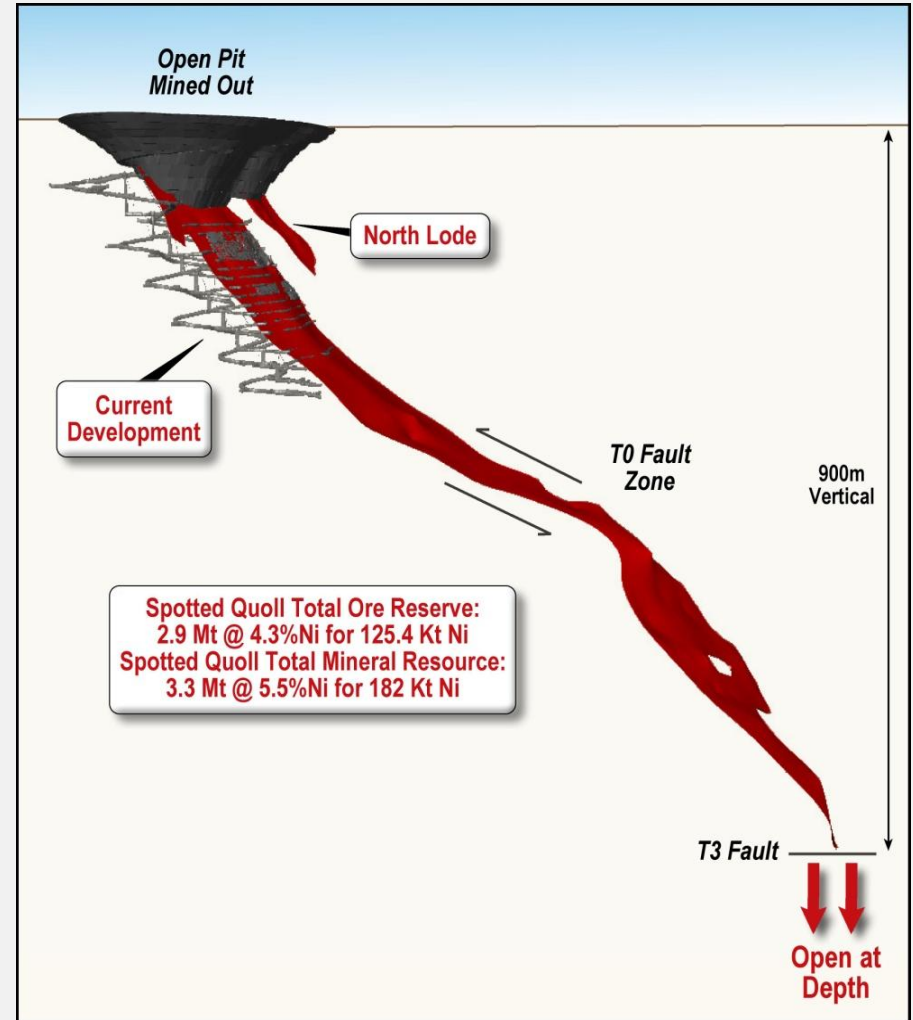


## Mineral Resource and Ore Reserves

- Ore reserve now 2.9mt @ 4.3% containing 125,440t nickel
- Remains open at depth and to the North
- Surface drilling program complete to improve conversion of inferred resource to indicated resource
- Already >10 year mine life on reserve
- **New Spotted Quoll North Indicated and Inferred Resource of 140kt @ 9.3% for 12,906 nickel tonnes**

## Production

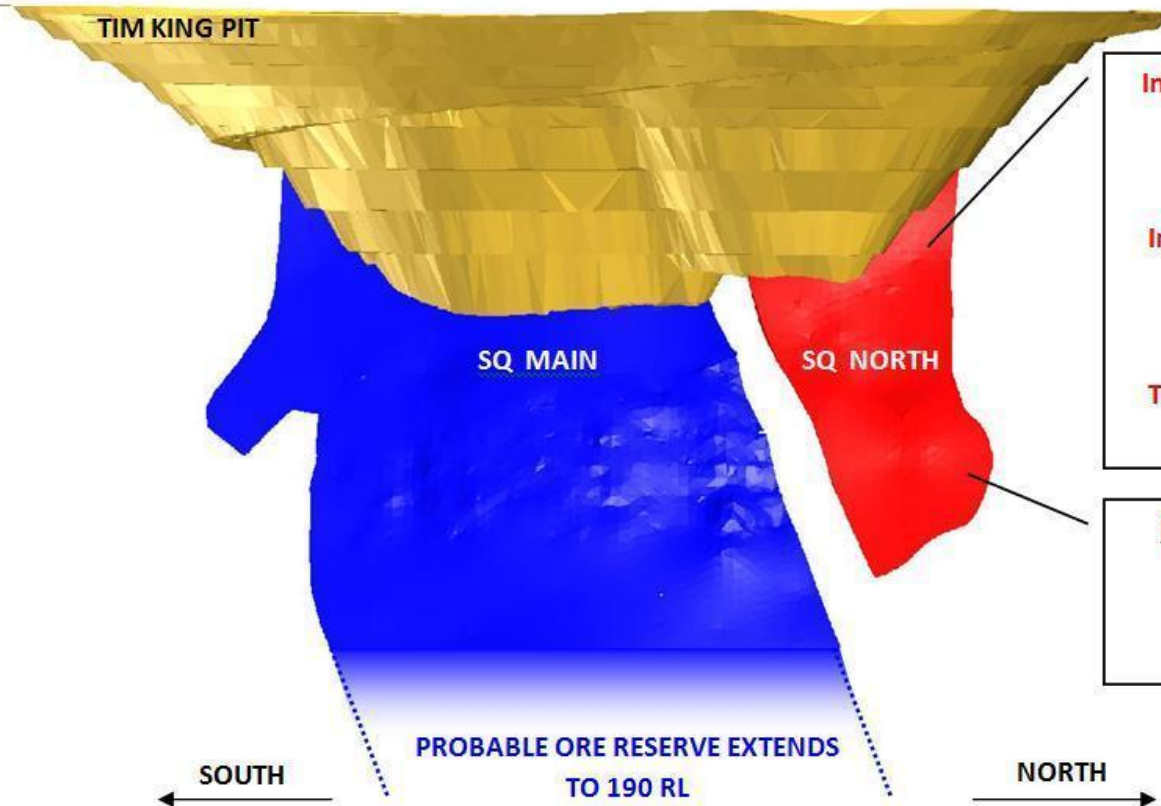
- FY2013 – 207,288t @ 5.1% Ni for 10.6Kt nickel
- Successfully ramped up nickel production to a sustainable 12ktpa run rate in FY2014
- Top-down mining using paste fill. Plant fully operational







## SPOTTED QUOLL NORTH - RESOURCE/RESERVE - DECEMBER 2013



**Indicated Mineral Resource**  
118,414t @ 8.9% Ni  
[10,539t Ni]  
and  
**Inferred Mineral Resource**  
21,520t @ 11.0% Ni  
[2,367t Ni]

**TOTAL CONTAINED NICKEL**  
12,906 tonnes

**PROBABLE ORE RESERVE**  
168,000t @ 5.7% Ni  
[9,600t Ni]  
**CONTAINED NICKEL**





## Organic Growth

Western Ultramafic Belt:

- ✓ New Morning channel
- ✓ Between Spotted Quoll & Flying Fox

Selected Overseas Exploration

Leverage from WSA's Concentrate off-take

## Joint Ventures

Traka Resources

Southern Cross

Base Metals – many opportunities being presented

## Acquisitions

Base Metals

Bottom Half of the Cost Curve

Use WSA expertise – exploration, development and operations

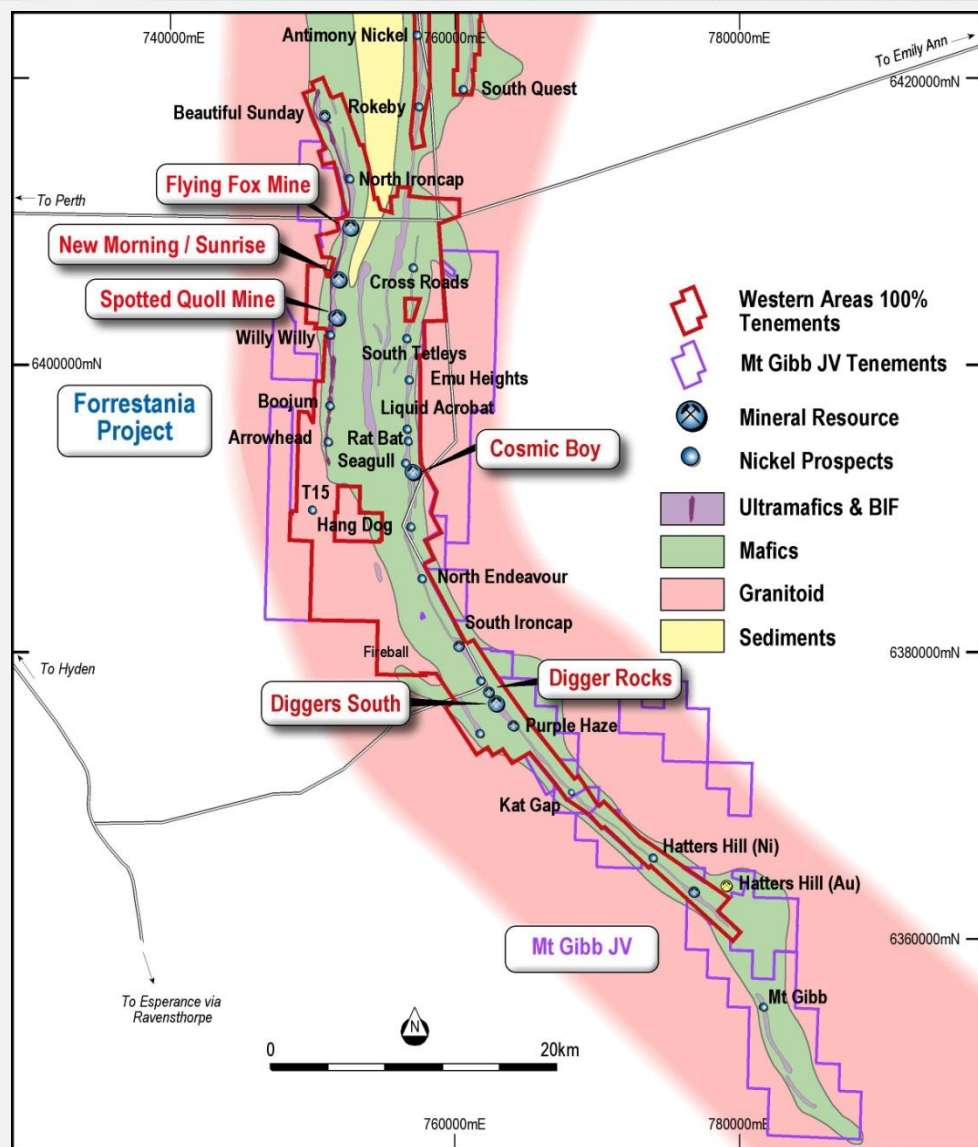
The 3 “D” – discipline and due diligence





## 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

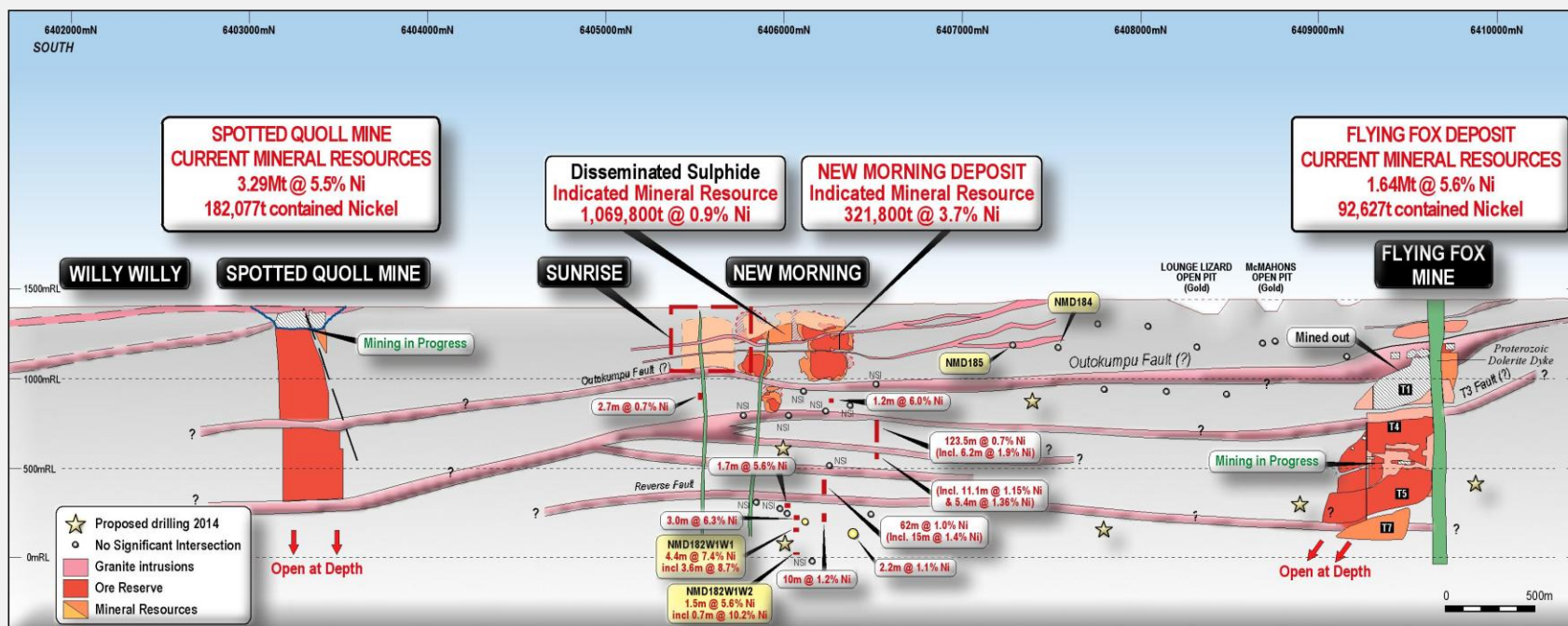




# Short Term – Near Mine Exploration



- 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

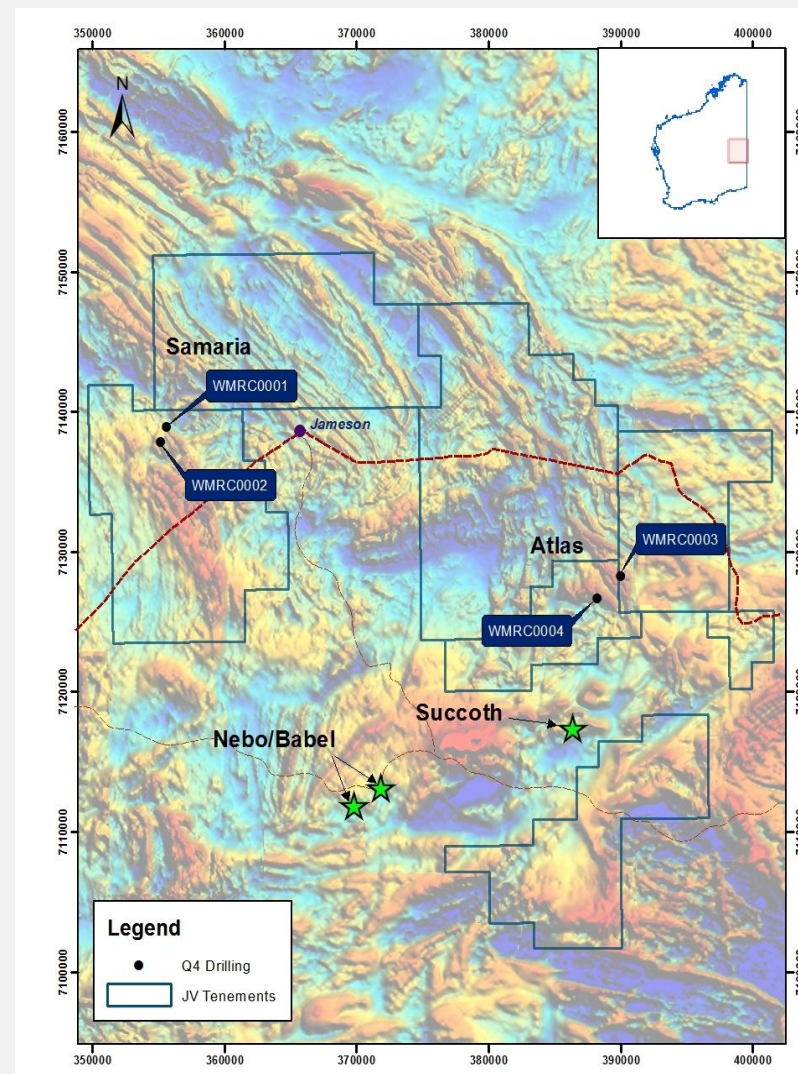


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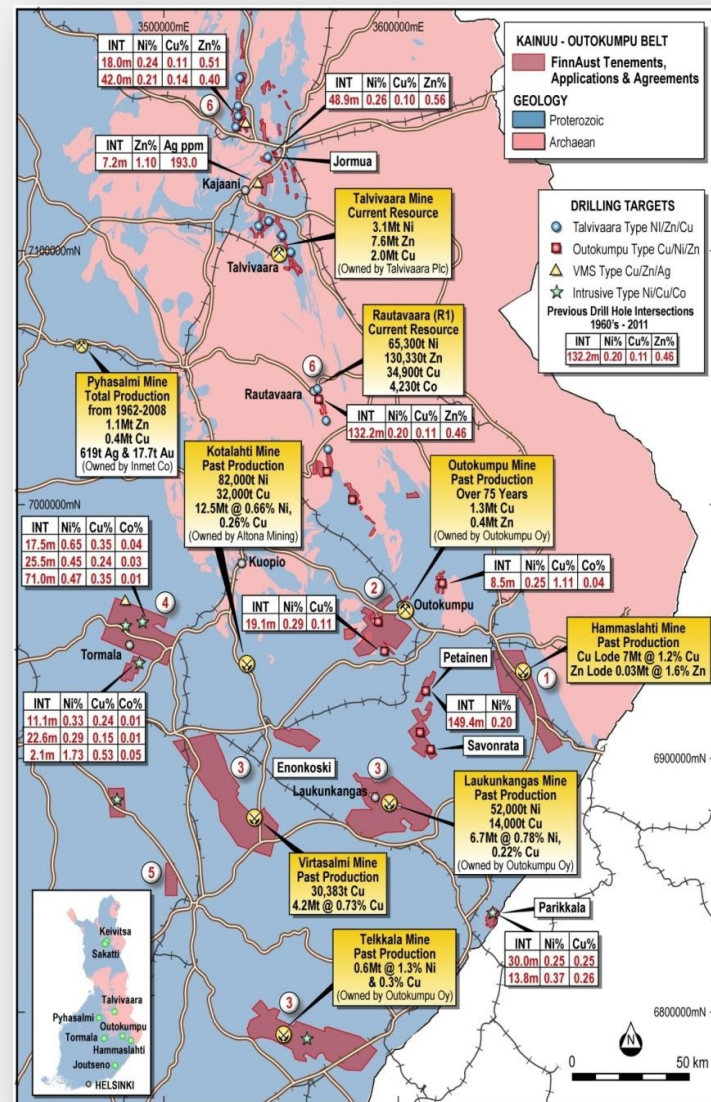




- Attractive entry point for highly prospective landholding where significant pre-work completed
- Up to 70% earn into prospective **West Musgrave** tenements (1,075km<sup>2</sup>) with Traka Resources
- Demonstrated strong endowment (BHPB's Nebo – Babel – Succoth deposits)
- Targeting massive sulphides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



- Listing on AIM completed in December 2013 and 68% WSA owned post listing
- Current market cap circa A\$20m
- 300km long base metal province in Finland
- Numerous nickel/copper/zinc mines & occurrences
- **Focus on two key projects:**
  - **Outokumpu Copper Project**
  - **Hammaslahti VMS Project**
- Drilling commenced for potential extensions and repetitions to known copper deposits
- Geophysics proving very effective in defining targets - ZTEM survey completed
- 18 months worth of drilling funds







## RISKS

There are a number of risks, both specific to WSA and of a general nature, which may, either individually or in combination, affect the future operational and financial performance of WSA and the mining industry in which it operates, and the value of WSA shares.

This section describes some, but not all, of the risks associated with an investment in WSA which prospective investors should consider together with publicly available information (including this Presentation) concerning WSA before making an investment decision.

### Operational risks

<p><b>Maintaining and increasing nickel production and exploration risks</b></p>	<p>WSA's ability to maintain and increase its annual production of nickel in the future will partly be dependent on its ability to develop mineral projects and the success of its exploration program.</p> <p>There are a number of risks and uncertainties associated with the development of mineral projects, many of which are beyond WSA's control. Development decisions are based on estimates of revenue, cost, timing and operational performance. There is an inherent risk that actual results may vary adversely from these estimates by reason of (among other things) changes in commodities prices, difficulties in obtaining and maintaining all necessary consents and approvals, variations from predicted ore grades, and unanticipated conditions at mine sites. These risks and uncertainties could result in WSA not realising development plans or in such plans generating less revenue than expected, costing more than expected or taking longer to realise than expected. Any of these outcomes could have an adverse effect on WSA's financial and operational performance.</p> <p>Further, exploration activities require sustained and substantial expenditure. Exploration activities are speculative by nature and there can be no assurance that further commercial quantities of ore will be discovered. If WSA's exploration activities do not result in additional reserves, this may have an adverse effect on its ability to maintain and increase nickel production into the future.</p>
<p><b>Production and cost targets</b></p>	<p>No assurance can be given that WSA will achieve its production and cost targets. These targets are subject to a number of factors, many of which cannot be foreseen and are beyond WSA's control. WSA's mining operations are subject to operating risks that could result in decreased production, increased costs and reduced revenues. These risks include (among other things) inaccurate mineral reserve and resource estimates, failing to locate mineral deposits, failing to achieve predicted ore grades, losing key personnel, unforeseen geological and operating difficulties, unexpected maintenance or mechanical failures, industrial and environmental accidents or disputes, or adverse weather conditions.</p>

# Key Risks (cont.)



<b>Mineral reserves and resources estimates</b>	<p>Estimating mineral reserves and mineral resources is a subjective process and the accuracy of any reserve or resource estimate is a function of the interpretation and extrapolation of a limited amount of geological data and, as such, is dependent on the quantity and quality of available data. Any material reductions in WSA's existing estimated mineral reserves and mineral resources, or of its ability to extract these mineral reserves and resources could have a material adverse effect on WSA's operating results and financial position.</p>
<b>Environmental impact</b>	<p>WSA's operations may substantially impact the environment or cause exposure to hazardous materials. Nickel exploration and production can affect the environment and result in substantial costs being incurred for environmental risk management, rehabilitation and damage control. Further, environmental conditions may be attached to mining tenements, and a failure to comply with these conditions may lead to forfeiture of the relevant tenements.</p> <p>WSA may also be subject to claims due to environmental damage arising out of current or former activities at sites that WSA owns or operates. This could have an adverse effect on WSA's financial and operational performance.</p>
<b>Security of tenure</b>	<p>There is a risk that necessary land use approvals (including, in respect of any native title rights and cultural heritage sites), mining tenements and environmental permits may not be obtained, granted or renewed, or may be obtained, granted or renewed on terms not satisfactory to WSA, or may be obtained, granted or renewed but not within the timeframes anticipated by WSA.</p>
<b>Government regulations and policies and legislative changes</b>	<p>WSA's mining operations are subject to extensive government regulations and policies with respect to matters such as land use, employee health and safety, rehabilitation of mining properties, and environmental damage and pollution. Any failure to comply with regulations or policies may result in penalties for non-compliance, which could have an adverse effect on WSA's financial and operational performance.</p> <p>These regulations and policies regularly change and may become more restrictive, impose stricter standards and increase penalties for non-compliance. Any future changes in these regulations or policies may increase WSA's costs of production or adversely affect its ability to produce and sell nickel.</p>
<b>Dependence on key personnel and labour</b>	<p>Retaining and recruiting qualified personnel is critical to WSA's success. If WSA cannot retain and attract qualified personnel it could adversely affect WSA's current exploration, development and production operations and its future growth plans.</p>

# Key Risks (cont.)



<b>Offtake agreements</b>	WSA is party to two offtake agreements with BHP Billiton Nickel West Pty Ltd and Jinchuan Group Ltd. If WSA is unable to meet its required deliverables under these offtake agreements, its business, operating results and financial position may be adversely affected. There is also a risk that when these offtake agreements expire WSA will not be able to enter into replacement or additional offtake agreements or that any contracts will be on less favourable terms.
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## General risks

<b>Risks associated with investment in equity capital</b>	There are general risks associated with investments in equity capital. The trading price of WSA shares may fluctuate with movements in equity capital markets in Australia and internationally. This may result in the market price for the New Shares being less or more than the Offer Price. Generally applicable factors which may affect the market price of shares include: general movements in Australian and international stock markets; investor sentiment; Australian and international economic conditions and outlook, changes in interest rates and the rate of inflation; changes in government regulation and policies; announcement of new technologies; and geo-political instability, including international hostilities and acts of terrorism. No assurances can be given that the New Shares will trade at or above the Offer Price. None of WSA, its Board or any other person guarantees the market performance of the New Shares.
<b>Fluctuations in nickel prices</b>	WSA's revenues are primarily dependent on the price of nickel. Nickel prices are volatile and subject to variety of factors which are beyond WSA's control. Depending on hedging practices, future price declines in the market value of nickel may adversely impact on WSA's profit margins, future development and planned future production, which may in turn adversely impact the price of WSA's shares.
<b>Risk of dividends not being paid</b>	The payment of dividends is announced at the time of release of WSA half year and full year results as determined by the Board from time to time at its discretion, dependent on the profitability and cash flow of WSA's businesses. Circumstances may arise where WSA is required to reduce or cease paying dividends for a period of time.
<b>Exchange rate fluctuations</b>	Exchange rate fluctuations affect WSA's profitability. WSA's revenues from nickel sales is received in US dollars, while the majority of its expenses (including financing costs) are incurred in Australian dollars. Foreign exchanges rates are impacted by a number of factors beyond WSA's control. Depending on hedging practices, if the Australian dollar appreciates in value against the US dollar then WSA's financial results may be adversely affected due to the potential lower Australian dollar receipts available to cover costs.



<b>Financing considerations</b>	<p>WSA may need to raise additional debt or equity funds in the future to fund its exploration, development and production activities. There is no assurance that WSA will be able to obtain additional debt or equity funding when required, or that the terms associated with that funding will be acceptable to WSA.</p> <p>Additionally, WSA's ability to service its existing debt and redeem its existing convertible bonds will depend on its future financial performance and cash flows, which will be affected by many factors, some of which will be beyond WSA's control. Any inability of WSA to service its existing debt would have a material adverse effect on WSA.</p>
<b>Hedging arrangements</b>	<p>The Company enters into hedging arrangements at various times to limit its exposure to fluctuations in the price of nickel and exchange rates. If WSA is unable to satisfy its obligations under these contracts by delivering the required product (being nickel or US currency) it may be adversely affected. WSA's hedging practices may prove ineffective because in some instances they may limit the price that can be realised on the nickel subject to the hedge where the market price exceeds the hedge contract.</p>
<b>Litigation and disputes</b>	<p>WSA may become involved in litigation or disputes, which could adversely affect financial performance.</p>
<b>Changes to taxation</b>	<p>Changes to income tax, GST, duty, greenhouse gas emission taxes, mining royalties or any other applicable taxation legislation or policies in the jurisdictions where WSA operates may adversely affect WSA's financial profitability, net assets and cash flow.</p>



# International Offer Restrictions

WESTERN AREAS LTD



This document does not constitute an offer of new ordinary shares ("New Shares") of the Company in any jurisdiction in which it would be unlawful. New Shares may not be offered or sold in any country outside Australia except to the extent permitted below.

## **Canada (British Columbia, Ontario and Quebec provinces)**

This document constitutes an offering of New Shares only in the Provinces of British Columbia, Ontario and Quebec (the "Provinces") and to those persons to whom they may be lawfully distributed in the Provinces, and only by persons permitted to sell such New Shares. This document is not, and under no circumstances is to be construed as, an advertisement or a public offering of securities in the Provinces. This document may only be distributed in the Provinces to persons that are "accredited investors" within the meaning of NI 45-106 – *Prospectus and Registration Exemptions*, of the Canadian Securities Administrators.

No securities commission or similar authority in the Provinces has reviewed or in any way passed upon this document, the merits of the New Shares or the offering of New Shares and any representation to the contrary is an offence.

No prospectus has been, or will be, filed in the Provinces with respect to the offering of New Shares or the resale of such securities. Any person in the Provinces lawfully participating in the offer will not receive the information, legal rights or protections that would be afforded had a prospectus been filed and receipted by the securities regulator in the applicable Province. Furthermore, any resale of the New Shares in the Provinces must be made in accordance with applicable Canadian securities laws which may require resales to be made in accordance with exemptions from dealer registration and prospectus requirements. These resale restrictions may in some circumstances apply to resales of the New Shares outside Canada and, as a result, Canadian purchasers should seek legal advice prior to any resale of the New Shares.

The Company, and the directors and officers of the Company, may be located outside Canada, and as a result, it may not be possible for Canadian purchasers to effect service of process within Canada upon the Company or its directors or officers. All or a substantial portion of the assets of the Company and such persons may be located outside Canada, and as a result, it may not be possible to satisfy a judgment against the Company or such persons in Canada or to enforce a judgment obtained in Canadian courts against the Company or such persons outside Canada.

Any financial information contained in this document has been prepared in accordance with Australian Accounting Standards and also comply with International Financial Reporting Standards and interpretations issued by the International Accounting Standards Board. Unless stated otherwise, all dollar amounts contained in this document are in Australian dollars.

*Statutory rights of action for damages or rescission.* Securities legislation in certain of the Provinces may provide purchasers with, in addition to any other rights they may have at law, rights of rescission or to damages, or both, when an offering memorandum that is delivered to purchasers contains a misrepresentation. These rights and remedies must be exercised within prescribed time limits and are subject to the defenses contained in applicable securities legislation. Prospective purchasers should refer to the applicable provisions of the securities legislation of their respective Province for the particulars of these rights or consult with a legal adviser.



## Canada (British Columbia, Ontario and Quebec provinces) (cont.)

The following is a summary of the statutory rights of rescission or to damages, or both, available to purchasers in Ontario. In Ontario, every purchaser of the New Shares purchased pursuant to this document (other than: (a) a "Canadian financial institution" or a "Schedule III bank" (each as defined in NI 45-106); (b) the Business Development Bank of Canada; or (c) a subsidiary of any person referred to in (a) or (b) above, if the person owns all the voting securities of the subsidiary, except the voting securities required by law to be owned by the directors of that subsidiary) shall have a statutory right of action for damages and/or rescission against the Company if this document or any amendment thereto contains a misrepresentation. If a purchaser elects to exercise the right of action for rescission, the purchaser will have no right of action for damages against the Company. This right of action for rescission or damages is in addition to and without derogation from any other right the purchaser may have at law. In particular, Section 130.1 of the Securities Act (Ontario) provides that, if this document contains a misrepresentation, a purchaser who purchases the New Shares during the period of distribution shall be deemed to have relied on the misrepresentation if it was a misrepresentation at the time of purchase and has a right of action for damages or, alternatively, may elect to exercise a right of rescission against the Company, provided that: (a) the Company will not be liable if it proves that the purchaser purchased the New Shares with knowledge of the misrepresentation; (b) in an action for damages, the Company is not liable for all or any portion of the damages that the Company proves does not represent the depreciation in value of the New Shares as a result of the misrepresentation relied upon; and (c) in no case shall the amount recoverable exceed the price at which the New Shares were offered.

Section 138 of the *Securities Act* (Ontario) provides that no action shall be commenced to enforce these rights more than: (a) in the case of any action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or (b) in the case of any action, other than an action for rescission, the earlier of: (i) 180 days after the purchaser first had knowledge of the fact giving rise to the cause of action; or (ii) three years after the date of the transaction that gave rise to the cause of action. These rights are in addition to and not in derogation from any other right the purchaser may have.

*Certain Canadian income tax considerations.* Prospective purchasers of the New Shares should consult their own tax adviser with respect to any taxes payable in connection with the acquisition, holding, or disposition of the New Shares as any discussion of taxation related matters in this document is not a comprehensive description and there are a number of substantive Canadian tax compliance requirements for investors in the Provinces.

*Language of documents in Canada.* Upon receipt of this document, each investor in Canada hereby confirms that it has expressly requested that all documents evidencing or relating in any way to the sale of the New Shares (including for greater certainty any purchase confirmation or any notice) be drawn up in the English language only. *Par la réception de ce document, chaque investisseur canadien confirme par les présentes qu'il a expressément exigé que tous les documents faisant foi ou se rapportant de quelque manière que ce soit à la vente des valeurs mobilières décrites aux présentes (incluant, pour plus de certitude, toute confirmation d'achat ou tout avis) soient rédigés en anglais seulement.*

## European Economic Area - Germany and Liechtenstein

The information in this document has been prepared on the basis that all offers of New Shares will be made pursuant to an exemption under the Directive 2003/71/EC ("Prospectus Directive"), as amended and implemented in Member States of the European Economic Area (each, a "Relevant Member State"), from the requirement to produce a prospectus for offers of securities.



## European Economic Area - Germany and Liechtenstein (cont.)

An offer to the public of New Shares has not been made, and may not be made, in a Relevant Member State except pursuant to one of the following exemptions under the Prospectus Directive as implemented in that Relevant Member State: (a) to any legal entity that is authorized or regulated to operate in the financial markets or whose main business is to invest in financial instruments; (b) to any legal entity that satisfies two of the following three criteria: (i) balance sheet total of at least €20,000,000; (ii) annual net turnover of at least €40,000,000 and (iii) own funds of at least €2,000,000 (as shown on its last annual unconsolidated or consolidated financial statements); (c) to any person or entity who has requested to be treated as a professional client in accordance with the EU Markets in Financial Instruments Directive (Directive 2004/39/EC, "MiFID"); or (d) to any person or entity who is recognised as an eligible counterparty in accordance with Article 24 of the MiFID.

## France

This document is not being distributed in the context of a public offering of financial securities (*offre au public de titres financiers*) in France within the meaning of Article L.411-1 of the French Monetary and Financial Code (*Code monétaire et financier*) and Articles 211-1 *et seq.* of the General Regulation of the French Autorité des marchés financiers ("AMF"). The New Shares have not been offered or sold and will not be offered or sold, directly or indirectly, to the public in France.

This document and any other offering material relating to the New Shares has not been, and will not be, submitted to the AMF for approval in France and, accordingly, may not be distributed (directly or indirectly) to the public in France. Such offers, sales and distributions have been and shall only be made in France to qualified investors (*investisseurs qualifiés*) acting for their own account, as defined in and in accordance with Articles L.411-2-II-2, D.411-1, L.533-16, L.533-20, D.533-11, D.533-13, D.744-1, D.754-1 and D.764-1 of the French Monetary and Financial Code and any implementing regulation.

Pursuant to Article 211-3 of the General Regulation of the AMF, investors in France are informed that the New Shares cannot be distributed (directly or indirectly) to the public by the investors otherwise than in accordance with Articles L.411-1, L.411-2, L.412-1 and L.621-8 to L.621-8-3 of the French Monetary and Financial Code.

## Hong Kong

WARNING: This document has not been, and will not be, registered as a prospectus under the Companies Ordinance (Cap. 32) of Hong Kong (the "Companies Ordinance"), nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the "SFO"). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the New Shares have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO).

No advertisement, invitation or document relating to the New Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to New Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors (as defined in the SFO and any rules made under that ordinance). No person allotted New Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.



## Hong Kong (cont.)

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

## New Zealand

This document has not been registered, filed with or approved by any New Zealand regulatory authority under or in accordance with the Securities Act 1978 (New Zealand). The New Shares are not being offered or sold in New Zealand, or allotted with a view to being offered for sale in New Zealand, and no person in New Zealand may accept a placement of New Shares other than to: (a) persons whose principal business is the investment of money or who, in the course of and for the purposes of their business, habitually invest money; or (b) persons who are each required to: (i) pay a minimum subscription price of at least NZ\$500,000 for the securities before allotment; or (ii) have previously paid a minimum subscription price of at least NZ\$500,000 for securities of the Company ("initial securities") in a single transaction before the allotment of such initial securities and such allotment was not more than 18 months prior to the date of this document.

## Norway

This document has not been approved by, or registered with, any Norwegian securities regulator under the Norwegian Securities Trading Act of 29 June 2007. Accordingly, this document shall not be deemed to constitute an offer to the public in Norway within the meaning of the Norwegian Securities Trading Act of 2007.

The New Shares may not be offered or sold, directly or indirectly, in Norway except to "professional clients" (as defined in Norwegian Securities Regulation of 29 June 2007 no. 876 and including non-professional clients having met the criteria for being deemed to be professional and for which an investment firm has waived the protection as non-professional in accordance with the procedures in this regulation).

## Singapore

This document and any other materials relating to the New Shares has not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of New Shares, may not be issued, circulated or distributed, nor may the New Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This document has been given to you on the basis that you are: (i) an existing holder of the Company's shares; (ii) an "institutional investor" (as defined in the SFA); or (iii) a "relevant person" (as defined in section 275(2) of the SFA). In the event that you are not an investor falling within any of the categories set out above, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the New Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire New Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.





## Switzerland

The New Shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange ("SIX") or on any other stock exchange or regulated trading facility in Switzerland. This document has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the New Shares may be publicly distributed or otherwise made publicly available in Switzerland. The New Shares will only be offered to regulated financial intermediaries such as banks, securities dealers, insurance institutions and fund management companies as well as institutional investors with professional treasury operations.

Neither this document nor any other offering or marketing material relating to the New Shares has been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of New Shares will not be supervised by, the Swiss Financial Market Supervisory Authority (FINMA).

This document is personal to the recipient only and not for general circulation in Switzerland.

## United Kingdom

Neither the information in this document nor any other document relating to the offer has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended ("FSMA")) has been published or is intended to be published in respect of the New Shares. This document is issued on a confidential basis to "qualified investors" (within the meaning of section 86(7) of FSMA) in the United Kingdom, and the New Shares may not be offered or sold in the United Kingdom by means of this document, any accompanying letter or any other document, except in circumstances which do not require the publication of a prospectus pursuant to section 86(1) FSMA. This document should not be distributed, published or reproduced, in whole or in part, nor may its contents be disclosed by recipients to any other person in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of FSMA) received in connection with the issue or sale of the New Shares has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) of FSMA does not apply to the Company.

In the United Kingdom, this document is being distributed only to, and is directed at, persons: (i) who have professional experience in matters relating to investments falling within Article 19(5) (investment professionals) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 ("FPO"); (ii) who fall within the categories of persons referred to in Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the FPO; or (iii) to whom it may otherwise be lawfully communicated (together "relevant persons"). The investments to which this document relates are available only to, and any invitation, offer or agreement to purchase will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

## United States

This document does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. Any securities described in this document have not been, and will not be, registered under the US Securities Act of 1933 and may not be sold in the United States except to "qualified institutional buyers" (as defined in Rule 144A under the US Securities Act).