



31 March 2016

ASX: WSA

News Release

Not for release in the United States

WESTERN AREAS STRENGTHENS BALANCE SHEET INCREASING FINANCIAL FLEXIBILITY

The Board of Western Areas Ltd (ASX: WSA, “Western Areas” or the “Company”) is pleased to announce the Company is conducting a fully underwritten placement to raise approximately A\$60 million (“the Placement”) with the issue price to be determined by a bookbuild (“the Price”) at an underwritten floor price of A\$1.95 per share. The Placement comprises an issue of up to 30.8 million ordinary shares in Western Areas.

To provide an opportunity for retail participation, Western Areas will also undertake a non-underwritten share purchase plan to raise up to A\$10 million (“SPP”) at the Price.

Western Areas is undertaking the equity raising to strengthen its balance sheet and provide greater financial flexibility to fund certain growth initiatives. These initiatives include an accelerated and discounted payment of the remaining amounts due for the acquisition of the Cosmos Nickel Complex (“Cosmos”) from Glencore Plc (“Glencore”) of A\$12.6 million along with targeted exploration programs, project studies at Cosmos and the ability to re-start deferred discretionary capital projects at short notice when justified by nickel market conditions.

Western Areas expects to have a net cash position of approximately A\$15 million (gross cash A\$40 million) at the end of the March quarter. Post the Placement and following the Cosmos acquisition payment along with the full repayment of A\$25 million drawn this quarter from the Company’s corporate debt facility (drawn to meet the Company’s normal working capital coverage metrics and fund certain discretionary capital and exploration expenditure), Western Areas will remain debt free with a strong cash balance of A\$61 million.¹ Refer to the Use of Proceeds discussion on page 3 of this announcement.

Western Areas Managing Director, Mr Dan Lougher, said that the equity raising is designed to provide greater balance sheet flexibility to the Company during a period of decade-low nickel prices and enhance the Company’s ability to take advantage of prudent growth opportunities as they present themselves.

“While our operations at Forrestania remain cash flow positive even at current nickel prices, we consider the equity raising to be a sensible measure to strengthen the Company’s balance sheet and maintain flexibility to take advantage of an improvement in fundamentals. The equity raising also provides us with the ability to accelerate the remaining payments for Cosmos at a reduced price”, Mr Lougher said.

“History has shown that when nickel prices rebound, they can do so very quickly, and we want to make sure we are in a position to respond accordingly.”

¹ Pro-forma cash after adjusting for the Placement proceeds, repayment of the ANZ facility and the remaining amounts due for Cosmos (including transaction costs). Excluding any funds raised under the SPP and the costs associated with the Placement.



“Western Areas’ operational efficiencies and cost reduction programs were reflected in a lowering of our unit cash costs to A\$2.25/lb² (US\$1.63/lb) for the half year ending 31 December 2015. This improved cash cost position has ensured we continue to deliver positive operating margins and cashflow from our Forrester operations despite nickel prices touching 10 year lows during the current quarter.”

“It is important to note that Western Areas does not require forecast consensus nickel prices to deliver strong cashflow outcomes. As a rule of thumb, every A\$1/lb improvement in the nickel price equates to additional EBITDA and free cashflow before tax of approximately A\$35 million per annum.³”

“We have previously announced the deferral of certain discretionary capital projects and activities to preserve cash, whilst maintaining our investment activities at Cosmos and the Western Gawler. With the increased balance sheet strength as a result of the equity raising, we will maintain our ability to rapidly recommence these discretionary activities should market conditions be supportive whilst also continuing to advance the Company’s medium term project growth opportunities.”

Placement Details

The Placement to eligible sophisticated, professional and other institutional investors will be conducted via a bookbuild today in both Australia and selected international jurisdictions. The Placement has an underwritten floor price of A\$1.95 per share which represents a 9.7% discount to the closing price of A\$2.16 per share on 30 March 2016, being the last trading day prior to announcement of the Placement.

Macquarie Capital (Australia) Limited and Morgan Stanley Australia Securities Limited are acting as Joint Lead Managers, Underwriters and Bookrunners to the Placement⁴.

The Placement is within Western Areas’ existing capacity under ASX Listing Rule 7.1 and accordingly no shareholder approval is required in connection with the equity raising. Settlement of the Placement is expected to occur on 5 April 2016, with the new shares expected to be allotted through ASX and commence trading on 6 April 2016. The new shares will rank equally with existing shares.

Share Purchase Plan Details

Under the SPP, eligible Western Areas shareholders with registered addresses in Australia or New Zealand will be invited to invest up to a maximum of A\$15,000 per shareholder.

Participation in the SPP is optional and will be open to shareholders who are registered holders of Western Areas shares at 7:00pm (Sydney time) on the record date of 30 March 2016, and whose registered address is in Australia or New Zealand.

The issue price under the SPP will be the same as the price achieved in the Placement bookbuild. The result of the bookbuild is expected to be announced on 1 April 2016. No brokerage or transaction costs will be payable by subscribing shareholders. Further details on the SPP will be released on the ASX and distributed to eligible Western Areas shareholders shortly.

² Unit cost of production of nickel in concentrate as reported in the Company’s Quarterly Reports.

³ Based on recent annual production history using current AUD nickel prices and payability.

⁴ The Underwriting Agreement is subject to conditions precedent, termination events, representations and warranties customary for a transaction of this nature.



Further information about the equity raising can be found in a presentation that has been released to the market today.

Use of Proceeds

The gross proceeds of the Placement of A\$60 million will be used for the following purposes:

- To replenish working capital for the total purchase price and transaction costs for Cosmos of approximately A\$26 million, allocated as follows:
 - A\$11.5 million - 1st instalment paid in October 2015;
 - A\$12.6 million - Early repayment on instalments 2 and 3 to Glencore which previously totalled A\$13.0 million; and
 - A\$1.9 million – Stamp duty, legal fees, accounting and due diligence costs.
- For repayment of amounts drawn under the ANZ corporate facility of A\$25 million (see below).
- To continue to invest in project growth such as exploration at Cosmos, Western Gawler and the advancement of study work to pre-feasibility status (“PFS”) at Odysseus later in the year. Post the PFS, the initial estimate for the investment required to move to a Bankable Feasibility Study at Odysseus is approximately A\$5 million.
- To provide greater financial and operational flexibility to enable the previously announced deferred discretionary capital projects (such as vertical development at Spotted Quoll and the Mill Recovery Enhancement Project) and exploration programs to be promptly and efficiently recommenced as and when justified by the nickel market environment.
- For general working capital purposes including the payment of the costs of the equity raising.

Funds raised under the SPP of up to A\$10 million will be retained for general working capital purposes.

As previously disclosed, the Company has a A\$50 million corporate facility with ANZ Bank. Western Areas made an early decision to draw down A\$25 million of the facility during the current quarter to ensure ample liquidity equating to approximately three months of working capital coverage.

At March quarter end, prior to completion of the equity raising, the Company expects group net cash of approximately A\$15 million, comprising cash at bank of approximately A\$40 million and debt of A\$25 million, being the amount drawn as referred to above. After repayment of the drawn amount from the proceeds of the equity raising, the full A\$50 million ANZ corporate facility will be available to the Company⁵, but based on current nickel prices is not expected to be utilised, which is consistent with Western Areas existing strategy to remain debt free.

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⁵ Drawdown is subject to customary terms and conditions

WESTERN AREAS LTD



For further details, please contact:

Dan Lougher
Managing Director – Western Areas Ltd
Telephone +61 8 9334 7777
Email: dlougher@westernareas.com.au

David Southam
Executive Director – Western Areas Ltd
Telephone +61 8 9334 7777
Email: dsoutham@westernareas.com.au

Shane Murphy
FTI Consulting
Telephone +61 8 9485 8888 / 0420 945 291
Email: shane.murphy@fticonsulting.com

Or visit: www.westernareas.com.au

FORWARD LOOKING STATEMENT AND IMPORTANT NOTICE:

This release may contain certain forward-looking statements. 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.

Examples of forward looking statements used in this release include: statements as to Western Areas' expected cash balance at the end of the March quarter and statements as to the initial estimates for the investment required to move to a Bankable Feasibility Study at Odysseus.

Forward-looking statements are subject to a variety of risks and uncertainties which are beyond the Company's ability to control and could cause actual events or results to differ materially from those anticipated in such forward-looking statements.

This announcement does not include reference to all available information on the Company 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.

This release has been prepared for publication in Australia and may not be released in the United States. This release does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States or any other jurisdiction. Any securities described in this release have not been, and will not be, registered under the US Securities Act of 1933 and may not be offered or sold in the United States except in transactions exempt from, or not subject to, registration under the US Securities Act and applicable US state securities laws.