Western Areas Reports Strong Half Year Profit and Increases Dividend

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PERTH, AUSTRALIA -- (Marketwired - Feb. 18, 2015) - Western Areas Ltd (ASX:WSA) ("Western Areas" or the "Company") is pleased to announce a strong financial result for the half year ended 31 December 2014 (1HFY15), with increased profitability and shareholder dividends.

Net Profit after Tax (NPAT) for the half year is A$23.6m. This is a significant increase compared to the previous corresponding period (1HFY14) of A$2.7m, mainly due to a higher realised nickel price and continued positive operating cost outcomes driven by productivity and efficiency improvements.

The Company's success with operating cost initiatives also result in the reported profit exceeding the A$22.8m of the preceding six-month period to 30 June 2014 (2HFY14), despite the preceding period having a higher realised nickel price.

A fully franked 3 cent interim dividend has been declared for 1HFY15 versus 1 cent for 1HFY14. Assuming that the nickel price trends around the current Australian dollar realised price, and all other key business aspects being equal, the Company expects to increase the final dividend from today's interim declaration.

The considerable free cash generated during the period has enhanced Western Areas' balance sheet, with the Company in a net cash position of A$53.7m (1HFY14 net debt A$135.3m) and on track to realise further savings of around A$12m per annum in reduced debt costs from 2 July 2015.

Highlights:

- Sales revenue of A$164.9m (A$143.4m)
- EBITDA of A$74.9m (A$65.4m)
- Reported NPAT of A$23.6m (A$2.7m), an 782% increase
- Operating cashflow (after capital expenditure) of A$52.9m (A$19.3m), a 175% increase
- Net cash of A$53.7m (A$135.3m net debt), following debt retirement of A$95.2m
- Unit cash costs of nickel in concentrate A$2.37/lb (A$2.41/lb)
- Fully franked interim dividend declared of 3 cents per share (1 cent)

(Comparisons in brackets refer to 1st half FY14)

Western Areas Managing Director, Dan Lougher welcomed the considerable improvement in earnings versus 1HFY14, but also the preceding half of 2HFY14.

"Western Areas recorded its lowest costs in three years during the December quarter, following the implementation of productivity and efficiency initiatives. These initiatives, combined with a higher realised nickel price versus 1HFY14, resulted in reported NPAT increasing by A$20.9m," said Mr Lougher.

"In respect of dividends, the Company is pleased to announce a fully franked interim dividend of 3 cents per share, representing a threefold increase on the previous corresponding period. The interim dividend resulted in a payout ratio of around 30%, with potential for an increase in the final dividend, assuming similar nickel price environment and business conditions.

"Whilst metrics such as NPAT are important, the Company is very focussed on cashflow outcomes. This half, our pre-financing cashflow of A$52.9m was up 175% on previous corresponding period. Furthermore compared to the preceding half, where the nickel price was much higher, pre-financing cashflow was still around 20% higher. This demonstrated the gains achieved in cost reduction and sound working capital management."

"The effects of the Indonesian Government export ban, which commenced in January 2014, and subsequent market supply responses are still flowing through the nickel market. The immediate nickel price spike in the beginning of 2014 softened over the year as Chinese Nickel Pig Iron (NPI) producers increased imports of Philippine laterite ore and preserved the high grade Indonesian laterite for a longer period than anticipated by the market."

"This saw the Company's realised nickel price for 1HFY15 reduce by around A$1/lb compared to 2HFY14 and a consequent negative quotational price (QP) movement of A$17.0m. This QP movement also includes accounting for a dip in the nickel price in January 2015 in the reported results.

"Volatility in nickel prices can have a material outcome with respect to QP. It is important to note that should the nickel price remain the same or increase to consensus forecast levels in the second half of this financial year, then Western Areas will be the beneficiary of positive QP outcomes which would feed through to higher profitability, cashflow and returns to shareholders.

"We are of the firm belief that the consistent production outcomes and further improvements in the cost base are not achievable without safe operations. To this end, the Board would like to acknowledge the operational team whose safety reporting metrics continue to improve and whilst also achieving ZERO Lost Time Injuries for the half," said Mr Lougher.

A presentation outlining more detail on the half year results has also been released to the market today and teleconference details were announced on 13 February 2015.

FY15 Guidance

As outlined in the Quarterly Report released to the market on 21 January 2015, the Company is pleased to update its full year guidance for FY15 as follows:

Target	Original Guidance	Recommended Guidance
Mine Production (Nickel in Ore)	25,000 to 27,000 tonnes	Mid-range of guidar
Nickel in Concentrate Production	24,500 to 25,500 tonnes	Upper end of guidar
Unit Cash Cost of Production (Nickel in Concentrate)	A$2.70/lb to A$2.80/lb	A$2.40/lb to A$2.50/
Capital Expenditure & Mine Development	A$50m to A$60m	No char
Exploration	A$20m	No char

The Company is pleased to provide a significant improvement in unit cash cost guidance from the previous range of A$2.70/lb to A$2.80/lb down to A$2.40/lb to A$2.50/lb. The A$0.30/lb saving approximately equates over the year to an absolute saving in operational costs of A$17m and can be attributed in the main to the following factors:

1. Absolute cost out program over all main cost drivers, particularly mining costs;

2. Both mines, but principally Flying Fox, achieving higher nickel grade and nickel tonnes but with less ore tonnes moved. This is essentially positive reconciliation to reserve; and

3. Improved recovery from the mill through efficiency gains, improved mill utilisation and lower reagent consumption.

The Company continues to have several cost reduction programs running at any particular time that are both small and large in nature. By way of example, the current emphasis is on the electricity consumption and commuter flight contracts.

Finally, the Company expects to produce to the upper end of guidance for nickel in concentrate which reflects mill throughput around 10% above nameplate capacity and improved nickel recovery.

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: "the Company expects to increase the final dividend from today's interim declaration" and "should the nickel price remain the same or increase to consensus forecast levels in the second half of this financial year, then Western Areas will be the beneficiary of positive QP outcomes which would feed through to higher profitability, cashflow and returns to shareholders".

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 Forrestania 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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