Attention : ASX Company Announcements Platform

Lodgement of 'Company Interview'

'COMPANY INTERVIEW'-MARKET PROFESSIONALS

Western Areas Limited

Date of lodgement: 17/12/2013

TITLE: "Company Interview. 2014 Positive Company Outlook"

Highlights:

- **Discussion of guidance for FY14; production and costs tracking well.**
- **Continuing focus on reducing operating costs.**
- **Outlines exploration with long and near mine life.**
- **Shareholders will benefit from increases in nickel price.**
- **Outlines the effect of nickel pig iron production; positive impact on nickel price.**
- **Explains FinnAust listing on AIM, Terry Streeter's departure and funding position.**
- **A strong outlook for investors.**

Record of interview:

Company Interview question:
Western Areas Limited (ASX code: WSA; market cap of $430m) is mining nickel ore from its Flying Fox and Spotted Quoll mines in Western Australia and producing nickel concentrate through its Cosmic Boy Mill. Can you comment on the production outlook at each operation – in terms of volumes and operating costs - and how they performed through the year?

Managing Director, Dan Lougher
At the beginning of the Financial Year (FY14) we provided guidance on a number of operational metrics. In respect of mine production we guided between 24,000 to 26,000 tonnes of nickel in ore. In terms of nickel contained in concentrate we guided to production of between 23,000 to 24,000 tonnes, at a unit cash cost of A$2.80/lb to A$2.90/lb.

The first quarter of FY14 commenced better than budget expectations for both production volumes and unit cash costs. Mine production was 8,290 tonnes of nickel in ore whilst unit cash costs were A$2.28/lb, our best operational results in some 18 months.

In respect of mine production and nickel grade, we've continued to see positive reconciliation to our reserves for both mines, which directly reflects the high quality nature of our mines and also the quality of our underground teams to minimise waste dilution.

Whilst the first quarter of FY14 was clearly a stand-out and ahead of our expectations, we will maintain our practice of providing a guidance update around the time of the release of the half yearly results. Suffice to say, based on the run rates post the quarterly, we wouldn't be surprised if there were some upgrades to occur when we update the market.

Company Interview question:
With a substantial reduction in operating costs over the past year, are there further areas in which you can reduce costs?

Managing Director, Dan Lougher
I believe cost management has been a strong focus for everyone in the mining sector in recent times, however at Western Areas we've had a long term unrelenting focus on cost and working capital management – you could say it is part of our DNA. During the latter part of FY13 we were able to adjust a number of our critical operating and procurement contracts which have delivered over $10m per annum in sustainable cost savings. A significant portion of these savings have been delivered by productivity gains whilst the completion of ramp up activities at the Spotted Quoll underground mine have also contributed.

To provide some colour on what I mean when referring to productivity gains, I would like to mention a couple of standout examples. Firstly, a reduction of consumables at the paste fill plant by using sand sourced from our own tenements has reduced the consumption of externally purchased products. This initiative has not only reduced operating costs, but has also significantly improved the cure time of paste filling operations from 7 days to 2 days, thereby improving mining efficiency.

The second example is the installation of a private haul road from the mines to the concentrator, which cut the haulage distance and costs by approximately one third. These type of innovative productivity gains are developed due to the professional, committed and motivated workforce at Western Areas that turn these ideas into realities.

Off the back of these types of initiatives we have certainly delivered on reducing operating costs, but at the same time we do not intend to become complacent and will continue to focus on it going forward.

Company Interview question:
The Forrestania region of Western Australia, in which Western Areas operates, is considered one of the most prospective regions in the world for nickel. Can you talk us through your strategy with respect to mine lives and the current exploration strategy?

Managing Director, Dan Lougher
First of all, I should provide some context surrounding mine life for high grade massive sulphide mines. For example, a number of the Kambalda district nickel mines have been operating on mine lives less than 5 years for over 30 years. At Western Areas, we started out 8 years ago at Flying Fox with a 16,000 nickel tonne reserve. Today we mine roughly that amount per year at Flying Fox and can see a further 6 years ahead of us with strong potential to extend this as we drill

underground. Spotted Quoll currently has a mine life in excess of 10 years at a production rate of 12,000 tonnes of nickel per year, making it one of the world's longest high grade mine lives.

Our exploration strategy at Forrestania is fairly simple – explore for new high grade nickel mines in the same areas we've already found nickel and adjacent to the infrastructure we've already built. Our experience in the Forrestania Belt, has allowed us to generate a number of very prospective targets, such as the area between Flying Fox / Lounge Lizard and New Morning. New Morning is the perfect example of how success in Forrestania can be easily leveraged – any resources at New Morning can be accessed from either the Spotted Quoll or Flying Fox declines, saving us significant time and expense in building a dedicated decline, should we proceed to development at New Morning.

Company Interview question:
How do you see Joint Ventures like the agreement with Traka in the Musgraves adding to the growth Outlook? Are you intending to pursue more Joint Ventures?

Managing Director, Dan Lougher
The Musgrave JV, which is targeting high grade copper / nickel sulphides, is going very well. In fact we have already earned in to the first stage of the JV, and now hold 30%. We did this in 5 months, when we could have taken 18 months, so this is not something where we are sitting on our hands. We are drilling now and should see some results in the New Year. We have also elected to proceed to stage two where we can increase our interest to 51%.

In the current environment there is a very wide scope for further joint venture opportunities, where cash poor companies can access both our balance sheet and technical expertise. In return we get access to a number of advanced prospects we wouldn't normally see in different times. As such we remain open to potential further activity in this regard moving into the New Year.

Company Interview question:
Can you comment on the nickel market both in terms of the outlook and also a wrap up of the factors influencing the price during 2014?

Managing Director, Dan Lougher
Calendar year 2013 has provided nickel companies globally with challenging pricing conditions. The year was characterised by a mild oversupply coupled with a persistent failure of the industry to close unprofitable production, although in the last few months we've seen some supply side responses with nickel mine and processing facility closures. We believe that up to half of the nickel being produced in 2013 was done so at a cash cost above the spot price of metal.

We believe the largest influence for 2014 will be the impact of the potential Indonesian export ban on laterite nickel ore. The latest technology of Chinese nickel pig iron, being Rotary Kiln Electric Arc Furnace (RKEAF) – relies solely on Indonesian laterite due to its high grade (>1.8%Ni) and low iron content (<25%Fe). Any ban, tax or choking of laterite supply from Indonesia should have a positive influence on the nickel price. I believe our shareholders understand well, that Western Areas doesn't require a significant movement in the nickel price to generate healthy returns.

Other factors influencing the nickel price in 2014 will include how the nickel industry responds on the supply side by continuing to shut unprofitable production, how the continuing growth of Chinese demand will be met and how ongoing pollution and energy efficiency initiatives impact nickel pig iron production in China.

Company Interview question:
More specifically, what has been the effect of nickel pig iron (NPI) production and the impact of the potential Indonesian export ban?

Managing Director, Dan Lougher
Firstly, I should be clear that NPI has changed a large part of the industry, and it is here to stay. However there are some challenges facing NPI which I will go into shortly.

To provide some perspective on the global nickel industry, let me touch on demand. Roughly 1.8 million tonnes (mt) of nickel are required annually, with 70% making its way into stainless steel. Of the 1.8mt, approximately 850,000t is required by China, and of the 850,000t, we believe approximately 450,000t is supplied by NPI, which is suggested to hit peak production and capacity in CY13. Of the 400,000t remaining supply required in China, the majority is imported in the form of nickel concentrate, nickel matte and nickel metal. China does not draw down nickel from the LME (London Metal Exchange) and uses an internal nickel price which we understand to be currently higher than the LME nickel price.

Over the last 7 years, China has improved the efficiency of NPI production by transitioning from the old polluting blast furnace style production, to production using RKEAF. RKEAF is believed to be the future for NPI in China, however feed supply has to fit within a tight laterite ore specification for processing by RKEAF. We have invested considerable time in China with NPI owners and understand that if the laterite is not a minimum grade of 1.8% nickel and less than 25% iron content, then it cannot be fed into RKEAF. Only Indonesia has this specific laterite profile which is being exported. Philippine laterite is well below 1.8% grade and can only be used for the higher cost blast furnace NPI which analysts estimate is at a cost in excess of US$8/lb.

Therefore the potential Indonesian ban can seriously cap NPI production going forward. We understand the Indonesian government wants to see more processing of nickel carried out domestically and we have seen over recent weeks that the political noise out of Indonesia is more favorable to an outright ban, or at least a choking of supply and increased taxes. We will see how it plays out, but with the ban due on 12 January 2014, no matter what form it ultimately takes, it is likely to have a positive impact on the nickel price.

Company Interview question:
What are the key outcomes of the spin out of your assets in Finland in which Western Areas now holds 68% of the Alternative Investment Market (AIM) listed Centurion Resources PLC?

Managing Director, Dan Lougher
In line with our market messaging over the last 12 months, FinnAust Mining plc (formerly named Centurion) has now successfully listed on AIM, with enough cash for a significant drilling program over the next 18 months. In fact drilling has commenced at the first target Hammaslahti where we have previously intersected high grade copper. Western Areas has retained exposure to FinnAust's upside with a 68% ownership interest in the listed vehicle. We are very pleased with the outcome and now that we have a dedicated geological team based in Finland solely focused on drilling identified targets we look forward to what lies ahead.

Company Interview question:
Terry Streeter has been a very important part of Western Areas. Terry stepped down at the recent AGM in November. How are you managing the transition after Terry's departure? Do you know of his intention with respect to his 22.5 million shares in Western Areas?

Managing Director, Dan Lougher
Terry has been a significant contributor to the Company for a long period of time – but much like any senior leadership change, this can be effectively managed if the transition is prepared well ahead of time. Our new Chairman, Ian Macliver has been on the board since 2011, and was appointed lead independent director last year. So we've been ready for the transition for some time.

As we outlined in our announcement in November, Terry is spending a considerable amount of time in Brazil where he has both personal and business interests. The business interests, which he has been working on for a number of years, focus on the emerging end of the resources sector where he can follow his passion of building companies.

With respect to Terry's shares, he has been publicly quoted in a number of recent newspaper articles to say his parcel is not for sale at this time.

Company Interview question:
What is Western Areas' funding position in terms of cash and debt and the ability to fund any future expansions of your business?

Managing Director, Dan Lougher
Western Areas has balance sheet strength and flexibility with respect to future financing. Over the last two years we have retired over A$150 million in debt. Despite the weak nickel price, we have positive cash flow from operations, and a fully undrawn $125 million debt facility with ANZ, extending to at least March 2016. Cash on hand at 30 September was $85.3 million, up $4.9 million during the quarter.

On the liability side, our principal liabilities are a A$110 million convertible bond due in July 2014 and a A$125 million bond due in July 2015.

Our strategy to deal with convertible bond retirement has been consistent over a number of years, with first preference to repay from cashflow, but to cover off the downside with a bank facility should cashflow generation not be sufficient due to nickel price and exchange rates. Therefore, and depending on the Australian dollar nickel price, we can either repay the July 2014 bond in cash or use a mixture of cash and the bank facility. At 30 September 2013, Western Areas had A$85 million cash at bank.

We understand that some shareholders have also turned their attention to the July 2015 bond maturity and how the Company will deal with that maturity. Once again our strategy with maturity remains consistent with previous years, whereby the bonds can be either converted into shares or repayment occurs via cashflow generated by the operations. In either case, the Company will look to have a separate bank facility to fully cash back repayment to ensure there can be no perceived repayment risk.

I should also point out that the Company could currently pursue an early refinancing of the July 2015 bond, however we are of the view that this would be a premature decision being 19 months out from maturity and given the upside potential to nickel prices in 2014 with the Indonesian ban on laterites. Furthermore, consensus view amongst commodity analysts are that nickel prices will increase during 2014.

Company Interview question:
Can you comment on the ongoing status of your nickel concentrate off-take agreement?

Managing Director, Dan Lougher
Our supply agreement with Jinchuan is going extremely well – they remain keen to receive as much of our high quality concentrate as they can. On current forecasts, we expect to complete the offtake agreement around February 2015. Given our concentrate has a very high Iron to Magnesium ratio which is in high demand from nickel smelters and nickel traders, we expect the next tender process to be just as competitive as the last time we tendered our product. Already we have received expressions of interest from Stainless Steel makers looking to secure nickel concentrate, which has the potential to open up a new and lucrative market for our product.

Company Interview question:
In summary, are there any key areas investors should focus on when looking at Western Areas?

Managing Director, Dan Lougher
We have covered a lot of ground today, but I want to highlight a few areas we haven't covered.
Firstly, Western Areas remains one of the best performers in Safety in the hard rock mining industry. Until recently our Lost Time Frequency Rate was standing at Zero. We unfortunately had a minor calf strain a few months ago which broke the run of Zero. It remains one of my fundamental beliefs, that safe working environments are an indicator of strong operational results. Our staff turnover is extremely low by mining industry standards, yet our remuneration structure remains between the 50th and 60th percentile.

Secondly, our Company remains highly leveraged to any upward trend in nickel price and downward pressure on the Australian dollar. Pleasingly, all indications today are that these two factors, which are outside our control, are heading in the right direction. Western Areas remains one of the few profitable nickel mining companies in the world.

Thirdly, our performance in cost management, production and sales has seen the Company deliver 13 consecutive quarterly reports without a downside operational surprise. This is testament to our workforce and the high quality of our assets, being two of the highest grade nickel mines in the world.

We see significant potential in the short term from near mine exploration. Further discoveries like the extensions at New Morning offer us the best bang for our buck in potentially moving from exploration into production where we can immediately exploit our existing and extensive infrastructure. Medium term, opportunities like the Musgraves JV offer the ability to incrementally add to our growth portfolio, in a time of very attractive entry prices into some highly prospective advanced stage exploration plays.

So overall we see some real potential to grow the Company and at the same time will remain vigilant to continue generating cash flow from our existing operations which are well acknowledged as world class high grade and very low cost nickel assets.

Company Interview
Thanks Dan.