



# Western Areas Ltd

UBS Australian Resources Conference – Sydney  
June 2014

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“Think Nickel, think Western Areas”



# Disclaimer and Forward Looking Statements

WESTERN AREAS LTD



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The information within this PowerPoint presentation was compiled by Western Areas management, but the information as it relates to mineral resources and reserves was prepared by Mr. Dan Lougher and Mr. Andre Wulfse. Mr. Lougher and Mr. Wulfse are full time employees of Western Areas Ltd. Mr. Lougher and Mr. Wulfse 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. 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. 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 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.



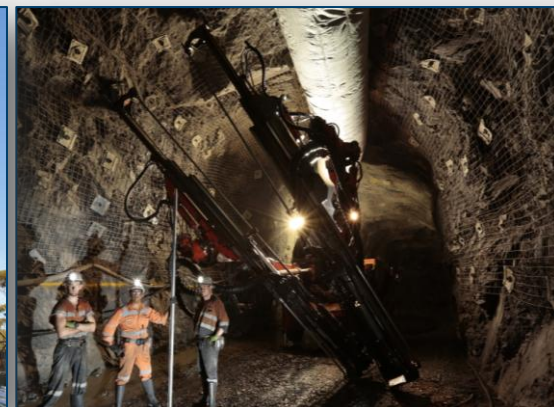


*“Western Areas has an enviable track record of exploring, finding, developing and producing profitable mines.”*

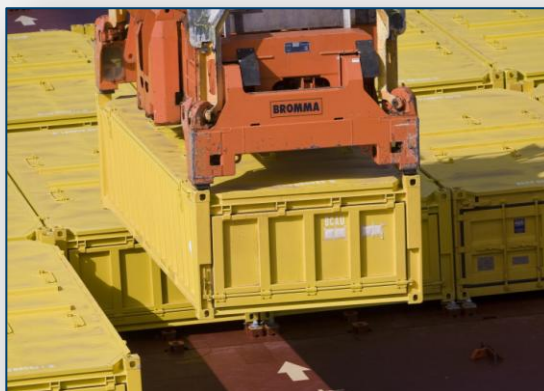
- Introduction
- Nickel industry
- Operations
- Exploration & Growth Outlook



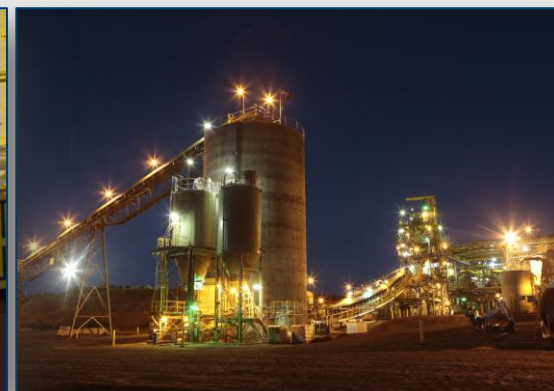
**Explore**



**Develop**



**Sales**



**Produce**

*“Think Nickel, think Western Areas”*



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



## Key Information

as at 12 June 2014

Share price	4.34
52 week high/low (A\$)	4.75 / 1.97
Shares outstanding (m)	232.3
Market Capitalisation (A\$m)	1,008.2
Cash (A\$m) <sup>2</sup>	175.5
Debt (A\$m) <sup>2</sup>	220.2
Undrawn ANZ Facility	125.0

## Board & Senior Management

Name	Position
Ian Macliver	Independent 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

1. ASX 200 Resources Index rebased to WSA Share Price  
 2. Cash as at 31 March 2014 and convertible bond debt



- **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 approximately A\$1 billion at current prices
- **Profitable**, even at the previously low nickel price
- **Balance Sheet**, flexibility and strength
- **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
- **15 consecutive** quarterly reports with no downside operational surprises
- **Committed** to stable organic growth from the current solid platform
- **Improving nickel price sentiment and outlook – strong cashflow generation**



## 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
- Traka JV

### Canadian Assets

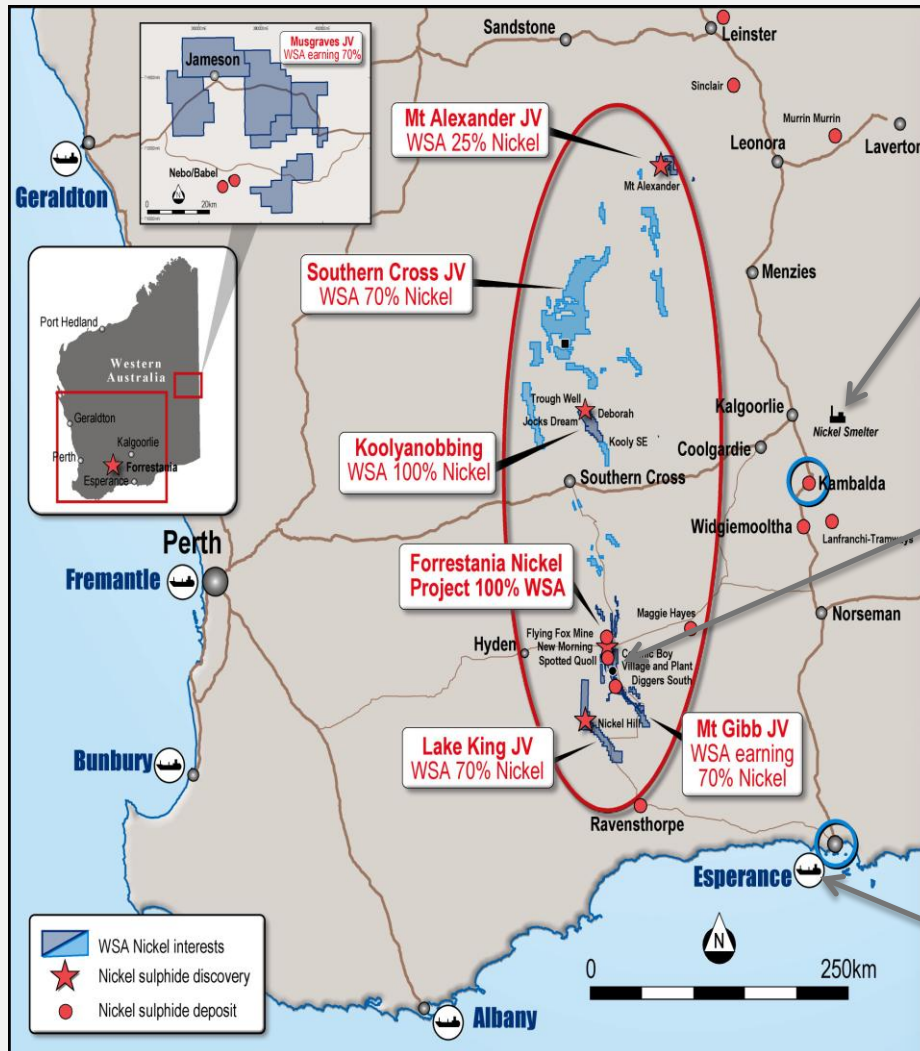
- Nickel/Copper
- PGEs

### Finland

- VMS
- Outokumpu Cu

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





WSA concentrate to  
BHP Billiton



WSA operations



WSA  
concentrate  
exports

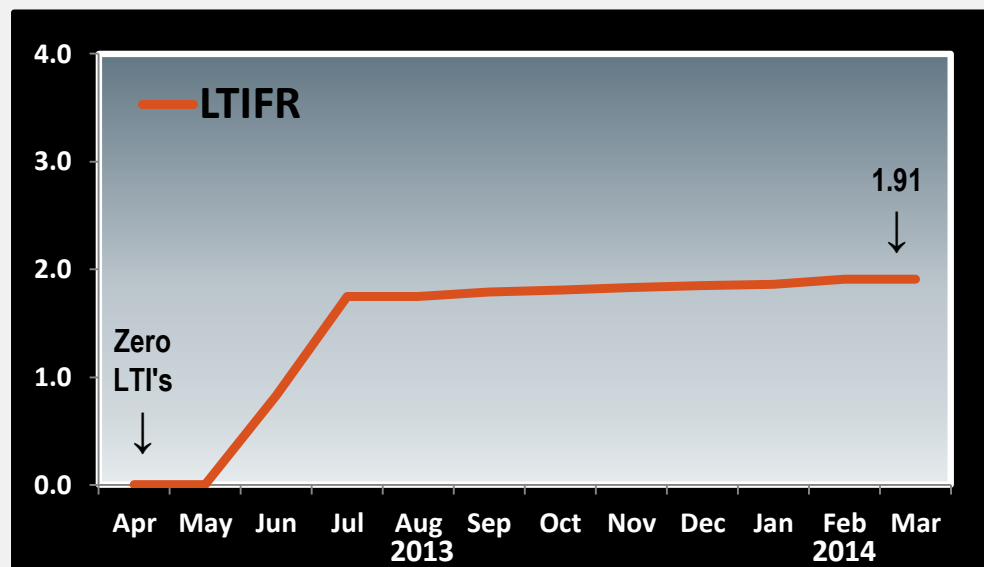


## Continuous Safety Improvement

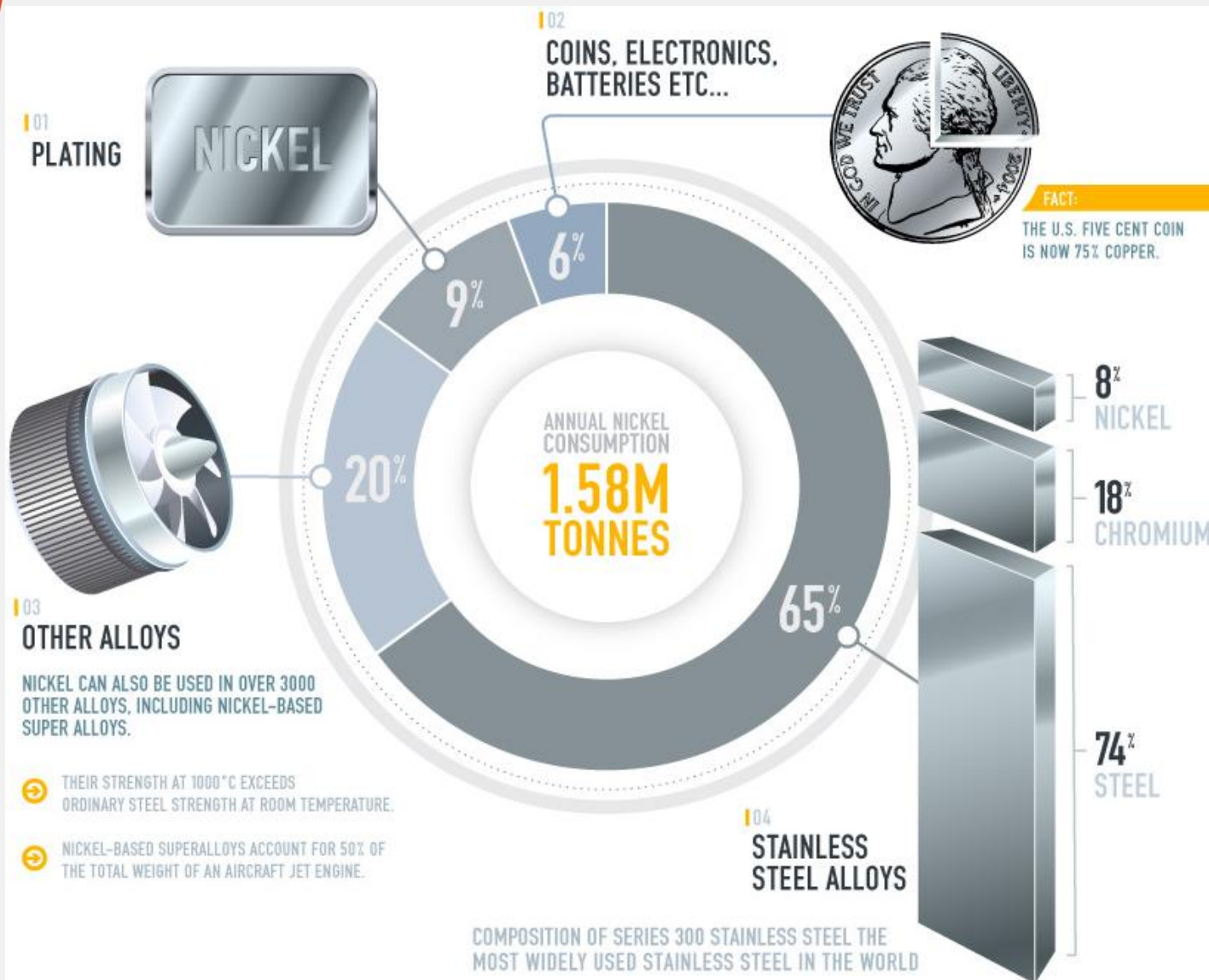
- LTIFR 1.91
- Flying Fox >265 days LTI free
- Spotted Quoll >1,080 days LTI free
- Exploration >1,977 days LTI free
- Cosmic Boy Concentrator >282 days LTI free
- Contractors and employees fully integrated into a site wide commitment

## Environment & Social

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







Whilst best known for its use in coins, nickel has far more strategic uses

It can be alloyed with other metals to create truly extraordinary materials



## **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
5. Shorter term political factors impacting sentiment

## **What we believe is occurring:**

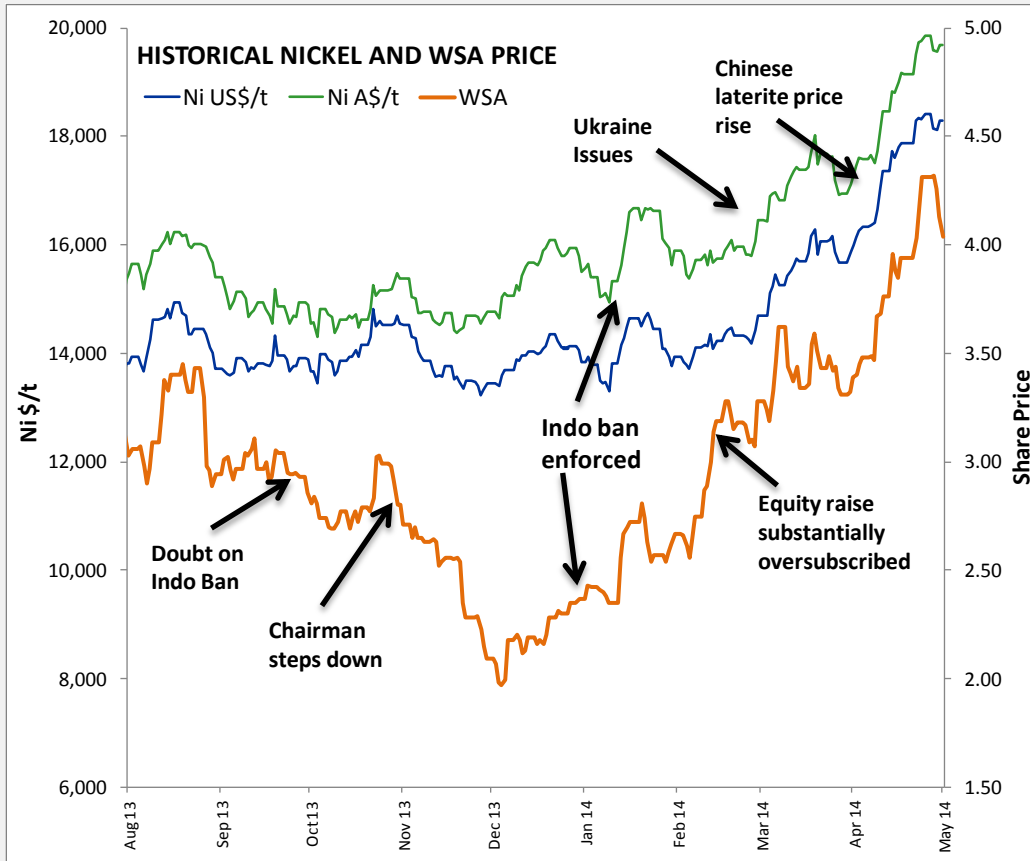
1. Many commentators believe nickel supply now in equilibrium or a small deficit heading into FY15 – a supply response began in CY13:
  - Glencore – all Australian sulphide production ceased, Falcondo operation closed
  - Norilsk – all Australian operations ceased, ex-Russia projects up for sale
  - 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 peaked between 450kt to 500kt of contained nickel in CY13. 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 maximum six months of Indonesian laterite supply\*
  - Appears to be no political opposition to the laterite ban – impact on Indonesian GDP is minor
  - 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 showing signs of life, whilst US has indications of a recovery



# Nickel Price & WSA Share Price



WSA remains very sensitive to nickel price and AUD/USD fluctuations:

- WSA currently sells approx 50mlb of nickel in concentrate per annum
- Nickel price in AUD terms increased from approx A\$7/lb in Aug 2013 to A\$9/lb in June 2014
- Analyst consensus is WSA receives circa 70% payable price to LME
- **Using the above assumptions it will increase free cashflow and EBIT by approx A\$70m on an annualised basis**
- Share price is up only 85c since August 2013
- Nov 2013 to beginning of Jan 2014 was impacted by sentiment, rather than facts





## In the March FY14 Quarterly we said.....

Flying Fox mine grade to trend upwards	✓ On target to be delivered
FY14 Ore Production Outperformance	✓ Remains on track to beat guidance
FY14 Concentrate Production Outperformance	✓ Remains on track to beat guidance
FY14 Cash Costs <A\$2.70lb	✓ Remains on track to beat guidance
Positive Cashflow for the June Quarter	✓ Free cashflow for June Q will be strong

## Other

1. Combined Capex & Exploration Guidance of <A\$60m well on track
2. On 2 July 2014, A\$95m of convertible bond debt will be retired from cash at bank – immediate FY15 saving of nearly A\$12m Earning Before Tax
3. Offtake tender may commence in July 2014



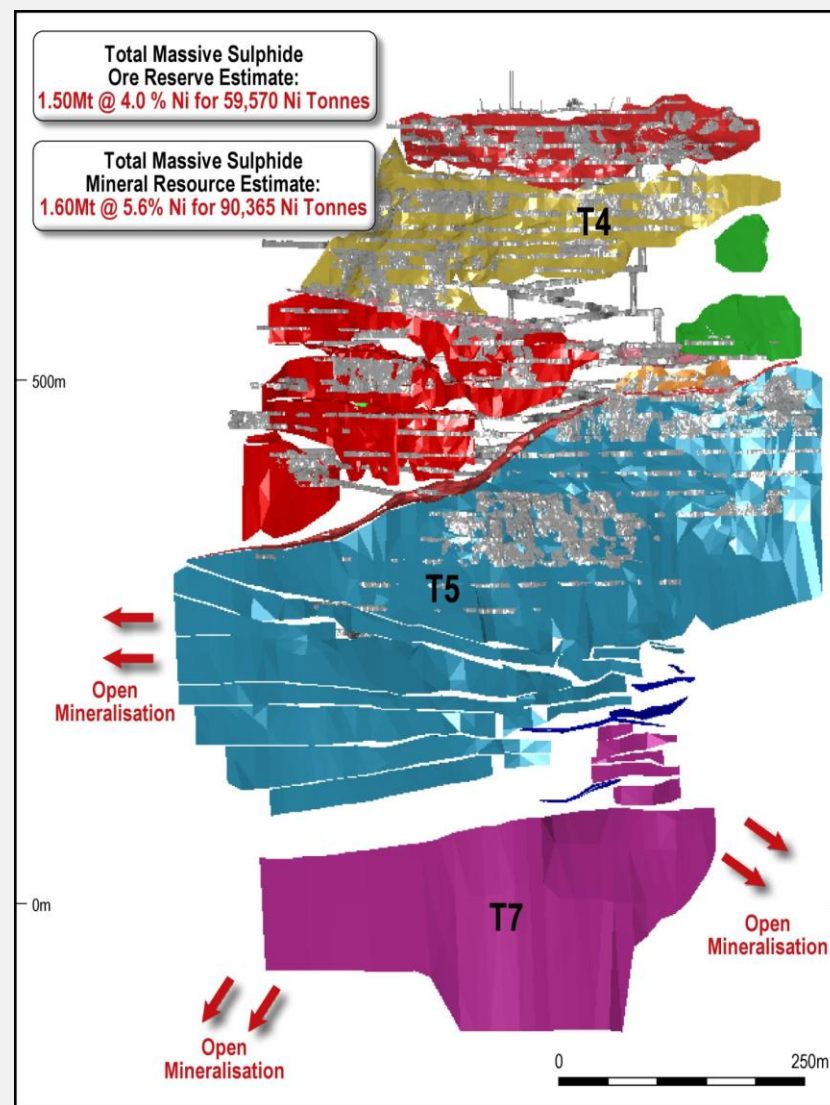


## Mineral Resource and Ore Reserve

- High Grade (excluding disseminated sulphide resource) Mineral Resource: **1.60Mt @ 5.6% Ni containing 90,365 Ni Tonnes**
- Ore Reserve: **1.50Mt @ 4.0% Ni containing 59,570 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



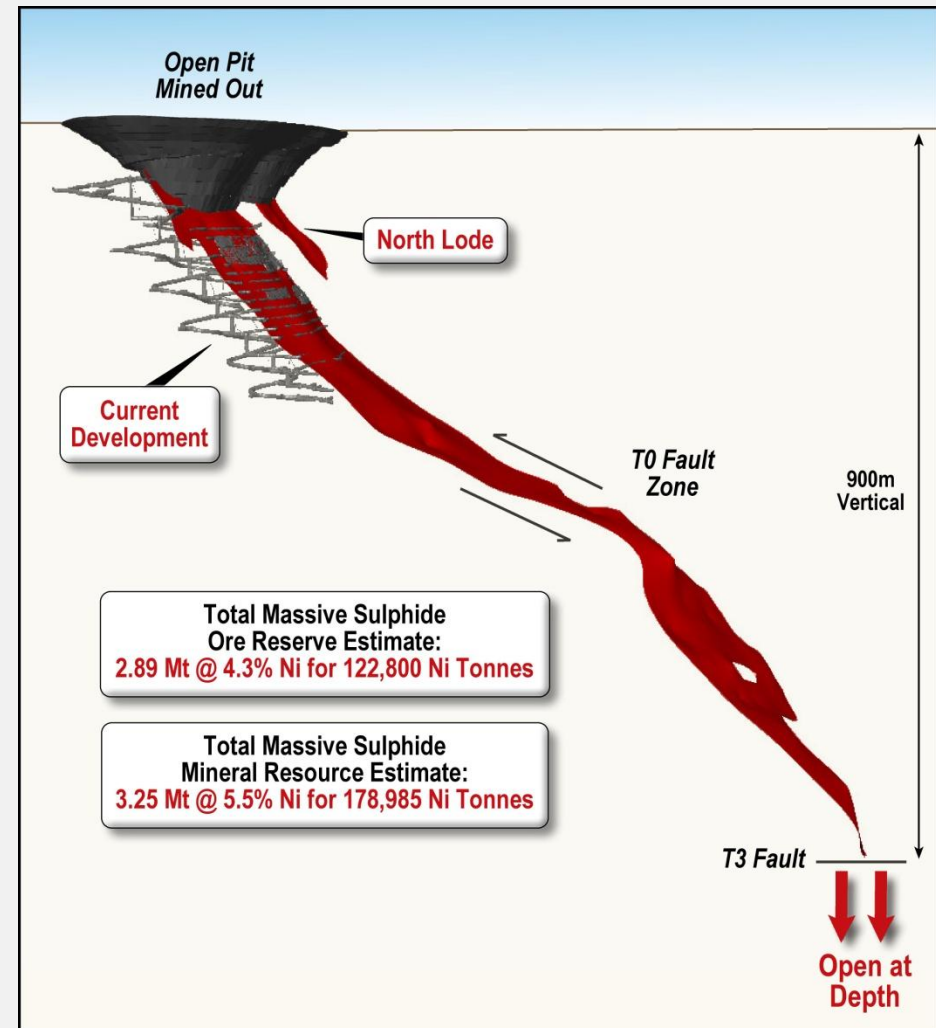


## Mineral Resource and Ore Reserves

- Mineral Resource: **3.25Mt @ 5.5% Ni** containing **178,985 Ni tonnes**
- Ore Reserve: **2.89Mt @ 4.3% containing 122,800 Ni tonnes**
- 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**

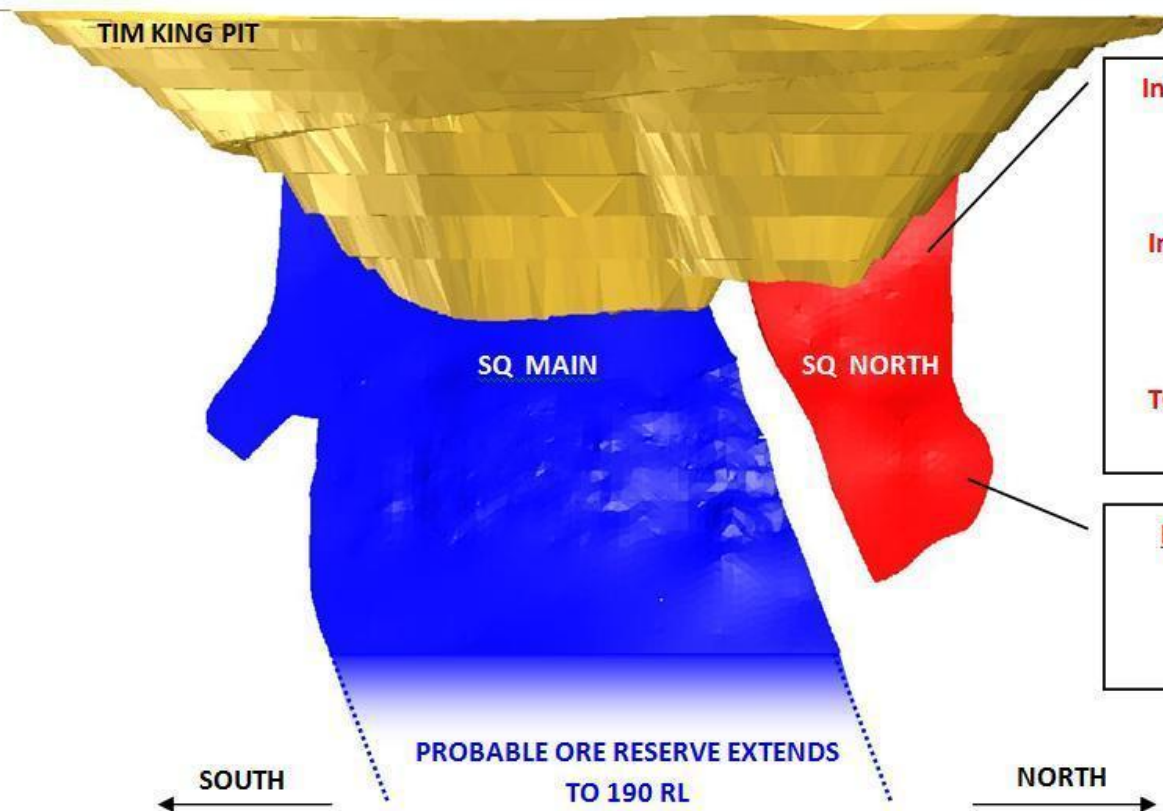
## Production

- 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**





## Concentrator Summary

- Current nameplate capacity of 550,000tpa of ore (but being exceeded and closer to 600,000t throughput)
- Nickel concentrate output circa 25,000tpa Ni
- Concentrate grades of around 14.0% Ni
  - **Premium blending product (Fe/Mg ratio >15:1)**
  - Desirable to smelters as it enables lower quality concentrates to be economically utilised after blending
- 14,000t of concentrate storage capacity

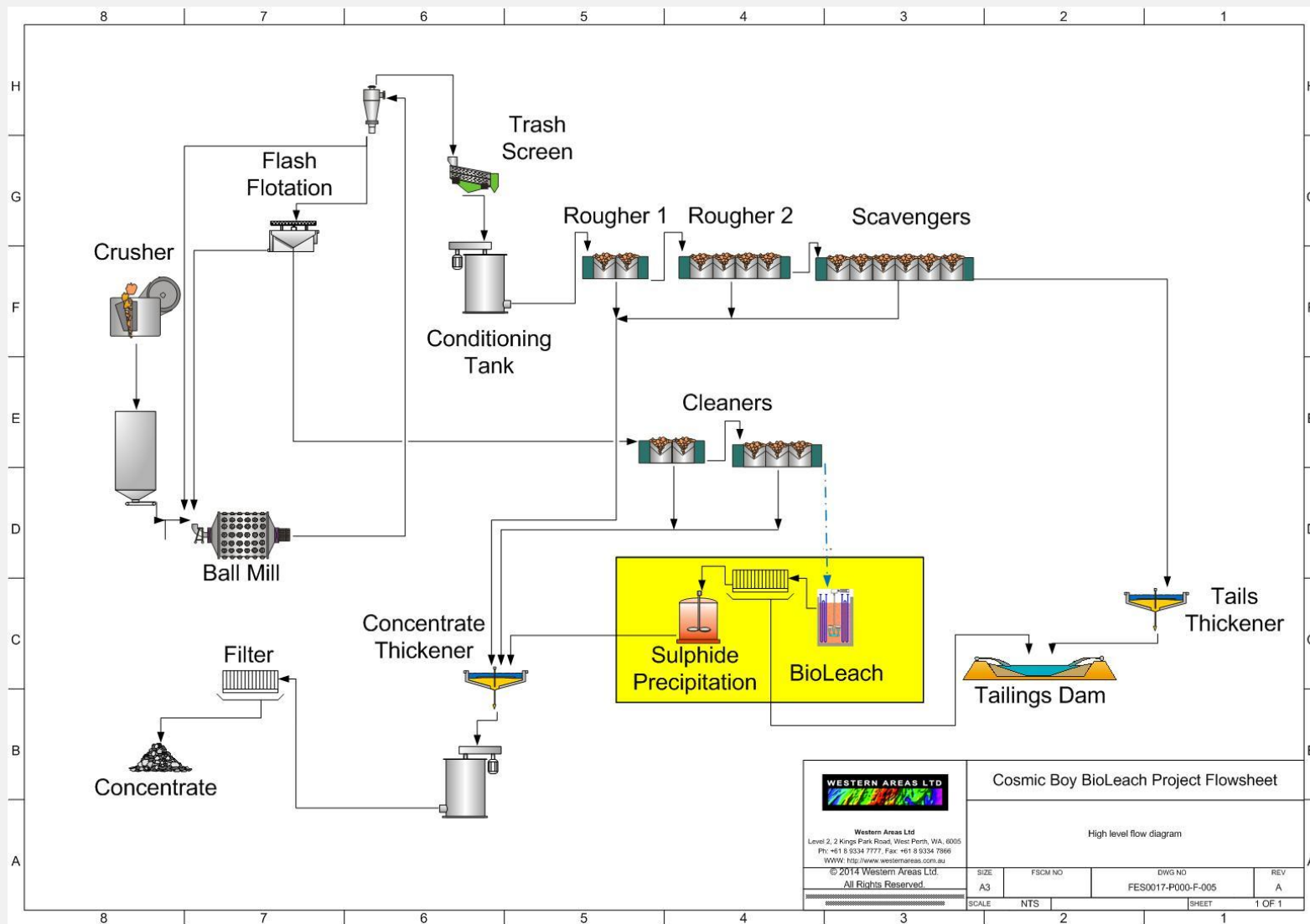
## Export Infrastructure and Logistics

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



# Mill Recovery Enhancement Project

WESTERN AREAS LTD





- **Currently progressing through feasibility study** – Proteus Engineering
- Increase average nickel recoveries from 89% up to 93/94%
- Approx 6 month construction time – plant requires small footprint and can be installed in existing cleared area
- Early indicative capex of <A\$20m – quick payback & potentially operational at the end of FY15
- The treatment of the Flash Cleaner Stream utilises the BioHeap® cultures on a continuous basis produced from a Bacterial farm
- In-tank leaching has a very short residence time of 5-7 days
- Operation at elevated pH eliminates the need for iron and arsenic precipitation circuits. Hence reduced CAPEX
- Sulphide precipitation circuit produces a high grade nickel sulphide product (~50% nickel) for blending into current concentrate production





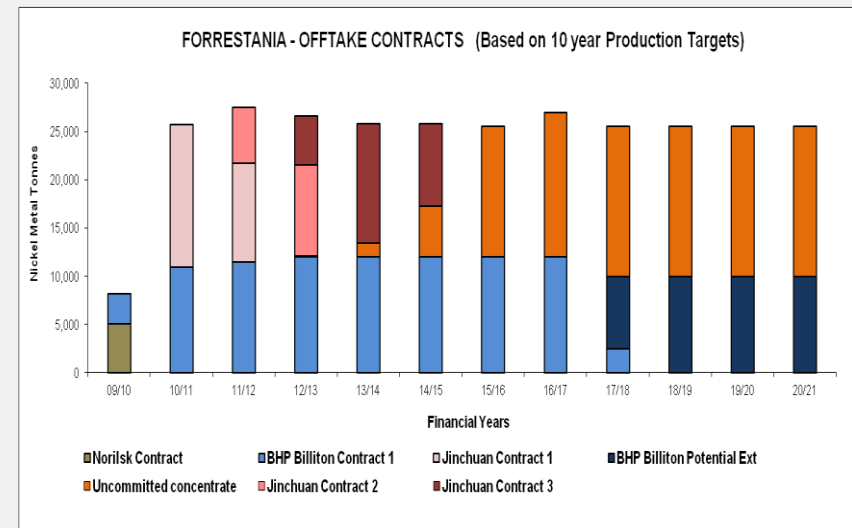
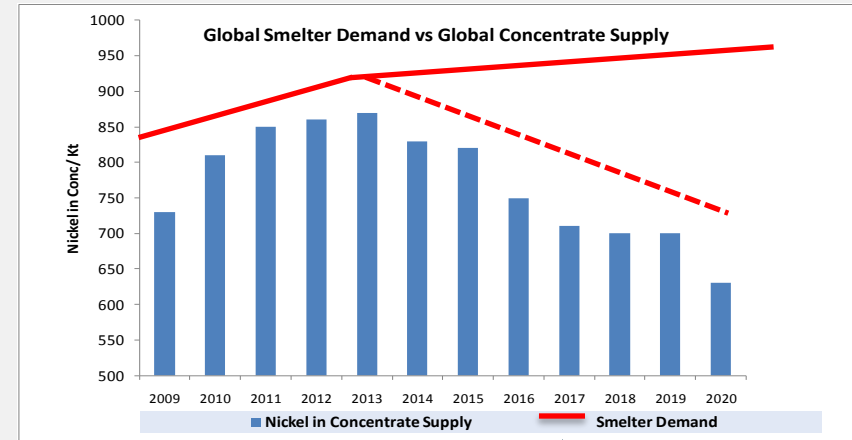
## Concentrate Supply

- Tightness in smelter supply to be experienced from 2014. Closures have impacted supply
- Global nickel sulphide grades in decline
- Reliable nickel sulphide concentrate supply dwindling
- Laterites and Nickel Pig Iron do not fill the void – Indonesian Ban has severely impacted NPI production

## Offtake Contracts

- Offtake to BHP 2017 – 12ktpa nickel in concentrate
- Offtake to Jinchuan expires in December 2014 (three months early)
- FOB Terms
- WSA in a unique position being an independent producer
- Jinchuan contract tender will commence in Sept quarter, with expressions of interest already being lodged

**NOTE:** The graph **FORRESTANIA – OFFTAKE CONTRACTS** is based on Western Areas' 10 Year Production Targets. These Targets include estimates and assumptions on production rates of existing ore reserves, conversion of existing mineral resources to ore resources and assumptions on potential extensions to existing mineral resources, based on current information. These Production Targets may vary due to future drilling results, nickel prices, costs and market conditions. **Refer to Disclaimer and Forward Looking Statement in Presentation**





## Jinchuan Contract

- 26,000t contract will finish three months early based on forecasts – now Dec 2014
- Normal process will be to commence a tender early in the September quarter
- Each of the previous two tenders have resulted in improved terms
- Jinchuan has been an exemplary customer

## Concentrate Market Conditions

- Lack of low MgO concentrate which is critical for blending
- WSA's other customer BHP Nickel West, has closed down the Perseverance Mine
- WSA is the only supplier of concentrate to BHP Nickel West
- Global commodity traders, stainless steel producers and nickel producers likely to bid, or have already expressed interest in WSA's offtake contract with Jinchuan











## 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

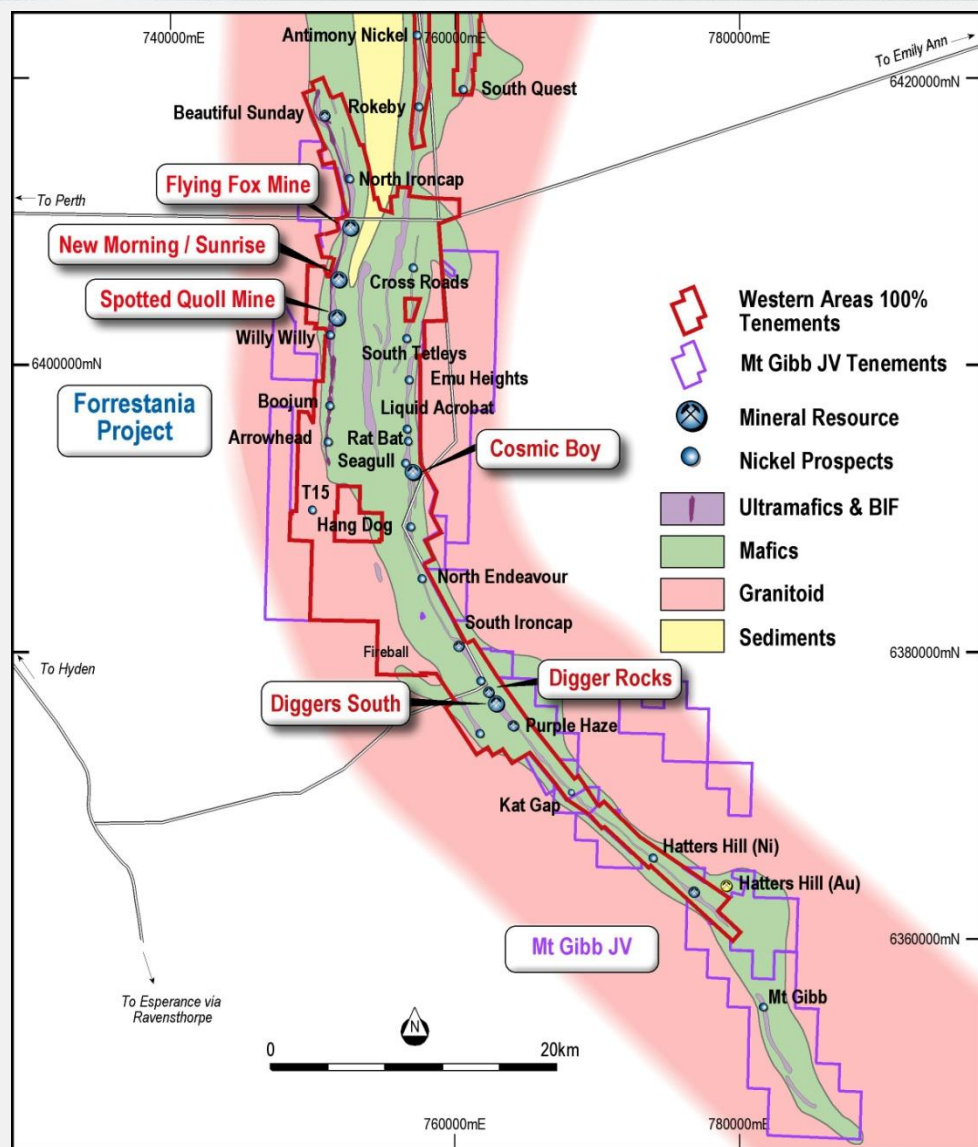
Use WSA expertise – exploration, development and operations

The 3 “D” – discipline and due diligence



## Regional Geology

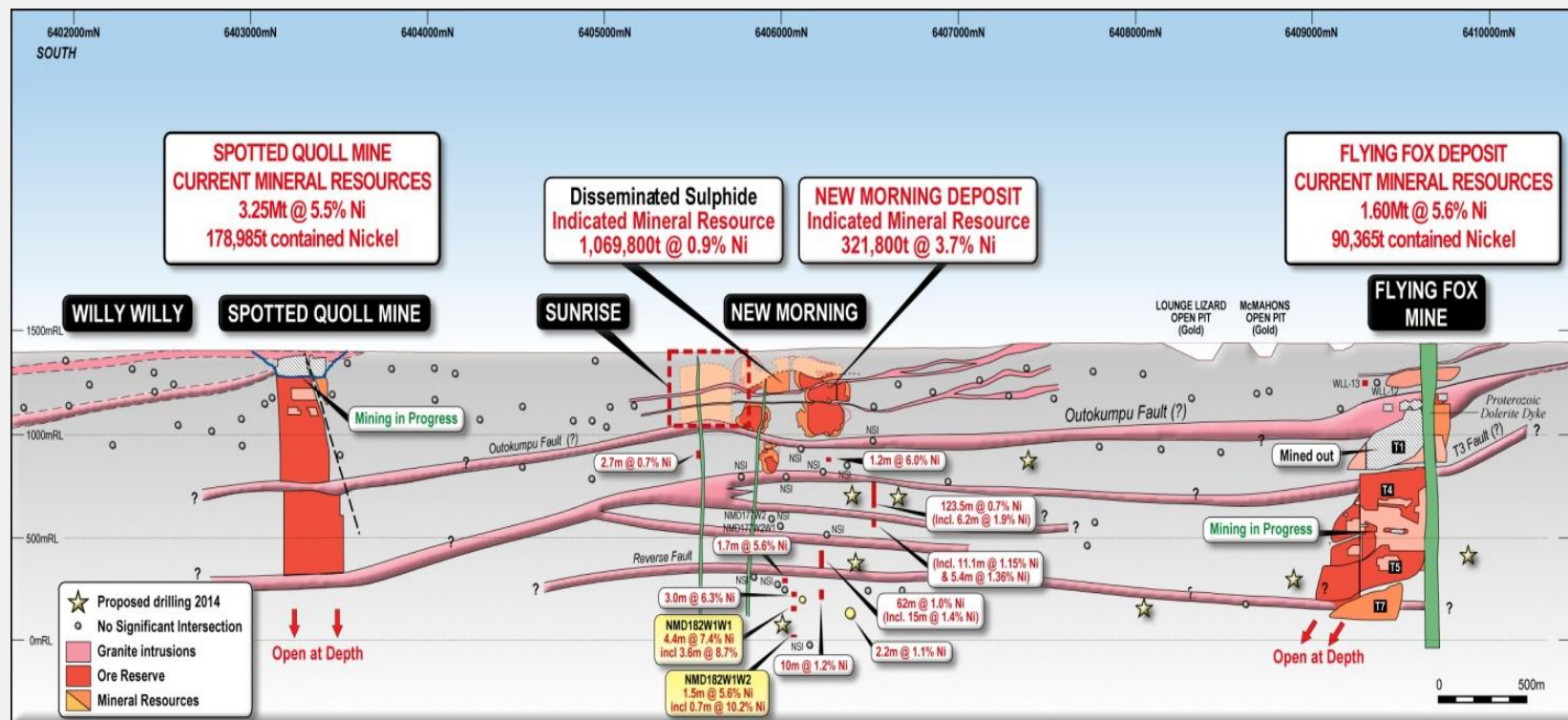
- 120km strike length (900 sq km) of prospective Forrestania Nickel Project, within 400km long nickel province
- Six ultramafic belts
- Nickel sulphide deposits and most occurrences in two belts (Eastern and Western)
- Western Ultramafic Belt hosts the high grade Flying Fox, Spotted Quoll and New Morning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





- 
- KAINUU - OUTOKUMPU BELT**  
**FinnAust Tenements, Applications & Agreements**
- GEOLOGY**  
 Proterozoic  
 Archaean
- DRILLING TARGETS**  
 Talivavaara Type Ni/Zn/Cu  
 Outokumpu Type Cu/Ni/Zn  
 VMS Type Cu/Zn/Ag  
 Intrusive Type Ni/Cu/Co  
 Previous Drill Hole Intersections 1980's - 2011
- INT** **Ni%** **Cu%** **Zn%**  
 132.2m 0.20 0.11 0.46
- INT** **Ni%** **Cu%** **Zn%**  
 48.9m 0.26 0.10 0.56
- INT** **Ni%** **Cu%** **Zn%**  
 18.0m 0.24 0.11 0.51  
 42.0m 0.21 0.14 0.40
- INT** **Zn%** **Ag ppm**  
 7.2m 1.10 193.0
- Talivavaara Mine**  
 Current Resource  
 3.1Mt Ni  
 7.6Mt Zn  
 2.0Mt Cu  
 (Owned by Talivavaara Plo)
- Rautavaara (R1)**  
 Current Resource  
 65,300t Ni  
 130,330t Zn  
 34,900t Cu  
 4,230t Co
- INT** **Ni%** **Cu%** **Zn%**  
 132.2m 0.20 0.11 0.46
- Pyhasalmi Mine**  
 Total Production from 1962-2008  
 1.1Mt Zn  
 0.4Mt Cu  
 619t Ag & 17.7t Au  
 (Owned by Inmet Co)
- Kotalahti Mine**  
 Past Production  
 82,000t Ni  
 32,000t Cu  
 12.5Mt @ 0.66% Ni,  
 0.26% Cu  
 (Owned by Altona Mining)
- INT** **Ni%** **Cu%** **Zn%**  
 19.1m 0.29 0.11
- Outokumpu Mine**  
 Past Production Over 75 Years  
 1.3Mt Cu  
 0.4Mt Zn  
 (Owned by Outokumpu Oy)
- INT** **Ni%** **Cu%** **Co%**  
 8.5m 0.25 1.11 0.04
- Hammaslahti Mine**  
 Past Production  
 Cu Lode 7Mt @ 1.2% Cu  
 Zn Lode 0.03Mt @ 1.6% Zn
- INT** **Ni%** **Cu%** **Co%**  
 149.4m 0.20
- Laukunkangas Mine**  
 Past Production  
 52,000t Ni  
 14,000t Cu  
 6.7Mt @ 0.78% Ni,  
 0.22% Cu  
 (Owned by Outokumpu Oy)
- INT** **Ni%** **Cu%**  
 30.0m 0.25 0.25  
 13.8m 0.37 0.26
- Virtasalmi Mine**  
 Past Production  
 30,363t Cu  
 4.2Mt @ 0.73% Cu
- Talkkala Mine**  
 Past Production  
 0.6Mt @ 1.3% Ni  
 & 0.3% Cu  
 (Owned by Outokumpu Oy)
- INT** **Ni%** **Cu%** **Co%**  
 17.5m 0.65 0.35 0.04  
 25.5m 0.45 0.24 0.03  
 71.0m 0.47 0.35 0.01
- INT** **Ni%** **Cu%** **Co%**  
 11.1m 0.33 0.24 0.01  
 22.6m 0.29 0.15 0.01  
 2.1m 1.73 0.53 0.05
- INT** **Ni%** **Cu%**  
 19.1m 0.29 0.11
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- INT** **Ni%** **Cu%**



- High Grade = Margin
- Survival ✓

Highest Grade Nickel Globally



- Returns to shareholders in Dividends ✓

Cashflow Positive



- Guidance continually met or exceeded ✓

Strong Track Record of Delivery



- Current global production at marginal cost ✓

Nickel Price Primed for Upside



- New mine successfully brought on in 24 months ✓

History of Discovery and Development



- Flexibility in meeting future demands or opportunities ✓

Strong Balance Sheet



# Questions



WESTERN AREAS LTD



"Think Nickel, think Western Areas"