



7 October 2015

ASX: WSA

News Release

WESTERN AREAS REVISED FY16 CAPITAL EXPENDITURE PLANS

Western Areas Ltd (ASX:WSA, “Western Areas” or the “Company”) is pleased to provide an update on planned capital expenditure for the current financial year to 30 June 2016 (FY16) following the completion of an optimisation review across the entire Company. The optimisation and resulting adjustments to FY16 guidance reflects the Company’s response to a sustained decline in the nickel price since the completion of the FY16 budgets in the previous financial year.

Key Actions Taken:

- **Production guidance on both cost and volume and associated mine plans remain unchanged.**
- **Smoothing of the entire capital expenditure program across the next 20 months moves nearly \$32.6m from FY16 to FY17 including:**
 - **Sustaining capital expenditure, mainly in mine development, down \$11.0m;**
 - **Forrestania and regional exploration expenditure reduction of \$4.0m;**
 - **Mill Recovery Enhancement Project deferred until July 2016, however all long lead items ordered totalling \$7.4m. FY16 saving of \$14.6m; and**
 - **Cosmos feasibility and exploration expenditure reduced by \$3.0m to \$4.0m.**
- **Flexibility to rapidly restart the deferred options, with the priority being the Mill Recovery Enhancement Project, should nickel prices improve from current levels.**

FY16 Guidance	Original Guidance	Updated Guidance
Mine Production (Nickel in Ore - tonnes)	25,000 to 27,000	No Change
Nickel in Concentrate Production (tonnes)	24,000 to 25,000	No Change
Unit Cash Cost of Production (In Concentrate)	A\$2.30 /lb to A\$2.50/lb	No Change
Sustaining Capex	A\$45.0m	A\$34.0m
Forrestania and Regional Exploration	A\$15.0m	A\$11.0m
Mill Enhancement	A\$22.0m	A\$7.4m
Cosmos Exploration and Study Work	A\$7.0m	A\$4.0m

In making these changes, Western Areas has carefully considered the current nickel price environment, expectations for future nickel price improvements, the considerable capital investments made and balance sheet strength built up by the Company. Western Areas has the ability to make these responsible changes due to prior year investments in mine development resulting in the mines currently having a substantial open reserve position, combined with a sustaining capital expenditure profile that was materially reducing in FY17 following a significant discretionary spend in the back half of FY16. The Company has seen these price cycles before and so has implemented this plan to prudently address the current position.

The capital expenditure profile for the operations will now be smoothed over the next 20 months resulting in a prudent deployment of capital in the current nickel price environment. Importantly, this amended capital expenditure profile does not change the current mine plans and has no impact on production or unit cost forecasts.

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Maximum flexibility has been retained to be able to quickly return to value enhancing capital expenditure investments should nickel prices rebound from current levels. In particular, the Mill Recovery Enhancement Project (MREP) will take priority in any such price improvement.

Western Areas continues to generate positive operational cashflow, even at current nickel prices. Further details will be provided in the September Quarter production report, which will reflect consolidated cash at bank for 30 September 2015 of around \$60m, following payment of long lead items for the MREP, final interest payment on the now retired Convertible Bonds and cash settlement of quotational pricing adjustments recognised last financial year.

Western Areas Managing Director, Mr Dan Lougher, said that the prudent decisions made by the Board were aimed at maintaining the Company's financial strength, whilst retaining maximum flexibility to respond to any nickel price upswing.

"Since we completed the budgets for FY16, we have seen the nickel price fall from around US\$6.00/lb to around US\$4.50/lb. Western Areas is one of the few nickel companies globally that can withstand these low prices, especially with our currently debt free balance sheet," Mr Lougher said.

"In response to these changed conditions, we have acted to preserve the considerable strength of the Company, whilst maintaining our flexibility to be able to rapidly respond to any positive movements in the nickel price. Many commentators have expressed the view that the current price levels are unsustainable for large segments of the nickel industry, as such, future price upswings cannot be ruled out as the industry structurally adjusts.

"These types of adjustments have been implemented in prior financial years and can be implemented seamlessly by the operations team. They will have the advantage of smoothing our sustaining capital commitments over the coming two financial years, following investments made in the current financial year in both the highly prospective Cosmos Nickel Complex and the long lead items for our Mill Recovery Enhancement Project. Both of these investments set Western Areas up to benefit very strongly from any future nickel price improvement."

"Western Areas' production guidance also remains unchanged, for both unit cost and expected nickel volume," Mr Lougher said.

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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: “Production guidance on both cost and volume and associated mine plans remain unchanged” and “Many commentators have expressed the view that the current price levels are unsustainable for large segments of the nickel industry, as such, future price upswings cannot be ruled out as the industry structurally adjusts” and “Western Areas is one of the few nickel companies globally that can withstand these low prices, especially with our currently debt free balance sheet”.

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.