



25 August 2014

ASX: WSA

## News Release

**WESTERN AREAS REPORTS SUBSTANTIAL IMPROVEMENT IN FULL YEAR RESULTS**

Western Areas Ltd (ASX:WSA, “Western Areas” or the “Company”) is pleased to announce substantially improved financial results for the full year ended 30 June 2014 (FY14), on the back of a material improvement in the nickel price environment and continued low cost production. As a result, the Board has resolved to declare a 4 cent per share (fully franked) final dividend.

The significant free cash generated has also allowed Western Areas to transform its balance sheet, with the Company now in a net cash position and on track to realise combined savings of around A\$24m per annum in reduced debt costs post FY15.

**Highlights:**

- Sales revenue of A\$320.1m (A\$306.5m)
- EBITDA of A\$158.2m (A\$125.9m) up A\$32.3m or 25.7%
- EBITDA margin improved 20% to 49.4%, with the second half margin at 52.5%
- Underlying<sup>1</sup> pre-consolidated Net Profit After Tax (NPAT) of A\$32.6m (A\$5.6m)
- Reported NPAT of A\$25.5m (A\$94.1m loss)
- Operating cashflow (after capital expenditure) of A\$63.7m (A\$18.7m)
- Net cash of A\$10.3m (A\$154.5m net debt). Post FY14 (2 July 2014) the Company retired convertible bond debt of A\$95.2m
- Unit cash costs of nickel in concentrate A\$2.50/lb (A\$2.68/lb)
- Fully franked final dividend declared of 4 cents per share, bringing the full year dividend payout to 5 cents per share (2 cents)

(Comparisons in brackets refer to FY13)

**Key Metrics**

Full Year Highlights	FY 2013	FY 2014
Mine Production (tonnes Ni)	27,639	28,686
Mill Production (tonnes Ni)	26,918	25,700
Recovery	92%	89%
Sales Volume (tonnes Ni)	27,819	25,756
Cash Costs (A\$/lb)	2.68	2.50
Exchange Rate USD/ AUD	1.03	0.91
Nickel Price (US\$/tn)	16,112	16,458
Sales Revenue ('000)	306,541	320,078
EBITDA ('000)	125,867	158,215
Underlying EBIT ('000)	40,599	72,435
Underlying NPAT ('000)	5,590	32,599
Reported NPAT ('000)	(94,105)	25,460
Net Cashflow ('000)	(84,783)	149,818
Cash at Bank	80,719	230,537
Dividend (cents)	2.0	5.0

<sup>1</sup> Underlying refers to reported NPAT less exploration impairments and excluding the 68% owned FinnAust Mining plc.

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Western Areas Managing Director, Dan Lougher welcomed the considerable improvement in earnings, in particular the second half underlying NPAT of A\$28.3m versus the first half result of A\$4.3m.

“On 12 January 2014, the Indonesian Government enforced its export ban on unprocessed nickel laterite. This ban had been planned for many years and demonstrates the government’s policy commitment. Post the recent Indonesian elections in July, we have noted comments by key government officials that they intend to maintain the ban in its entirety, given the substantial benefits the policy brings to the Indonesian economy in the longer term,” said Mr Lougher.

“As a consequence of the Indonesian ban, nickel laterite supplies to nickel pig iron (NPI) producers in China, utilising the lower cost rotary kiln electric arc furnace (RKEAF) process, ceased. The chemistry profile for RKEAF requires grades of supplied product to be a minimum of 1.8% nickel and iron content to be less than 25%. The only other major supplier of nickel laterite to China is the Philippines, and its ore fails to match the required RKEAF specifications.”

“As a result of these changed market dynamics, the second half of the year saw the nickel price average US\$7.50/lb, versus a first half average of US\$6.32/lb. Given Western Areas’ strong leverage to the nickel price combined with being a consistent low cost producer, the Company’s profitability and cashflow were substantially improved. This saw record last quarter free cashflow, excluding SPP proceeds and an interim dividend payment, of around A\$40m.”

“Concurrent with the improvement in the nickel market, the Company has maintained its focus on strong operational outcomes, with unit cash costs materially reduced compared to FY13. This focus has provided the maximum benefit possible from the improved nickel price to accrue to Western Areas and hence passed on to our shareholders.”

“Due to this year’s performance, Western Areas is in a net cash position and given the continued strong outlook for the nickel price, we expect to improve this position in the first half of FY15. Our balance sheet is now substantially transformed with the retirement of significant debt subsequent to year end. Furthermore, with the final convertible bond debt on track to be retired from cash reserves in July 2015, the Company will realise around A\$24m in annual debt cost savings from the commencement of FY16, including approximately A\$12m in FY15.”

“Given the strong profitability and cashflow performance for FY14, I am pleased that we can deliver on our intention to increase dividend payments. To this end, a fully franked final dividend of 4 cents per share, or some \$9.3m in total has been declared. On a full year basis, when combined with the interim dividend of 1cent, the payout ratio is around 46% of reported NPAT.”

“The improvements in operational and financial metrics would not have been possible without the unrelenting focus of our operational personnel on strict cost management, productivity improvements and innovation, whilst achieving all of this safely,” said Mr Lougher.

A presentation outlining more detail on the full year results has also been released to the market today.

#### **FY15 Guidance**

The Forrestania Nickel Project remains Western Areas’ core project and will be its primary focus in pursuing the Company’s growth path, including allocation of the majority of the FY15 exploration budget. The Company remains committed to the strategy of focussing exploration efforts near mine at Forrestania due to the twin benefits of the substantial existing investment in infrastructure and the

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proven prospectivity of the area given the high grade nickel endowment and successful discoveries to date. The Company is also assessing many joint venture and farm-in style exploration opportunities to add to its medium to long term project pipeline.

Whilst the Company cannot control the nickel price or the US dollar exchange rate, given Indonesia's apparent commitment to the laterite export ban, coupled with an improvement in global stainless steel volumes, it seems likely that the nickel price will continue to head in a positive direction for some years to come.

The Company's absolute focus remains on safety, cost control, production and sales, in order to derive the maximum benefit from the likely improved pricing environment. The Company has now reported four consecutive years where it has either met or exceeded all guidance metrics.

In deriving the FY15 guidance, the Company considered multiple production scenarios in order to ascertain the most favourable margin outcome, when coupled with operating cost saving initiatives, mine planning and capital expenditure. Accordingly, the Company provides the following guidance for FY15:

Target	Metric
Mine Production (Nickel in Ore)	25,000 to 27,000 tonnes
Nickel in Concentrate Production	24,500 to 25,500 tonnes
Unit Cash Cost of Production (Nickel in Concentrate)	A\$2.70/lb to A\$2.80/lb
Sustaining Capital Expenditure & Mine Development	A\$50m to A\$60m
Exploration	A\$20m

Western Areas notes that, over the last two years, guidance has been upgraded at half yearly reporting, largely driven by operational improvements around reducing mining dilution and maximising nickel grade extraction. The Company will continue to seek opportunities through innovation and productivity improvements to potentially beat guidance, however, the Company believes the guidance set for FY15 is extremely robust and based on very detailed mining and processing plans that go beyond the end of FY15.

With respect to the mine plan, FY15 will see the operations team develop access into the high grade Spotted Quoll North orebody whilst also driving vertical development in the main Spotted Quoll lode. Mine development costs associated with accessing the Spotted Quoll North orebody are around A\$9m. This amount is included in the above mine development guidance.

The increase in cashflow has allowed the Company to increase exploration expenditure in FY15 to A\$20m. Approximately A\$15m is allocated to drilling at Forrestania, whilst the balance has been allocated to joint ventures and regional projects.

-ENDS-



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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: “Western Areas is in a net cash position and given the continued strong outlook for the nickel price, we expect to improve this position in the first half of FY15” and “Indonesia’s apparent commitment to the laterite export ban that, coupled with an improvement in global stainless steel volumes, it seems likely that the nickel price will continue to head in a positive direction for some years to come”.

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 or the Forrester Nickel Operation 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.

For Purposes of Clause 3.4 (e) in Canadian instrument 43-101, the Company warrants that Mineral Resources which are not Mineral Reserves do not have demonstrated economic viability.

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