

NEWS RELEASE

20 August 2019

ASX: WSA

WESTERN AREAS LTD



WESTERN AREAS REPORTS FULL YEAR FINANCIAL RESULTS & FY20 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 2019 (“FY19”) and key operational guidance metrics for the year ending 30 June 2020 (“FY20”):

Key Metrics for FY19

- ✓ Strong balance sheet with cash at bank of A\$144.3m and no debt
- ✓ Nickel produced in concentrate 21.7kt (21.1kt)
- ✓ Nickel in concentrate sales totaled 21.5kt (20.5kt)
- ✓ Sales revenue of A\$268.7m (A\$248.3m)
- ✓ Average realised price of nickel (before payability) of A\$7.84/lb (A\$7.53/lb);
- ✓ Net Profit After Tax of A\$14.2m (A\$11.8m)
- ✓ Fully franked final dividend of 2.0c per share (2.0c per share)
- ✓ Odysseus Project early works completed on time and on budget – mine development advancing well, following decision to mine

(Comparisons in brackets refer to the corresponding period FY18)

Western Areas’ Forrestania operations have again delivered a year of reliable production in line with guidance, leading to increased nickel sales of 21,483 nickel tonnes in FY19. Together with a higher realised nickel price, the Company produced solid financial results, including a particularly strong second half, resulting in increased revenue of A\$268.7m and a 20% uplift in NPAT to A\$14.2m for the full year.

With robust operating cash flow of \$98.3m, Western Areas has maintained a strong debt free balance sheet, alongside significant capital, feasibility and exploration expenditure totaling \$99.3m during FY19, representing a substantial investment in the future of Western Areas. Cash on hand of \$144.3m at year end leaves the Company well positioned to continue investing in growth and to fund the Odysseus mine development.

The Board has declared a fully franked 2.0c per share dividend. The dividend is related to the full year profit result and strong financial position of the Company. The dividend represents a payout ratio of approximately 38% of FY19 NPAT.

The Company advanced its organic growth projects during the year completing the Odysseus project definitive feasibility study and confirming a “decision to mine”. The long life, low operating cost project secures Western Areas’ long-term future with a 10 year base case production profile, scheduled to commence concentrate production in late 2022. The Odysseus development team has hit the ground running, securing a fit for purpose shaft headgear and associated material handling infrastructure from South Africa, a key-long lead item, for mine preproduction development. By the end of FY19, the early works package at the Odysseus project had been completed on time and on budget, with water management ponds installed and the mine dewatered and decline rehabilitated completed down to 500 metres below surface.

The Mill Recovery Enhancement Project (MREP) continued in ramp up mode during FY19. While production rates have been lower than anticipated, the addition of the MREP filtering and bagging unit has enabled the production and sale of a new premium high-grade nickel sulphide precipitate product. The new product is in demand with customers due to its suitability for direct feed into nickel refineries, bypassing the traditional smelter process, thereby attracting higher payability rates compared to the Company’s conventional run of mine floatation concentrate. As previously reported (ASX Release 19 July 2019), a new twelve month offtake agreement for the MREP product has recently been completed with Sumitomo Metal Mining Co., Ltd., a Japanese party associated with the EV battery supply chain.



Western Areas is encouraged by the recent increase in the nickel price and its potential impact on earnings and cashflow, however recognise that the nickel market remains unpredictable, at times being influenced by both political and macro economic factors. The Company is confident the fundamental outlook in both the medium and long-term remains positive, with stainless steel demand continuing to grow and the new electric vehicle battery market moving toward utilisation of higher nickel content batteries (NMC811). Importantly, the key indicator of reported LME warehouse nickel stocks has continued to fall (currently 145kt), confirming the nickel supply deficit is real and sustained.

As the Company advances negotiations for the key Forrester offtake agreements, due to expire in early 2020, it is encouraging that initial indications suggest the market is increasingly attracted by Western Areas' high-quality concentrates. In addition to existing customers, Western Areas is seeing new participants in the offtake process, variously derived from traditional markets and the emerging EV sector.

Key Metrics

Full Year Highlights	FY2019	FY2018
Mine Production (tonnes Ni)	23,208	24,442
Mill Production (tonnes Ni)	21,675	21,060
Recovery	88%	87%
Sales Volume (tonnes Ni)	21,483	20,549
Cash Costs (US\$/lb)	2.13	2.03
Cash Costs ((A\$/lb)	2.98	2.63
Exchange Rate USD/AUD	0.72	0.77
Nickel Price (US\$/lb)	5.59	5.84
Realised Price Before Payability (A\$/lb)	7.84	7.53
Revenue (\$'000)	268,716	248,268
EBITDA (\$'000)	80,751	83,969
EBIT (\$'000)	20,579	19,097
NPAT (\$'000)	14,194	11,837
Cashflow from Operations (\$'000)	98,297	76,966
Growth & Sustaining Capex (\$'000)	99,302	59,784
Cash at Bank (\$'000)	144,261	151,643
Dividend (cents)	2.0	2.0

Western Areas Managing Director, Dan Lougher, said that the Company is encouraged by the improvement in the nickel price environment and its positive impact on the financial results and earnings.

“Strong cashflow from our operating assets enables both continued investment in organic growth projects, such as Odysseus, and the maintenance of reasonable returns to shareholders. We continue to focus on operating our Forrester assets as safely and efficiently as possible, while also entering the exciting development phase of the Odysseus mine at Cosmos. The recent completion of a new offtake agreement for our premium high grade, MREP nickel product was also an excellent outcome, seeding our direct involvement in the emerging EV battery market.”

“The balance sheet is in a strong position to continue to fund the Company’s organic growth projects. When assessing dividend payments the Company remains focused on prudent, long-term capital management, balancing, development expenditure with shareholder returns. We believe that a 2.0 cent fully franked dividend aligns well with this strategy.”



“We remain vigilant in operating our assets safely and responsibly. I would like to thank all the Western Areas staff and contractors for their continued support and professional work ethic. We are also cognisant of the increasing challenges in accessing experienced mining professionals and industry graduates. To this end, the Company continues to support university graduates and front-line training opportunities to increase mining industry participation,” Mr Lougher said.

FY20 Guidance

Category	FY20 Guidance
Nickel tonnes in Concentrate Production	21,000 to 22,000
Unit Cash Cost of Production (Nickel in Concentrate)	A\$2.90/lb to A\$3.30/lb
Mine Development	A\$33m to A\$38m
Capital & Growth	A\$7m to A\$10m
Odysseus Development	A\$75m to A\$85m
Exploration	A\$14m to A\$17m

Commentary on FY20 Guidance is provided as follows:

- **Nickel in Concentrate** – Production is expected to be materially in line with FY19, noting the FY19 production was the approximate mid-point of guidance. Spotted Quoll will account for approximately 60% of ore feed, with Flying Fox providing the balance. MREP is forecast to contribute between 500 to 700 nickel tonnes, which is included in FY20 guidance.
- **Unit Cash Costs** – Unit cash costs are expected to vary quarter on quarter, dependent on the relative proportions of nickel won from ore development and stope operations. The full year cost guidance reflects an increasing proportion of Spotted Quoll ore being mined from the deeper, stage two, levels of the mine, which incurs an increased haulage cost to surface. Rise and fall allowances have been adjusted to reflect expected cost trends in the resource industry. Mined ore head grade is expected to continue to trend in line with published Reserve grades.
- **Sustaining Mine Development** – Sustaining mine development expenditure will be focused on opening new operating areas at Flying Fox (following the recalculation of Ore Reserves late in FY19) and, at Spotted Quoll, will focus on continued decline development into the lower areas of the mine with some increased capital ground support requirements related to operating at depth.
- **Capital and Growth Expenditure** – This includes ongoing feasibility studies at both Forrestania and Cosmos. Capital expenditure includes refurbishment and improvement modifications at the Cosmic Boy Concentrator, including a tails dam lift, and potential implementation of the scat leach trail in the middle of the year.
- **Odysseus Development Expenditure** – Overall preproduction capital expenditure for Odysseus remains unchanged. While the timing of some expenditures has been brought forward, primarily relating to the haulage shaft infrastructure export from South Africa and site civil works in preparation for its installation. The updated development expenditure profile is FY20 – A\$80m, FY21 – A\$66m, FY22/23 – A\$143m.
- **Exploration** – The Company expects investment in exploration for FY20 to remain in line with FY19. Further resource extension drilling below the T3 fault at Spotted Quoll is included in the estimate. Activity across the Cosmos, Forrestania and Western Gawler areas will remain comparable to prior years.

Results Presentation

A **Results Presentation** has been released today and will be followed by a **conference call at 9.30am AEDT**, details of which were announced on 12 August 2019.



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FORWARD LOOKING STATEMENT:

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.

Examples of forward looking statements used in this report include: “Cash on hand of \$144.3m at year end leaves the Company well positioned to continue investing in growth and to fund the Odysseus mine development.”, and, “Strong cashflow from our operating assets enables both continued investment in organic growth projects, such as Odysseus, and the maintenance of reasonable returns to shareholders”, and “The Company is confident the fundamental outlook in both the medium and long-term remains positive, with stainless steel demand continuing to grow and the new electric vehicle battery market moving toward utilisation of higher nickel content batteries (NMC811)”.

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. Western Areas Ltd undertakes no obligation to revise these forward-looking statements to reflect subsequent events or circumstances.

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.