

Strong free cashflow, improved offtake terms and lower unit cash costs

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December Quarter 2016 Highlights:

- ZERO lost time injuries (LTI's) for the quarter - now 1,004 days without an LTI;
- Increased mine and mill production at 6,867 and 5,844 nickel tonnes respectively;
- Cash cost of nickel in concentrate A\$2.35/lb. Half year unit cash cost of A\$2.44/lb, at the lower end of guidance;
- Strong free cash flow of A\$22.7m generated for the quarter after all capital and exploration expenditure;
- Consolidated cash at bank and receivables of A\$121.6m and debt free;
- New three year offtake contracts with Tsingshan Group and BHPB Nickel West on improved terms and conditions;
- Pre-feasibility study for Odysseus Project due for market release in the March quarter; and
- Drilling commenced in December 2016 at Neptune (Cosmos).

[Western Areas Limited](#) ("WSA" or the "Company") (ASX:WSA) is pleased to report strong cost control, safety results and operational performance during the December 2016 quarter. Unit cash costs of production for the quarter were lower compared to the prior quarter and better than guidance at A\$2.35/lb. The HY unit cash cost of A\$2.44/lb, is at the lower end of the FY17 guidance range of A\$2.40/lb to A\$2.75/lb.

Mine and mill physicals for the quarter were in line with forecast at 148,907 and 155,143 ore tonnes respectively and mined ore grade improved at an average of 4.6% Ni. Mine and mill production for the HY were 13,224 and 11,607 nickel tonnes respectively, both ahead of forecast and including record nickel tonnes mined at Spotted Quoll in the December quarter. Consistent with prior reporting, any adjustment to FY17 guidance will be provided with the HY financial results which will be released in late February.

Importantly, there were no lost time injuries for the quarter and the Company is proud to continue to report a LTI frequency rate (LTIFR) of ZERO.

The Company continued to advance a range of organic growth initiatives at Cosmos with the near completion of the Odysseus pre-feasibility study (PFS) and commencement of drilling at Neptune and Odysseus North. The Odysseus PFS is expected to be finalised and released during the March quarter.

Strong free cashflow of A\$22.7m was driven by an increased realised nickel price compared to the prior quarter, lower cash cost of production, higher sales volume and working capital movements. Furthermore the Company completed a partial sell down of its shareholding in [FinnAust Mining Plc](#) for A\$5.0m, retaining a 22.4% interest.

The Company is reviewing recent amendments by the Indonesian Government to the Mineral Export ban of January 2014. The Company's view is that it will take several weeks, possibly months, before the impact is fully understood by all stakeholders. However, it was noted the ban has not been fully relaxed and only selected low grade (<1.7% Ni) laterite ore is allowed to be exported by certain operators building in-country nickel processing infrastructure. Furthermore, the outcome of Philippines mine closures, as a result of the government environmental audit, is understood to be close to being released. With low unit costs, no debt and A\$103.8m cash at bank, the Company is well positioned to manage nickel price volatility whilst still advancing its growth projects.

The full activities report can be viewed at the Company's website www.westernareas.com.au

COMPETENT PERSON'S STATEMENT

The information within this report as it relates to exploration results, mineral resources and ore reserves is based on information compiled by Mr Charles Wilkinson, Mr Andre Wulfse and Mr Marco Orunesu Preiata of [Western Areas Ltd](#). Mr Wulfse and Mr Orunesu Preiata are members of AusIMM and are full time employees of the Company. Mr Wilkinson is a member of AusIMM and a consultant to Western Areas. Mr Wilkinson, Mr Wulfse and Mr Orunesu Preiata have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as Competent Persons as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.' Mr Wilkinson, Mr Wulfse and Mr Orunesu Preiata consent to the inclusion in the report of the matters based on the information in the form and context in which it appears.

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 Odysseus PFS is expected to be finalised and released during the March quarter".

This announcement does not include reference to all available information on the Company, the Forrester Nickel Operation or the Cosmos Nickel Complex and should not be used in isolation as a basis to invest in Western Areas. Potential investors should refer to Western Areas' 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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