



22 August 2017

ASX: WSA

News Release

WESTERN AREAS REPORTS FULL YEAR FINANCIAL RESULTS AND FY18 GUIDANCE

Western Areas Ltd (ASX: WSA, “Western Areas” or the “Company”) is pleased to announce the Company’s financial results for the year ended 30 June 2017 (“FY17”) and key operational guidance metrics for the year ending 30 June 2018 (“FY18”).

Western Areas has returned to profitability, with strong free cashflow generation, significant EBITDA improvement over the prior year and a debt free balance sheet. This places the Company in a strong financial position to fund growth projects. For the seventh consecutive year, all guidance metrics for FY17 were either met or exceeded.

Key Metrics:

- **Cash at bank increased to A\$140.3m (A\$75.7m) after free cashflow of A\$64.6m;**
- **Sales revenue of A\$213.9m (A\$209.1m);**
- **Average realised price of nickel (before payability) of A\$6.11/lb (A\$5.69/lb);**
- **EBITDA of A\$84.9m¹ (A\$24.7m²);**
- **Reported Net Profit After Tax (NPAT) of A\$19.3m³ (A\$29.8m⁴ NLAT);**
- **Unit cash cost of production A\$2.38/lb (A\$2.26/lb) at the lower end of FY17 guidance;**
- **Capital expenditure and exploration spend reduced by A\$15.8m to A\$34.0m; and**
- **Fully franked final dividend of 2.0c per share (Nil) has been declared.**

(Comparisons in brackets refer to the corresponding period FY16)

FY17 saw the Company invest in the future performance of the business through a range of measures, designed to increase the value derived from each nickel unit mined. These included various efficiency projects that delivered mine grade and production performance above plan, the impact of new and improved offtake terms secured towards the end of FY17, a completed pre-feasibility study (“PFS”) for the Odysseus Project and encouragement from exploration activities at Cosmos.

Western Areas notes that the second half of FY17 saw further volatility with downward pressure on the nickel price as the Indonesian Government relaxed certain aspects of their laterite ore export ban and the Philippines shifted their policy position on open cut mining. These factors contributed to the average realised nickel price reducing from A\$6.59/lb in the first half to A\$5.69/lb in the second half.

The Company had plans in place to deal with these external challenges which saw second half unit cash costs reduce through the implementation of innovative efficiency projects such as the Ore Sorter project at Flying Fox and the successful optimisation of mining techniques at Spotted Quoll to reduce dilution.

In addition, the Company ensured that value from non-core activities was maximised with the sale of Western Areas’ ownership in Bluejay Mining Plc (“Bluejay”), which yielded a total A\$32.1m in cashflow after costs.

¹ FY17 EBITDA includes A\$33.1m of gains associated with non-core activities from the Bluejay sale (A\$25.6m) and Kidman transaction (A\$7.5m)

² FY16 EBITDA includes write-offs and impairments totalling A\$15.5m relating to exploration and FinnAust Mining plc (now named Bluejay)

³ FY17 NPAT includes A\$31.0m of gains associated with non-core activities from the Bluejay sale (A\$25.6m) and Kidman transaction (A\$5.4m)

⁴ FY16 NPAT includes write-offs and impairments totalling A\$13.2m relating to exploration and FinnAust Mining plc (now named Bluejay)



Western Areas also announced the sale of two tenements and a farm-in arrangement for lithium rights on its northern Forrestania tenements with Kidman Resources Ltd (“Kidman”). In consideration for these transactions, Western Areas received 5.2% of Kidman’s issued capital and has free carried exposure to lithium exploration activities on the relevant tenements. The market value of Western Areas’ interest in Kidman was approximately A\$10.6m at year end based on Kidman’s closing share price at 30 June 2017.

At the half year financial results release in February 2017, the Company advised that it was favourably disposed to reinstate dividends should the nickel price consolidate at the then current levels for the second half of FY17. Whilst this did not eventuate, given the favourable cash position and substantial cashflow benefit from the sell-down of Bluejay (A\$32.1m net of costs), the Board has in recognition of this outcome decided to declare a fully franked final dividend of 2.0c per share.

A **Results Presentation** has been released today and will be followed by a conference call at 10.00am AEDT, details of which were announced on 14 August 2017.

Key Metrics

Full Year Highlights	FY 2017	FY 2016
Mine Production (tonnes Ni)	25,996	27,607
Mill Production (tonnes Ni)	23,005	25,009
Recovery	89%	90%
Sales Volume (tonnes Ni)	22,639	24,793
Cash Costs (US\$/lb)	1.80	1.64
Cash Costs (A\$/lb)	2.38	2.26
Exchange Rate USD/ AUD	0.75	0.73
Nickel Price (US\$/lb)	4.61	4.14
Realised Price Before Payability (A\$/lb)	6.11	5.69
Revenue ('000)	213,920	209,117
EBITDA ('000)	84,921	24,672
NPAT/ (NLAT) ('000)	19,299	(29,783)
Net Cashflow ('000)	64,588	(119,649)
Cash at Bank	140,294	75,706
Dividend (cents)	2.0	0.0

Western Areas Managing Director, Dan Lougher, said that the Company welcomed the return to profitability and the payment of a final dividend to shareholders following a year of significant achievement.

“Western Areas set out in FY17 to maintain a strong financial position and give priority to maximising cash generation. We achieved this through measures such as the planned deferral of certain capital expenditure in the first half of the year and the implementation of various efficiency projects driven by our operations team. I am pleased that the Western Areas team has reliably delivered on all these promises, and accordingly, we have now achieved seven consecutive years of delivery to guidance or better,” Mr Lougher said.



“We have seen government policy instability, particularly in Asia, which has had an impact on nickel prices. Whilst we do not ignore the external environment, we’ve remained committed to our task of setting up the Company for growth. This has been achieved with our portfolio of opportunities expanding and our balance sheet being in better shape than ever before.”

“Following the nickel price hitting a low of around US\$3.90/lb in June 2017, the beginning of FY18 has commenced positively with the August 2017 price currently averaging US\$4.75/lb. Pleasingly, strong demand in the high end stainless steel market, particularly in China, has remained robust, whilst the activity in the electric vehicle (“EV”) battery market is growing exponentially. We have witnessed the EV supply chain demand first hand with the level of in-bound enquiry for nickel offtake supply increasing markedly over recent months.”

“The signing of new and improved offtake contract terms with BHP Nickel West and our new customer, Tsingshan Group (“Tsingshan”) for three years was a milestone event. With respect to Tsingshan, Western Areas has taken an industry lead by selling directly to a stainless steel producer. This agreement was many years in the making.”

“The tone of innovation continues into FY18, with the Company currently on target to commission the new Mill Recovery Enhancement Project in the March 2018 quarter. We are effectively creating a product for the EV battery supply chain from a specific cut of the live tailings stream that was previously discarded.”

“We have also set ourselves up for an exciting year at Cosmos. Following the release of what we believe is the highest ever recorded nickel intersection over a mineable width (3.4m @ 22.0% Ni) at Odyssey, we completed the PFS for this project and are now well advanced to complete a definitive feasibility study in the coming year. We also see substantial upside in greenfields exploration and are very thankful for the support of the Tjiwarl people in working collaboratively with us to enable land access approvals.”

“Unfortunately, whilst a lag indicator, the Company had one LTI during the year and just fell short of three years LTI free. Notwithstanding this, the Company’s commitment to safety is unwavering and we remain resolute in striving for improvement,” said Mr Lougher.

FY18 Guidance

Category	FY18 Guidance
Mine Production (Nickel tonnes in Ore)	23,500 to 25,000
Nickel tonnes in Concentrate Production	21,500 to 22,500
Unit Cash Cost of Production (Nickel in Concentrate)	A\$2.40/lb to A\$2.65/lb
Sustaining and Mine Development Capital Expenditure*	A\$30.0m to A\$36.0m
Mill Recovery Enhancement Project (MREP)	A\$14.0m
Feasibility Studies	A\$3.0m
Exploration	A\$12.0m

* Includes Spotted Quoll ventilation shaft completion and mechanical fit-out (A\$5.8m)



In formulating FY18 guidance, the Company ran multiple life of mine scenarios using AUD nickel prices around current spot levels. Western Areas' focus is on maximising equipment utilisation and minimising operating and capital expenditure where sensible to do so. In this regard, our goal is consistent with last year, which is to focus on cash generation rather than raw production volume. The Company has the flexibility to ramp up production should the AUD nickel price provide sufficient encouragement to do so.

The resulting mine and mill production guidance, at the top end for FY18, is very similar to FY17 actuals, whilst the low end of the unit cost guidance range is marginally lower than the June 2017 quarterly outcome of A\$2.42/lb.

Sustaining and Mine Development Capital Expenditure for FY18 represents a full year of normal run of mine development expenditure at Spotted Quoll, compared to FY17, where development was deferred for the first six months of the year. Flying Fox which employs a 'bottom-up' mining process requires minimal development expenditure (<A\$3.0m) in FY18, as the decline has been developed to the bottom of the current Reserve. The Spotted Quoll ventilation shaft and the associated mechanical fit-out (A\$5.8m) are targeted for completion in the first half of FY18, representing the final envisaged major infrastructure capital requirement at Forresteria.

The MREP, which has been announced previously, is a significant growth project producing a new high grade product and represents a unique opportunity to grow an additional business for Western Areas into the medium and long term.

The expenditure for feasibility studies predominantly represents the completion of the Odysseus DFS, which is scheduled for finalisation during the March 2018 quarter.

The Company has elected to increase investment in exploration compared to the constrained spend of FY17. This will include Forresteria where a portion of the funds will be allocated to converting resources to reserves and extending the mine life at Flying Fox. Other areas of activity will include the Western Gawler project in South Australia and Cosmos, as we look to advance our portfolio, following a successful FY17.

-ENDS-

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**FORWARD LOOKING STATEMENT:**

This release contains certain forward-looking statements including nickel production and cost 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.

Examples of forward looking statements used in this report include: “strong demand in the high end stainless steel market, particularly in China, has remained robust, whilst the activity in the electric vehicle (“EV”) battery market is growing exponentially”, and, “the Company currently on target to commission the new Mill Recovery Enhancement Project in the March 2018 quarter”.

These forward-looking statements are subject to a variety of risks and uncertainties beyond the Company's ability to control or predict which 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.