PERTH, AUSTRALIA--(Marketwired - March 29, 2017) -

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Western Areas Ltd. (ASX:WSA) ("Western Areas" or the "Company") is pleased to announce the results from the Cosmos Odysseus Pre-feasibility Study ("PFS"), which demonstrates commercial viability of the Odysseus Project ("Project" or "Odysseus") and the potential re-start of nickel mining operations at Cosmos. With the successful completion of the PFS, the Western Areas Board has approved the Project to progress to the Definitive Feasibility Study ("DFS") stage.

The PFS base case findings indicate robust economic and nickel production metrics together with further significant upside opportunities, as well as a very low all-in sustaining cash cost of operations. The decision by the Board to commence a DFS underpins Western Areas' strategy to develop a second operating region and thereby consolidate its position as a leading Australian nickel producer.

Highlights

Strong financial returns[1]

- Pre-tax NPV of $292m at US$7.50/lb, 0.75 AUD:USD exchange and 7.0% discount rate assumptions
- Surplus pre-tax net cashflow of $580m generated with a 3.5 year payback from production start
- Circa $100m per annum average free cash flow (pre-tax) post start up

Low cost operations

- LOM C1 unit cash costs of $3.21/lb (US$2.41/lb) including cobalt by-products and all in sustaining unit cash costs of $3.69/lb (US$2.77/lb)
- LOM cash breakeven price of $6.09/lb (US$4.57/lb) on an undiscounted basis
- Very low life of mine sustaining capital expenditure of $68m

Flexible start up and minimal early capital requirement

- Pre-production capital expenditure of $190-$210m including PFS, DFS and contingency costs
- Low near term capital requirements of $7m for CY2017 and $34m in CY2018, providing optionality on further commitments
- Benefits from significant existing infrastructure supporting the previous Cosmos operation

Physical parameters

- Initial 7.5 year mine life for total life-of-mine ore production of 4.9Mt at a grade of 2.3% nickel[2]
- First ore mined Q4, CY2020 and concentrate delivered in Q1, CY2021
- Average 12ktpa nickel in concentrate for a total of 87kt nickel metal

Significant upside potential

- Positive results from the recent resource drilling programme not yet factored into PFS results
- DFS to commence in Q2 CY2017 at a cost of between $5-7m, completion expected Q1 CY2018.

[1] Unless otherwise stated, all cash flows are in Australian dollars and not subject to inflation or escalation factors. All years are financial years. All cash costs are calculated on a 100% payability basis. NPV and cashflow numbers quoted in this section use the lower contingency allowance of $9m.

[2] Cautionary statement: The production target includes approximately 16% of material on a contained nickel basis as Inferred Resource, a lower level of geological confidence is associated with Inferred Mineral Resources. The majority of Inferred tonnes (85%) lie in the southern portion of the Odysseus North zone and are mined in year 2 and 3 of the Project. While not guaranteed, positive results from recent infill drilling indicates a strong likelihood that a significant proportion of the Inferred portion of the Odysseus North Resource will be upgraded to the Indicated category during the next resource estimation. The Company has concluded it has reasonable grounds for providing the forward looking statements in this announcement.

Key Project Metrics

Mineral Resources	Tonnes (Mt)	Grade % Ni	Ni Tonnes (kt)
Indicated Resources	5.52	2.4	129.8

Inferred Resources	1.80	2.5	44.2
Total Resources	7.32	2.4	174.0
Resources in LOM Production Target	Tonnes (Mt)	Grade % Ni	Ni Tonnes (kt)
Indicated Resources	4.10	2.3	94.3
Inferred Resources	0.77	2.3	17.9
Total Resources	4.87	2.3	112.2
Capital Costs			
Pre-production total capital cost (incl. 5-16% contingency)			$190 - $210m
Comprising: CY2017			$7m
CY2018			$34m
CY2019 - 2020			$149 - $169m
Post production LOM			$68m
Production Parameters			
Life of Mine			7.5yrs
Ore Tonnes Mined			4.87Mt
Ore Processing Capacity (Year 1)			430ktpa
Ore Processing Capacity (Year 2 onwards)			750ktpa
Nickel in concentrate - LOM			87kt
Nickel in concentrate - Annual average			12kt
Life of Mine Financial Economics			
Base Case Nickel Price			US$7.50/lb
Exchange Rate (AUD:USD)			0.75
Revenue			$1,520m
C1 Cash Costs[3]			$3.21/lb (US$2.41/lb)
All In Sustaining Costs[4]			$3.69/lb (US$2.77/lb)
EBITDA			$840m
Net Cash Flow (pre-tax)			$580m
Undiscounted Cash Breakeven Nickel Price			$6.09/lb (US$4.57/lb)
Pre-tax NPV (7% real)			$292m
IRR			28%
Capital Payback Period			3.5yrs

[3] C1 cash costs means operating cash costs including mining, processing, geology, OHSE, site G&A, concentrate transport costs less by-product credits, divided by nickel in concentrate produced (100% payable basis).

[4] All-in sustaining cash costs are cash operating costs (C1 cash cost including royalties) plus mine development capital and sustaining capital.

Overview

The PFS demonstrates that re-opening Cosmos and mining Odysseus will generate strong returns with potential for further growth given recent exploration results and other processing optimisations. Odysseus is expected to contribute a per annum average of $100m free cash flow (pre-tax) from 2022, at the assumed nickel price, with initial mine access activities being funded by existing cash on hand and expected future cash flows from the Company's Forrestania operations.

One of the key advantages of Odysseus is the discrete nature of the capital profile which can be flexed or suspended at any time depending on the prevailing nickel price thereby retaining control over capital commitments.

Western Areas Managing Director Dan Lougher said that the PFS results demonstrate the healthy operational and financial characteristics of the Project.

"The positive results from the PFS, combined with the recent drilling success achieved within 18 months of acquisition, demonstrate Western Areas' ability to accelerate and deliver value from the Cosmos acquisition," Mr Lougher said.

"Odysseus represents Western Areas' next mining operation and the results presented today show that a significant nickel operation can be established for substantially less capital outlay than a stand-alone greenfields development."

"We are particularly pleased to have an operation that will have very low all-in sustaining unit cost at US$2.77/lb, but also a project that does not require a significant capital investment over the next two years, which provides optionality and flexibility in

development decisions. Depending on market conditions, the Company also has the opportunity to complete early works where practicable and economic to do so."

"We believe there are significant opportunities to drive further improvements in returns on this investment, including the potential for significant high grade resources below the existing deposit, as detailed in our announcement on 13 February 2017 of massive sulphide intersections of 5.3m at 15.2% nickel, including 3.4m at 22.0% nickel. The assay from this intersection is the highest grade over a reasonable width ever recorded at Cosmos from 446,000 prior assays under different ownership."

"Odysseus is a core growth asset for Western Areas with exciting upside potential and progressing this to DFS stage will ensure that Western Areas is ready to leverage an upswing in nickel prices. Being a conventional underground nickel sulphide project, it is a great fit with our core skills and experience in hard rock underground mining and conventional nickel flotation at Forrestania," Mr Lougher said.

Next steps

- Commence the DFS, leveraging our internal project skillset in developing conventional underground nickel sulphide projects;
- Upgrade a major portion of the Inferred Ore Resource category to the Indicated Category based on the recent resource de-lineation programme in the Odysseus North zone which is currently in progress;
- Further metallurgical work on fresh core, including batch and cyclic tests to confirm recovery and concentrate grade assumptions from previous tests;
- Potential further drilling of the high grade massive sulphide lenses below the disseminated resource to test continuity and potential for inclusion into the mine plan; and
- Continue to progress statutory approvals to be ready to commence dewatering once the DFS has been completed.

COMPETENT PERSON STATEMENTS:

The information within this report as it relates to Production Targets is based on pre-feasibility level information, as per JORC 2012 code, compiled by Mr Daniel Lougher. Mr Lougher is a member of AusIMM and a full time employee of Western Areas. Mr Lougher has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.' Mr Lougher consents to the inclusion in the report of the matters based on the information in the context in which it appears.

The information within this report as it relates to Exploration Results and Mineral Resources is based on information compiled by Mr Andre Wulfse. Mr Wulfse is a member of AusIMM and a full time employee of Western Areas. Mr Wulfse has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.' Mr Wulfse consents to the inclusion in the report of the matters based on the information in the context in which it appears.

FORWARD LOOKING STATEMENT - INFERRED RESOURCE STATEMENTS:

The Company notes that an Inferred Resource has a lower level of confidence than an Indicated Resource and that the JORC Code (2012 Edition) advises that to be an Inferred Resource it is reasonable to expect that the majority of the Inferred Resources would be upgraded to an Indicated Resource with continued exploration. Based on advice from relevant Competent Person's and the most recently completed drilling programme the Company has a high degree of confidence that the Inferred Resources for the Odysseus North deposit will upgrade to an Indicated Resource with further exploration work. Odysseus South is already 99.8% Indicated.

The Company believes it has a reasonable basis for making the forward-looking statement in this announcement, including with respect to any Production Targets, based on the information contained in this announcement and in particular, the JORC 2012 Mineral Resource for Odysseus as at October 2015, together with independent geotechnical studies, determination of production targets, mine design and scheduling, metallurgical test work, external commodity price and exchange rate forecasts and worldwide operating cost data.

FORWARD LOOKING STATEMENTS:

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. Indications of, and guidance on future earnings, cash flow, costs, financial position and performance are also forward looking statements.

Forward looking statements, opinions and estimates included in this announcement are based on assumptions and

contingencies which are subject to change, without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions. Forward looking statements are provided as a general guide only and should not be relied on as a guarantee of future performance.

Forward looking statements may be affected by a range of variables that could cause actual results or trends to differ materially. These variations, if materially adverse, may affect the timing or the feasibility and potential development of the Odysseus project.

Examples of forward looking statements used in this report include: "Positive results from recent infill drilling indicates a strong likelihood that a significant proportion of the Inferred portion of the Odysseus North Resource will be upgraded to the Indicated category during the next resource estimation", and, "The PFS base case findings indicate robust economic and nickel production metrics together with further significant upside opportunities, as well as a very low all-in sustaining cash cost of operations".

This announcement does not include reference to all available information on the Company, the Odysseus Project or the Cosmos Nickel Complex 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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