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Western Areas Ltd. (ASX:WSA) ("Western Areas" or the "Company") is pleased to announce that it has negotiated and entered into an Oftake Contract (Contract) with the Tsingshan Group (Tsingshan), through its associated entity Golden Harbour International Pte Ltd, to import raw materials for the production of stainless steel. Tsingshan is China's largest producer of stainless steel, particularly the high nickel content 300 stainless series. Tsingshan has advised that it is the largest consumer of nickel products in China and use approximately 25% of China's total annual consumption of nickel.

Under the Contract, some of the key commercial terms include:

1. Contract Period - Three years from 1 February 2017;
2. Quantity - 10,000 tonnes of nickel contained in concentrate per annum;
3. Delivery - Half height containers, CIF to China (Fuzhou Provence);
4. Payment - 100% of Provisional Price paid via a letter of credit on completed delivery to the Esperance Port; and
5. Quotational Period(1) - One month, post the month of sale (commonly referred to as M+1)

The Contract is otherwise on terms that are customary for agreements of this nature. The Company is very pleased with the outcome.

Western Areas Managing Director, Dan Louher, said the agreement with Tsingshan was many years in the making and followed from the Company's desire to capture as much value as possible for the nickel in concentrate sold by Western Areas.

"Over three years ago, Western Areas recognised Tsingshan as an innovator in the production of stainless steel and since then we have developed a close working relationship through the sharing of technical knowledge and many site visits," Mr Louher said.

"Tsingshan is clearly leading the charge in China to produce a greater proportion of the higher quality 300 series stainless steel product, which contains up to four times the amount of nickel than 200 series stainless. With this in mind, it has been a specific Western Areas strategy to innovatively position itself in the stainless steel supply chain, with the ultimate objective of delivering a stronger bottom line to our shareholders through investigating non-traditional markets and thereby capturing a greater share of the value of the nickel we produce.

"Together with Tsingshan, we are capturing this additional value as Tsingshan intends to utilise a proven and highly integrated process to produce stainless steel, incorporating roasting of the nickel concentrate, which has significant productivity benefits over the conventional smelting and refining processes.

"As Tsingshan is China's largest consumer of nickel and producer of ferro-nickel, it makes clear strategic sense to take the advantage of linking our company directly with the end user," Mr Louher said.

Golden Harbour International Pte Ltd, (GHIP) is a Singaporean incorporated entity which supports Tsingshan to purchase raw materials ex-China. In respect of nickel, this includes the purchase of raw materials from existing clients in Russia, the Philippines and Australia.

Western Areas is currently finalising discussions with another party in relation to a further offtake contract for approximately 10,000 tonnes of nickel contained in concentrate, and expects to be able to make an announcement in the near term.

Background to Nickel Concentrate Roasting

The roasting of mineral resources, such as gold, is a process which has been proven over many years. Tsingshan, in response to the ban of high grade Indonesian laterite ore and general depletion of high grade nickel laterite globally, made a strategic decision to roast nickel concentrates to supplement its other feed sources for producing high quality stainless steel.

In 2012, Western Areas provided Tsingshan with the first test batch of nickel concentrate and then again in 2013, with the goal of developing an alternate market to traditional nickel smelters. The Company's batch of nickel concentrates ultimately led to the construction and operation of a large scale roasting pilot plant. Following the success of the pilot plant operations, Tsingshan constructed and has successfully commissioned a full scale roasting plant capable of handling nickel concentrate consistent with specifications of the Western Areas' product.

The construction cost of a roaster is significantly less than a nickel smelter, and as a stainless steel producer, Tsingshan receives many operational benefits from integrating the roasting process into the stainless steel production process. As nickel concentrate is exothermic (ie. gives off heat during processing), steam is generated during processing that can be captured for power generation. As the nickel concentrate also contains sulphide, the sulphur is also captured during processing and converted into sulphuric acid which is then used for 'pickling' stainless steel in Tsingshan's downstream operations.

However, by far the greatest benefit of the roasting process, is that the resulting high nickel grade oxidised product can be blended with lower grade nickel laterite (Philippine ore) which has been pre-treated. The blend is then directly fed into stainless steel converters, realising significant cost and productivity benefits.

The optimum specification of nickel sulphide derived concentrate required for roasting is in limited supply. Western Areas nickel concentrate product conforms to this optimal specification as it contains little to zero cobalt, copper, platinum group metals or other minerals which would receive no by-product credits through a roasting process.

Background information on the Tsingshan Group

Tsingshan Group is a privately owned Chinese company that was founded in 1992. Its main production base for stainless steel is just outside the city of Fuzhou in the province of Fujian. Tsingshan is a fully integrated stainless steel industrial company which has been formed from upstream mining of nickel and chrome ore, nickel-chrome alloy smelting, stainless steel making to downstream manufacturing of bars, rods, wires, pipes, tubes, fine wires, combined with ports, logistics and international trading. Tsingshan has an efficient domestic direct sales network in Wenzhou, Shanghai, Wuxi, and Foshan with product being sold into international market in the ASEAN region and Europe.

In calendar year 2015, Tsingshan produced 5.4 million tonnes of crude stainless steel and reported revenue of around 87.5 billion RMB. Overall Chinese stainless steel production for 2015 was estimated at 23 million tonnes. Tsingshan employs around 20,000 people.

Background to the Offtake Tender Process

Consistent with previous expiring offtake contracts and as detailed in the Company's recent corporate presentation, Western Areas commenced an offtake tender process in late September for approximately 20,000 tonnes of nickel contained in concentrate per annum, which equates to approximately 90% of production. The Company's two existing contracts with BHPB Nickel West and Jinchuan Group are due to expire on 31 January 2017.

¹ Quotational Period refers to the period within which the nickel price to be paid is set. Western Areas will book the revenue upon delivery, with a quotational period adjustment to the price, based on market movements, occurring one month post sale.

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