WESTERN AREAS LTD

30 March 2017 **ASX: WSA**

News Release

ODYSSEUS PFS SUPPORTS SECOND PRODUCTION CENTRE FOR WESTERN AREAS

Western Areas Ltd (ASX: WSA, "Western Areas" or the "Company") is pleased to announce the results from the Cosmos Odysseus Pre-feasibility Study ("PFS"), which demonstrates commercial viability of the Odysseus Project ("Project" or "Odysseus") and the potential re-start of nickel mining operations at Cosmos. With the successful completion of the PFS, the Western Areas Board has approved the Project to progress to the Definitive Feasibility Study ("DFS") stage.

The PFS base case findings indicate robust economic and nickel production metrics together with further significant upside opportunities, as well as a very low all-in sustaining cash cost of operations. The decision by the Board to commence a DFS underpins Western Areas' strategy to develop a second operating region and thereby consolidate its position as a leading Australian nickel producer.

Highlights

Strong financial returns[1]

- Pre-tax NPV of $292m at US$7.50/lb, 0.75 AUD:USD exchange and 7.0% discount rate assumptions
- Surplus pre-tax net cashflow of $580m generated with a 3.5 year payback from production start
- Circa $100m per annum average free cash flow (pre-tax) post start up

Low cost operations

- LOM C1 unit cash costs of $3.21/lb (US$2.41/lb) including cobalt by-products and all in sustaining unit cash costs of $3.69/lb (US$2.77/lb)
- LOM cash breakeven price of $6.09/lb (US$4.57/lb) on an undiscounted basis
- Very low life of mine sustaining capital expenditure of $68m

Flexible start up and minimal early capital requirement

- Pre-production capital expenditure of $190-$210m including PFS, DFS and contingency costs
- Low near term capital requirements of $7m for CY2017 and $34m in CY2018, providing optionality on further commitments
- Benefits from significant existing infrastructure supporting the previous Cosmos operation

Physical parameters

- Initial 7.5 year mine life for total life-of-mine ore production of 4.9Mt at a grade of 2.3% nickel[2]
- First ore mined Q4, CY2020 and concentrate delivered in Q1, CY2021
- Average 12ktpa nickel in concentrate for a total of 87kt nickel metal

Significant upside potential

- Positive results from the recent resource drilling programme not yet factored into PFS results
- DFS to commence in Q2 CY2017 at a cost of between $5-7m, completion expected Q1 CY2018.

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[1] **Unless otherwise stated, all cash flows are in Australian dollars and not subject to inflation or escalation factors. All years are financial years. All cash costs are calculated on a 100% payability basis. NPV and cashflow numbers quoted in this section use the lower contingency allowance of $9m.**

[2] **Cautionary statement: The production target includes approximately 16% of material on a contained nickel basis as Inferred Resource, a lower level of geological confidence is associated with Inferred Mineral Resources. The majority of Inferred tonnes (85%) lie in the southern portion of the Odysseus North zone and are mined in year 2 and 3 of the Project. While not guaranteed, positive results from recent infill drilling indicates a strong likelihood that a significant proportion of the Inferred portion of the Odysseus North Resource will be upgraded to the Indicated category during the next resource estimation. The Company has concluded it has reasonable grounds for providing the forward looking statements in this announcement.**

Key Project Metrics

Mineral Resources	Tonnes (Mt)	Grade % Ni	Ni Tonnes (kt)
Indicated Resources	5.52	2.4	129.8
Inferred Resources	1.80	2.5	44.2
Total Resources	**7.32**	**2.4**	**174.0**
Resources in LOM Production Target	**Tonnes (Mt)**	**Grade % Ni**	**Ni Tonnes (kt)**
Indicated Resources	4.10	2.3	94.3
Inferred Resources	0.77	2.3	17.9
Total Resources	**4.87**	**2.3**	**112.2**
Capital Costs			
Pre-production total capital cost (incl. 5-16% contingency)			**$190 - $210m**
Comprising: CY2017			$7m
CY2018			$34m
CY2019 – 2020			$149 - $169m
Post production LOM			**$68m**
Production Parameters			
Life of Mine			7.5yrs
Ore Tonnes Mined			4.87Mt
Ore Processing Capacity (Year 1)			430ktpa
Ore Processing Capacity (Year 2 onwards)			750ktpa
Nickel in concentrate - LOM			87kt
Nickel in concentrate - Annual average			12kt
Life of Mine Financial Economics			
Base Case Nickel Price			US$7.50/lb
Exchange Rate (AUD:USD)			0.75
Revenue			$1,520m
C1 Cash Costs[3]			$3.21/lb (US$2.41/lb)
All In Sustaining Costs[4]			$3.69/lb (US$2.77/lb)
EBITDA			$840m
Net Cash Flow (pre-tax)			$580m
Undiscounted Cash Breakeven Nickel Price			$6.09/lb (US$4.57/lb)
Pre-tax NPV (7% real)			**$292m**
IRR			**28%**
Capital Payback Period			**3.5yrs**

[3] **C1 cash costs** means operating cash costs including mining, processing, geology, OHSE, site G&A, concentrate transport costs less by-product credits, divided by nickel in concentrate produced (100% payable basis).

[4] **All-in sustaining cash costs** are cash operating costs (C1 cash cost including royalties) plus mine development capital and sustaining capital.

Overview

The PFS demonstrates that re-opening Cosmos and mining Odysseus will generate strong returns with potential for further growth given recent exploration results and other processing optimisations. Odysseus is expected to contribute a per annum average of $100m free cash flow (pre-tax) from 2022, at the assumed nickel price, with initial mine access activities being funded by existing cash on hand and expected future cash flows from the Company's Forrestania operations.

One of the key advantages of Odysseus is the discrete nature of the capital profile which can be flexed or suspended at any time depending on the prevailing nickel price thereby retaining control over capital commitments.

Western Areas Managing Director Dan Lougher said that the PFS results demonstrate the healthy operational and financial characteristics of the Project.

"The positive results from the PFS, combined with the recent drilling success achieved within 18 months of acquisition, demonstrate Western Areas' ability to accelerate and deliver value from the Cosmos acquisition," Mr Lougher said.

"Odysseus represents Western Areas' next mining operation and the results presented today show that a significant nickel operation can be established for substantially less capital outlay than a stand-alone greenfields development."

"We are particularly pleased to have an operation that will have very low all-in sustaining unit cost at US$2.77/lb, but also a project that does not require a significant capital investment over the next two years, which provides optionality and flexibility in development decisions. Depending on market conditions, the Company also has the opportunity to complete early works where practicable and economic to do so."

"We believe there are significant opportunities to drive further improvements in returns on this investment, including the potential for significant high grade resources below the existing deposit, as detailed in our announcement on 13 February 2017 of massive sulphide intersections of 5.3m at 15.2% nickel, including 3.4m at 22.0% nickel. The assay from this intersection is the highest grade over a reasonable width ever recorded at Cosmos from 446,000 prior assays under different ownership."

"Odysseus is a core growth asset for Western Areas with exciting upside potential and progressing this to DFS stage will ensure that Western Areas is ready to leverage an upswing in nickel prices. Being a conventional underground nickel sulphide project, it is a great fit with our core skills and experience in hard rock underground mining and conventional nickel flotation at Forrestania," Mr Lougher said.

Next steps

- Commence the DFS, leveraging our internal project skillset in developing conventional underground nickel sulphide projects;
- Upgrade a major portion of the Inferred Ore Resource category to the Indicated Category based on the recent resource de-lineation programme in the Odysseus North zone which is currently in progress;
- Further metallurgical work on fresh core, including batch and cyclic tests to confirm recovery and concentrate grade assumptions from previous tests;
- Potential further drilling of the high grade massive sulphide lenses below the disseminated resource to test continuity and potential for inclusion into the mine plan; and
- Continue to progress statutory approvals to be ready to commence dewatering once the DFS has been completed.

Project overview

Project background

The Odysseus Project sits on a granted mining lease that is part of the high grade Cosmos Nickel Complex that lies 30km north of Leinster (see Figure 1). Cosmos lies in the heart of the prolific Leinster-Wiluna nickel camp, home to many high quality deposits such as Mt Keith, Cliffs, Perseverance, Rocky's Reward, Honeymoon Well, Venus and Yakabindie. Discovered in 2010 and 2011 respectively, the two Odysseus deposits were the most recent discoveries in a string of successes at Cosmos which include high grade deposits at Cosmos, Cosmos Deeps, Prospero, Tapinos, AM1, AM2, AM4 and Odysseus North Massive Sulphide, and medium grade deposits at AM5 and AM6. From 2000-2012, the Cosmos Operation produced over 127kt of nickel in concentrate at an average head grade of 4.8% nickel.

The Project consists of the mining of 4.9Mt ore at a nickel grade of 2.3% from both the Odysseus South and Odysseus North deposits situated 1,000m below surface, via an extension of the existing Cosmos decline and processing via the existing plant and infrastructure. Odysseus is located 400m below the existing Cosmos underground infrastructure (see Figure 2).

Figure 1: Nickel resources in the Leinster region

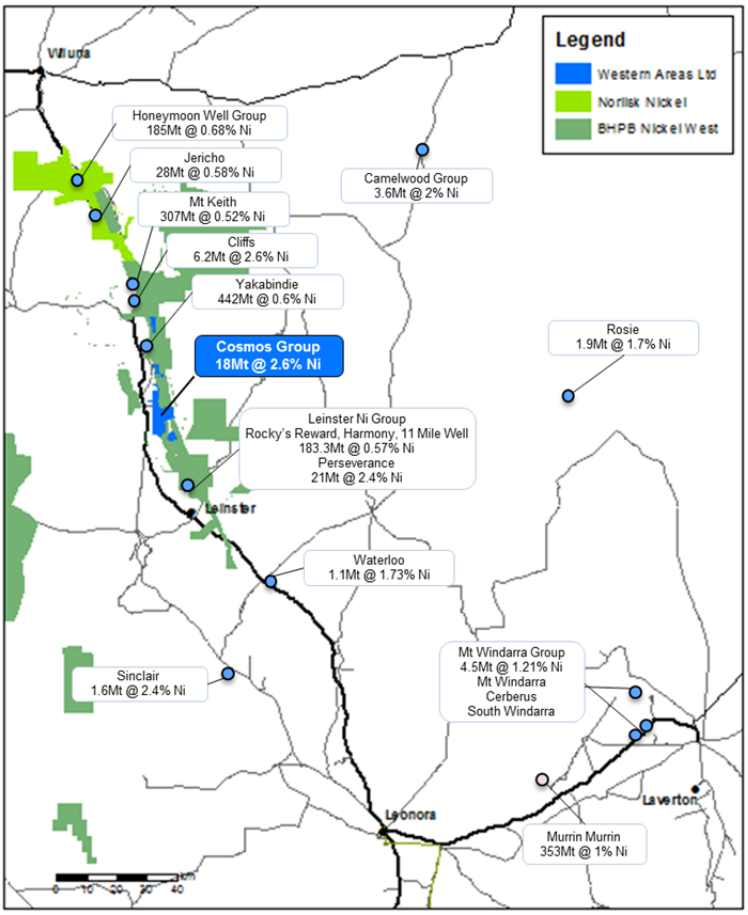
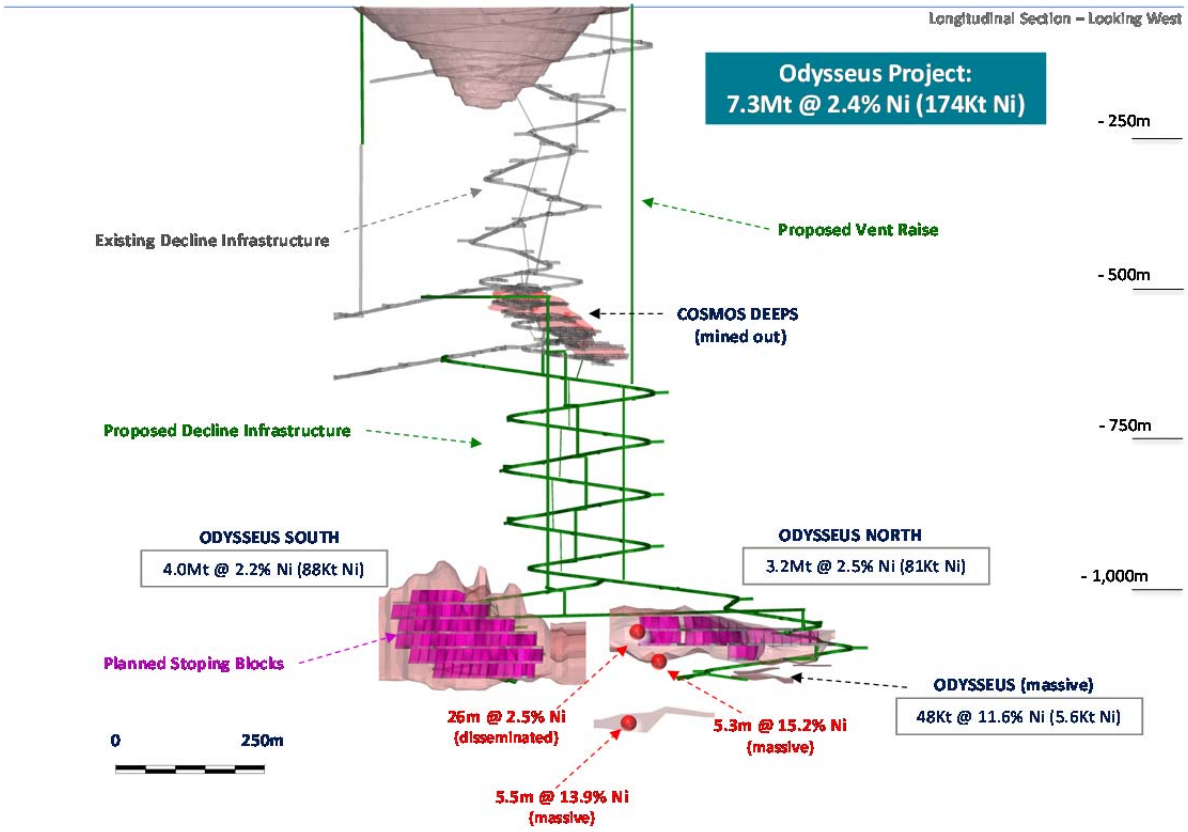


Figure 2: Project Long Section



Note: Downhole widths quoted

Project team

The PFS was compiled in-house by Western Areas personnel with the assistance of a number of engineering and consulting companies including Mining Plus, GR Engineering, Golders, Outotec, OZ Vent, Project Support, Groundwater Resource Management, SRK Consulting and Project Consultancy Services.

Project details

Resources and production target

The Project currently comprises a total of 7.3Mt of Indicated and Inferred JORC resources (2012 edition) at a grade of 2.4% nickel for 174kt of contained nickel. This resource forms the basis of the production target after the application of a range of modifying factors including minimum mining width, cut-off grade, mining dilution and mining recovery.

Those modifying factors result in a LOM production target of 4.9Mt at a grade of 2.3% nickel for 112kt of nickel metal using cut-off grades of 1.8% nickel for Odysseus South and 1.6% nickel for Odysseus North. Of the total Resource tonnes, 84% of contained metal in the production target is derived from the Indicated category with the remainder from the Inferred Category (see Table 1 below). Western Areas anticipates that a significant portion of the Odysseus North Inferred Resources will be converted into the Indicated category in the June 2017 quarter following recent drilling.

Table 1: Odysseus Resources and LOM production target

Odysseus		Resource			LOM production target			Conversion	
Zone	Resource Category	Ore Tonnes (m)	Grade% Ni	Ni Tonnes (k)	Ore Tonnes (m)	Grade% Ni	Ni Tonnes (k)	Ore Tonnes	Ni Tonnes
Odysseus South	Indicated	3.89	2.2	84.3	2.60	2.2	56.8	67%	67%
	Inferred	0.17	2.1	3.6	0.01	1.7	0.1	3%	3%
	Total	**4.06**	**2.2**	**87.9**	**2.61**	**2.2**	**56.9**	**64%**	**65%**
Odysseus North	Indicated	1.63	2.8	45.5	1.50	2.5	37.5	92%	82%
	Inferred	1.59	2.2	35.1	0.72	2.1	15.3	45%	44%
	Total	**3.22**	**2.5**	**80.6**	**2.22**	**2.4**	**52.8**	**69%**	**66%**
Odysseus North Massive	Inferred	0.05	11.6	5.6	0.04	6.4	2.5	81%	45%
	Total	**0.05**	**11.6**	**5.6**	**0.04**	**6.4**	**2.5**	**81%**	**45%**
Total Resources	**Indicated + Inferred**	**7.32**	**2.4**	**174.0**	**4.87**	**2.3**	**112.2**	**67%**	**64%**

Geology

Odysseus South is located 1,000-1,100m below surface and spans 360m in strike length, 228m in width and is an average of 62m in thickness. Odysseus North lies 100m north of Odysseus South 1,000m-1,075m below surface and spans 380m in strike length, 163m in width and an average of 51m in thickness.

Both the North and South zones occur in the same mineralised trend as AM5 and AM6 and they all appear genetically related. The sulphide consists of highly disseminated to net-textured pentlandite with minor pyrrhotite and pyrite. The broader Odysseus system exhibits mineralogical properties similar to that of the already mined AM5 deposit.

The Odysseus Massive deposit consists of stringer to massive sulphide veins positioned immediately below Odysseus North at a vertical depth of 1,100m. The deposit comprises three separate lenses, the largest measuring 100m in strike, up to 65m in width and thickness ranging from <1m to 5m and these may be ultimately extended with further exploration success as per the ASX announcement on 13 February 2017. The recent drilling is consistent with a downhole EM anomaly and confirms the presence of further massive sulphide potential. The Odysseus Massive resource currently comprises 48kt @ 11.6% nickel for 5.6kt of contained nickel metal.

Mining and production schedule

Odysseus will be accessed via a new central decline from the existing underground infrastructure, splitting into separate accesses for each of the south and north zones. The primary mining method will be sub-level open stoping with paste fill, via longitudinal ore drives on a 25m cross cut spacing. Both the South and North zones will be mined in a bottom-up sequence with the north zone being mined from south to north. Primary ventilation includes the completion of a partially reamed 5m diameter exhaust raise to surface and a new surface intake shaft completed in two legs via raise bore.

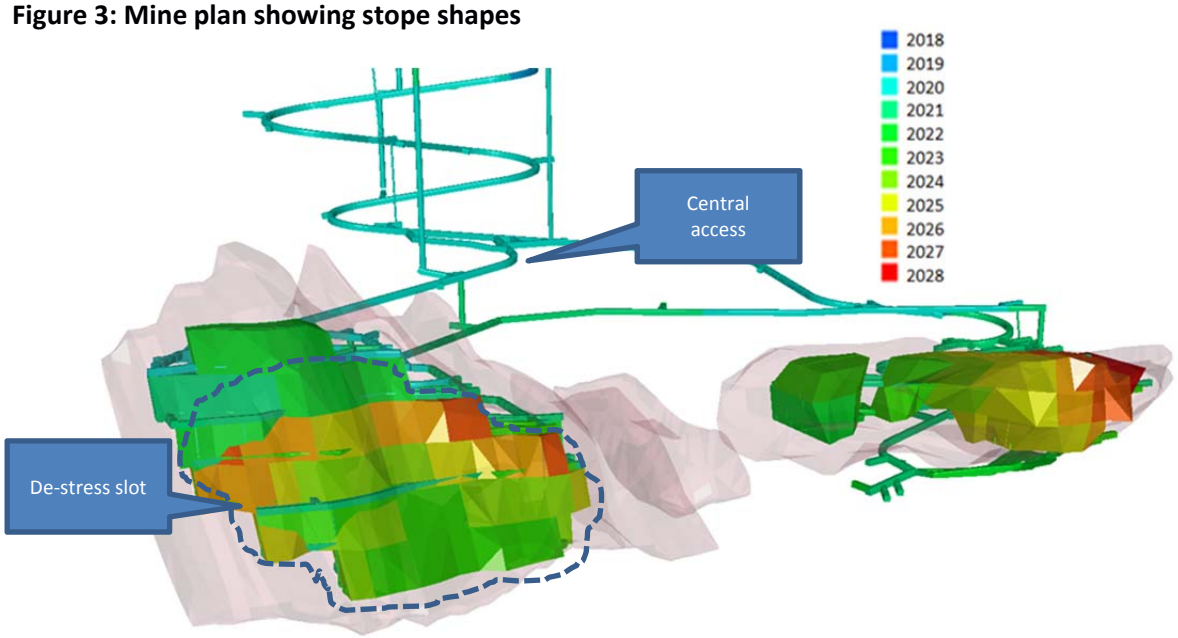
Table 2: Key mining parameters

Key mining parameters	Value
Stope Size (Strike x Width x Height)	Max 15m x 29m x 25m Average 20kt, Max 43kt
Mining Dilution	5.0%
Mining Recovery	95.0%
Decline Metres	3.8km
Lateral Development	19.7km
Vertical Development (includes ventilation, rises and escape-ways)	2.8km
Ore Access Drives	1.0km
Ore Drive Size (Width x Height)	5m x 5m

Geotechnical modelling has indicated that the expected geotechnical conditions are similar to those of other mines in the Leinster region at similar depth. The Odysseus South zone will require the establishment of two de-stress slots in the central levels early in the mining schedule and mass blasting of both slots simultaneously prior to paste filling.

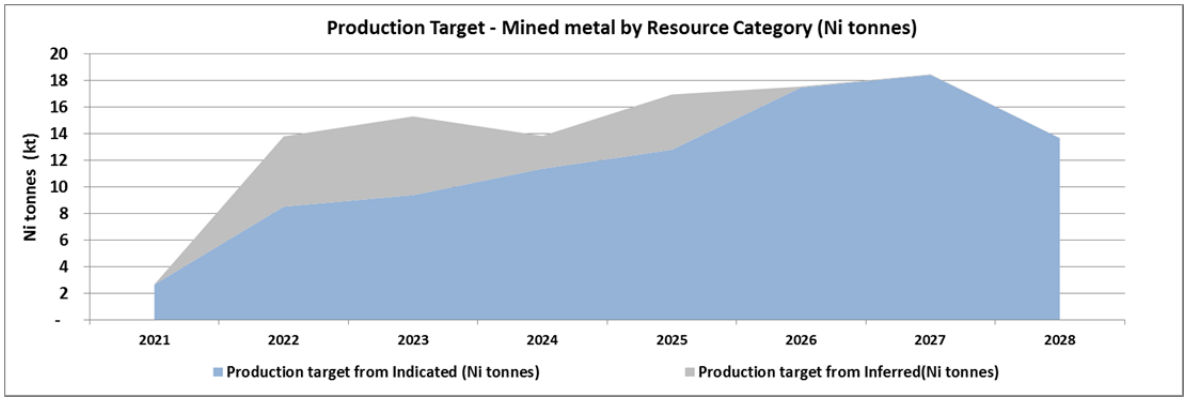
The de-stressing slots will allow Western Areas to maximise recovery of ore from the Odysseus South zone. This mining control has been used previously at New Brunswick in Canada, Mt Charlotte in Kalgoorlie, Red Lake Gold Mines in Canada and Lucky Friday mine in the USA. Western Areas has extensive experience in operating at these depths, having successfully operated at Flying Fox for over 10 years. The mining sequence is shown below.

Figure 3: Mine plan showing stope shapes



The annual mined metal production profile by resource category is shown below in Figure 4. The lower proportion of the production target from the Indicated Category in 2021 and 2022 is driven by ore tonnes from the southern portion of the Odysseus North zone. The proportion of tonnes from the Indicated Category is likely to increase with the revised resource model, which will incorporate the latest positive resource delineation drilling results announced in February 2017.

Figure 4: Preliminary mine metal production profile by resource category



Hydrogeology and dewatering

Given that the previous owners, Glencore, ceased dewatering activities of the open pit and underground infrastructure, dewatering of Cosmos Deeps is required to access the take-off point for the new spiral decline. An estimated total of 1.8 million cubic metres of water will need to be removed before accessing the take-off point for the new decline. Water will be disposed into the 7 existing water management ponds (WMPs 1-7), the Orleans open pit and the waste dump dam. Two new evaporation ponds will be required (WMP8 and 9) and these are currently undergoing permitting and approval.

Dewatering remains the critical path item to production and concurrent with rehabilitation of the decline, is expected to take 12 months to dewater and rehabilitate to the appropriate level. Once the take-off point is reached, new decline development will continue for a further 2 years until production commences, representing an elapsed time of 3 years to first production from commencement of dewatering.

Infrastructure

As Cosmos was previously a fully operational site, existing assets include site buildings and offices, a 520 person village, a sealed airstrip, roads, powerlines and water supply infrastructure. Expected refurbishment requirements total around $19m and include:

- Civil works for re-surfacing and widening existing roads and tracks, pads for transformers, workshop apron, cooling plant, paste plant and construction of WMP 8 and 9;
- Applying a gravel top to the airstrip;
- Refurbishing village accommodation, kitchen, recreation buildings, site offices, workshops and services, an IT & communications upgrade and installation of new RO potable water supply; and
- Upgrade gas supply to feed a Build-Own-Operate power station and distribution system to support 12.2MW.

Plant, processing and off-take

The existing Cosmos processing plant will be refurbished at an estimated cost of $6.2m and is rated at 430ktpa for disseminated ore, which is sufficient to handle mine output for the first 12 months of operations. During the latter half of the first year of operation, the Cosmos processing plant will undergo an expansion to accommodate increased mine output of 750ktpa. This will be achieved by the introduction of a secondary crusher, reconfiguring the existing grinding mills and adding flotation capacity for a total cost of $21.5m, as estimated by GR Engineering Services.

Odysseus can produce three types of concentrate (depending on the level of MgO targeted) based on selection of a re-cleaner, cleaner or rougher concentrate. Apart from MgO, the concentrates contain no other deleterious elements. Whilst option 1 below is the PFS base case, the alternative concentrate scenarios considered during the PFS are also broadly outlined below:

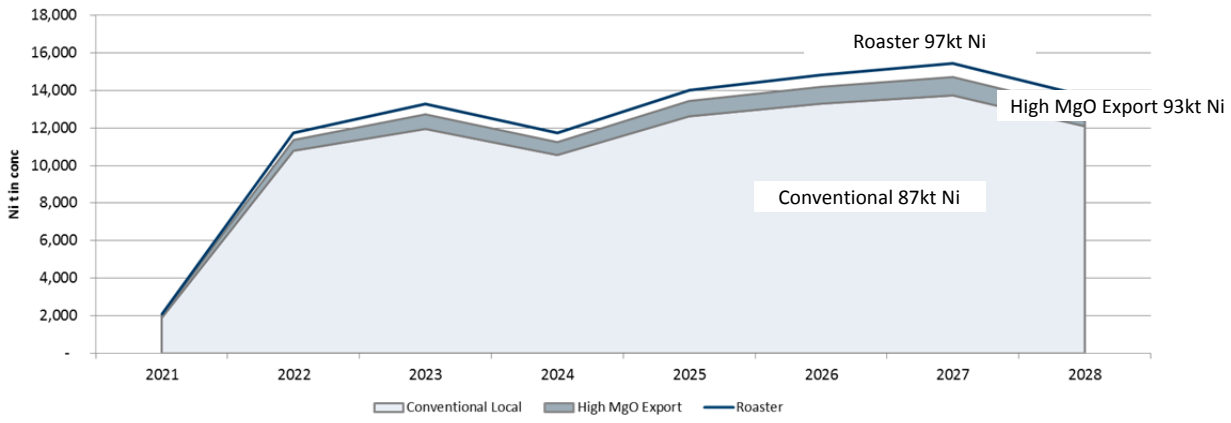
1. **High grade nickel conventional concentrate with low MgO (recleaner – PFS Base case):** Typical high grade nickel (22-23% Ni), low MgO (5-7% MgO) concentrate that is suitable for conventional flash and electric smelters. The PFS case assumes the Company produces this product and sells locally. Nickel recoveries are around 78%.

2. **High grade nickel conventional concentrate with elevated MgO (cleaner):** Nickel grades of 18-20%, and elevated MgO (9-11% MgO). The higher MgO grade allows for slightly improved nickel recoveries (around 83%), but off-take terms would depend on the smelter's ability to blend the higher MgO feed, and transportation costs are slightly higher due to the lower concentrate grade.

3. **Roaster concentrate product with very high MgO (rougher):** MgO is generally not an issue for nickel roasters. Therefore the product would be a lower grade nickel concentrate (9-10% Ni) with very high MgO (20-22% MgO) to maximise nickel recovery (recoveries around 87%). As a consequence, concentrate tonnes would increase substantially from around 400kt to 1,000kt representing a freight cost to China exceeding $120m over the life of mine. Also, cobalt is not recovered from the roaster.

For the PFS, the conventional high grade nickel, low MgO concentrate has been selected as the base case (option 1 above) as it is the standard widely marketable concentrate. The production profile for the three product options is shown below in Figure 5.

Figure 5: LOM production target showing three product options



Glencore has a right to match terms on contained nickel in concentrate to a maximum of 7kt produced per calendar year from the Cosmos tenements. The right has a total cap of 50kt nickel in concentrate. The base case concentrate is expected to be of saleable quality with low deleterious elements and attractive to various smelters around the world, particularly with its forecast high nickel content. It is also worthy to note that the Leinster Nickel Operation of BHP Billiton Ltd ("Nickel West") lies 30km south of the Cosmos operation.

Capital and operating cost

Capital Cost[5]

The pre-production capital cost for the Project is estimated between $190-210m which includes a 5%-16% contingency range, depending on the level of estimate accuracy for the relevant item. The post-production capital estimate (sustaining plus expansionary capital) is $68m, resulting in a total LOM capital expenditure of $258-$278m (see table 3 below). The higher proportion of pre-production capital is a result of the bottom up mining approach (same as WSA's Flying Fox mine), driven by geotechnical considerations, which results in decline development through to the bottom of the mine before production starts. However, the offsetting benefit is that sustaining capital expenditure is minimised due to lower ongoing mine development costs.

Table 3: Capital cost summary

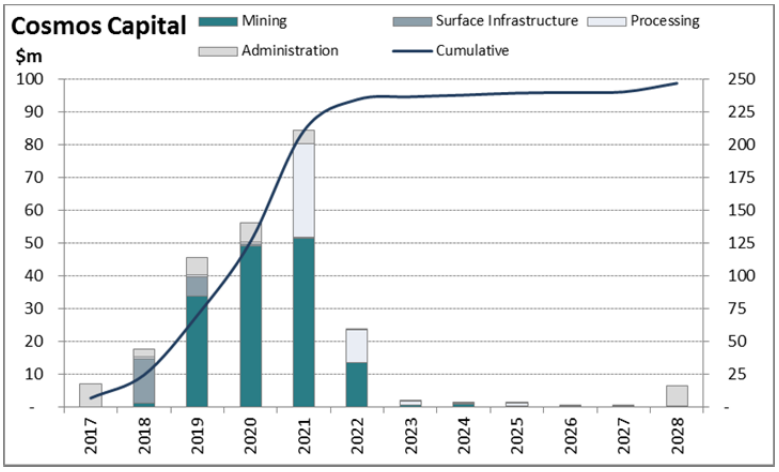
Capital costs (A$m)	Pre Production	Post Production	Total
Mining (i)	120	33	153
Infrastructure (ii)	20	-	20
Process (iii)	16	26	42
Administration (iv)	25	9	34
5-16% Contingency	9-29	-	9-29
Total Capital Costs	**190-210**	**68**	**258-278**

(i) Underground mine development including dewatering costs, underground rehabilitation and new decline and level development.
(ii) Infrastructure includes water management ponds (A$4m), IT, earthworks (A$4m) and gas supply (A$3m), communications and power (A$3m), water supply (A$2m), camp refurbishment (A$2m).
(iii) Inclusive of paste plant (A$9m) and refurbishment of existing process plant (A$6m). Post production process capital includes A$22m to upgrade the plant from 450ktpa to 750ktpa and maintenance (A$2m).
(iv) Post production capital includes A$7m net closure costs in 2028/2029. Total closure costs are A$12m, offset by A$5m in estimated salvage value from plant and equipment.

Post-production capital includes on-going mine capital development, completing the paste plant, the process plant upgrade to 750ktpa (estimated by GRES) and various items of sustaining capital, including closure costs of $12m. A profile of the base capital spend (excluding contingency), is shown in Figure 6.

[5] Pre-production capital is total capital spend prior to the commencement of concentrate production and post- production capital is expansionary, mine development and sustaining capital post commencement of concentrate production.

Figure 6: LOM financial year capital profile



Operating Cost[6]

The PFS confirms that the estimated C1 unit cash cost for the Project is a competitive A$3.21/lb (US$2.41/lb) nickel in concentrate. The estimated all-in sustaining cash cost is exceptionally low at A$3.69/lb (US$2.77/lb) nickel in concentrate, placing Odysseus firmly at the bottom of the second cost quartile. Mining costs constitute almost 60% of total operating costs. Productivities and unit rates have been based on prior operational data from Cosmos, combined with recent underground experience at Forrestania and then benchmarked against rates from some of the largest hard rock underground mining contractors in Australia. The overall breakdown of costs is shown in tables 4 and 5 below.

Table 4: Operating cost summary – per tonne of ore milled

Cost per ore tonne milled basis LOM Operating Cost Estimates	Ore milled A$/t	Ore milled (US$/t)
Mining	81.2	60.9
Processing	32.7	24.5
Administration	15.4	11.6
Concentrate Transport	0.7	0.5
By-product Credits	(3.1)	(2.3)
C1 Cash Costs	**126.9**	**95.2**
WA State Royalty	10.2	7.6
Total Cash Operating Costs	**137.1**	**102.8**
Sustaining capital	9.0	6.8
All-in Sustaining Cost	**146.1**	**109.6**

[6] **C1 cash costs** means operating cash costs including mining, processing, geology, OHSE, site G&A, concentrate transport costs less by-product credits, divided by nickel in concentrate produced (100% Payable basis).
Cash operating costs are C1 cash costs plus royalties.
All-in sustaining cash costs are cash operating costs plus mine development capital (post initial construction) and sustaining capital.

Table 5: Operating cost summary – per pound of nickel in concentrate

Cost per lb nickel in concentrate basis LOM Operating Cost Estimates	Nickel in concentrate A$/lb	Nickel in concentrate (US$/lb)
Mining	2.05	1.54
Processing	0.83	0.62
Administration	0.39	0.29
Concentrate Transport	0.02	0.02
By-product Credits	(0.08)	(0.06)
C1 Cash Costs	**3.21**	**2.41**
WA State Royalty	0.26	0.19
Total Cash Operating Costs	**3.47**	**2.60**
Sustaining capital	0.22	0.17
All-in Sustaining Cost	**3.69**	**2.77**

Project financials

Financial Results

Key parameters used in the project financial evaluation are shown below:

Table 6: Key financial assumptions

Financial assumptions	PFS	Woodmac
Nickel Price	US$7.50/lb or US$16,535 per tonne	US$9.58/lb* or US$21,120 per tonne
Cobalt Price	US$12/lb	US$12/lb
Exchange Rate AUD:USD	A$1.00 = US$0.75	A$1.00 = US$0.75
NPV Discount Rate (Real)	7%	7%

*Based on weighted average of Q1 2017 Woodmac nickel price using nickel in concentrate.

The above key financial assumptions were chosen based on a careful consideration of market forecasts and consensus for both commodity prices and exchange rates. The nickel price assumption used is in line with market consensus for 2021/2022 pricing, and has been applied on a flat line basis over the life of mine. The Company is confident that the assumptions used are appropriate for nickel market supply and demand expectations over the proposed development period and provide a fair "baseline" set of assumptions for the PFS. Also provided is the estimated nickel pricing level at which the project would have a breakeven NPV, and the price at which net cash flow would be breakeven.

Based on PFS financial assumptions, the base case Odysseus Project yields the following results:

- 22-23% nickel in concentrate containing 87kt of nickel over 7.5 year life of mine;
- Pre-tax NPV of $292M, an IRR of 28%;
- Capital payback period (from commencement of production) of 3 years and 7 months; and
- Cash breakeven price (calculated on undiscounted cash flows) is A$6.09/lb (US$4.57/lb).

The Company has undertaken sensitivity analysis by considering the impact on the financial metrics by applying Wood Mackenzie (Woodmac) assumptions. Woodmac is a well-respected metals and mining, research and consultancy group with an international reputation for supplying comprehensive data and price forecasts. The Woodmac pricing curve used in the sensitivity analysis reflects Woodmac's forecasts for the nickel price over the expected mine production, with US$9.58/lb representing the life of mine weighted average of this price curve.

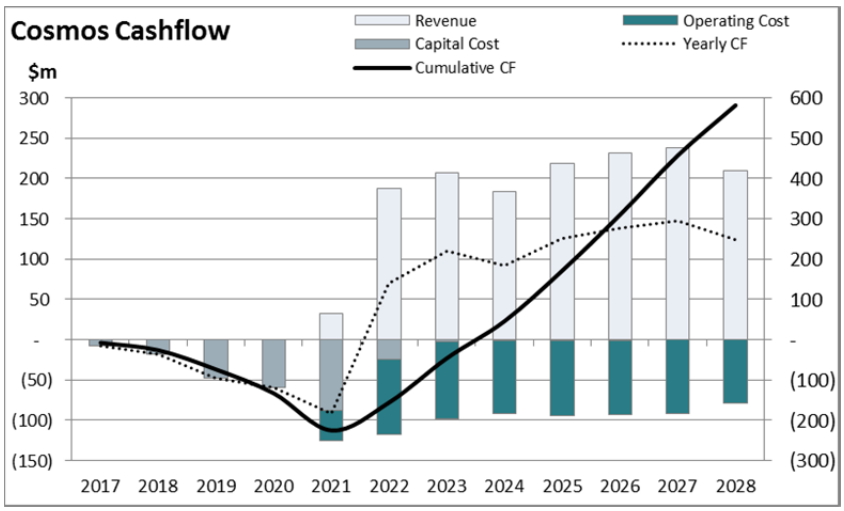
Financial metrics at PFS and Woodmac pricing are shown below.

Table 7: Key financial metrics

Metric (pre-tax basis)	Unit	PFS ($US7.50/lb)	Woodmac ($US9.58/lb)
Revenue	A$M	**1,520**	**1,980**
EBITDA	A$M	**840**	**1,290**
Pre-tax Cash flow	A$M	**580**	**1,030**
Pre-tax NPV	A$M	**292**	**557**
IRR	%	**28**	**40**
Capital Payback Period	Years	**3 years 7 months**	**2 years 10 months**
NPV Breakeven Ni Price	$/lb	A$6.74 (**US$5.06**)	Same
Cash Breakeven Ni Price	$/lb	A$6.09 (**US$4.57**)	Same

The Odysseus project is forecast to yield nickel revenue of over A$1.5 billion and net cash flow of over A$0.58 billion over its initial 7.5 year mine life as shown in Figure 7 below. The life of mine net cash flow changes by A$233 million for every US$1/lb change in the nickel price.

Figure 7: Cash flow generation – financial year per annum and cumulative



Sensitivity Analysis

The project is strongly leveraged to the US$ nickel price and the US$/A$ exchange rate as shown in Figure 8 below.

Figure 8: Pre-tax NPV sensitivity analysis

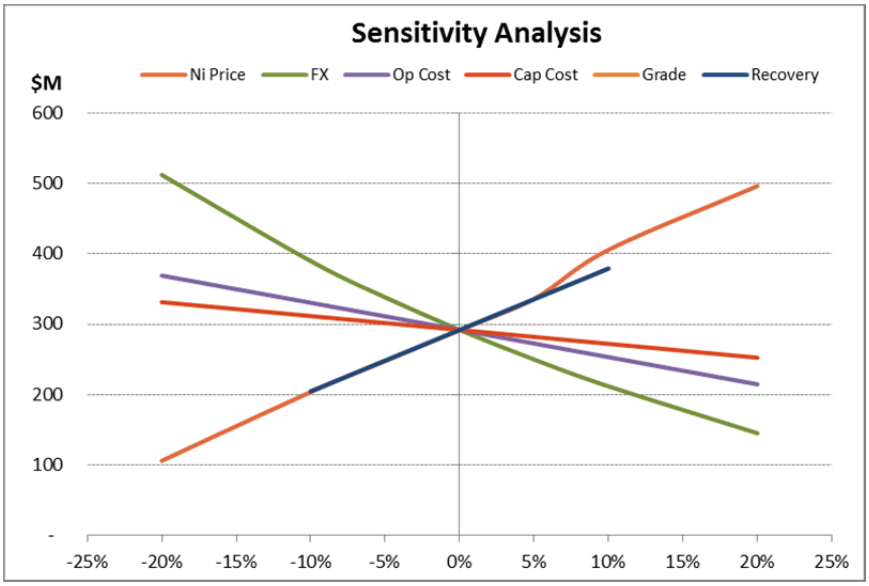


Table 8 below details the sensitivity in the project pre-tax NPV to a range of nickel prices and exchange rates on a pre-tax basis.

Table 8: Pre-tax NPV sensitivity to nickel prices and exchange rates

		Commodity Prices $US						
		-20%	-10%	-5%	0%	5%	10%	20%
Exchange Rate	-20%	280	402	457	512	567	654	768
	-10%	183	292	341	390	439	516	617
	-5%	143	245	292	338	385	458	553
	0%	106	204	248	292	336	406	496
	5%	73	166	208	250	292	358	445
	10%	43	132	172	212	252	315	398
	20%	(10)	72	108	145	182	240	315

Funding requirements

Funding requirements in FY17 and FY18 are relatively low, totalling $26m which is mainly capital expenditure for the DFS and dewatering activities which includes decline infrastructure rehabilitation. If approved by the Western Areas Board, capital requirements in FY19 and FY20 would be $48m and $59m respectively. Peak cumulative cash draw-down occurs in FY21, totalling $220m, inclusive of working capital and this coincides with the first year of production (CY2021). The Company has a demonstrated ability to arrange finance as required for development of its projects. The near to medium term funding requirements can currently be met by the Company's cash reserves.

Opportunities

Western Areas has identified a number of additional enhancement opportunities which could add significant additional value.

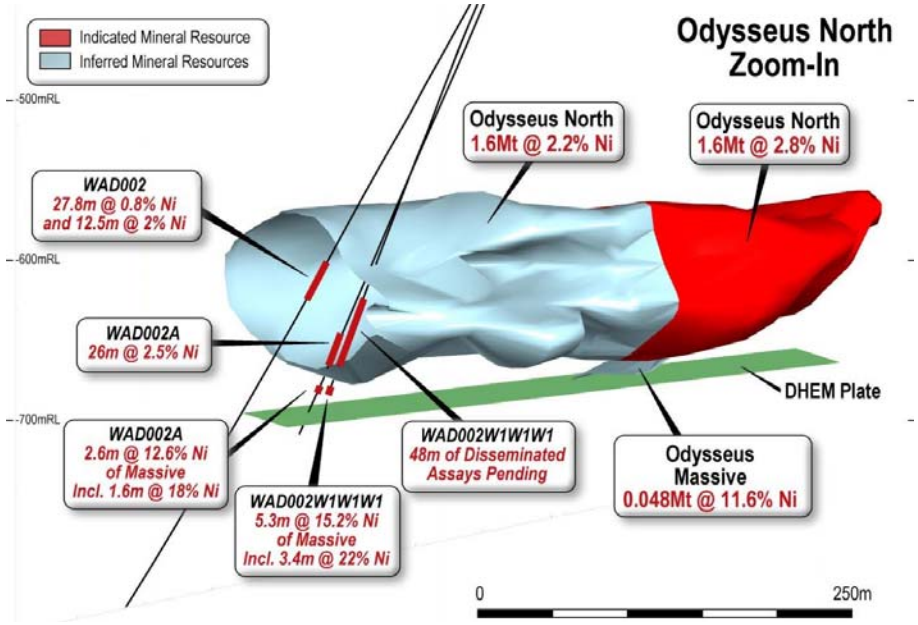
Exploration upside – near-mine, regional and AM5/6

The potential for additional nickel units is the Project's largest upside. Increases to the massive sulphide zone below Odysseus North would provide a cash flow benefit due to the potential high grade nature of the material. The AM6 resource lies above Odysseus and to the south and contains an estimated 2Mt of resources at 2.6% nickel. Other opportunities exist along strike from Odysseus over a distance of 8km.

Near-mine upside

The current resource drilling programme at Odysseus has not only improved confidence in the disseminated southern part of the Odysseus North zone, it may also result in the massive sulphide resource below Odysseus North being extended. The results to date are shown in Figure 9 below:

Figure 9: Odysseus North – recent drilling results



This drilling has:

- Improved confidence in the southern portion of Odysseus North; and
- Identified further massive sulphide lenses below Odysseus North, supported by the DHEM plate identified in December 2016.

Regional upside

Previous owners, Jubilee Mines and Xstrata have discovered 310kt of nickel in the Cosmos and Prospero areas and the potential for more remains an opportunity (see Figure 10 and 11) for the Company to exploit.

The recent shallow RC drilling programme at Neptune has confirmed the presence of nickel sulphides (see ASX announcement 7 February 2017). Neptune lies less than 8km to the south of Odysseus and is within easy trucking distance. In addition, Apollo (adjacent to Nickel West's Camelot discoveries) will be tested later this year and could also provide further upside.

Figure 10: Cosmos plan view showing MLEM anomalies and RC pre-collars

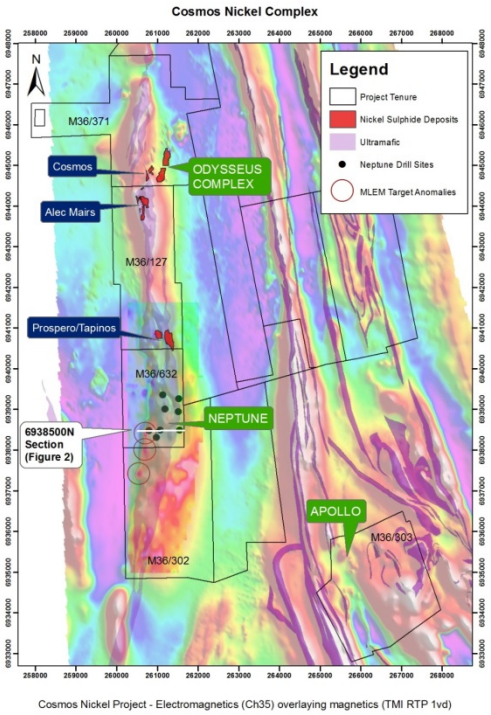
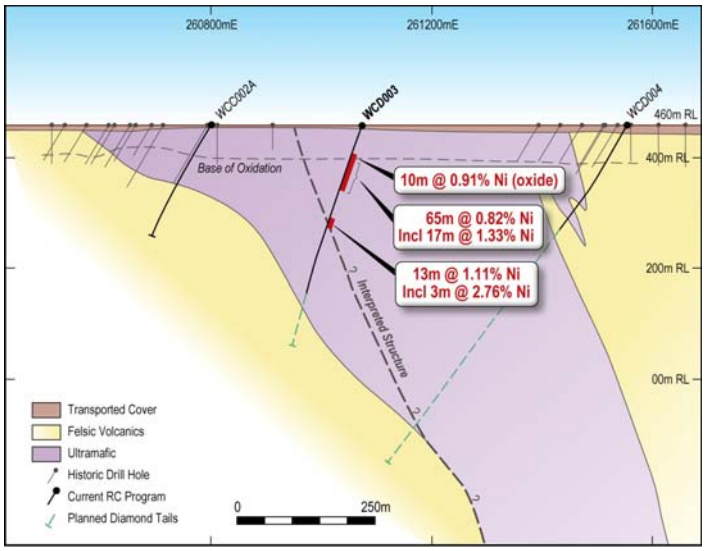


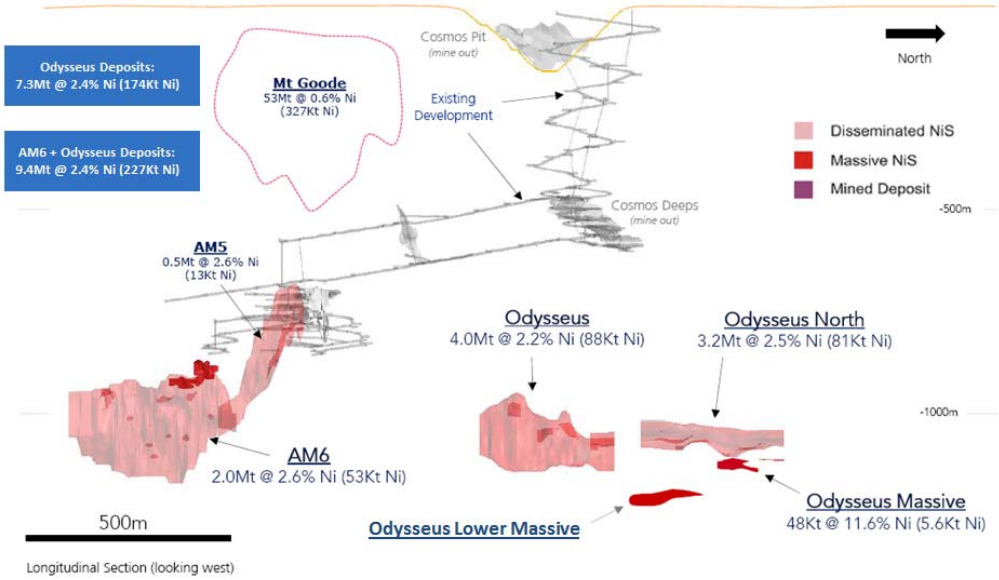
Figure 11: Interpreted cross section (6938500mN) at Neptune



AM5/6 upside

Figure 12 shows the AM5 and AM6 deposits are accessible via the existing decline infrastructure and can provide additional upside tonnage in the right nickel price environment. Access would require dewatering and decline rehabilitation. Xstrata mined AM5 from 2010 until 2012 when Cosmos was placed on care and maintenance, but it was not mined out and 500kt ore remains for 13kt metal. AM6 provides a further resource of 2Mt @ 2.6% nickel for 53kt metal.

Figure 12: Cosmos long section (close-up)



Other potential upsides

- **Product options and processing flexibility allow for optimisation of concentrates** to maximise net cash flow. The optimal product can be tailored during the first twelve months of processing (calendar year 2021) whilst the operation is producing at 430ktpa capacity. This will include improving the position on the concentrate grade / recovery curve to optimise logistics costs, particularly for the roaster product option. The Project is highly sensitive to recovery and a relative 1% change in recovery has a $12m impact on pre-tax NPV.

- **Application of Western Areas BioHeap process to leach tailings** - Western Areas is reviewing the potential to produce a conventional concentrate and then leach the cleaner tailings using the BioHeap process to improve nickel recovery without imposing higher freight costs. This could potentially deliver an extra 5-10kt of nickel metal over the life of mine that may go into a nickel sulphate stream. Laboratory test results have been positive with cleaner tail leaching recoveries around 91% and re-cleaner tail recoveries around 82%. This will be an area of future investigation for the DFS.

- **Discrete and sequential development stages allow for a high degree of control over expenditure.** Stages include the feasibility, dewatering, mine rehabilitation, new decline, refurbishment of existing facilities etc. These workflows can be stopped at any time should the nickel price move in an unfavourable direction.

Western Areas is now reviewing these potentially value adding opportunities and any additions will be incorporated into the DFS.

Risks

Western Areas has identified a number of key risks to the Project. These include, but are not limited to:

- **Confidence in the resource model** – the existing model has a greater proportion of Inferred Resources in the south of the Odysseus North zone. This area has been the focus of the current drilling programme and so far the positive drilling results (see recent ASX announcement 13 February 2017) indicate a high likelihood that a significant proportion of this material will be upgraded to the Indicated category during the next resource upgrade. As it is yet to be modelled, there is a risk that the overall metal tonnage will change during the resource upgrade.

- **Geotechnical risks** – to be managed via industry standard ground control methods at both the Odysseus South and North zones. The Company is currently drilling a geotechnical hole to improve understanding of the rock mass strength.

- **Processing risks** – recommissioning of major plant and equipment - $6m has been allocated to refurbish the current plant based on a report from GR Engineering Services. Also, metallurgical risks exist associated with achieving the desired products that will be managed through laboratory testing and developing a geo-metallurgical model.

- **Accuracy of production and development rates and associated costs**. Production scenarios are modelled using benchmarked production rates and previous data from the Cosmos operation. The application of proven mining methods and scenarios show up to 1mtpa is achievable. All operational costs and production schedules will be refined further in the DFS.

- **Amount and timing of pre-production capital** – Current estimates are at PFS level and subject to ±25% accuracy. All capitals costs will be refined further in the DFS.

- **Delays in approvals** – As dewatering is a critical path item, any delays in approvals in relation to water management will directly impact the time to production.

- **Off-take terms subject to negotiation**– Cosmos is subject to a first right and a right to match from Glencore on the first 7kt nickel in concentrate per annum, subject to a LOM maximum of 50kt nickel in concentrate. Off-take terms are subject to negotiation.

Based on the 12 years of continuous operating history at Cosmos and Western Areas experience working at a similar operation at Forrestania, the Company believes it is has sufficient reasonable grounds for the production assumptions and costs estimates used in the PFS and the risks identified above can be effectively understood better and appropriately managed as the Company progresses the DFS.

Development Timeline

Approvals and heritage

The majority of the approvals are in place including mining proposals for the Cosmos Mine and TSF expansion. Approvals are required for the new WMPs, dewatering and recommencement of mining. Western Areas has commenced these approval processes.

The project sits on registered mining leases. Western Areas maintains a strong relationship with the traditional owners of the land, the Tjiwarl and the local pastoralist.

Project timeline

Odysseus remains approximately three years and nine months away from first production. The schedule comprises 9-10 months for the DFS, 12 months for water management pond construction and dewatering and 2 years of decline development. At this stage, first production occurs in the first quarter of CY2021. Key milestones are shown in Table 9 below.

Table 9: Key milestones

Milestone	Estimated Timing
PFS Completed	Q1 CY2017
Commence DFS	Q2 CY2017
DFS Completed	Q1 CY2018
Commence dewatering and mine rehabilitation for 12 months	Q1 CY2018
Commence new decline development for 24 months	Q1 CY2019
First Development Ore Mined	Q4 CY2020
First Concentrate production at 430ktpa	Q1 CY2021
Plant Upgraded to 750ktpa to reach full production capacity	H1 CY2022

Initial site works are estimated to commence in Q1 CY2018 starting with the dewatering into water management ponds 6 and 7, refurbishment of ponds 1-5 and construction of the new water management ponds 8 and 9. As the dewatering progresses from Cosmos open pit to the underground, rehabilitation of the existing decline will commence. This will involve stripping the existing ground support and installing new mesh and bolts.

The Project implementation schedule is dictated firstly by the rate of dewatering and rehabilitation and secondly by the rate of development of the new decline to the ore bodies. Full face development of the new decline is expected to commence in Q1 CY2019 and take 24 months to reach first development ore. First concentrate production commences in Q1 CY2021 at the initial 430ktpa run-rate and the production rate increases to 750ktpa 12 months later in the first half of CY2022.

The schedule above is subject to completion of a positive DFS, a healthy price environment, a number of mining and regulatory approvals and appropriate financing.

-ENDS-

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COMPETENT PERSON STATEMENTS:

The information within this report as it relates to Production Targets is based on pre-feasibility level information, as per JORC 2012 code, compiled by Mr Daniel Lougher. Mr Lougher is a member of AusIMM and a full time employee of Western Areas. Mr Lougher has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.' Mr Lougher consents to the inclusion in the report of the matters based on the information in the context in which it appears.

The information within this report as it relates to Exploration Results and Mineral Resources is based on information compiled by Mr Andre Wulfse. Mr Wulfse is a member of AusIMM and a full time employee of Western Areas. Mr Wulfse has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.' Mr Wulfse consents to the inclusion in the report of the matters based on the information in the context in which it appears.

FORWARD LOOKING STATEMENT – INFERRED RESOURCE STATEMENTS:

The Company notes that an Inferred Resource has a lower level of confidence than an Indicated Resource and that the JORC Code (2012 Edition) advises that to be an Inferred Resource it is reasonable to expect that the majority of the Inferred Resources would be upgraded to an Indicated Resource with continued exploration. Based on advice from relevant Competent Person's and the most recently completed drilling programme the Company has a high degree of confidence that the Inferred Resources for the Odysseus North deposit will upgrade to an Indicated Resource with further exploration work. Odysseus South is already 99.8% Indicated.

The Company believes it has a reasonable basis for making the forward-looking statement in this announcement, including with respect to any Production Targets, based on the information contained in this announcement and in particular, the JORC 2012 Mineral Resource for Odysseus as at October 2015, together with independent geotechnical studies, determination of production targets, mine design and scheduling, metallurgical test work, external commodity price and exchange rate forecasts and worldwide operating cost data.

FORWARD LOOKING STATEMENTS:

This release contains certain forward-looking statements including nickel production targets. Often, but not always, forward looking statements can generally be identified by the use of forward looking words such as "may", "will", "expect", "intend", "plan", "estimate", "anticipate", "continue", and "guidance", or other similar words and may include, without limitation, statements regarding plans, strategies and objectives of management, anticipated production and expected costs. Indications of, and guidance on future earnings, cash flow, costs, financial position and performance are also forward looking statements.

Forward looking statements, opinions and estimates included in this announcement 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 are provided as a general guide only and should not be relied on as a guarantee of future performance.

Forward looking statements may be affected by a range of variables that could cause actual results or trends to differ materially. These variations, if materially adverse, may affect the timing or the feasibility and potential development of the Odysseus project.

Examples of forward looking statements used in this report include: "Positive results from recent infill drilling indicates a strong likelihood that a significant proportion of the Inferred portion of the Odysseus North Resource will be upgraded to the Indicated category during the next resource estimation", and, "The PFS base case findings indicate robust economic and nickel production metrics together with further significant upside opportunities, as well as a very low all-in sustaining cash cost of operations" and "Odysseus is expected to contribute a per annum average of $100m free cash flow (pre-tax) from 2022" and "Odysseus remains approximately three years and nine months away from first production".

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

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