# ANNUAL REPORT 2017

WESTERN AREAS LTD

# CORPORATE DIRECTORY

## DIRECTORS

Ian Macliver
Dan Lougher
David Southam
Richard Yeates
Craig Readhead
Tim Netscher
Natalia Streltsova

## COMPANY SECRETARY

Joseph Belladonna

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## BANKERS

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## STOCK EXCHANGE

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Code: WSA

## SOLICITORS

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## 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 Graeme Gribbin, Mr Andre Wulfse and Mr Marco Orunesu Preiata of Western Areas Ltd. Mr Gribbin is a member of AIG, Mr Wulfse and Mr Orunesu Preiata are members of AusIMM, they are all full time employees of the Company. Mr Gribbin, 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 Gribbin, 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 Annual Report 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. 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 Annual Report does not include reference to all available information on the Company 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.

## WESTERN AREAS (ASX:WSA) IS AUSTRALIA'S HIGHEST GRADE, LOWEST CASH COST NICKEL PRODUCER AND ITS MAIN ASSET, THE 100% OWNED FORRESTANIA NICKEL PROJECT, IS LOCATED 400KM EAST OF PERTH IN WESTERN AUSTRALIA.

Western Areas is also Australia's second largest sulphide nickel miner producing approximately 22,000 to 25,000 nickel tonnes per annum from its Flying Fox and Spotted Quoll mines - two of the lowest cost and highest grade nickel operations in the world.

The Company is also an active nickel developer and explorer at the Cosmos Nickel Complex and Western Gawler Projects in Australia. Western Areas leads the way with nickel innovation with the new Mill Recovery Enhancement Project and a concentrate supply agreement with China's largest stainless steel company.

The Board remains focused on the core business of low cost, long life nickel production, new nickel discoveries and generating returns to shareholders. It has put in place the cost structure and capabilities to prosper throughout the cycle by adopting prudent capital management and an opportunistic approach.

# CONTENTS

# HIGHLIGHTS OF THE YEAR

**25,996**
**NICKEL TONNES IN ORE PER ANNUM**

**HIGH GRADE, LOW CASH COST PRODUCER**

**SEVEN YEARS DELIVERING OR EXCEEDING GUIDANCE**

**AUSTRALIA'S SECOND LARGEST NICKEL SULPHIDE MINER**

## SAFETY

Strong industry safety performance, with only 1 Lost Time Injury (LTI) recorded in FY17, therefore maintaining a low LTI frequency rate of 1.1.

## ENVIRONMENT

Maintained a high standard of environmental compliance with no reportable environmental incidents throughout the year. Continued support of numerous foundations and organisations including the Western Quoll enclosure at the Perth Zoo as well as being involved with various local community projects and charities.

## NICKEL PRODUCTION

Record mill throughput of 617,808 ore tonnes, successfully delivering to the low end of cost guidance, producing a unit cash cost of nickel in concentrate of A$2.38/lb.

## EXPLORATION

Nickel Sulphide intersections at the first drill program at the Neptune Project at Cosmos. Highest grade Nickel intersection achieved at the Odysseus Project. Excellent progress at the Western Gawler project in South Australia.

## MINE PRODUCTION

Record production from Spotted Quoll Mine at 15,510 nickel tonnes. Flying Fox delivered 10,486 nickel tonnes, bringing mined nickel tonnes to upper end of guidance.

## BALANCE SHEET

Debt free with a consolidated net cash position of $140m.

# CHAIRMAN'S LETTER

**Ian Macliver**
Independent Non-Executive Chairman

Dear Fellow Shareholder,

On behalf of your Board of Directors, I am pleased to present to you the Annual Report for the year ended 30 June 2017. Despite the continued volatile nickel price environment, Western Areas has had a strong year demonstrating innovation, operational improvements and we delivered a promising Prefeasibility Study (PFS) outcome from Cosmos supporting a potential second production centre for the Company. Solid operational performance coupled with a strong balance sheet and high quality assets ensures the Company is well-positioned to face any challenging times but also to take advantage of any opportunities that are presented.

The financial results for the year have seen the Company return to an after tax profit position and importantly generate positive free cash flow. This has been achieved by retaining focus on core activities and opportunistically dealing with our other non-core assets so as to return value to shareholders. The earnings and cash flow results are a major achievement in light of the nickel price challenges experienced during the year and the 2 cent per share dividend an appropriate return based on the cash value realised from the sale of non-core assets.

Cash at bank at year end increased by A$65m mainly due to lower operating costs, improved terms for the new offtake contracts and the staged sale of the Company's interest in Bluejay Mining Plc which realised cash to the value of $32m during the year.

Western Areas remains extremely focused on controlling costs, further optimising its business and positioning itself strategically to benefit from a change in the nickel price. The Company also continues to report a strong set of metrics, coupled with excellent progress on organic growth initiatives. Mine and mill physicals were at the top end of expectation, as was overall nickel production in ore and concentrate, allowing the Company to deliver physical production results towards the upper end of the FY17 guidance range.

The Company commenced new and improved offtake contracts with both BHP Nickel West and Tsingshan Group (Tsingshan) on 1 February 2017. The Tsingshan contract was a number of years in the making and strategically positions Western Areas in the stainless steel manufacturing supply chain, with China's largest producer of stainless steel and largest nickel consumer. Tsingshan offers a new delivery port in China and after many months of planning, the new logistics, letter of credit, delivery and unloading procedures have been established without incident. We are happy to report that many deliveries have occurred to date without interruption and as expected in all aspects.

After starting the financial year with the nickel price close to US$4 per pound, it reached highs of over US$5 per pound through November and December 2016. Emerging geopolitical impacts have since pulled the price back, with the price ending the financial year at similar levels to the start of the year at around US$4.20 per pound. The US dollar / Australian dollar exchange rate had limited impact for the year. Despite this volatility, the Company's high grade assets and low cost of production places us in a strong position to deal with the nickel price cycles.

At the end of the third quarter, the Company was pleased to announce the go ahead with the Mill Recovery Enhancement Project (MREP). Site works commenced in the June quarter with commissioning and production scheduled for the March 2018 quarter. We are confident, based on the economics presented in the 11 April 2017 announcement, that additional nickel product can be blended into concentrate and sold into new offtake agreements. The new and innovative process will potentially give the Company an entry point into the emerging electric vehicle battery market.

The Company continues to deliver on its objective to derive value from its non-core assets, such as the Lithium exploration rights on its northern Forrestania tenements. Following two transactions, Western Areas is now a 5.2% shareholder in Kidman Resources Ltd and as such retains ongoing exposure to any lithium exploration upside on the tenements. Further, the organic projects at Forrestania and Western Gawler will continue to add value to our exploration potential.

The exploration potential at our Cosmos project, coupled with the robust feasibility study economic and nickel production metrics, with relatively low all in sustaining unit cost of production, offers further significant upside opportunities for the group.

In closing, I would like to take this opportunity to thank all of our staff, contractors and suppliers for their support throughout the year. The valuable insights and hard work of everyone has been instrumental in keeping the focus on the core business of low cost, long life nickel production and new discoveries for Western Areas.

**Ian Macliver**
Independent Non-Executive Chairman


COSMIC BOY NICKEL CONCENTRATOR

# MANAGING DIRECTOR'S REPORT

THE COMPANY HAS CONTINUED TO DRIVE DOWN ITS OPERATIONAL AND CORPORATE COST BASE, WHILST IMPROVING EFFICIENCY THROUGH MANY STAFF DRIVEN INITIATIVES AND INNOVATIONS

The Company's focus for the 2017 Financial Year ("FY17") was to continually strive for operational improvements and efficiencies, with an emphasis on identifying innovative measures, operational and commercial, that could capture more value from every tonne of nickel mined from our tenements. This resulted in a strong year financially, with our operations generating positive cash flow, new offtake agreements executed and payment of a final dividend. This was a significant achievement that is directly directly attributable to everyone's hard efforts across the Group. These outcomes where achieved with the background of another volatile year for the nickel price.

The Company generated A$64.6m in free cash flow, remained debt free and reported a net cash position of A$140m at year end. This exceptional result was achieved following the Company implementing a value over volume strategy for FY17. Consequently, positive cash flow was generated from operational activities, as both operating and capital expenditures were closely managed, while maintaining relatively consistent nickel production levels. In addition, the Company realised value from selected non-core assets with the sale of its interest in Bluejay Mining Plc (Bluejay).

An increase, over the prior year, in Net Profit After Tax (NPAT) to A$19.3m was achieved for the year as a result of the higher average nickel price of A$6.11/lb, (FY16 A$5.69/lb), the earnings associated with the sale of the Company's shareholding in Bluejay and the consideration received for entering into two agreements with Kidman Resources Ltd (Kidman) which was related to the sale of two tenements and an earn-in joint venture agreement over the Company's lithium rights in its northern Forrestania tenements. Pleasingly the Company declared a fully franked final dividend of 2 cents in recognition of the value realised from the sale of the non-core assets and strong balance sheet position.

For the seventh consecutive year, Western Areas reported key operational metrics that have met or beaten guidance, demonstrating the exceptional consistency of the Company's operations. The guidance in FY17 was assisted by our ability to keep our unit costs low, mostly through innovative operational improvements, such as the ore sorter project and stope optimisation work that has reduced mining dilution at the Spotted Quoll Mine. At the same time the Company has increased the Mineral Resource position at Spotted Quoll, delivered a positive Prefeasibility Study (PFS) for the Odysseus deposit at Cosmos and drilled one of the highest grade nickel intersections ever recorded globally, over significant width, under the Odysseus ore body.

We are exceptionally proud of our safety record, however, unfortunately there was one Lost Time Injury (LTI) recorded in March, when a contractor sustained foot injuries at Flying Fox. This was the Company's first LTI in nearly three years and prior to this incident the Company had gone 1,004 days without an LTI. A high level of safety performance is a key performance indicator for the Company. Safety management initiatives included the regular review and update of the Forrestania procedures and risk assessment standards and the upgrade of the computer based Safety Management System.

Controlling costs and optimising operations remains a focus which will continue into the coming year. The Company has continued to drive down its operational and corporate cost base, whilst improving efficiency through many staff driven initiatives and innovations. As a result, the Company was able to deliver a unit cash cost of production of nickel in concentrate of A$2.38/lb. These actions have ensured that positive operating margins and cash flow from operations were maintained in FY17, despite the external influence of an extremely volatile nickel market. This demonstrated resilience has helped your Company maintain its position as one of the World's lowest cost pure-play nickel producers.

Despite maintaining a prudent approach to capital expenditure, we were happy to announce the re-commencement of the Mill Recovery Enhancement Project ('MREP') and restart of the Spotted Quoll decline as planned in January 2017. The MREP site works commenced in the June quarter with commissioning and production scheduled for the March quarter 2018. The MREP product grade is expected to be between 45-50% nickel, representing a new additional higher grade nickel product to market or, alternatively, blended into the existing nickel concentrate production. The MREP economics presented in the April 2017 announcement, assumes selling the additional nickel product (up to 1,400 nickel tonnes per annum), blended into concentrate and sold into the current offtake agreements. Alternatively, we are seeing positive developments in the electric vehicle and energy storage battery markets, and based on our discussions with global participants in this market, there is an expectation we can improve commercial terms for our new high grade product generated by the MREP. We have also commenced discussions with potential nickel sulphate offtake partners and we are excited about where this market demand may take us in the future with the potential quantum shift towards electric vehicles and the substantial amount of nickel required to make that happen.

Western Areas remains highly leveraged to fluctuations in the nickel price and another volatile year in the nickel price was experienced during FY17. This environment impacted our share price as the share price generally follows the nickel price trend. The actions of the Filipino Government in applying stronger environmental controls on open cut mining (which are mainly nickel laterite mines) contributed to an improved price outlook at the beginning of the 2017 financial year. This optimism was coupled with market analysts predicting for the first time that there would be a significant deficit in nickel supply versus demand. Uncertainty around the outcome of the Filipino Government mine suspensions is expected to result in further volatility in the nickel price and we continue to monitor the situation.

On a positive note, at this stage it appears that the relaxation of the Indonesian ore ban which occurred in January 2017, will only have a minor impact on supply with less that 7mt of low grade (<1.7% Ni) laterite ore being approved for export.

With low unit costs, positive cash flow, debt free balance sheet and strong cash position, the Company is well positioned to manage nickel price volatility whilst advancing its organic growth projects.

| | FY17 | FY16 |
|---|---|---|
| Lost Time Injury Frequency Rate (LTIFR) | 1.1 | 0.0 |
| Total Ore Mined (tns) | 591,778 | 590,246 |
| Average Mined Grade | 4.4% | 4.7% |
| Contained Nickel Mined (tns) | 25,996 | 27,607 |
| Total Ore Processed (tns) | 617,808 | 616,279 |
| Average Processed Grade | 4.2% | 4.5% |
| Average Recovery | 89% | 90% |
| Contained Nickel Processed (tns) | 23,005 | 25,009 |
| Nickel Sold (tns) | 22,639 | 24,793 |
| Average Nickel Price Received (US$/tn) | 10,164 | 9,083 |
| Cash Costs before smelting/refining (A$/tn) | 2.38 | 2.26 |
| Average Exchange Rate USD/AUD | 0.75 | 0.73 |

We are confident that the nickel price cycle will turn and whilst we cannot control the timing of the turning point, we can control the operational and corporate aspects of the business to ensure Western Areas is best positioned for this price swing.

Following the formal nickel concentrate offtake tender process conducted during the first half of FY17, the Company completed a new and improved offtake contract with BHP Nickel West (Nickel West) and established a new China based customer with the Tsingshan Group (Tsingshan) as of 1 February 2017. The Nickel West contract saw improved contract terms and prices, while the Tsingshan offtake opened up a completely new market for our nickel concentrate. Tsingshan's roasting technology is compatible with our nickel concentrate product and allows us greater operational flexibility at the mine and concentrator to produce a product that bypasses the traditional smelter market. This was the culmination of many years of work developing relationships and understanding the structure of the nickel industry, with the aim of capturing more value for each tonne of nickel we produce.

The Company began the financial year by advancing a range of organic growth initiatives at Cosmos with the advancement of the Odysseus PFS and approvals for drilling at Neptune. We were happy to announce that we discovered a new and extremely high grade massive sulphide zone which was intersected below the Odysseus North orebody. To the Company's knowledge, these are some of the best nickel intersections ever recorded in the nickel industry.

Commercial viability of the Odysseus project was confirmed in March 2017 with the PFS indicating robust economic and nickel production metrics together with further significant upside opportunities, as well as a relatively low cost of production. With successful completion of the PFS, the Board approved the project to progress to the Definitive Feasibility Study ("DFS") stage, which is expected to be completed towards the end March quarter 2018. These organic growth projects are only possible due to our cash flow generation, zero debt position and cash at bank.

Furthering its Business Development, Western Areas is happy to report that we delivered on our objective to derive early value from the lithium exploration rights on the Company's Forrestania tenements. These activities ultimately culminated in the Company announcing two separate transactions, with Kidman Resources Ltd (Kidman). The first of the two transactions was announced on 28 February 2017, being the sale of two tenements. The second transaction was announced on 20 March 2017, being a lithium farm-in and joint venture arrangement over the Company's northern Forrestania tenements.

The Kidman transaction provides the Company a significant equity stake in an emerging lithium company, while retaining direct exposure to the potential lithium upside from our tenements, with no cash expenditure commitment required. Over the next year, the Company will continue to assess the potential for any future transactions on its Southern Forrestania tenements.

Western Areas' strategy of seeking value from non-core assets led to the sale of its interest in Bluejay Mining Plc ("Bluejay") (formerly FinnAust Mining Plc). The sale of the Bluejay shareholding during the year, realised A$32m. The funds realised from this sale will be utilised to fund other organic growth projects and opportunities, such as the MREP, the Odysseus DFS and exploration projects.

A high standard of environmental management has been maintained across the Company during the financial year with no major reportable environmental incidents. A three yearly update of the Rehabilitation and Mine Closure Plan was completed and submitted in December, which included extensive engagement with key stakeholders including the Department of Mines and Petroleum (DMP), Shire of Kondinin, Environmental Protection Authority (EPA) and the Department of Environmental Regulation (DER). Western Areas also expanded the seepage recovery system around the Mossco Farm evaporation pond which has improved groundwater management options in the area.

The Company continues to support a number of programs relevant to its corporate social responsibilities. The Company re-committed to sponsorship agreements with the Perth Zoo for the Western Quoll enclosure, the Department of Parks and Wildlife (DPaW) in support of the Western Shield wildlife recovery program, and the Eastern Wheatbelt Biosecurity Group for feral animal control. The company's ongoing sponsorship of the Western Shield program indirectly supported the successful release of ten captive-bred numbats and 26 Chuditch over the past year into their natural environment. The Forrestania mine site also hosted several local school visits to showcase the potential career paths available in the mining industry. At Cosmos, the Company continues to advance a collaborative relationship with the Tjiwarl people, and congratulate them on their recent native title determination in relevant areas.

Looking ahead, the Company's focus will be on continuing to maintain a strong balance sheet and to maintain our strong safety culture at our operations. Development of our organic projects, such as the MREP project and the Odysseus DFS, will facilitate our growth objectives and position the Company to benefit from a more positive commodity price market. We will continue to look for innovative solutions across the group to ensure we maximise our margins and participate in new markets, such as the current electric vehicle and battery market. Prudent deployment of capital will remain a key focus. Ongoing exploration will continue at the Western Gawler, Forrestania and Cosmos projects, which has already delivered some excellent results.

In conclusion, Western Areas has demonstrated exceptional resilience in a challenging market. The Company has excelled through operational efficiency and driving greater returns from what we already have and our promising developments at Cosmos have been extremely encouraging. Retaining a strong balance sheet coupled with new and improved offtake contracts also places Western Areas in a very sound position to deal with any future market volatility.

Finally, I would like the take this opportunity to thank our Board, all of our staff, contractors and suppliers for their support throughout the year.

**Daniel Lougher**
Managing Director
and Chief Executive Officer

LOOKING AHEAD, THE COMPANY'S FOCUS WILL BE ON CONTINUING TO MAINTAIN A STRONG BALANCE SHEET AND TO MAINTAIN OUR STRONG SAFETY CULTURE AT OUR OPERATIONS.

# OPERATIONS REVIEW

## GROUP OVERVIEW

Western Areas is an Australian based high grade, low cash cost nickel producer. The Company is listed on the Australian Securities Exchange (ASX) under the ticker symbol "WSA" and has been a member of the ASX 200 for many years. The Company owns a 100% interest in both the Forrestania Nickel Operation ("Forrestania") and the Cosmos Nickel Project ("Cosmos") which are both located in Western Australia.

The Company's main operational asset at Forrestania is located 400km east of Perth in Western Australia. Western Areas is Australia's second largest sulphide nickel miner producing approximately 25,000 nickel tonnes per annum from its Flying Fox and Spotted Quoll underground mines which are two of the lowest cost and highest grade nickel operations in the world.

The high grade nickel ore mined is processed through the Cosmic Boy Concentrator (CBC) and sold into offtake agreements with Tsingshan Group, China's largest stainless steel producer, for a minimum delivery of 10,000tpa nickel in concentrate and BHP Billiton for a further 12,000tpa. On average the Company delivers between 22,000 to 25,000tpa nickel in concentrate to its customers each year.

Western Areas' current growth strategies include construction of the MREP at Forrestania's CBC and completion of the definitive mining feasibility study for the Odysseus deposit at Cosmos. Odysseus is expected to provide the Company a third operating mine in the years ahead.

The Company continues to foster innovation and efficiency programs within the Group such as the expected commercialisation of the Company's proprietary BioHeap™ bacterial leaching technology within the MREP. This also has the potential to supply value added, high grade, nickel products directly into the newly emerging battery market.

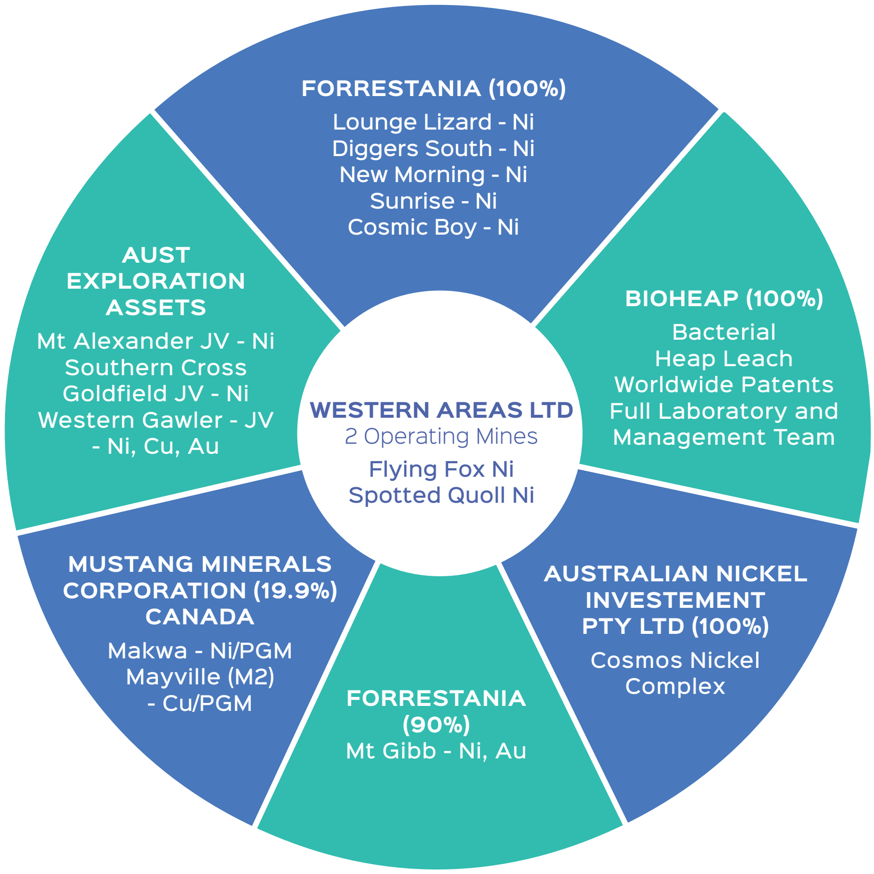
The Company is an active base and precious metal explorer at both Cosmos and Forrestania, with significant interests in the Western Gawler area located in South Australia.

The Company also holds significant exploration interests in Canada via a shareholding in Mustang Minerals.

The Board remains focused on the core business of low cost, long life nickel production, new nickel discoveries and generating returns to shareholders. It has put in place the cost structure and capabilities to prosper through commodity price cycles that includes a prudent capital management strategy and an opportunistic approach to joint venture opportunities and value based asset acquisition assessment.

## STRUCTURE

Western Areas Ltd is a company limited by shares that is incorporated and domiciled in Australia. Western Areas Ltd has prepared a consolidated financial report incorporating the material entities that it controlled during the financial year, these are shown below along with the principal assets of each.



THE EMERGENCY RESPONSE TEAM CONFINED SPACE TRAINING EXERCISE.

ROPE TRAINING AT THE COSMIC BOY FINE-ORE-BIN.

## WESTERN AREAS SAFETY

The Forrestania Nickel Operations (FNO) continued the year with a strong safety performance. However, a Loss Time Injury (LTI) occurred in March when a contractor employee sustained ankle injuries from falling 1.4 metres from an elevated platform at the surface cement batch plant located at Flying Fox. This was the first LTI at FNO in nearly three years and the FNO LTIFR now stands at 1.1 with the site Total Recordable Injury Frequency Rate (TRIFR) at 9.97 (TRIFR includes recordable injuries which require medical treatment, restricted duties or result in lost time).

A summary detailing the LTI free days by operating department at year end is shown in the table below:

| Department | LTI free days |
|---|---|
| Surface Exploration | 3,227 |
| Spotted Quoll UG mine | 2,271 |
| Cosmic Boy Village | 1,978 |
| Cosmic Boy Concentrator | 1,469 |
| Flying Fox UG mine | 110 |
| Surface Haulage | 1,186 |

Key safety management initiatives during the year included reviewing and updating the site induction process, site entry procedure, annual site risk assessment and upgrading of the computer based safety management system (SMS).

A Civil Aviation Safety Authority (CASA) audit of the Cosmic Boy aerodrome was conducted which confirmed that the aerodrome was fully compliant.

EMERGENCY RESPONSE TRAINING FOCUSSED ON UNDERGROUND EMERGENCIES WITH ASSOCIATED SEARCH AND RESCUE EXERCISES HELD THROUGHOUT THE YEAR, WHICH UTILISED A RECENTLY ESTABLISHED 'HOT FIRE' TRAINING AREA TO SIMULATE UNDERGROUND FIRE-FIGHTING SCENARIOS AS SHOWN IN PHOTOGRAPHS ABOVE.

## FORRESTANIA ENVIRONMENTAL ACTIVITIES

Environmental compliance was maintained at a high standard throughout the financial year with no reportable environmental incidents. A small number of minor environmental incidents, including small hydrocarbon and water spills, were contained and managed internally. The environmental impact from these was negligible and the causes addressed to prevent re-occurrence.

The Department of Environment Regulation (DER) and Department of Mines and Petroleum (DMP) conducted compliance inspections during the year which found only minor improvements that were immediately actioned.

A number of key environmental reports were submitted and approved by the relevant regulatory bodies throughout the year, which included the DMP, DER and the Department of Parks and Wildlife (DPaW), including the Rehabilitation and Mine Closure Plan, Triennial Groundwater Aquifer Review and Jilbadji Conservation Management Plan. In addition, a number of clearing permits to cover exploration and infrastructure works in environmentally sensitive areas were also granted.

Rehabilitation activities were ongoing with the collection and development of native seed during the year and approximately 16,000 seedlings were planted to rehabilitate the Spotted Quoll waste rock dump. Vegetation transect monitoring continued during the year as well as the monitoring of Declared Rare Flora.

Monitoring programs for Malleefowl (*Leipoa ocellata*) and Chuditch (*Dasyurus geoffroii*) was ongoing using motion sensor cameras with encouraging results. The Malleefowl monitoring data was submitted to the National Malleefowl Monitoring Database improving the knowledge of the species in the area. Both the Malleefowl and the Chuditch are listed as Schedule 1 Threatened Fauna at a State level and as 'vulnerable' at a Commonwealth level and the Company is committed to supporting these activities as part of the Company's sustainability program.

A highlight of the year was the successful rehabilitation and release of a Southern Boobook Owl that was found injured on the side of the road near Spotted Quoll. The environmental team rescued the owl and after recovery at the Kanyana Wildlife centre the owl was successfully released back to his natural environment close to where he was found.

The Company also continued its involvement with the Carbon Disclosure Project (CDP) by submitting carbon emission data as part of CDPs annual reporting requirements.

AMY HEFFERON, ENVIRONMENTAL TECHNICIAN REHABILITATING AND RELEASING THE SOUTHERN BOOBOOK OWL.

## COMMUNITY

### FORRESTANIA

During the year, the Company re-committed to sponsorship agreements with the Perth Zoo for the Western Quoll enclosure, the Department of Parks and Wildlife (DPaW) in support of the Western Shield wildlife recovery program, and the Eastern Wheatbelt Biosecurity Group for feral animal control. The Company's ongoing sponsorship of the Western Shield program indirectly supported the successful release of ten captive-bred numbats and 26 Chuditch over the past year into their natural environment.

**IN NOVEMBER 2016 WE CONDUCTED CULTURAL AWARENESS TRAINING WITH OVER 28 STAFF AND CONTRACTORS**

### COSMOS

Also in the year, the Company representatives presented five sewing machines and a large assortment of indigenous style fabrics to the Leonora Women's Group called "nyunnga gu" in the local language, which means "women belong to", as shown below. Western Areas has an ongoing relationship with the nyunnga gu group and is currently organising an additional donation of raffia basket weaving supplies and additional aboriginal material to support the groups ongoing activities.

Western Areas continued to conduct care and maintenance environmental monitoring of the Cosmos mine-site. Environmental compliance was maintained to a high standard, which included water quality and groundwater management.

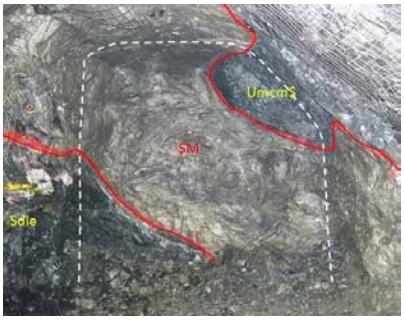
At various drilling programs at Cosmos we employed heritage monitoring to ensure protection of local aboriginal heritage sites during drilling activities. In November 2016 we conducted cultural awareness training with over 28 staff and contractors attending. The Tjiwarl group took us through their native rituals, sacred sites and their dreaming stories.

In April 2017 the Tjiwarl group were awarded Native Title over their traditional land. The decision of the High Court of Australia formalises the Tjiwarl group's link to their country. The Company would like to congratulate the Tjiwarl group on reaching this milestone and we look forward to building on this relationship as we work together in the future.

LEONORA WOMEN'S GROUP "NYUNNGA GU" MEMBERS AND COMPANY REPRESENTAATIVES WITH INDIGENOUS STYLE FABRICS.

TJIWARL CULTURAL AWARENESS TRAINING AT LAKE MIRANDA

FLYING FOX ORE DRIVE WITH AN AVERAGE GRADE OF 8.3% NICKEL.



SPOTTED QUOLL ORE FACE WITH AN AVERAGE FACE GRADE OF 8.5% NICKEL

SPOTTED QUOLL PRIMARY VENTILATION RETURN AIR-WAY COMPLETION OF INITIAL 45M CONCRETE LINED SHAFT

## FLYING FOX MINE

Capital development was kept at a minimum with only 24m of lateral capital development completed plus 23m of associated capital vertical development to install a new escape way at the southern end of the ore body.

**THE LOWEST LEVEL OF THE MINE IS NOW AT 1,262M BELOW SURFACE.**

At the end of the financial year, the T4 ore body was fully mined out and the T5 ore body was depleted down to the 460 level. Paste-fill is now well established with all stope voids post September being paste-filled. Paste-fill has demonstrated both geotechnical and stope productivity benefits with decreased stope turn-around times.

## SPOTTED QUOLL MINE

The mining of the Hanna Decline re-commenced in January and advanced to a depth of 733m below the surface by the end of the year. The Hanna Decline is approaching the 662 level which will be the first ore drive of the steeper 'Stage Two' section of the orebody located below and laterally offset from the single-boom area.

Production using a specialist narrow vein contractor in the single boom jumbo area (932 to 710m RL) completed the 911, 890, 881 and 871 levels. Ongoing production from the 901 level, using smaller ore drive development (nominal 3.5m x 3.5m 'shanty' profile) continued from the 832 to 788 levels with the 819 to 804 levels. Some of the ore drives were mineralised over 40m past the northern ore reserve boundary. Improved single boom stoping practices implemented during the year has successfully increased high grade ore extraction through a reduction in footwall dilution.

## SPOTTED QUOLL INFRASTRUCTURE

The raise bore back reaming of the surface to 795 level primary return air way (RAW) shaft was completed late in December, which involved 496m of 4.5m diameter followed by 61m of 1.1m diameter back reaming. The initial blind 'sink and line' of the primary RAW shaft was completed mid year to a final concrete lining depth (to top-of-collar) of 44m using a 20 tonne slew type crane and sinking assembly that employed drill and blasting techniques.

By the end of the year the headframe and winder had mobilised to site to start the 'sink and line' section of the remaining 56m (44m to 100m to top-of-collar) with expected completion during the first half of FY18.

The ventilation shaft completes the last major requirement for infrastructure capital at Spotted Quoll.

## MINE AND MILL PRODUCTION AND CASH COSTS

| Tonnes Mined | | FY17 Sep Qtr | FY17 Dec Qtr | FY17 Mar Qtr | FY17 Jun Qtr | FY17 Total |
|---|---|---|---|---|---|---|
| Flying Fox | | | | | | |
| Ore Mined | tonnes | 60,731 | 60,304 | 57,573 | 58,511 | **237,119** |
| Grade | Ni% | 4.2% | 4.6% | 4.6% | 4.3% | **4.4%** |
| Flying Fox Nickel Mined | tonnes | 2,580 | 2,769 | 2,626 | 2,511 | 10,486 |
| Spotted Quoll | | | | | | |
| Ore Mined | tonnes | 92,461 | 88,603 | 91,510 | 82,085 | **354,659** |
| Grade | Ni% | 4.1% | 4.6% | 4.5% | 4.2% | **4.4%** |
| Spotted Quoll Nickel Mined | tonnes | 3,777 | 4,098 | 4,152 | 3,483 | 15,510 |
| Total Ore Mined | tonnes | 153,192 | 148,907 | 149,083 | 140,596 | 591,778 |
| Grade | Ni% | 4.1% | 4.6% | 4.5% | 4.3% | 4.4% |
| Total Nickel Mined | tonnes | 6,357 | 6,867 | 6,778 | 5,994 | 25,996 |

## FLYING FOX PRODUCTION

Flying Fox mined a total of 237,119 ore tonnes at an average grade of 4.4% nickel for 10,486 contained nickel tonnes. The total mined nickel exceeded mine plans due to diligent control of waste dilution that increased overall ore grade.

## SPOTTED QUOLL PRODUCTION

Spotted Quoll mined a total of 354,659 ore tonnes at an average grade of 4.4% for 15,510 contained nickel tonnes which surpassed last year as the highest annual production of both ore and nickel tonnes to date.

## MILL RECOVERY ENHANCEMENT PROJECT

As previously reported, the Western Areas Board approved the re-commencement of the MREP in April 2017. The MREP is using Western Area's wholly owned BioHeap's patented process technology to recover nickel from a waste stream produced in the CBC.

The nickel recovered is converted into a high grade nickel sulphide product than can either be (a) mixed with the CBC concentrate or (b) sold as a separate product suitable to be processed in a refinery. Point (b) has attracted significant international interest from suppliers of products which are destined to supply the electric vehicle and battery market.

Works have commenced at site with ground clearing and earthworks during June. Civil construction started in July 2017. The Structural, Mechanical, Piping and Electrical (SMP&E) will commence in the September quarter. The project is on s chedule to commission during the March quarter 2018.

MREP EARTHWORKS ADJACENT TO THE COSMIC BOY MILL

## COSMIC BOY NICKEL CONCENTRATOR

| Tonnes Milled And Sold | | FY2017 | | | | FY17 YTD Total |
|---|---|---|---|---|---|---|
| | | Sep Qtr | Dec Qtr | Mar Qtr | Jun Qtr | |
| Ore Processed – Mined Ore | tonnes | 156,534 | 137,989 | 121,623 | 131,040 | **547,186** |
| Ore Sorter & Low Grade Stockpile | tonnes | 3,082 | 17,154 | 30,226 | 20,160 | **70,622** |
| **Total Milled Ore** | **tonnes** | **159,616** | **155,143** | **151,849** | **151,200** | **617,808** |
| Grade | % | 4.1% | 4.2% | 4.2% | 4.3% | **4.2%** |
| Ave. Recovery | % | 89% | 90% | 88% | 88% | **89%** |
| **Nickel in Concentrate Produced** | **tonnes** | **5,763** | **5,844** | **5,672** | **5,726** | **23,005** |
| **Nickel in Concentrate Sold** | **tonnes** | **5,188** | **6,249** | **5,397** | **5,805** | **22,639** |

CBC processed a record 617,807 tonnes of ore at an average grade of 4.2% nickel exceeding its nameplate capacity of 550,000 tonnes. A total of 150,017 tonnes of concentrate was produced at 15.3% nickel containing 23,005 nickel tonnes with an average recovery of 89%.

The Concentrator's excellent result is largely due to the well planned and executed preventative maintenance program (98% plant availability). Furthermore the continued use of grinding circuit process improvement conducted in the previous year, which involved the installation of a control valve enabling better density control in the ball mill and therefore an increased concentrator throughout.

**CBC PROCESSED A RECORD 617,807 TONNES OF ORE AT AN AVERAGE GRADE OF 4.2% NICKEL**

COSMIC BOY NICKEL CONCENTRATOR

## ORE-SORTER PROJECT

As part of the Company's ongoing innovation and cost reduction/ efficiency program, a discrete ore sorting campaign was applied to the Flying Fox low grade ore stockpile with the following aims:

1. Provide a low cost ore feed to the mill;
2. Blending of the lower grade ore sorter feed with very high grade Spotted Quoll ore to reduce the blended grade to the optimal range of 4.0% to 5.0% nickel; and
3. Increase the combined MOP and ROM ore stockpile inventory to between two to three months of mill throughput.

The ore sorter campaign was successfully completed during the second half of the year, which converted 167,660 tonnes of low grade at 1.4% nickel to 73,064 tonnes of 'fines' material (-20mm) at 1.4% Ni grade and 18,882 tonnes of 'accepts' material (+20mm and -90mm) at 4.1% nickel. The remaining 75,714 tonnes at 0.4% nickel was classified as waste material. The concentrator has treated all of the (+20mm -90mm) 'accepts' material and 25,642 t of the 'fines' material during the year. The remaining fines material will be used during the first half of FY18.

## NICKEL SALES

The Company successfully tendered its two offtake contracts during the first half of the FY17, as both the Jinchuan and BHP Nickel West offtakes were completed. The successful tender process resulted in BHP Nickel West renewing their commitment on more favorable commercial terms to the Company. The Tsingshan Group was selected for the second offtake contract. Both contracts commenced on February 1st 2017 with a 3 year term.

Tsingshan, being China's largest stainless steel producer was one of the first Chinese companies to integrate their nickel pig iron process with stainless steel production using a roasting technology that accepts sulphide concentrate. The process allows Tsingshan to produce a nickel oxide which can be blended with their laterite ore. In this process sulphuric acid is produced as a bi-product which can then be used further downstream in the stainless steel production process. Since Tsingshan do not require a smelter they are able to reduce processing costs and these reductions result in better concentrate offtake commercial terms to Western Areas.

During FY17 a total of 150,055 tonnes of concentrate was delivered containing 22,639 of nickel to our customers BHP Nickel West, Jinchuan Group and Tsingshan.

## COST OF PRODUCTION

The unit cash cost of production of nickel in concentrate (excluding smelting/refining charges, concentrate logistic and royalties) was A$2.38/lb (US$1.80/lb) for the full year. This result, which was at the lower end of the full year guidance, has been achieved following significant cost reductions, innovative stoping techniques and positive ore tonnes and grade reconciliations. The Company is maintaining focus on embedding cost reductions into the operation for the long term, across all cost centres in the business.

ORE SORTER IN OPERATION AT FLYING FOX.

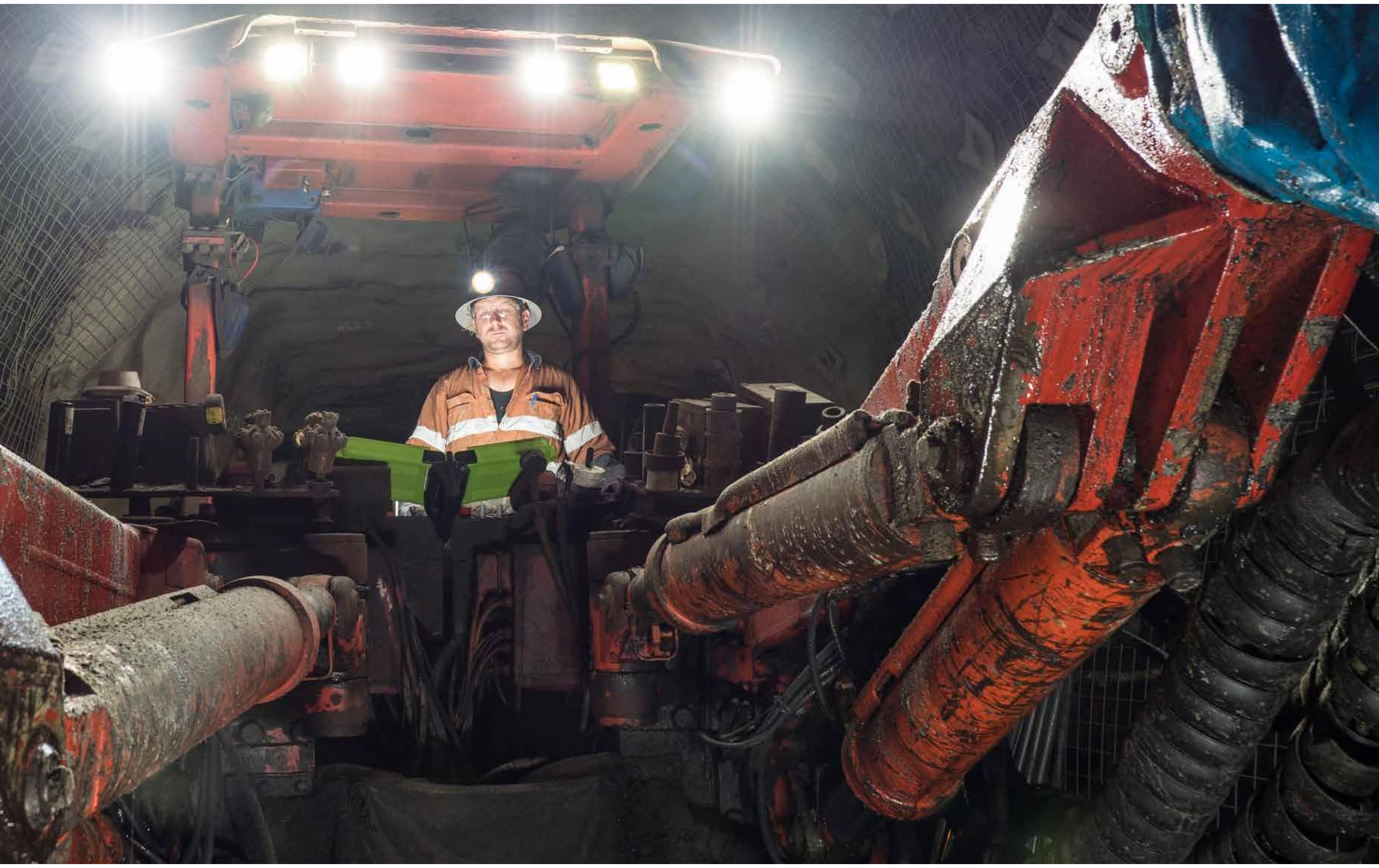
| Financial Statistics | | 2016/2017 | | | | FY17 YTD Total |
|---|---|---|---|---|---|---|
| | | Sep Qtr | Dec Qtr | Mar Qtr | Jun Qtr | |
| Group Production Cost/lb | | | | | | |
| Mining Cost (*) | A$/lb | 1.88 | 1.69 | 1.38 | 1.70 | **1.66** |
| Haulage | A$/lb | 0.06 | 0.06 | 0.06 | 0.06 | **0.06** |
| Milling | A$/lb | 0.45 | 0.45 | 0.64 | 0.51 | **0.52** |
| Admin | A$/lb | 0.18 | 0.18 | 0.17 | 0.17 | **0.17** |
| By Product Credits | A$/lb | (0.04) | (0.03) | (0.02) | (0.02) | **(0.03)** |
| Cash Cost Ni in Con (***) | A$/lb | 2.53 | 2.35 | 2.23 | 2.42 | 2.38 |
| Cash Cost Ni in Con (***) | US$/lb(**) | 1.91 | 1.76 | 1.69 | 1.82 | 1.80 |
| Exchange Rate US$ / A$ | | 0.76 | 0.75 | 0.76 | 0.75 | 0.75 |

(*) Mining Costs are net of deferred waste costs and inventory stockpile movements

(**) US$ FX for Relevant Quarter is RBA average daily rate (Jun Qtr = A$1:US$0.7504)

(***) Payable terms are not disclosed due to confidentiality conditions of the offtake agreements.

Cash costs exclude royalties and concentrate logistics costs.



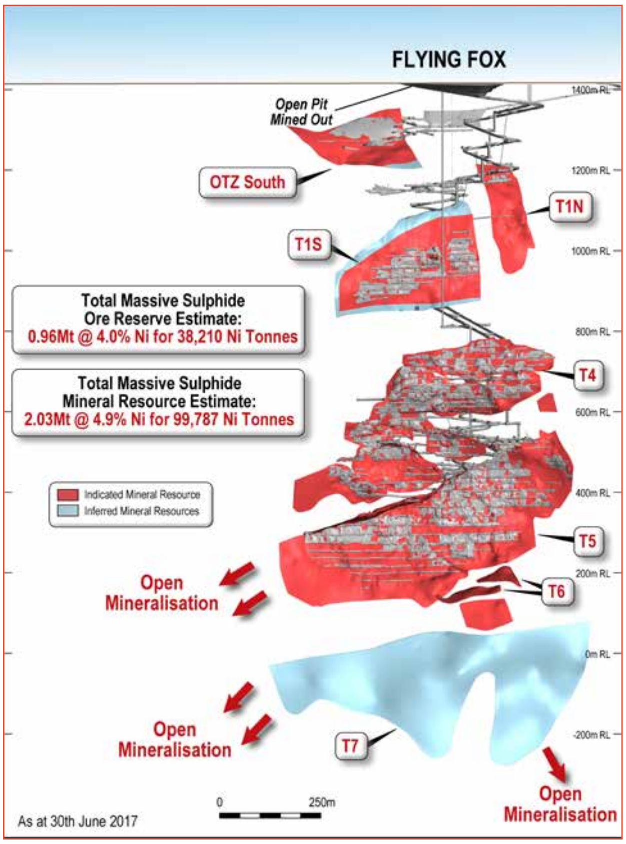
## FLYING FOX MINERAL RESOURCES AND ORE RESERVES

During the year, there was an upgrade of the Mineral Resource and Ore Reserve estimates at Flying Fox.

The Flying Fox high grade Mineral Resource and Ore Reserve Summaries at the end of the financial year are as follows;

- Mineral Resource: 2.03 million tonnes of ore at a grade of 4.9% nickel for 99,787 tonnes of nickel; and
- Ore Reserve: 0.96 million tonnes of ore at a grade of 4.0% nickel for 38,210 tonnes of nickel.

The longitudinal section below shows the Flying Fox mine with mineral resources and reserves depleted for mining production during the year.



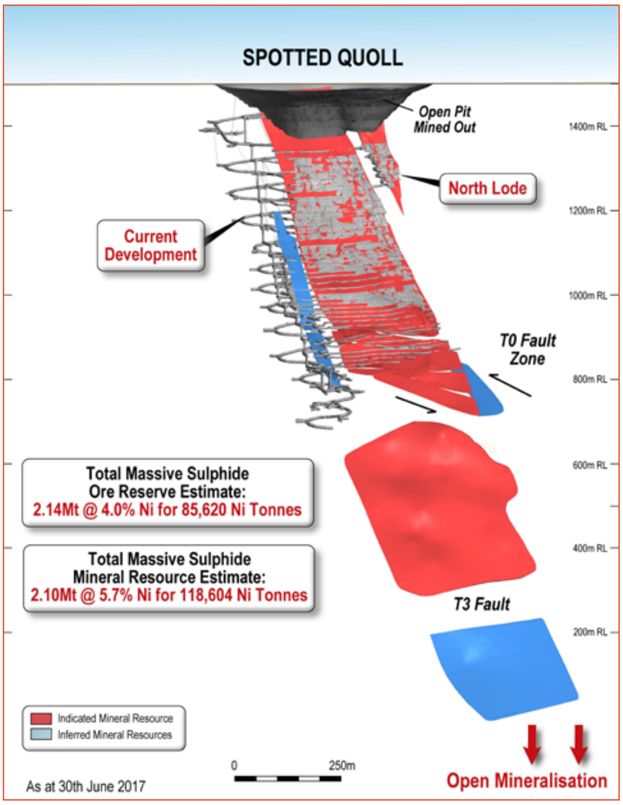

FLYING FOX LONG SECTION

## SPOTTED QUOLL MINERAL RESOURCES AND ORE RESERVES

During the year, there was an upgrade of the Mineral Resource and Ore Reserve estimates at the Spotted Quoll Mine with Mineral Resource and Ore Reserve estimates at the end of the financial year as follows:

- Mineral Resource: 2.10 million tonnes of ore at a grade of 5.7% for 118,604 nickel tonnes; and
- Ore Reserve: 2.14 million tonnes of ore at a grade of 4.0% for 85,620 nickel tonnes

The long section below shows the Spotted Quoll Mine with mineral resources and reserves depleted for the year.




SPOTTED QUOLL LONG SECTION

## NEW MORNING / DAYBREAK RESOURCE

An updated Mineral Resource Estimate for the New Morning/Daybreak (NMDB) deposits was completed late in CY2016. This resource upgrade involved incorporating recent drilling results and metallurgical test work into the evaluation using the results of over 100 surface exploration drill-holes that have been drilled since the previous resource estimate. The drilling included 32 shallow drill-holes (< 150m below surface) from three drill programs between September 2014 and December 2015 to assess open-pit potential, assuming the oxide and transitional mineralisation is processed by BioHeap leaching techniques and primary sulphide mineralisation by conventional floatation techniques (see Table for further details).

Since late 2014 in-house BioHeap test-work has been conducted on various bore-hole composite samples from the shallow drilling programs. This has included nitric acid and BioHeap amenability test-work plus an ongoing column test, with encouraging results that has provided the confidence commensurate with the resource model classifications applied.

The new resource is summarised in the following tables which has resulted in a 160% increase in the total mineralised tonnes and a 165% increase in the contained nickel tonnes from the previous resource estimate, predominately in the near surface transitional and oxide mineralisation.

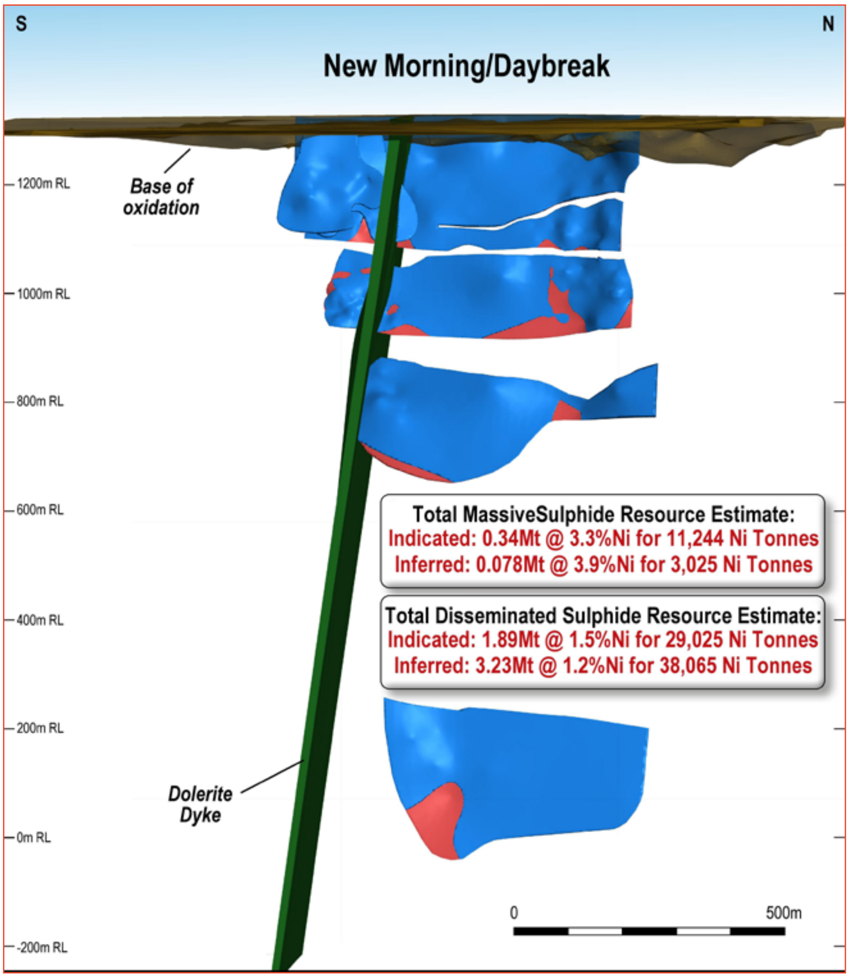
**2016 Resource Estimate**

**NMDB Low Grade At 0.5%Ni COG**

| Resource category | Tonnes | Ni % | NI t |
|---|---|---|---|
| Inferred | 3,232,693 | 1.2% | 38,065 |
| Indicated | 1,887,691 | 1.5% | 29,025 |
| Total | 5,120,384 | 1.3% | 67,090 |

**NMDB High Grade at 2.0% COG**

| Resource category | Tonnes | Ni % | NI t |
|---|---|---|---|
| Inferred | 78,067 | 3.9% | 3,025 |
| Indicated | 340,126 | 3.3% | 11,224 |
| Total | 418,193 | 3.4% | 14,249 |



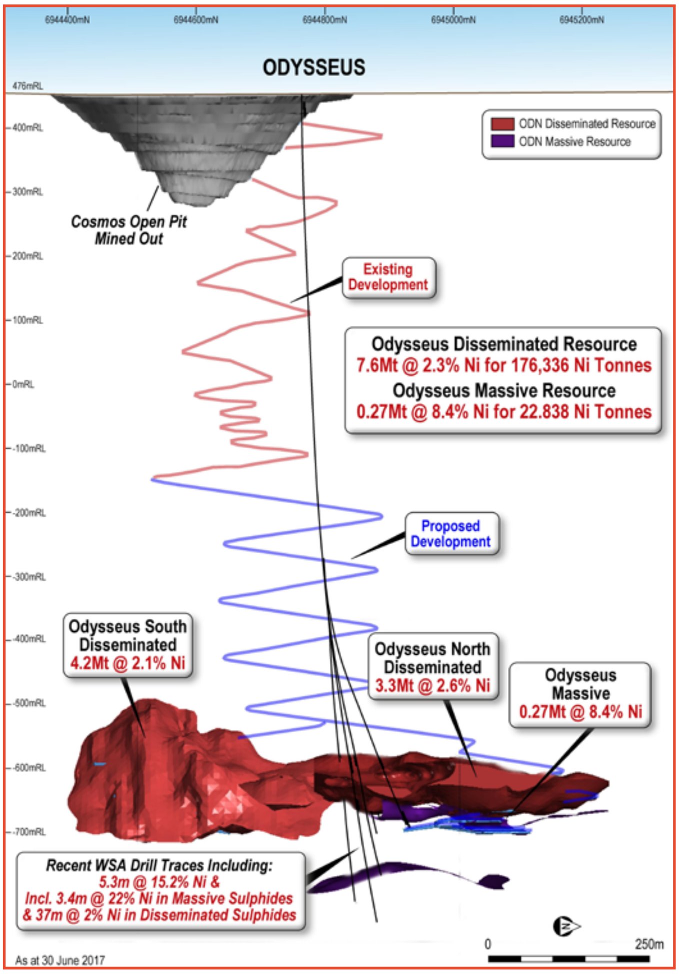

NMDB LONG SECTION SHOWING MAIN LODE DISEMINATED (BLUE), MASSIVE SULPHIDE (RED), HANGING-WALL DISSEMINATED MINERALISATION AND BASE OF OXIDATION

## COSMOS NICKEL COMPLEX ("COSMOS")

Cosmos was acquired from Xstrata Australasia Nickel Operations Pty Ltd (XNAO), a subsidiary of Glencore plc, in October 2015. During FY17 resource de-lineation drilling was undertaken at Odysseus and the results were incorporated into an update resource model.

The increase in ore tonnes, nickel grade and confidence in the resources at Odysseus was a critical path item for the DFS and will support the definition of an Ore Reserve for the project in due course. The increase in the volume of massive sulphides is particularly encouraging and above expectations at the time of the Cosmos acquisition.

In March 2017, the Company released the results of the Odysseus PFS which demonstrated the commercial viability of the Odysseus Project. The progression of this project is consistent with Company's strategy to develop a second core operating region. The PFS indicates an initial mine life of 7.5 years for total life of mine ore production of 4.9Mt at 2.3% nickel. Ore production would be at a rate of 750ktpa and processed through an upgraded Cosmos mill to produce average annual nickel in concentrate of 12kpta for a total of 87ktpa nickel. Financial highlights included pre tax net cash flow generation of over A$580m at a US$7.5/lb nickel price, 0.75 AUD:USD exchange rate, a 3.5 year payback from production start and a 28% pre-tax IRR. Odysseus is expected to contribute a per annum average of $100m free cash flow (pre-tax) from 2022.




ODYSSEUS MINERAL RESOURCE AFTER THE UPGRADE

The PFS indicates pre-production capital expenditure of A$190-210m, sustaining capital of A$68m and C1 unit cash costs of US$2.41/lb. All in sustaining cash costs are a very low US$2.77/lb. Initial mine access activities are expected to be funded by cash on hand and expected future cash flows from Forrestania activities. One of the key advantages of Odysseus is the discrete capital profile which can be flexed or suspended at any time.

Odysseus remains a core growth asset for the Company with exciting potential and is currently progressing to DFS. Having the project ready will ensure the Company is positioned to leverage an upswing in nickel prices. The DFS will incorporate the recently upgraded resource at Odysseus, including some of the positive results from the 2017 massive sulphide upgrade. Depending on market conditions, the Company also has the opportunity to complete early works including dewatering the mine and rehabilitating the existing decline where practicable and economic to do so.

A VIEW OF THE COSMOS NICKEL COMPLEX

During FY17, the Company also completed its first RC and diamond drilling program at the Neptune project. Encouraging results included 65m at 0.8% nickel and 13m at 1.11% nickel. Importantly, the initial exploration program confirmed the cumulate ultramafic sequence hosting the Prospero / Tapinos deposit continued to the south into the Neptune target area.

Further drilling in the northern area of Lake Miranda was completed following consultation with the Tjiwarl group, Section 18 approval and other statutory approvals.

A total of eight diamond holes were completed and the broadest zone of mineralisation discovered was from WD007 which intersected 99m at 0.7% nickel. The drilling demonstrates broad zones of ultramafic hosted disseminated nickel sulphides along strike in excess of 800m and up to 400m down dip. Less frequent, higher grade, thin stringer to locally semi-massive intervals of mineralisation have also continued to be noted including WCD004 intersecting 0.6m at 4.5% nickel. These results are highly encouraging and warrant further testing. Further drilling is planned for 2018 once the Company has completed appropriate heritage consultation from the Tjiwarl group.

### Odysseus Highlights include:

- WAD002A intersected massive sulphide comprising 2.6m at 12.6% nickel, including 1.6m at 18.0% nickel;
- WAD002W1W1W1 intersected massive sulphide comprising 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;
- The drilling has resulted in a 311% increase in the Cosmos massive sulphide resource to 22.8kt at 8.4% nickel, including 8.8kt at 6.1% nickel;
- The drilling at Odysseus North to convert inferred resources to the indicated category was highly successful with the indicated resource increasing from 46kt to 81kt contained nickel;
- Overall, the total resource has increased from 7.3Mt at 2.4% nickel for 174kt to 7.9Mt at 2.5% nickel for 199kt contained nickel.

## BIOHEAP®

### NICKEL SULPHIDE / SULPHATE

BioHeap® has evaluated the process to take the nickel rich pregnant leach solution (PLS) from the MREP and convert it into either a high grade sulphide product or a nickel sulphate crystal product for direct supply to the electric vehicle market.

The production of high grade nickel sulphide in the laboratory has seen grades of 45-50% Ni achieved. This product can be easily accepted into a refinery, which bypasses the expensive smelting step that traditional concentrates need to go through.

The nickel sulphate crystals that BioHeap® have produced have reached a grade of 22% Ni which is the grade that battery manufacturers seek as a direct feed product. The MREP is being designed and built to produce the high grade sulphide product first; however the plant can be modified to accommodate a sulphate circuit in the future.

### NEW MORNING / DAY BREAK LEACHING

BioHeap® have completed the leach testing of samples taken from the New Morning/Daybreak surface drilling program. The results of this testwork has been fed into an early stage mining study to evaluate the potential of an open pit mine at the New Morning/Day Break deposit.

### SCATS LEACHING

BioHeap® has reviewed a method to treat a waste stream from the CBC known as 'scats'. This material is hard critical size pebbles that are ejected from the ball mill during processing. The scats also contain remnants of grinding media which would damage the CBC crushers if the scats were re-fed back into the concentrator. Hence the scats are stockpiled on site as a waste product.

The scats are of ideal size for a BioHeap® leach (6-8mm) which would be a low cost method to recover the nickel locked in this material. To determine the extraction rate of nickel from the scats, BioHeap® performed a column leach test at the Waterford laboratory. This test simulates the possible performance from a BioHeap® leach. The preliminary results have indicated the material is a low acid consumer and initial leaching data has indicated that a minimum of 70% of the total available nickel could be extracted from the scats product. Currently, the scat stockpile is reported to be at more than 200,000 tonnes with an average nickel grade of 1.5%.

Further work to evaluate the placement and costs of the BioHeap® leach will take place in FY18. The successful implementation of this project will add additional nickel into the metal recovery circuit of the MREP.

HIGH GRADE NICKEL SULPHIDE PRECIPITATE AND NICKEL SULPHATE CRYSTALS

ELECTRIC VEHICLE

# EXPLORATION REVIEW

Western Areas has an active, targeted and balanced exploration program directed at both replacing existing resources and also targeting new discoveries in known areas and new or greenfield terrains.

Cosmos has become a pivotal and strategic component within the Company's evolving exploration portfolio. The Company believes the Cosmos tenements host large, cumulative, ultramafic bodies associated with high tenor nickel sulphides, and accordingly are encouraged by the strong prospectively of the area. This belief has been rewarded by early stage success at the Neptune prospect, with nickel grade intercepts returned from several drill-holes hosted within cumulate ultramafic rocks. The Company believes that Cosmos will continue to provide Western Areas with substantial additional exploration upside and a potential second mining operation to sit alongside its premium mines and exploration opportunities at the existing Forrestania Nickel Operation.

Exploration activities across ground holdings within the Western Gawler region of South Australia continues to be an important focus, with the Company successfully reaching agreement with the Far West Coast Aboriginal Corporation (FWCAC) and the Aboriginal Lands Trust (ALT) to facilitate on-ground exploration within prospective land in the Yalata Aboriginal Reserve. Additional drill program and ground geophysical surveys have been undertaken throughout the year. The Company considers the area has the potential to host significant mafic-ultramafic, intrusive-related poly-metallic (nickel, copper +/- PGEs) deposits.

Nickel sulphide exploration at Forrestania was evenly spread across three key projects, namely; Cross Roads /Lake Ned (Eastern Ultramafic Belt), Boojum (Western Ultramafic Belt) and Parker Dome, providing a balanced spread of both near-mine brownfields and more regional greenfields exploration. Comprising a large and strategic tenement holding covering approximately 900km² and in excess of 125km strike length of prospective ultramafic hosting stratigraphy, the land tenure package is made up of both wholly owned Western Areas and Joint Venture tenements. Activities at Boojum and within the Cross Roads / Lake Ned area centred on focused moving-loop EM surveys, with additional follow up RC drilling completed across the later prospects. Work at Parker Dome was at a more generative stage, with drill planning and targeting at an advanced stage and awaiting final environmental approvals.

Following on from preliminary lithium work completed in FY16, accelerated exploration efforts continued into the early stages of FY17 with a view to quickly understanding the potential for lithium-bearing pegmatite systems within the Company's lease holdings. Work culminated with the Company securing a lithium rights Farm-in and Joint Venture Agreement with Kidman Resources Limited (KDR).

The Company is proud to confirm that exploration activities for FY17 were completed LTI free and with no reportable environmental incidents.

## MT ALEXANDER JOINT VENTURE (WSA 25% NON-CONTRIBUTING INTEREST)

With regard to E29/63, Western Areas Limited is in a Joint Venture held by St George Mining Limited (SGQ) 75%, with WSA holding a 25% non-contributing interest. SGQ is the Manager of the Project, and Western Areas Limited retains a 25% non-contributing interest in the Project until there is a decision to mine.

## KIDMAN RESOURCES LIMITED FARM-IN AND JOINT VENTURE (LITHIUM)

Western Areas entered into a Farm-in and Joint Venture Agreement with Kidman Resources Limited covering the Company's northern group of tenements, with a Stage 1 opportunity to earn 50% of the lithium rights. Western Areas retains all non-lithium rights over this ground.

## SOUTHERN CROSS GOLDFIELDS JOINT VENTURE (WSA 70% NICKEL RIGHTS INTEREST)

Within the Southern Cross Goldfields Limited JV, Western Areas has acquired 70% nickel rights across much of a 3,300km² tenement portfolio mainly located in the northern portion of the Southern Cross - Bullfinch Greenstone Belt and parts of the Marda-Diemals Belt within the 'Central Yilgarn Nickel Province' of Western Australia. Many of these tenements are now held by Black Oak Minerals Limited, (BOK). Tenements in the package are mainly located in the Evanston, Diemals, Marda, Bullfinch, Southern Cross, Marvel Loch and Mt Holland areas. The Company continues to review the prospectivity of the Joint Venture tenure, particularly those tenements adjacent to the Forrestania project.

## COSMOS NICKEL COMPLEX (100% WSA)

Following the acquisition of Cosmos in October 2015, the Company embarked on an extensive Moving Loop Electro-magnetic (MLEM) program, testing for conductors within prospective ultramafic host stratigraphy over a significant portion of this lease package. Several conductors were identified from these programs, with drill targets identified.

The Company recognises the importance of maintaining a strong, transparent, consultative relationship with the Tjiwarl Group native title holders at Cosmos. During FY17, separate heritage surveys to support planned drilling programs were undertaken covering the Neptune area (north of Lake Miranda) and the Apollo prospect. Numerous sites were formally heritage cleared at both locations. Planning to support proposals for additional heritage surveys (in FY18) was also undertaken.

Neptune lies to the south of the Prospero and Tapinos high grade nickel deposits and is interpreted to contain the highest volume of cumulate ultramafic rocks in the Cosmos Nickel Belt. A key focus across FY17 involved executing an exploration program at the Neptune prospect, with drilling undertaken proximal to several EM conductors. A series of down-hole EM surveys were also completed across several historic and more recently completed drill holes.

Key findings from this exploration program include:

- The successful delineation of a broad zone of cumulate ultramafic hosted disseminated nickel sulphide mineralisation, extending over several holes and defined over a strike length of >800m;
- Identification of several zones with elevated grade represented by stringer to massive sulphide mineralisation proximal to basal contacts; and
- Advancement in the knowledge of the geological setting of the Neptune area, incorporating revised interpretations of the ultramafic host sequence and delineation of several post mineralisation structures.

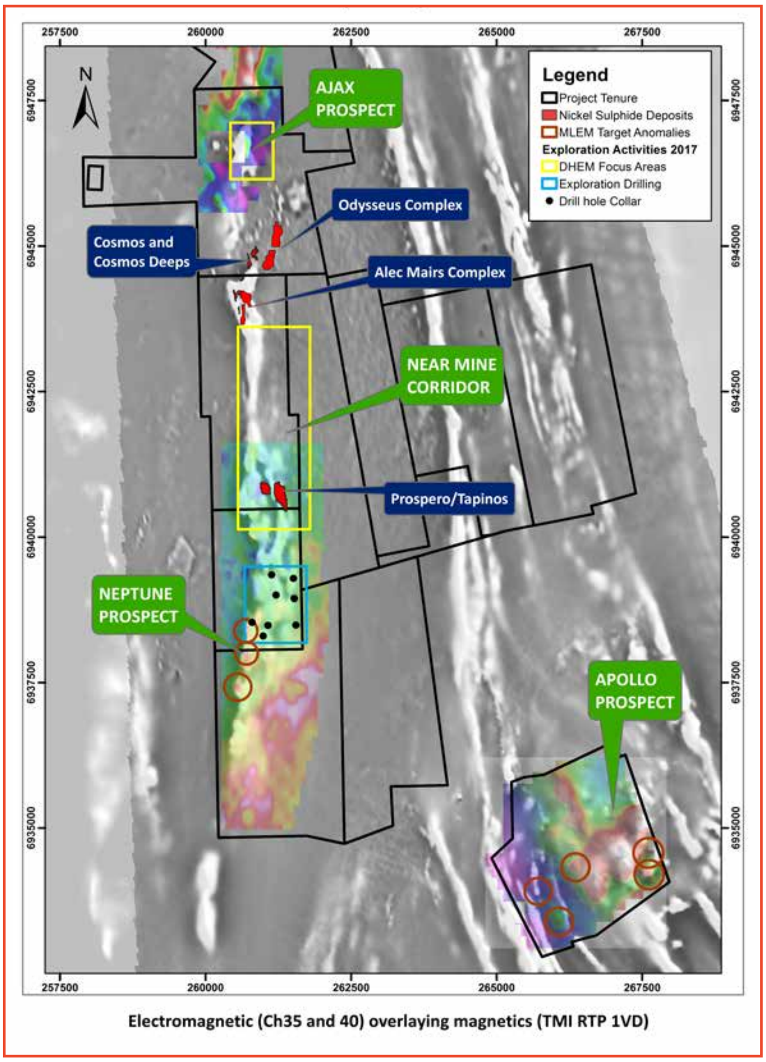
COSMOS NICKEL COMPLEX

Drilling at Neptune within tenement M36/632 focused on a 1km² zone extending north from 6938300mN, with a particular locus of activity centred on 6938500mN. A total of twelve holes were drilled across the Neptune project for 4427.9m. Drilling involved a combination or reverse circulation (RC) collars and diamond tails.

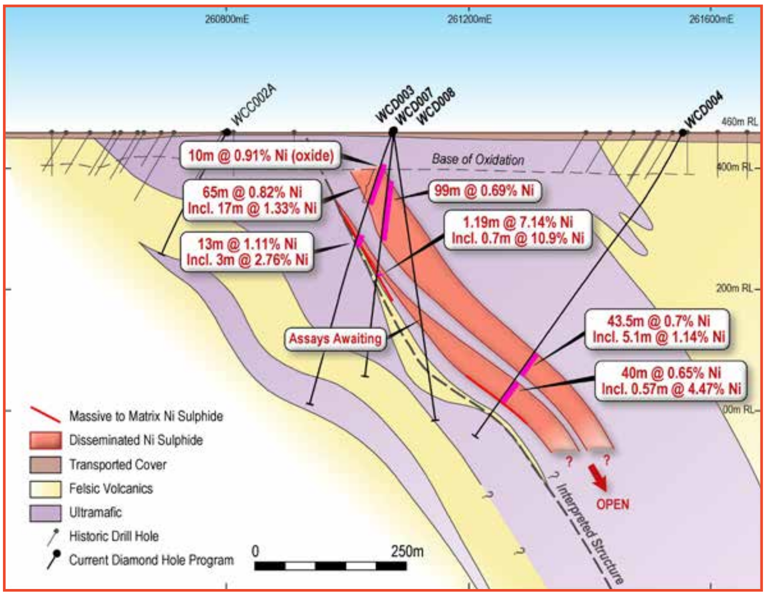
Results from the program to date have confirmed the presence of a laterally significant, cumulate ultramafic hosted, disseminated nickel sulphide system. Early stage geological interpretations indicate the presence of a late stage structure separating a more fertile ultramafic system to the east with a less prospective system to the west. Significant results from several holes were received. Centred on 6938500mN, WCD007 retuned 99m @ 0.69% Ni (from 100m). A further 800m to the north, WCD006 also intersected a broad disseminated zone containing 34.8m @ 0.68% Ni (from 295m).

Along with the encouragement of delineating broad zones of disseminated mineralisation, the primary exploration focus for the Company was in the identification of elevated continuous zones of more concentrated massive nickel sulphide. Although the first drilling phase of exploration at Neptune has only just been completed, the Company is pleased to have achieved early success, intersecting zones possessing higher grades associated with more stringer to semi-massive to massive styles of mineralisation. Of note were results from several holes including WCD003 containing 13m @ 1.11% Ni (from 177m) including an elevated zone of 3m @ 2.76% Ni. A follow-up hole, targeting 60m down-dip (WCD007) confirmed the presence of this elevated horizon, returning 1.19m @ 7.14% (from 237.63m). These intersections are interpreted to lie proximal to a basal margin setting, underlain by felsic volcanic to felsic schist. Early interpretations suggest a possible structural dislocation adjacent to this basal contact.

Coincident with the drilling program at Neptune, down-hole EM surveys were undertaken within five holes. No strong off-hole responses were returned from this program. An additional set of holes will be surveyed with results gained from these surveys assisting future targeting and drill planning.




FY17 EXPLORATION FOCUS AREAS WITHIN THE COSMOS NICKEL COMPLEX




NEPTUNE INTERPRETED CROSS SECTION 6938500MN

## WESTERN GAWLER NICKEL-COPPER JOINT VENTURE (WSA 100% AND EARNING UP TO 90% INTEREST)

In October 2014, the Company executed a Farm-in and Joint Venture Agreements with Gunson Resources Limited (now Strandline Resources Limited) over a key tenement holding along the eastern margin of the Western Gawler region of South Australia, and continued with the staged program to acquire up to 90% in the Strandline tenements.

The Company also continued to consolidate its land holding across the broader Western Gawler Project. In addition to the four tenements 100% held by the Company, ELA 2014/252 was also converted from an application to an active license (EL 5939) in April, 2017.

With a combined area of approximately 4,450km$^2$, the Company holds a strategic position in the Western Gawler region, an area of increasing interest for gold and base-metal exploration.

The Western Gawler region is known to host mafic-ultramafic intrusive rocks and determining the extent, exact age and prospectivity of these units is the primary objective of exploration activities. Results from the initial phase of exploration are very encouraging, with the identification of olivine gabbro-norite intrusive rocks and geochemical anomalism in a number of areas. The results confirm the initial observations regarding the prospectivity of the region for intrusive related nickel, copper (and gold) mineralisation. Mafic intrusive rocks of this nature are well known for hosting significant nickel and copper ore bodies in Western Australia, including Nova-Bollinger and Nebo-Babel.

Substantial advancements have been made in the Company's understanding of the geological and lithogeochemical setting across the Western Gawler project area. Key highlights include;

- Completion of an additional 49 holes for 3429m;
- Additional new gravity and infill surveys;
- Targeted Electro Magnetic (EM) ground surveys completed in key areas including the Citadel area;
- Compilation and review of geophysical datasets leading to the delineation of additional prospective mafic/ultramafic intrusive bodies;
- Potential for other metal types e.g. gold and copper mineralisation highlighted;
- Successful completion of a targeted heritage survey in coordination with the Far West Coast Native title holders and the Aboriginal Lands Trusts; and
- Target generation and planning for future drilling programs.

EXPLORATION AT WESTERN GAWLER

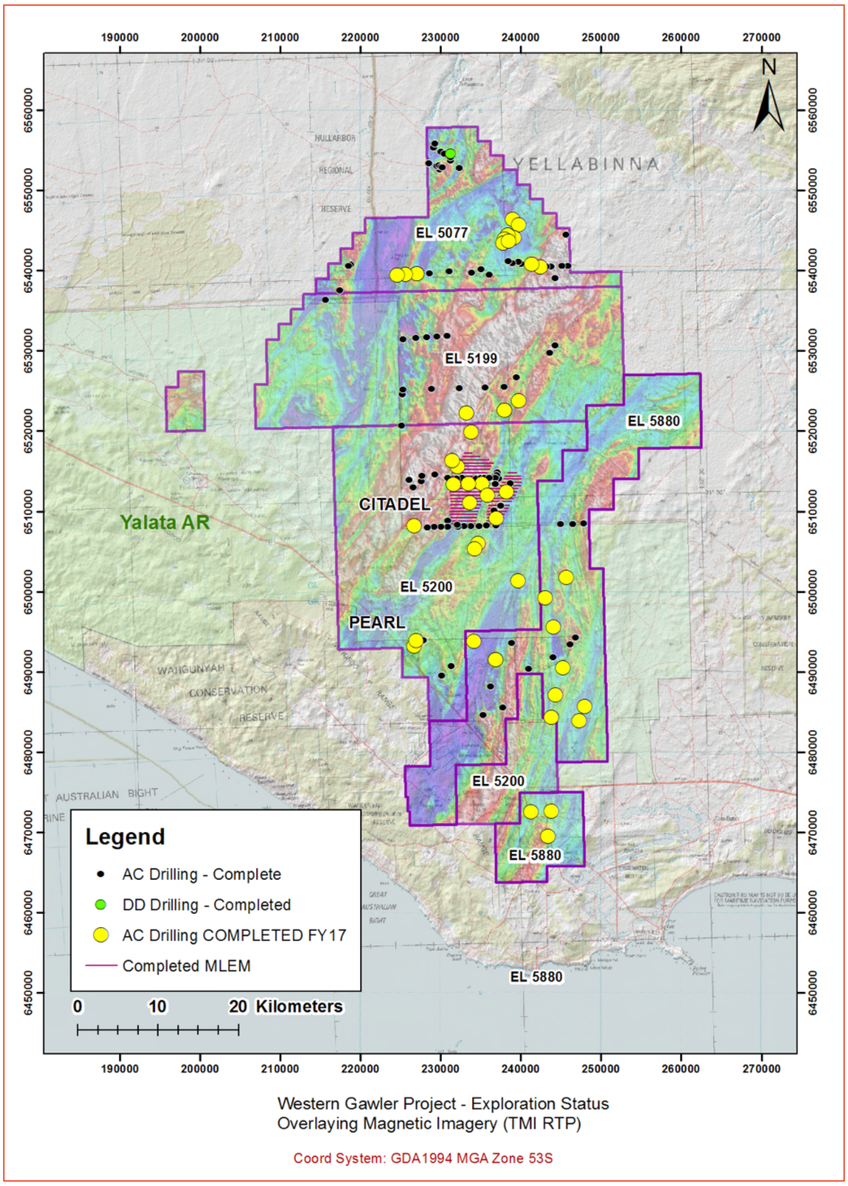
Following the identification of new areas of interest, further broad spaced drilling (RC/Air-core) was completed to validate and extend drilling into newly targeted areas. Drilling at Citadel confirmed the extent of mafic rocks is greater than previously interpreted, and identified a potential source of nickel sulphides (WGAC0121). Anomalous gold values were also returned on the margins of a large felsic intrusive body with a distinctive margin of magnetic skarn. Additionally, broad spaced regional drilling within the Yalata Aboriginal Reserve has targeted magnetic and gravity anomalies. Importantly, drilling has provided confirmation that the project has the potential to host significant quantities of nickel mineralisation, with further intersections of prospective mafic intrusive, and a number of new gold anomalies. Drilling has highlighted a number of areas that will be selected for additional ground geophysical surveys and drilling in the coming year.

EXPLORATION AT WESTERN GAWLER

Surface geophysical gravity and EM surveys continued during the year. The gravity surveys in conjunction with detailed magnetics can help delineate features that may represent mafic/ultramafic intrusions. Gravity surveys were completed over areas known to host prospective intrusions, and to extend the geological interpretation into unexplored areas. The results have highlighted a number of compelling areas where discrete magnetic anomalies are coincident with gravity highs. A Moving Loop EM survey was completed over the Citadel area however no significant bedrock anomalies were identified. Integration, reprocessing and interpretation of new geophysical data is ongoing, and will be used to target new areas with further geophysics and drilling.

Western Areas continues to build its relationships with the traditional owners and the Far West Coast Aboriginal Corporation (FWCAC), and the Aboriginal Lands trust (ALT). During the year, agreement was reached with the ALT to explore within the Yalata Aboriginal Reserve, which has facilitated heritage clearance of proposed drilling and the completion of gravity surveys. The FWCAC has also been supporting the exploration program by assisting with rehabilitation activities in the Yellabinna Regional Reserve. Ongoing dialogue with the Aboriginal Land Council continues to facilitate sustained exploration within existing and new areas of exploration.

Over the course of the coming year, building on the recently completed exploration programs within the Yalata Aboriginal Reserve and surrounding areas, focus will be on refining additional drill targets generated from EM, magnetic and gravity surveys. To facilitate these works, planning for and the completion of several heritage surveys will be an early key focus in FY18 to facilitate the next phase of drilling. Consolidation of existing geophysical datasets will see reprocessing of aeromagnetic map sheets, to aid in regional geological interpretation and refinement of structural models. Follow-up MLEM and gravity surveys will also be implemented.



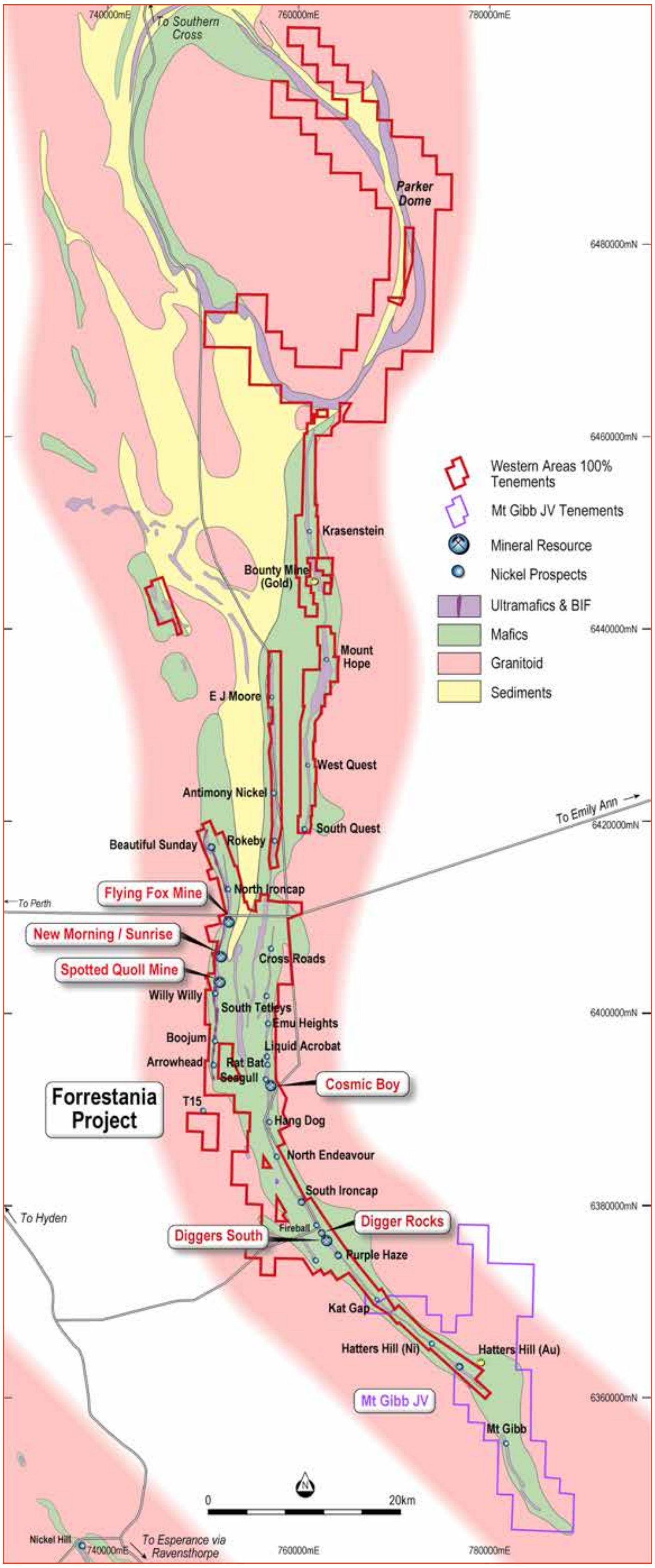

FY17 COMPLETED DRILLING AT WESTERN GAWLER

## FORRESTANIA PROJECT (100% WSA)

During the year planning, targeting, ground geophysical surveys and nickel sulphide drill targeting activities were performed across a focussed set of prospects. These covered both the Western Ultramafic Belts (WUB) and Eastern Ultramafic Belts (EUB), with particular attention centred on the Boojum West, Cross Roads, Lake Ned, Parker Dome and Northern Estates prospects. Drilling at the Cross Roads and Lake Ned prospects successfully intersected ultramafic orthocumulate – mesocumulate sequences, however significant concentrations of nickel sulphide were not identified from these programs. During 2016, the Company identified that an opportunity existed to thoroughly understand and explore the potential for lithium-bearing pegmatite units across its entire tenure package. South Ironcap, Northern Estates and Bounty West were identified as the regions with the greatest potential for hosting lithium bearing pegmatite systems.

Following on from a successful drill core resampling program at South Ironcap, further drill core resampling, along with targeted reverse circulation (RC) drilling was carried out in the Northern Estates, Bounty West and South Ironcap prospects between September and October 2016. This work identified numerous lithium bearing pegmatite systems. Additional exploration and review of these areas culminated in the Company entering into a Farm-in and Joint Venture Agreement with Kidman Resources Limited (KDR) covering the Company's northern group of tenements, with a Stage 1 opportunity for KDR to earn 50% of the lithium rights. Western Areas retains all non-lithium rights over this northern group of tenements. Additional to this deal, the Company also entered into a binding agreement with Kidman to sell two tenements (E77/1400 and E77/2099) which lie adjacent to Kidman's Earl Grey Lithium project. The sale enabled Western Areas to realise immediate value from these two non-core exploration tenements which have previously been well tested for nickel.

The Company believes strongly in the prospectivity of the Western Ultramafic Belt (WUB). The Boojum prospect area extends from 1 - 4km south of the Spotted Quoll Mine. The Company believes this area has the potential to host a Spotted Quoll style remobilised nickel sulphide system. Following on from a targeted RC and diamond drilling program in 2016, exploration work commenced in the last quarter of FY17, with an eight line moving loop EM survey completed. Interpretation of this newly acquired EM data is ongoing, with a targeted drilling campaign (guided by this survey) planned for the FY18 period.




PLAN SHOWING FORRESTANIA TENEMENTS; MINES AND KEY PROSPECTS

Targeting work identified several targets along the Eastern Ultramafic Belt (EUM) warranting further testing, most notably the Cross Roads and Lake Ned prospects. In April and May 2017, a total of seven RC holes was completed across both prospects, following up on anomalism identified from historical RAB and RC programs. Wide intersections of komatiitic stratigraphy, interlayered with banded iron formation and basaltic flows were noted. No massive accumulations of nickel sulphides were encountered.

Within the far northern extents of the Forrestania tenements holdings, work continues within the Parker Dome group of tenements. Most work for the reporting period centred on E77/1734, located within the Jilbadji Nature Reserve. The Company believes the Parker Dome region represents a significant opportunity to test a relatively underexplored greenstone sequence, prospective for both nickel and gold.

Work has progressed to finalise a Conservation Management Plan encompassing E77/1734, with Clearing Permits to support proposed drilling and geophysical surveys advancing towards completion. A targeted Level 1 flora survey was also completed, supporting the application process for a Clearing Permit. It is anticipated that on ground exploration activities will commence midway through FY18.

# ORE RESERVE / MINERAL RESOURCE STATEMENT

Ore reserves at the 30th of June 2017 were the following:

| Deposit | Tonnes | Grade Ni% | Ni Tns | JORC Classification | JORC Code |
|---|---|---|---|---|---|
| Flying Fox Area | 965,490 | 4.0 | 38,210 | Probable Ore Reserve | 2012 |
| Spotted Quoll Area | 342,210 | 4.1 | 14,060 | Proved Ore Reserve | 2012 |
| | 1,800,490 | 4.0 | 71,560 | Probable Ore Reserve | 2012 |
| Digger South | 2,016,000 | 1.4 | 28,560 | Probable Ore Reserve | 2004 |
| Digger Rock | 93,000 | 2.0 | 1,850 | Probable Ore Reserve | 2004 |
| Total Ore Reserves | 5,217,190 | 3.0 | 154,630 | | |

Ore reserves at the 30th of June 2016 were the following:

| Deposit | Tonnes | Grade Ni% | Ni Tns | JORC Classification | JORC Code |
|---|---|---|---|---|---|
| Flying Fox Area | 1,200,080 | 4.0 | 48,280 | Probable Ore Reserve | 2012 |
| Spotted Quoll Area | 236,950 | 4.2 | 9,940 | Proved Ore Reserve | 2012 |
| | 2,179,880 | 4.0 | 87,090 | Probable Ore Reserve | 2012 |
| Digger South | 2,016,000 | 1.4 | 28,950 | Probable Ore Reserve | 2004 |
| Digger Rock | 93,000 | 2.0 | 1,850 | Probable Ore Reserve | 2004 |
| Total Ore Reserves | 5,725,910 | 3.2 | 176,110 | | |

During FY17 the ore reserve/resource was depleted by mining activities. For FY18 new reserve/resource estimations based on updated information was used.

## GOVERNANCE AND INTERNAL CONTROLS

Western Areas geology and mining departments have implemented a set of rules and working practices to control the mineral resource and ore reserves estimation and reconciliation process, as well as the quality of the data used.

The Mineral Resources and Ore Reserves are reported in accordance with the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (the JORC Code) 2012 Edition (unless otherwise stated). Mineral Resources are quoted inclusive of Ore Reserves. Competent Persons named are Members of the Australasian Institute of Mining and Metallurgy and qualify as Competent Persons as defined in the JORC Code.

The Western Areas risk management program includes assessment of the risks associated with the estimations of mineral resources and ore reserves and the controls in place to ensure that robust resource and reserve calculations are reported. The risk management processes measures the likelihood of errors or misstatement and monitors the controls in place that mitigate this outcome.

# WESTERN AREAS ORE RESERVE / MINERAL RESOURCE STATEMENT - EFFECTIVE DATE 30TH JUNE 2017

| Ore Reserves | Tonnes | Grade Ni% | Ni Tonnes | Classification | JORC Code |
|---|---|---|---|---|---|
| 1. Flying Fox Area | 965,490 | 4.0 | 38,210 | Probable Ore Reserve | 2012 |
| 2. Spotted Quoll Area | 342,210 | 4.1 | 14,060 | Proved Ore Reserve | 2012 |
| | 1,800,490 | 4.0 | 71,560 | Probable Ore Reserve | 2012 |
| 3. Diggers Area | | | | | |
| Digger South | 2,016,000 | 1.4 | 28,950 | Probable Ore Reserve | 2004 |
| Digger Rocks | 93,000 | 2.0 | 1,850 | Probable Ore Reserve | 2004 |
| **TOTAL FORRESTANIA ORE RESERVE** | **5,217,190** | **3.0** | **154,630** | | |
| **Mineral Resources** | | | | | |
| 1. Flying Fox Area | | | | | |
| T1 South | 132,279 | 4.6 | 6,085 | Indicated Mineral Resource | 2012 |
| | 55,219 | 3.9 | 2,154 | Inferred Mineral Resource | 2012 |
| T1 North | 55,779 | 5.9 | 3,290 | Indicated Mineral Resource | 2012 |
| OTZ Sth Massive Zone | 20,560 | 4.1 | 843 | Inferred Mineral Resource | 2012 |
| OTZ Sth Massive Zone | 162,338 | 4.0 | 6,574 | Indicated Mineral Resource | 2012 |
| T4 Massive Zone | 191,535 | 5.5 | 10,580 | Indicated Mineral Resource | 2012 |
| T5 Massive Zone + Pegs | 1,077,114 | 5.7 | 61,054 | Indicated Mineral Resource | 2012 |
| T6 Massive Zone | 75,707 | 5.2 | 3,905 | Indicated Mineral Resource | 2012 |
| T7 Massive Zone | 256,977 | 2.1 | 5,303 | Inferred Mineral Resource | 2012 |
| **Total High Grade** | **2,027,508** | **4.9** | **99,787** | | |
| T5 Flying Fox Disseminated Zone | 197,200 | 0.8 | 1,590 | Indicated Mineral Resource | 2004 |
| | 357,800 | 1.0 | 3,460 | Inferred Mineral Resource | 2004 |
| T5 Lounge Lizard Disseminated Zone | 4,428,000 | 0.8 | 36,000 | Indicated Mineral Resource | 2004 |
| **Total Disseminated Flying Fox/Lounge Lizard** | **4,983,000** | **0.8** | **41,050** | | |
| **Total FF/LL** | **7,010,508** | **2.0** | **140,837** | | |
| New Morning / Daybreak | | | | | |
| Massive Zone | 340,126 | 3.3 | 11,224 | Indicated Mineral Resource | 2012 |
| | 78,067 | 3.9 | 3,025 | Inferred Mineral Resource | 2012 |
| Disseminated Zone | 1,887,691 | 1.5 | 29,025 | Indicated Mineral Resource | 2012 |
| | 3,232,693 | 1.2 | 38,065 | Inferred Mineral Resource | 2012 |
| **Total New Morning / Daybreak** | **5,538,577** | **1.5** | **81,339** | | |
| 2. Spotted Quoll Area | | | | | |
| Spotted Quoll | 529,205 | 5.8 | 30,870 | Measured Mineral Resource | 2012 |
| | 1,386,706 | 5.6 | 77,597 | Indicated Mineral Resource | 2012 |
| | 181,013 | 5.6 | 10,137 | Inferred Mineral Resource | 2012 |
| **Total Spotted Quoll** | **2,096,924** | **5.7** | **118,604** | | |
| Beautiful Sunday | 480,000 | 1.4 | 6,720 | Indicated Mineral Resource | 2004 |
| **Total Western Belt** | **15,126,009** | **2.3** | **347,500** | | |
| 3. Cosmic Boy Area | | | | | |
| Cosmic Boy | 180,900 | 2.8 | 5,050 | Indicated Mineral Resource | 2004 |
| Seagull | 195,000 | 2.0 | 3,900 | Indicated Mineral Resource | 2004 |
| **Total Cosmic Boy Area** | **375,900** | **2.4** | **8,950** | | |
| 4. Diggers Area | | | | | |
| Diggers South - Core | 3,000,000 | 1.5 | 44,700 | Indicated Mineral Resource | 2004 |
| Diggers South - Halo | 4,800,000 | 0.7 | 35,600 | Indicated Mineral Resource | 2004 |
| Digger Rocks - Core | 54,900 | 3.7 | 2,030 | Indicated Mineral Resource | 2004 |
| Digger Rocks - Core | 172,300 | 1.1 | 1,850 | Inferred Mineral Resource | 2004 |
| Digger Rocks - Halo | 1,441,000 | 0.7 | 10,350 | Inferred Mineral Resource | 2004 |
| Purple Haze | 560,000 | 0.9 | 5,040 | Indicated Mineral Resource | 2004 |
| **Total Diggers Area** | **10,028,200** | **1.0** | **99,570** | | |
| **TOTAL FORRESTANIA MINERAL RESOURCE** | **25,530,109** | **1.8** | **456,020** | | |
| 5. Cosmos Area | | | | | |
| AM5 | 479,914 | 2.6 | 12,430 | Indicated Mineral Resource | 2012 |
| | 26,922 | 1.9 | 509 | Inferred Mineral Resource | 2012 |
| AM6 | 1,704,548 | 2.7 | 45,171 | Indicated Mineral Resource | 2012 |
| | 329,443 | 2.5 | 8,203 | Inferred Mineral Resource | 2012 |
| Odysseus South Disseminated | 4,016,949 | 2.1 | 84,767 | Indicated Mineral Resource | 2012 |
| | 219,641 | 2.0 | 4,302 | Inferred Mineral Resource | 2012 |
| Odysseus North - Disseminated | 3,128,943 | 2.6 | 81,156 | Indicated Mineral Resource | 2012 |
| | 225,248 | 2.7 | 6,111 | Inferred Mineral Resource | 2012 |
| Odysseus North - Massive | 145,830 | 6.1 | 8,836 | Indicated Mineral Resource | 2012 |
| | 124,900 | 11.2 | 14,002 | Inferred Mineral Resource | 2012 |
| **Total Cosmos Area** | **10,402,338** | **2.6** | **265,487** | | |
| 6. Mt Goode Area | | | | | |
| Mt Goode | 13,563,000 | 0.8 | 105,791 | Measured Mineral Resource | 2012 |
| | 27,363,000 | 0.6 | 158,705 | Indicated Mineral Resource | 2012 |
| | 12,009,000 | 0.5 | 62,447 | Inferred Mineral Resource | 2012 |
| **Total Mt Goode Area** | **52,935,000** | **0.6** | **326,943** | | |
| **TOTAL COSMOS MINERAL RESOURCE** | **63,337,338** | **0.9** | **592,430** | | |
| **TOTAL WESTERN AREAS MINERAL RESOURCE** | **88,867,447** | **1.2** | **1,048,450** | | |

# FINANCIAL STATEMENTS

The Directors of Western Areas Limited present the financial report of the Company for the financial year ended 30 June 2017. Unless noted, all amounts in this report refer to Australian dollars. In order to comply with the provisions of the Corporations Act 2001, the Directors' Report follows:

## INFORMATION ABOUT THE DIRECTORS

The following persons were directors of Western Areas Ltd for the entire financial year and up to the date of this report unless otherwise stated.

| | |
|---|---|
| **Ian Macliver**<br>Non-Executive Independent Chairman | Mr Macliver is a Chartered Accountant with many years' experience as a senior executive and Director of both resource and industrial companies, with particular responsibility for capital raising and other corporate development initiatives. Mr Macliver is Executive Chairman of Grange Consulting Group Pty Limited which provides specialist corporate advisory services to both listed and unlisted companies. Mr Macliver is a member of the Audit and Risk, Treasury, Remuneration and Nomination Committee. |
| **Daniel Lougher**<br>Managing Director & CEO | Mr Lougher is a qualified Geologist and Mining Engineer with over 30 years' experience in all facets of mining project exploration, feasibility, development and operational activities in Australia and overseas. Mr Lougher is a member of the Australasian Institute of Mining & Metallurgy. Mr Lougher serves on the Nomination Committee. |
| **David Southam**<br>Executive Director | Mr Southam is a Certified Practicing Accountant with over 20 years' experience in accounting, banking and finance across the resources and industrial sectors. Mr Southam has been responsible for completing significant capital management initiatives and commodity offtake contracts with large domestic and international companies. |
| **Richard Yeates**<br>Non-Executive Independent Director | Mr Yeates is a Geologist with more than 35 years' mining industry experience in various technical, management and corporate roles and has significant experience across a wide range of resource projects around the world. He is familiar with the ASX regulatory environments and has had exposure to international resource funds and financial institutions. Mr Yeates is Chairman of the Nomination Committee and a member of the Remuneration Committee. |
| **Craig Readhead**<br>Non-Executive Independent Director | Mr Readhead is a lawyer with over 30 years' legal and corporate advisory experience with specialisation in the resources sector, including the implementation of large scale mining projects both in Australia and overseas. Mr Readhead had a distinguished legal career specialising in mining and corporate law and is a former president of the Australian Mining and Petroleum Law Association and previously a member of the WA Council of the Australian Institute of Company Directors. Mr Readhead is Chairman of the Treasury and Audit & Risk Management Committees. |
| **Tim Netscher**<br>Non-Executive Independent Director | Mr Netscher has significant broad-based international resources experience at senior levels, in roles spanning marketing, operations management, project management and business development in Australia and Internationally. Mr Netscher has considerable experience in the nickel industry with senior executive roles at Impala Platinum Ltd, PT Inco and QNI Pty Ltd. Mr Netscher is a Chartered Engineer and holds a BSc in Chemical Engineering, Bachelor of Commerce, a MBA, is a fellow of the Institution of Chemical Engineers and is a member of the Australian Institute of Company Directors. Mr Netscher is the Chairman of the Remuneration Committee and a member of the Treasury and Audit & Risk Committees. |
| **Natalia Streltsova**<br>Non-Executive Independent Director | Dr Streltsova is a Chemical Engineer with over 25 years' experience in the minerals industry. She has a strong background in mineral processing and metallurgy with specific expertise in nickel, gold and base metals. Dr Streltsova has a proven track record in innovation, commercialisation of new technologies and identification of best solutions for challenging projects. Dr Streltsova has held various leadership and technical roles with major mining houses including Vale SA, BHP Billiton and WMC Resources Limited. She has broad international experience, both in technical and in business development capacities, covering projects in Australia, Africa, South America and countries of the Former Soviet Union. Dr Streltsova was appointed to the Board on 1 January 2017. Dr Streltsova is a member of the Nomination Committee. |

## DIRECTORSHIPS OF OTHER LISTED COMPANIES

| Name | Company | Period of Directorship |
|---|---|---|
| I Macliver | Otto Energy Ltd<br>Rent.com.au Ltd **(Ceased)**<br>Range Resources Ltd **(Ceased)** | Since January 2004<br>September 2010 – June 2015<br>June 2014 – August 2014 |
| D Lougher | Bluejay Mining Plc (formally FinnAust Mining Plc) **(Ceased)**<br>Mustang Minerals Corp **(Ceased)** | December 2013 – March 2016<br>January 2011 – October 2015 |
| D Southam | Kidman Resources Ltd<br>Troy Resources Ltd **(Ceased)**<br>Sundance Resources Ltd **(Ceased)** | Since July 2017<br>July 2016 – December 2016<br>September 2013 – January 2016 |
| R Yeates | Middle Island Resources Ltd<br>Atherton Resources Ltd **(Ceased)** | Since March 2010<br>October 2014 – November 2015 |
| C Readhead | Beadell Resources Ltd<br>Eastern Goldfields Ltd<br>Redbank Copper Ltd<br>General Mining Corporation Ltd **(Ceased)**<br>Heron Resources Ltd **(Ceased)** | Since April 2010<br>Since March 2013<br>Since April 2013<br>August 2007 – October 2015<br>January 2000 – April 2015 |
| T Netscher | St Barbara Ltd<br>Gold Road Resources Ltd<br>Toro Energy Ltd **(Ceased)**<br>Deep Yellow Ltd **(Ceased)**<br>Aquila Resources Ltd **(Ceased)** | Since February 2014<br>Since September 2014<br>October 2015 – August 2016<br>January 2013 – December 2015<br>November 2013 – July 2014 (*) |
| N Streltsova | Neometals Ltd<br>Parkway Minerals NL | Since April 2016<br>Since June 2015 |

(*) Date co-insides with de-listing from the Australian Stock Exchange.

## COMPANY SECRETARY

Mr J Belladonna is a Certified Practicing Accountant and has been employed at Western Areas Limited since 2005, originally as Financial Controller and then as the Company Secretary and Chief Financial Officer. In his time at the Company he has been intimately involved in the accounting, debt financing, corporate governance, risk management, capital raising and financial initiatives at the Company. Mr Belladonna has over 15 years' experience in the resources industry including listed gold and base metal companies in a range of management positions.

## INTERESTS IN SHARES AND OPTIONS OF THE COMPANY

Full details of the Directors' shareholdings in Western Areas are included in the remuneration report section of this report.

## REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Information about the remuneration of directors and senior management is set out in the remuneration report of this Directors' Report on page 40.

## PERFORMANCE RIGHTS GRANTED TO DIRECTORS AND SENIOR MANAGEMENT

Performance Rights granted to directors and senior management during the financial year ended 30 June 2017 is set out in the Remuneration Report of this Directors' Report on page 40.

## INDEMNIFICATION OF OFFICERS AND DIRECTORS

During the financial year, the parent entity paid a premium under a contract insuring all Directors and Officers of the Company against liability incurred in that capacity. Disclosure of the nature of liabilities insured and the premium is subject to a confidentiality clause under the contract of insurance.

The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company against a liability incurred as such an officer or auditor.

## DIRECTORS' BENEFITS

No Directors of the Consolidated Entity have, since the end of the previous financial year, received or become entitled to receive a benefit (other than a benefit included in the total amount of emoluments received or due and receivable by Directors shown on page 20 of the Directors Report) by reason of a contract made by the parent entity or a related body corporate with the director or with any entity in which the director has a substantial financial interest, with the exception of benefits that may be deemed to have arisen in relation to the transactions entered into in the ordinary course of business as disclosed in Note 29 to the accounts.

## DIRECTORS' MEETINGS

The following table sets out the number of meetings of the parent entity's Directors and meetings of the sub-committees of the Board held during the year ended 30 June 2017 and the number of meetings attended by each Director.

| | Meetings of Committees | | | | |
|---|---|---|---|---|---|
| | **Directors Meetings** | **Audit & Risk Management** | **Remuneration** | **Nomination** | **Treasury** |
| **Meetings held:** | 10 | 3 | 1 | 1 | 1 |
| **Meetings attended:** | | | | | |
| I Macliver | 10 | 3 | 1 | 1 | 1 |
| D Lougher | 10 | - | - | 1 | - |
| D Southam | 10 | - | - | - | - |
| R Yeates | 10 | - | 1 | 1 | - |
| C Readhead | 9 | 3 | - | - | 1 |
| T Netscher | 10 | 3 | 1 | - | 1 |
| N Streltsova (*) | 5 | - | - | - | - |

(*) Dr Streltsova joined the Board on 1 January 2017 attending all relevant meetings since that time.

## PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of the Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

## DIVIDENDS PAID OR RECOMMENDED

In relation to the 30 June 2017 financial year the Board declared a final 2 cent fully franked dividend on 22 August 2017.

In respect of the financial year ended 30 June 2016 no dividends were declared or paid.

## SUBSEQUENT EVENTS

The Board of Directors, on 22 August 2017, declared a final fully franked dividend of 2 cents to the holders of fully paid ordinary shares.

Other than matters detailed above, there have been no subsequent events after 30 June 2017 which have a material effect on the financial statements for the year ended 30 June 2017.

## PRINCIPAL ACTIVITIES

The principal activities of the Consolidated Entity during the year consisted of mining, processing and sale of nickel sulphide concentrate, the continued assessment of development feasibility of the high grade nickel mines and the exploration for nickel sulphides and other base metals.

## REVIEW OF OPERATIONS

### OPERATIONAL METRICS

The Company provides detailed quarterly operating reports throughout the year outlining quarterly and year to date production, cost, sales and operating metrics, some of which are shown below.

| Financial Year – Physical Summary | | | |
|---|---|---|---|
| | | **2016/17** | **2015/16** |
| Tonnes Mined | Tns | 591,778 | 590,246 |
| Nickel Grade (average) | % | 4.4% | 4.7% |
| Tonnes Milled | Tns | 617,808 | 616,279 |
| Milled Grade (average) | % | 4.2% | 4.5% |
| Recovery | % | 89% | 90% |
| Nickel in Concentrate | Tns | 23,005 | 25,009 |
| Nickel Sales in Concentrate | Tns | 22,639 | 24,793 |

Total mine ore production was materially in line with the prior year. The Spotted Quoll mine achieved record annual production of both ore and nickel tonnes, and has now becoming the dominant producer at Forrestania contributing approximately 60% of mine production. During the year an ore-sorter was utilised to treat an existing low grade stockpile at Flying Fox which had a zero balance sheet value. The six-month campaign was successful on many fronts, which included unlocking additional margin at Forrestania and increasing ore stockpile volumes to targeted levels that allow flexibility in selecting the optimum mill feed blend.

The nickel concentrator processed a record 617,808 ore tonnes during the year, maintaining its history of performing above nameplate capacity of 550,000 tonnes. The consistent high level of performance at the concentrator is largely due to a well planned and executed preventative maintenance program, which has resulted in 98% plant availability for the year and the implementation of identified process improvements and efficiencies that are now imbedded into the normal concentrator operating plan.

The Company had one LTI during the year and just fell short of three years LTI free. The continued high level of environmental management has resulted in no significant environmental incidents occurring throughout the year.

# REVIEW OF OPERATIONS (cont'd)

## FINANCIAL METRICS

### Income Statement

| Full Financial Year – Earnings Results Summary | | | |
|---|---|---|---|
| | 2016/17 $m | 2015/16 $m | Change $m |
| Revenue | 213.9 | 209.1 | 4.8 |
| EBITDA(1) | 84.9 | 24.7 | 60.2 |
| EBIT/(LBIT) | 18.6 | (36.0) | 54.6 |
| Profit Before Tax/(Loss) | 17.4 | (38.5) | 55.9 |
| **Net (Loss)/Profit After Tax** | **19.3** | **(29.8)** | **49.1** |

(1) EBITDA is a not defined by International Financial Reporting Standards. As such it is a Non-IFRS performance measure.

Revenue for the year increased by A$4.8m as a result of a higher average nickel price for the year at A$6.11/lb (FY16 A$5.69/lb), which was partially offset by a reduced sales volume as the Company implemented a value over volume strategy for the 2017 financial year. Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) was significantly stronger year on year as established cost savings were maintained and further efficiency gains and savings were implemented.

EBITDA and Net Profit after Tax (NPAT) were both positively affected by two transactions related to non-core assets:

- The staged sale of the Company's investment in Bluejay Mining Plc (Bluejay) contributed A$25.6m.
- Two agreements were executed with Kidman Resources Ltd (Kidman), a sale agreement for two northern Forrestania tenements and an earn-in joint venture agreement over the Company's northern Forrestania tenements. Share based consideration for the two Kidman agreements totalled A$7.5m (post tax A$5.4m).

### Statement of Cash Flows

| Full Financial Year – Cash flow Summary | | | |
|---|---|---|---|
| | 2016/17 $m | 2015/16 $m | Change $m |
| Net Operating Cash flow Net | 66.2 | 15.6 | 50.6 |
| Investing Cash flow Net | (1.4) | (72.4) | 71.0 |
| Financing Cash flow | (0.2) | (62.8) | 62.6 |
| **Net Cash flow** | **64.6** | **(119.6)** | **184.2** |
| **Cash at Bank** | **140.3** | **75.7** | **64.6** |

Net cash flow of A$64.6m resulted in A$140.3m cash at bank at year end. The free cash flow was generated from increased nickel sales receipts resulting from a higher average nickel price and a favourable movement in working capital primarily due to the execution of new nickel offtake agreements that contained more favourable payment terms. Furthermore, the sale of the Company's non-core investment in Bluejay realised A$32.1m net of transaction costs.

Net operating cash flow increased by A$50.6m due to the favourable movement in working capital (A $13.7m), mainly in receivables (A$10.1m), resulting from the new offtake agreements, the higher average nickel price and a taxation refund versus payment in the prior year.

Net investing cash flow increased by A$71.0m due to the sale of Bluejay A$32.1m in FY17, as compared to the acquisition payment for Cosmos in FY16 for A$24.2m.

The year on year change in net financing cash flow was due to a convertible bond repayment of A $125.0m, partially offset by a capital raising of A$75.0m both of which occurred in FY16.

## Statement of Financial Position

| Full Financial Year – Balance Sheet Summary | | | |
|---|---|---|---|
| | 2016/17 $m | 2015/16 $m | Change $m |
| Current Assets | 181.2 | 119.9 | 61.3 |
| Total Assets | 518.9 | 489.2 | 29.7 |
| Current Liabilities | 29.8 | 26.3 | 3.5 |
| Total Liabilities | 59.6 | 55.2 | 4.4 |
| **Net Equity** | **459.3** | **434.0** | **25.3** |

Current assets increased primarily due to the cash at bank increasing by A$64.6m and the ore stockpile inventory value increasing by A$6.5m with an increase in ore stockpiles following completion of the ore-sorter program.

A net reduction in non-current assets primarily related to amortisation charges against mine properties of A$48.0m being offset by new development expenditure of A$20.2m. Exploration and evaluation expenditure of A$7.1m was capitalised during year as the Company continued to invest in exploration at Cosmos, Forrestania and Western Gawler. Total assets at reporting date were A$518.9m, representing an increase of A$29.7m from the prior year.

Total liabilities of A$59.6m represented a decrease of A$4.4m from the prior year as a result of working capital movements.

Total equity attributable to the shareholders increased by A$25.3m to A$459.3m, primarily due to NPAT of A$19.3m.

# MATERIAL BUSINESS RISKS

## STRATEGIC LONG TERM ECONOMIC RISKS

### Exploration

The Company is committed to accepting the inherent risks associated with mineral exploration in the pursuit of extending our mineral resource inventory. Exploration is a key component of WSA's ongoing success, and to ensure the best possible results the Company applies the latest techniques in order to deliver the most cost effective and results driven exploration programs. A successful exploration program also relies on our ability to work in unison with our external stakeholders and in accordance with relevant regulatory frameworks.

Exploration continues within our tenement packages at Forrestania with the intent of extending our relationship with this project. The Cosmos Project has delivered very encouraging exploration results, and this work will continue with the view of establishing a robust nickel project at Cosmos that supplements our current production at Forrestania. The Western Gawler project in South Australia is viewed as a highly prospective and an under explored region that could feature significantly in the future of our business.

### Inorganic Growth & Investment

Western Areas' strategy includes investment in business development activities (joint ventures, mergers, acquisitions and innovation) to enhance our current project portfolio. Business development opportunities remain tightly contested and the Company applies a high level of technical rigour in our assessment of opportunities. The Company's balance sheet is robust with no debt and a strong cash position which places it in a competitive position to pursue business development opportunities that can provide the best possible value for our shareholders.

# MATERIAL BUSINESS RISKS (cont’d)

## STRATEGIC LONG TERM ECONOMIC RISKS (cont’d)

### Metal & Currency Markets

The nickel market has experienced another year of volatility and relatively low nickel prices. Within these conditions the Company has continued to deliver free cash flows. Following established processes and working with existing and potential new customers, the Company successfully established a new concentrate offtake agreement with Tsingshan Group and an improved contract with BHP Nickel West. The agreement with Tsingshan was innovative as it is the first material nickel concentrate contract established directly with a stainless steel manufacture. Bypassing the traditional sales routes to execute the contract with Tsingshan was many years in the making and demonstrated the Company’s innovative approach to marketing concentrates to reduce the downside to weak nickel prices and effects of the macro economic environment. WSA also has typical financial strategies, such as commodity price and foreign exchange hedging, that can be applied to manage cost and revenue fluctuations, induced by cyclical commodity markets.

## OPERATING RISKS

### Business Interruption

A significant disruption to Forrestania Nickel Operation (FNO) could have a significant adverse effect on Western Areas’ revenue from operating activities. The FNO consists of the Spotted Quoll and Flying Fox mines, the Cosmic Boy concentrator and the associated infrastructure. These assets are all within the same geographic area, and are our only revenue generating assets. Therefore, a significant failure event at one of these assets has the potential to significantly reduce nickel production and consequent revenue from nickel sales. FNO has well established risk and business continuity management practices that prevent and respond to known business interruption risks. Processes and procedures are regularly tested both via training drills, crisis simulation and real world situations that occur from time to time, such as significant rain events or bushfire threats.

### Counter Parties

Western Areas relies on a number of contractor entities to support exploration, mining, logistics and maintenance activities. The financial failure of one of our key contractors, such as the major mining contractor, could result in interruptions to production plans and affect our operating costs. Western Areas practices a high level of due diligence prior to awarding contracts, and continues to actively manage our supply chain. WSA firmly believes in building relationships with our supply chain partners in order to generate mutually beneficial long term value.

## SUSTAINABILITY RISKS

### People

The safety and well-being of people undertaking activities on behalf of the Company is our priority. There are a number of inherent hazards associated with exploration, mining and mineral processing that require ongoing management and assurance to ensure our safety performance is in line with the high standard expected. Western Areas continues to demonstrate excellence in safety performance and continues to work with our contractors and partners to make Western Areas a safe and rewarding place to work.

WSA values the contribution of our people and in doing so has put in place the required systems and support to motivate, empower and reward our people.

### Compliance

The Company has a number of statutory and regulatory obligations to fulfil, including corporate, financial, taxation, health and safety, environmental, land management, tenure and human resources. Western Areas readily accepts that fulfilling compliance obligations is a necessary part of maintaining our license to operate and fulfilling our stakeholders’ expectations. Our governance framework and compliance management practices are built into our roles and responsibilities, planning processes and day to day activities. Conservatism and compliance is an accepted part of Western Areas culture.

## REMUNERATION REPORT (AUDITED)

This report outlines the remuneration arrangements in place for Key Management Personnel (KMP) which includes Non-Executive Directors and Executives of Western Areas Ltd. The remuneration structures of Western Areas have been extremely well supported by its shareholders based on the Annual General Meeting (AGM) voting results, and the Company has been mindful to monitor market standards and conditions closely. Given the level of support and acceptance, there have been no material changes in remuneration practices or incentive programmes during the 2017 financial year (FY17).

Key points/changes for FY17:

- Introduction of a $1,000 tax exempt share plan offering to all staff (excluding KMP), aligning all staff to shareholder outcomes and encouraging employees to act like owners of the business;
- 10% base salary reductions in all Directors' and Key Management Personnel maintained for the full year – this was implemented in March 2016;
- All STI and LTI target values were set based off the reduced base salary level;
- Non-executive director remuneration remains frozen at the 10% reduction level, which was first implemented in March 2016; and
- The Remuneration Committee, in consultation with KMP, exercised their discretion and reduced by 50% selected short term incentive payments, deemed triggered.

The report is comprised of the following key sections:

- Section A: Who this report covers
- Section B: Remuneration governance and philosophy
- Section C: 2016 Annual General Meeting voting
- Section D: Use of remuneration consultants
- Section E: Executive remuneration framework
- Section F: Non-executive director remuneration
- Section G: Service contracts
- Section H: Link between performance and remuneration outcomes
- Section I: Details of remuneration

### SECTION A: WHO THIS REPORT COVERS

The following persons acted as directors of the Company during the financial year:

- Mr I Macliver Independent Non-Executive Chairman
- Mr D Lougher Managing Director
- Mr D Southam Executive Director
- Mr R Yeates Independent Non-Executive Director
- Mr C Readhead Independent Non-Executive Director
- Mr T Netscher Independent Non-Executive Director
- Dr N Streltsova Independent Non-Executive Director (Appointed 1 January 2017)

Other 'KMP's of the Company during the financial year were:

- Mr J Belladonna Chief Financial Officer & Company Secretary
- Mr W Jones General Manager Operations

# REMUNERATION REPORT (AUDITED) (cont'd)

## SECTION B: REMUNERATION GOVERNANCE AND PHILOSOPHY

### Remuneration Committee

The Remuneration Committee is responsible for assisting the Board in fulfilling its responsibilities relating to the remuneration of Directors, the Managing Director and KMP, remuneration practices, strategies and disclosures generally.

Remuneration levels and other terms of employment for the Directors and the senior management team are reviewed at least annually by the Remuneration Committee, having regard to performance against goals set each year, qualifications and experience, relevant market conditions and independent remuneration benchmarking reports.

The Remuneration Committee assesses the appropriateness of remuneration levels to ensure the Company is able to attract and retain high quality executives. The Remuneration Committee utilises independent salary reports to assist in this regard.

### Remuneration Philosophy

The Company recognises that it operates in a global environment and to prosper in such an environment, it must attract, motivate and retain personnel of the highest calibre. The principles supporting the Company's remuneration policy are that:

- Reward reflects the competitive global market in which we operate;
- Retention of staff throughout commodity price cycles is crucial to ensure achievement of corporate goals;
- Individual reward is based on performance across a range of disciplines that apply to delivering results and executing strategies for the Company;
- Executive remuneration is linked to the creation of shareholder value; and
- Remuneration arrangements are equitable, fair and facilitate the deployment of senior management across the Company.

## SECTION C: 2016 ANNUAL GENERAL MEETING VOTING

Western Areas received 99% "yes" votes for the Remuneration Report resolution at the 2016 Annual General Meeting and remuneration practices remain consistent with prior years.

## SECTION D: USE OF REMUNERATION CONSULTANTS

Western Areas engaged PwC as Remuneration Consultants during FY17 to provide assistance with documentation management and ongoing market trend monitoring and development in relation to the Long Term Incentive ('LTI') plans. No 'remuneration recommendations' as defined in the Corporation Act 2001 were made or supplied by PwC.

## SECTION E: EXECUTIVE REMUNERATION FRAMEWORK

The Company aims to reward Executives with a level and mix of remuneration commensurate with their position, experience and responsibilities within the Company. The objective is to:

- Reward Executives for their individual performance against targets set by reference to appropriate benchmarks;
- Retain Executives throughout commodity price cycles;
- Align the interests of Executives with those of the shareholders; and
- Ensure that total remuneration is competitive by market standards.

The Company's Executive reward structure provides a combination of fixed and variable pay, and is comprised of:

- Fixed remuneration, inclusive of base pay, superannuation, allowances, and salary-sacrifice component;
- Short term incentives; and
- Long term incentives.

## Remuneration mixes

In accordance with the Company's objective to ensure that executive remuneration is aligned to Company performance, a significant portion of Executives' remuneration is placed "at risk". The relative proportion of target FY17 total remuneration packages split between fixed and variable remuneration is shown below:

| | Fixed Remuneration (*) | Target STI | Target LTI |
|---|---|---|---|
| Executive Directors | | | |
| Mr D Lougher | 42% | 21% | 37% |
| Mr D Southam | 46% | 23% | 31% |
| Executives | | | |
| Mr J Belladonna | 46% | 23% | 31% |
| Mr W Jones | 55% | 20% | 25% |

(*) Includes superannuation

The target remuneration mix of higher level KMP has been designed with emphasis on LTI exposure. This further aligns Executives with shareholders and a focus on long term value generation. It is noted that all STI and LTI targets were set based off the 10% reduced base salary for FY17.

In the event of serious misconduct or a material misstatement in the Company's financial statements, the Remuneration Committee can cancel or defer performance based remuneration that has not yet been vested or paid. There is currently no formal claw back of performance based remuneration paid in prior financial years. It is noted that senior Executives have a balanced blend of physical, financial, mineral resource and exploration targets included in their key performance indicators, which limits the potential reward payable based on achieving financial targets alone to trigger STI payments.

## Fixed remuneration

Fixed remuneration consists of base salary, superannuation, allowances and any salary sacrifice component. The fixed remuneration component is reviewed annually by the Remuneration Committee. Base salary for each Executive is benchmarked against market data for comparable roles in the market and the Remuneration Committee refers to external independent salary reports to ensure that the remuneration levels are set to meet the objectives of the Company while remaining competitive in the wider employment market.

Base salaries for Executives were maintained at the 10% discounted rate for the entire financial year, having first been implemented in March 2016. There is no guaranteed base pay increase included in any Executives' contract.

## Short term incentive ('STI')

The objective of STI's is to link Executive remuneration with the achievement of the Company's key operational and financial targets. The STI plan provides Executives with an opportunity to earn a cash bonus on achievement of individual and Company key performance indicators ('KPIs'). Challenging KPIs are set to ensure payments are only made to high performing employees.

It is the Company's policy to cap STI payments at a targeted STI level. The percentage is applied against the relevant Executive's base salary only and excludes all allowances and superannuation. It is noted that all STI targets for FY17 were based off the 10% reduced base salary level.

The KPIs used span across key focus areas of the business (operations, corporate, resource replenishment and exploration), and the respective KPIs and their weightings will vary by role and are designed to align to those measures relevant to the individual's area of influence toward achievement of corporate strategies and plans.

# REMUNERATION REPORT (AUDITED) (cont'd)

## SECTION E: EXECUTIVE REMUNERATION FRAMEWORK (cont'd)

### Short term incentive ('STI') (cont'd)

The full list of KPIs set for Executives in FY17 is below. For each Executive, KPIs relevant to their area of influence are selected from the list below and assigned each year. No KMP achieved 100% of target STI for FY17, which the Company believes demonstrates the challenging nature of the KPI targets.

| | **Overview KPI** | **Why KPI was set** |
|---|---|---|
| **Operations** | | |
| Forrestania safety performance | Based on Lost Time Injury performance in each quarter. | Motivate and reward the continued focus on safety standards and procedures. |
| Forrestania environmental incidents | Based on a minimum reportable environmental incidents by quarter. | Motivate and reward the continued focus on best practice environmental management. |
| Forrestania unit cash cost | Focused on average unit cash costs for Flying Fox (FF) and Spotted Quoll (SQ) mines per pound of nickel produced. Performance better than budget is required. | Motivate and reward the stringent management of production costs outcomes that exceed the Board set business plan. |
| Forrestania nickel in ore production | Must exceed the budgeted nickel metal in ore production target from FF and SQ mines. | Motivate and reward nickel production outcomes that exceed Board set business plans. |
| Forrestania mill recoveries | Achieve a set threshold recovery above budget levels for the combined ore feed from FF and SQ mines. | Motivate and reward nickel production outcomes that exceed Board set business plans. |
| Forrestania nickel in concentrate sales | Sale of nickel metal in concentrate to exceed a set tonnage target. | Motivate and reward nickel sales outcomes that exceed Board set business plans. |
| **Corporate** | | |
| Earnings | Achieve EBIT target above budget. | Motivate and reward financial outcomes that exceed Board set business plans. |
| Cash flow | Achieve pre-funding cash flow target above budget. | Motivate and reward financial outcomes that exceed Board set business plans. |
| Offtake Contracts | Based on achieving improved terms and conditions for new offtake contracts. | Motivate positive contract outcomes that exceeded Board set targets. |
| Business development | Based on business development activities and project pipeline development that provides opportunities to add value or protect value in the Company and for the shareholders. | Motivate and reward business development initiatives that provide market intelligence and enhance corporate growth opportunity identification. |
| **Mineral Resources and Exploration** | | |
| Nickel resource | Establishing replacement nickel reserves or mining inventory tonnages. | Motivate and reward mine life extension outcomes at Board set levels. |
| Project evaluation and developments | Based on Board set outcomes associated with the evaluation and development activities for new projects. | Motivate and reward timely delivery of key growth initiatives and activities. |
| New nickel resources | Establishing new published nickel resources exceeding a targeted nickel tonnage levels. | Motivate and reward economic nickel discovery. |
| New nickel discovery | Discovery of a new nickel deposit. | Motivate and reward economic nickel discovery. |

The Remuneration Committee is responsible for determining the STI to be paid based on an assessment of whether or not the KPIs have been met. To assist in this assessment, the Remuneration Committee receives detailed reports on performance which they verify against outcomes.

Based on the achievements of the Company in FY17, the Remuneration Committee determined that Executives achieved between 76% and 87% of their target STI opportunity. It is noted that no employee achieved 100% of their target STI award.

In making this assessment, the Remuneration Committee considered the following factors:

- Achieving positive operational cash flow and earnings despite challenging market conditions;
- Excellent safety performance across the group and class leading lost time injury frequency rate;
- The high level of environmental management and no significant environmental incidences;
- Mine and concentrator nickel production and sales volume were above the Board set budgeted expectation due to productivity and efficiency gains;
- Innovation and productivity improvements which resulted in the Company achieving lower than planned unit cash cost guidance;
- The establishment of a new diversified customer, on significantly more favourable financial terms, achieved during the offtake negotiations;
- Achievement of specific corporate objectives, recommendations and outcomes related to business development activities; and
- Return of dividend payments.

Performance achieved during the year against the above KPIs has resulted in Executives earning the STI payments below. It was also noted that the FY17 operational guidance metrics were upgraded in February 2017, and were ultimately achieved with production at the top end and unit costs at the bottom end of the upgraded guidance, further demonstrating superior performance. While recognising that superior performance across all divisions, in agreement with Executives, the Remuneration Committee exercised its discretion to reduce the payout value of two of the triggered KPI's by 50% of their triggered value, in recognition of the challenging commodity price environment.

| Name | Target STI quantum (% of base salary) | Target FY17 STI quantum ($) | STI quantum earned ($) | STI quantum forfeited ($) | STI Discretionary Discount* (%) |
|---|---|---|---|---|---|
| Executive Directors | | | | | |
| Mr D Lougher | 55% | 363,550 | 275,700 | 87,850 | 12% |
| Mr D Southam | 55% | 273,000 | 229,500 | 43,500 | 13% |
| Executives | | | | | |
| Mr J Belladonna | 55% | 184,000 | 157,500 | 26,500 | 10% |
| Mr W Jones | 40% | 144,000 | 125,500 | 18,500 | 5% |

* STI Discretional Discount is calculated by dividing the quantum of STI discount into the STI quantum earned

STI payments have historically fluctuated up and down in line with Company performance. The table below demonstrates the variability in awards received over time.

| Year Ended 30 June | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| Average KMP STI Payout % | 83% | 56% | 90% | 87% | 29% |

# REMUNERATION REPORT (AUDITED) (cont'd)

## SECTION E: EXECUTIVE REMUNERATION FRAMEWORK (cont'd)

### Long Term Incentive ('LTI')

The shareholder approved LTI plan was ratified at the 2016 AGM and has been in operation since FY12. All grants are measured against a three-year TSR period such that no vesting occurs until the end of the third year. This ensures Executives are focused on long-term shareholder value generation.

### Grant frequency and quantum

Under the remuneration structure, Executives will receive a grant of Performance Rights each year, such that the LTI now forms a key component of Executives' Total Annual Remuneration.

The LTI dollar value that Executives are entitled to receive is set at a fixed percentage of their base salary, ranging from 50% to 100%, depending on the participant's position within the Company. This level of LTI remains in line with current market practice, this has been verified by the Company's independent consultant, PwC.

The number of Performance Rights to be granted is determined by dividing the LTI dollar value of the award by the fair value of a Performance Right as calculated by an independent valuation expert. The number of Performance Rights to be issued to each participant is determined by undertaking an indicative valuation at 1 July of each respective year for allocation and Board ratification purposes.

The quantum of LTI grants made during FY17 was as follows:

| Name | LTI quantum (% of base salary)(i) | Number of Performance Rights issued(ii) | Fair Value at allocation date(ii) | Exercise date | Expiry date |
|---|---|---|---|---|---|
| Mr D Lougher | 100% | 377,691 | $1.76 | Upon receipt of a vesting notice issued in FY20 | 30/6/2020 |
| Mr D Southam | 75% | 212,495 | $1.76 | As above | 30/6/2020 |
| Mr J Belladonna | 75% | 143,177 | $1.76 | As above | 30/6/2020 |
| Mr W Jones | 50% | 102,960 | $1.76 | As above | 30/6/2020 |

(i) % of base salary was calculated on the base salary applicable 1 July 2016 including the 10% base salary reduction.

(ii) $1.76 was the fair value of the performance rights as calculated on 1 July 2016. For accounting purposes, the fair value, as required under AASB 2, is measured on the date of the Annual General Meeting where the Performance Rights are approved. For the FY17 this was $2.54/right as at 24 November 2016.

### Performance conditions

Careful consideration was given to the selection of the performance conditions attached to Performance Rights with the Remuneration Committee monitoring trends and maintaining an open dialogue with stakeholders regarding potential future changes. However, based on market practice for a company of Western Areas' size and the factors controllable by Executives, the Board decided that the most appropriate performance measure to track shareholder outcomes is via a relative total shareholder return ('TSR') measure. TSR measures the return received by shareholders from holding shares in a company over a particular period and is calculated by taking into account the change in a company share price over the period as well as the dividends received during that period.

Western Areas TSR performance for the FY17 grant will be assessed against a customised peer group comprising the following 24 companies:

| | | | |
|---|---|---|---|
| Altona Mining Ltd | Gindalbie Metals Ltd | Northern Star Resources Ltd | Poseidon Nickel Ltd |
| Alumina Ltd | Hillgrove Resources Ltd | OM Holdings Ltd | Rex Minerals Ltd |
| Avanco Resources Ltd | Independence Group NL | Oz Minerals Ltd | Sandfire Resources Ltd |
| Beadell Resources Ltd | Medusa Mining Ltd | Paladin Energy Ltd | Syrah Resources Ltd |
| Bouganville Copper Ltd | Mincor Resources NL | Panoramic Resources Ltd | Talisman Resources Ltd |
| Cudeco Ltd | Mt Gibson Iron | Pilbara Minerals Ltd | Zimplats Holdings Ltd |

No Performance Rights will vest unless the percentile ranking of the Company's TSR for the relevant performance year, as compared to the TSR's for the peer group companies, is at or above the 50$^{th}$ percentile.

The following table sets out the vesting outcome based on the Company's relative TSR performance:

| Relative TSR performance | Performance Vesting Outcomes |
|---|---|
| Less than 50th percentile | 0% vesting |
| At the 50th percentile | 50% vesting |
| Between 50th and 75th percentile | Pro-rata/progressive vesting from 50% – 100% |
| At or above 75th percentile | 100% vesting |

### Performance period and vesting

FY17 grants made under the LTI plan will only vest subject to meeting the minimum service period and the relative TSR performance condition tested against the peer group over a three-year period (1 July 2016 to 30 June 2019).

The FY17 grants service based vesting condition provides that, notwithstanding the passing of the performance test, no Performance Rights will vest and become exercisable into shares unless the participant remains employed as at 30 June 2019.

### Share trading policy

The trading of shares issued to participants under any of the Company's employee equity plans is subject to, and conditional upon, compliance with the Company's employee share trading policy contained in the Corporate Code of Conduct. Executives are prohibited from entering into any hedging arrangements over unvested performance rights received via the LTI plan. The Company would consider a breach of this policy as gross misconduct which may lead to disciplinary action and potentially dismissal.

## SECTION F: NON-EXECUTIVE DIRECTOR REMUNERATION

### Non-Executive Director Remuneration policy and structure

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain Directors of the highest calibre whilst incurring a cost that is acceptable to shareholders.

The aggregate remuneration of Non-Executive Directors ('NEDs') is determined from time to time by shareholders in a General Meeting. An amount not exceeding the approved amount is then divided between the Directors as determined by the Remuneration Committee.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst Directors is reviewed annually. The Board and the Remuneration Committee considers independent salary reports as well as the fees paid to NEDs of comparable companies when undertaking this annual review.

It is an objective of the Company to encourage Directors to own shares in Western Areas. However, share based payments in the form of options or equity in the Company are not offered to NEDs as encouraged by Corporate Governance guidelines.

There is no scheme to provide retirement benefits to NEDs, other than statutory superannuation.

### Non-Executive Director fees limits

NED fees are determined within an aggregated fee limit of $1,000,000, which was approved by shareholders at the 2012 AGM. The following fees (including statutory superannuation) were applicable for the year:

| Fees | Financial Year | Board Chair | Board Member |
|---|---|---|---|
| Actual | 2017 | $173,570 | $150,427 |

### Non-Executive Directors fee structure

NED remuneration consists of a base Directors fee for their role as Board members, and is inclusive of compensation for any role on nominated Board sub-committees. That is, no separate committee fees are payable. NEDs do not receive any performance-based pay.

# REMUNERATION REPORT (AUDITED) (cont'd)

## SECTION G: SERVICE CONTRACTS

### Executives

A summary of the key contractual provisions for each of the current executives as at 30 June 2017 is set out below:

| Name & job title | Base salary | Superannuation | Contract duration | Notice period | Termination provision |
|---|---|---|---|---|---|
| D Lougher, Managing Director* | $660,960 | 11% | No fixed term | 3 months | 12 months termination payment and accrued leave entitlements |
| D Southam, Executive Director* | $495,823 | 11% | No fixed term | 3 months | 12 months termination payment and accrued leave entitlements |
| J Belladonna, Chief Financial Officer/ Company Secretary* | $334,080 | 11% | No fixed term | 3 months | 6 months termination payment and accrued leave entitlements |
| W Jones, General Manager Operations | $360,360 | 11% | No fixed term | 1 month | 6 months termination payment and accrued leave entitlements |

* In the event that there is a takeover of, or merger with, the Company, the Company must pay the Executive a change of control bonus within 10 days of that takeover or merger occurring.

The amount of the takeover bonus will be calculated as follows:

a) The positive difference (expressed as a percentage of the 20-day VWAP) between the bid price for the Company's shares as a result of a takeover or merger bid, and the volume weighted share price of the Company's share price for the 20 days immediately preceding the takeover or merger bid; and

b) Multiplied by 3, as a percentage of the Executive's base annual salary at the time that such a bid is completed.

(This contractual position is a legacy item that has not been applicable to any new executive appointment in over 6 years.)

All other senior management contracts are as per the Company's standards terms and conditions and there are no contractual entitlements to cash bonuses, options or performance rights.

### Non-Executive Directors

Non-Executive Directors receive a letter of appointment before commencing duties on the Board. The letter outlines compensation arrangements relevant to the Director. Non-Executive appointments have no end date, retirement, redundancy or minimum notice periods included in their contracts.

## SECTION H: LINK BETWEEN PERFORMANCE AND REMUNERATION OUTCOMES

The remuneration framework detailed above has been tailored with the objective of attracting and retaining the highest calibre staff who contribute to the success of the Company, while maintaining alignment between Company performance and individual rewards. The remuneration policies seek a balance between the interests of stakeholders and competitive market remuneration levels.

### Company Performance

FY17 has been a challenging year from a commodity perspective which has included some of the lowest nickel prices in recent years. Notwithstanding this, free cash flow and profits have been generated by taking an innovative and opportunistic approach in dealing with new offtake agreements and extracting significant value from non-core assets. Furthermore, controllable physical production targets and unit cost of production metrics have continued to be managed exceptionally well with FY17 upgraded guidance being achieved in a safe, and environmentally and socially responsible manner.

| Year Ended 30 June | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| Lost time injury frequency rate | 1.1 | 0 | 0 | 1.9 | 0.83 |
| Nickel tonnes Sold (tns) | 22,639 | 24,793 | 26,036 | 25,756 | 27,819 |
| Nickel Price – US$ | $4.58/lb | $4.14/lb | $6.58/lb | $7.46/lb | $7.30/lb |
| Reported Cash Cost US$/lb (*) | $1.80/lb | $1.64/lb | $1.94/lb | $2.28/lb | $2.75/lb |
| Net Profit/(Loss) after Tax ('000) | 19,299 | (29,783) | 35,013 | 25,460 | (94,105) |
| EPS | 7.09 | (12.3) | 15.1 | 12.2 | (49.8) |
| Dividend Cents/share | 2.0 | - | 7.0 | 5.0 | 2.0 |
| Market capitalisation ($) | 575M | 582M | 753M | 1,073M | 457M |
| Closing share price ($) | 2.11 | 2.15 | 3.23 | 4.62 | 2.32 |
| TSR – 3-year peer ranking (% percentile) | 60th | 74th | 84th | 93rd | 75th |

(*) Cash cost of production before smelting & refining, concentrate haulage and royalties.

The table below represents the Executives' actual remuneration mix of fixed remuneration, STI and LTI based upon remuneration paid or expensed during FY17. It is the Company's policy to ensure that a suitable portion of Executive remuneration is placed 'at-risk' and subject to performance against appropriately set targets.

| | Fixed Remuneration | STI | LTI(1) |
|---|---|---|---|
| Executive Directors | | | |
| Mr D Lougher | 42% | 14% | 44% |
| Mr D Southam | 47% | 17% | 36% |
| Executives | | | |
| Mr J Belladonna | 47% | 17% | 36% |
| Mr W Jones | 55% | 16% | 29% |

(1) LTI refers to the value of Performance Rights that were expensed during FY17.

## SECTION I: DETAILS OF REMUNERATION

| | Short Term Employee Benefits | | | | Post Employment | Long Term Employee Benefits (accounting valuation) | | TOTAL |
|---|---|---|---|---|---|---|---|---|
| | Base Salary(i) | STI Payments/ Bonuses(ii) | Allowances | Non-Monetary | Super-annuation | Long Service Leave | Share Based Payments LTI(iii) | |
| **Non-executive Directors** | | | | | | | | |
| I Macliver | 156,369 | - | - | - | 17,201 | - | - | 173,570 |
| FY2016 | 167,952 | - | - | - | 18,475 | - | - | 186,427 |
| C Readhead | 135,520 | - | - | - | 14,907 | - | - | 150,427 |
| FY2016 | 145,559 | - | - | - | 16,011 | - | - | 161,570 |
| T Netscher | 150,427 | - | - | - | - | - | - | 150,427 |
| FY2016 | 161,570 | - | - | - | - | - | - | 161,570 |
| R Yeates | 135,520 | - | - | - | 14,907 | - | - | 150,427 |
| FY2016 | 145,559 | - | - | - | 16,011 | - | - | 161,570 |
| N Streltsova(iv) | 67,760 | - | - | - | 7,454 | - | - | 75,214 |
| FY2016 | - | - | - | - | - | - | - | - |
| J Hanna | - | - | - | - | - | - | - | - |
| FY2016 | 139,912 | - | - | - | 15,390 | - | - | 155,302 |

(i) Includes over-cap super.

(i) Includes all paid and/or accrued bonuses for the applicable year.

(iii) LTI refers to the value of Performance Rights that were expensed during the FY17. No Options were granted or remain outstanding at the end of the financial year.

(iv) Dr Streltsova was appointed to the Board on 1 January 2017.

# REMUNERATION REPORT (AUDITED) (cont'd)

## SECTION I: DETAILS OF REMUNERATION (cont'd)

| | Short Term Employee Benefits | | | | Post Employment | Long Term Employee Benefits (accounting valuation) | | TOTAL |
|---|---|---|---|---|---|---|---|---|
| | Base Salary(i) | STI Payments/ Bonuses(ii) | Allowances | Non-Monetary | Super-annuation | Long Service Leave | Share Based Payments LTI(iii) | |
| **Executive Directors** | | | | | | | | |
| D Lougher(iv) | 707,642 | 275,700 | 4,000 | 49,488 | 32,083 | 16,512 | 864,519 | 1,949,944 |
| FY2016 | 753,009 | 204,000 | 4,000 | 51,785 | 35,000 | 16,512 | 705,741 | 1,770,047 |
| D Southam | 522,863 | 229,500 | 4,000 | 55,178 | 30,000 | 12,386 | 486,388 | 1,340,315 |
| FY2016 | 561,130 | 175,000 | 4,000 | 51,013 | 27,500 | 12,386 | 459,291 | 1,290,320 |
| **Executive Officers** | | | | | | | | |
| J Belladonna | 343,330 | 157,500 | 4,000 | 45,334 | 27,500 | 8,346 | 327,725 | 913,735 |
| FY2016 | 368,298 | 122,000 | 4,000 | 42,107 | 30,000 | 8,346 | 274,613 | 849,364 |
| W Jones | 367,917 | 125,500 | 1,900 | 36,300 | 32,083 | 9,002 | 235,668 | 808,370 |
| FY2016 | 394,630 | 100,000 | 1,900 | 35,302 | 35,000 | 9,002 | 218,392 | 794,226 |
| **Total FY2017** | | | | | | | | **5,712,429** |
| Total FY2016 | | | | | | | | 5,530,396 |

(i) Includes over-cap super.

(i) Includes all paid and/or accrued bonuses for the applicable year.

(iii) LTI refers to the value of Performance Rights that were expensed during the FY17. No Options were granted or remain outstanding at the end of the financial year.

(iv) Mr Lougher received a payment in lieu of annual leave in March 2017 to the value of $55,080. This was for the purpose of reducing the balance sheet liability of his accrued leave in line with policy and did not affect the Income Statement.

### Related Party Transactions

There were no related party transactions with KMP during FY17.

### Shareholding by Key Management Personnel

The number of shares held by KMP (and their related parties) in the Group during the financial year is as follows:

| | Balance at 1 July 2016 | Granted as Remuneration | On Vesting of Performance Rights | Other Changes During the Year | Balance at 30 June 2017 |
|---|---|---|---|---|---|
| I Macliver | 36,448 | - | - | - | 36,448 |
| D Lougher | 246,178 | - | 456,435 | (240,183) | 462,430 |
| D Southam | 128,135 | - | 256,797 | (253,000) | 131,932 |
| R Yeates | 10,000 | - | - | - | 10,000 |
| T Netscher | 7,000 | - | - | 5,000 | 12,000 |
| C Readhead | - | - | - | 20,000 | 20,000 |
| J Belladonna | 181,574 | - | 161,096 | (100,040) | 242,630 |
| W Jones | 83,476 | - | 129,212 | (41,738) | 170,950 |
| TOTAL | 692,811 | - | 1,003,540 | (609,961) | 1,086,390 |

### Options held by Key Management Personnel

There were no options held by key management at any time during FY17.

### Performance Rights held by Key Management Personnel

Details of Performance Rights held by KMP and granted but not yet vested under the LTI plan at 30 June 2017 are outlined below:

| | Balance at 1 July 2016 | Number granted as Remuneration | Number vested | Number expired/ lapsed | Balance at 30 June 2017 | Portion vested (%) | Portion unvested (%) |
|---|---|---|---|---|---|---|---|
| D Lougher | 970,640 | 375,540 | (456,435) | (9,315) | 880,430 | 0% | 100% |
| D Southam | 546,093 | 211,280 | (256,797) | (5,241) | 495,335 | 0% | 100% |
| J Belladonna | 355,779 | 142,360 | (161,096) | (3,288) | 333,755 | 0% | 100% |
| W Jones | 269,481 | 102,370 | (129,212) | (2,637) | 240,002 | 0% | 100% |
| TOTAL | 2,141,993 | 831,550 | (1,003,540) | (20,481) | 1,949,522 | 0% | 100% |

All Performance Rights issued during FY17 were allotted in accordance with the shareholder approved Western Areas LTI plan. The rights were granted on 30 November 2016 and have a zero exercise price. No Performance Rights will vest unless they meet a relative TSR measure for the period 1 July 2016 to 30 June 2019 as measured against the peer group and satisfaction of the service based vesting condition which requires the participant remains employed as at 30 June 2019. Upon satisfaction of the performance and service condition, the Performance Rights will vest upon receipt of a vesting notice during the 2020 financial year.

END OF AUDITED REMUNERATION REPORT.

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

No significant changes in the consolidated group's state of affairs occurred during the financial year.

## FUTURE DEVELOPMENTS

Disclosure of information regarding likely developments in the operations of the consolidated entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the consolidated entity. Accordingly, this information has not been disclosed in this report.

## ENVIRONMENTAL REGULATION AND PERFORMANCE

The Consolidated Entity has conducted exploration and development activities on mineral tenements. The right to conduct these activities is granted subject to State and Federal environmental legislation and regulations, tenement conditions and Mining Proposal commitments. The Consolidated Entity aims to ensure that a high standard of environmental management is achieved and, as a minimum, to comply with all relevant legislation and regulations, tenement conditions and Mining Proposal commitments. The Company has achieved a high level of compliance with all environmental conditions set for its projects and actively strives for continual improvement.

## AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration to the Directors of Western Areas Ltd on page 52 forms part of the Directors' Report for the year ended 30 June 2017.

## NON-AUDIT SERVICES

The entity's auditor, Crowe Horwath, provided non-audit services, related to renewable energy lodgements, amounting to $4,500 during FY17 (FY16: $4,500). The Board has the following procedures in place before any non-audit services are obtained from the auditors:

all non-audit services are reviewed and approved by the Board and the Audit & Risk Management Committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and

the nature of the services provided does not compromise the general principles relating to auditor independence as set out in APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

## ROUNDING OF AMOUNTS

The Company is a company of the kind referred to in ASIC Class Order 98/100, dated 10 July 1998, and in accordance with that Class Order amounts in the Directors' Report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

Signed in accordance with a resolution of the Board of Directors.

**D Lougher**
**Managing Director**

Perth, 22 August 2017

Crowe Horwath™

**AUDITOR'S INDEPENDENCE DECLARATION**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Western Areas Ltd for the year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

Crowe Horwath Perth

**CROWE HORWATH PERTH**

**CYRUS PATELL**
Partner

Signed at Perth, 22 August 2017

| | Notes | Consolidated Entity 2017 $'000 | Consolidated Entity 2016 $'000 |
|---|---|---|---|
| Sales | | 213,920 | 209,117 |
| Operating Costs | | (146,493) | (154,091) |
| Depreciation and Amortisation | 4 | (65,717) | (60,671) |
| Other income | 2, 8 | 37,549 | 2,670 |
| Profit on deconsolidation | | - | 875 |
| Finance costs | 4 | (1,854) | (2,546) |
| Employee benefit expense | | (9,185) | (9,569) |
| Foreign exchange (loss)/gain | | (436) | 670 |
| Write-off of non-current assets | 11, 12 | (48) | (7,820) |
| Share based payments | 30 | (3,060) | (2,507) |
| Impairment losses | 11 | - | (6,963) |
| Administration expenses | | (6,254) | (6,231) |
| Care and maintenance expense | | (1,310) | (592) |
| Share of loss of associates accounted for using the equity method | 8 | (694) | (140) |
| Realised derivative gain | | 932 | - |
| Expense related to deconsolidated entity | | - | (747) |
| **Profit/(loss) before income tax** | | **17,350** | **(38,545)** |
| Income tax benefit | 7 | 1,949 | 8,762 |
| **Profit/(loss) for the year** | | **19,299** | **(29,783)** |
| **Profit/(loss) attributable to:** | | | |
| Members of the parent entity | | 19,299 | (26,700) |
| Non-controlling interest | | - | (3,083) |
| | | **19,299** | **(29,783)** |
| Basic earnings/(loss) per share (cents per share) | 19 | 7.09 | (12.3) |
| Diluted earnings/(loss) per share (cents per share) | 19 | 7.01 | (12.3) |

The accompanying notes form part of these financial statements.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

## YEAR ENDED 30 JUNE 2017

| | Notes | Consolidated Entity 2017 $'000 | Consolidated Entity 2016 $'000 |
|---|---|---|---|
| Profit/(loss) for the year | | 19,299 | (29,783) |
| **Other comprehensive income/(loss), net of tax** | | | |
| *Items that may be reclassified to profit or loss* | | | |
| Changes in fair value of hedging instruments | | 249 | 394 |
| Changes in financial assets at fair value through other comprehensive income | 10 | 2,646 | 327 |
| Exchange differences on translation of foreign controlled entities | | - | (1,191) |
| **Total comprehensive income/(loss) for the year** | | **22,194** | **(30,253)** |
| **Total comprehensive income/(loss) attributable to:** | | | |
| Members of the parent entity | | 22,194 | (27,170) |
| Non-controlling interest | | - | (3,083) |
| | | **22,194** | **(30,253)** |

The accompanying notes form part of these financial statements.

| | Notes | Consolidated Entity 2017 $'000 | Consolidated Entity 2016 $'000 |
|---|---|---|---|
| **Current Assets** | | | |
| Cash and cash equivalents | 20(b) | 140,294 | 75,706 |
| Trade and other receivables | 5 | 19,182 | 29,275 |
| Inventories | 6 | 21,280 | 14,761 |
| Derivative financial instruments | 17 | 420 | 171 |
| Total Current Assets | | 181,176 | 119,913 |
| **Non-Current Assets** | | | |
| Property, plant and equipment | 9 | 82,884 | 96,365 |
| Intangible assets | | 506 | 506 |
| Exploration & evaluation expenditure | 11 | 87,157 | 80,360 |
| Mine properties | 12 | 155,813 | 183,579 |
| Financial assets at fair value through other comprehensive income | 10 | 11,396 | 1,281 |
| Investments accounted for using the equity method | 8 | - | 7,164 |
| Total Non-Current Assets | | 337,756 | 369,255 |
| **Total Assets** | | **518,932** | **489,168** |
| **Current Liabilities** | | | |
| Trade and other payables | 14 | 26,345 | 22,723 |
| Borrowings | 15 | 170 | 196 |
| Provisions | 16 | 3,323 | 2,690 |
| Total Current Liabilities | | 29,838 | 25,609 |
| **Non-Current Liabilities** | | | |
| Borrowings | 15 | 304 | 123 |
| Provisions | 16 | 23,544 | 23,322 |
| Deferred tax liabilities | 13 | 5,902 | 6,113 |
| Total Non-Current Liabilities | | 29,750 | 29,558 |
| **Total Liabilities** | | **59,588** | **55,167** |
| **Net Assets** | | **459,344** | **434,001** |
| **Equity** | | | |
| Contributed equity | 18 | 442,963 | 442,963 |
| Other reserves | 31 | 21,447 | 15,403 |
| Retained earnings | | (5,066) | (24,365) |
| **Total Equity** | | **459,344** | **434,001** |

The accompanying notes form part of these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## YEAR ENDED 30 JUNE 2017

| | Issued capital $'000 | Capital raising costs $'000 | Share based payment reserve $'000 | Hedge reserve $'000 | Investment reserve $'000 | Convertible note reserve $'000 | Foreign exchange reserve $'000 | Retained earnings $'000 | Non-controlling interest $'000 | Total equity $'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Total equity at 1 July 2015** | 384,184 | (14,248) | 22,267 | (223) | (9,623) | 19,145 | 1,191 | (7,473) | 5,895 | 401,115 |
| **Comprehensive income** | | | | | | | | | | |
| Loss for the year | | | | | | | | (26,700) | (3,083) | (29,783) |
| Other comprehensive loss for the year | | | | 394 | 327 | | (1,191) | | | (470) |
| **Total comprehensive profit for the year** | | | | 394 | 327 | | (1,191) | (26,700) | (3,083) | (30,253) |
| **Transactions with owners in their capacity as owner, and other transfers** | | | | | | | | | | |
| Contributions of equity | 75,000 | | | | | | | | | 75,000 |
| Transaction costs on equity | | (1,973) | | | | | | | | (1,973) |
| Share based payments expense | | | 2,507 | | | | | | | 2,507 |
| Deferred tax asset on performance rights | | | (246) | | | | | | | (246) |
| Changes in non-controlling interest | | | | | | | | | (2,812) | (2,812) |
| Transfer of convertible note reserve | | | | | | (19,145) | | 19,145 | | - |
| Dividends paid | | | | | | | | (9,337) | | (9,337) |
| **Total equity at 30 June 2016** | 459,184 | (16,221) | 24,528 | 171 | (9,296) | - | - | (24,365) | - | 434,001 |
| **Comprehensive income** | | | | | | | | | | |
| Profit for the year | | | | | | | | 19,299 | | 19,299 |
| Other comprehensive profit for the year | | | | 249 | 2,646 | | | | | 2,895 |
| **Total comprehensive (loss)/profit for the year** | | | | 249 | 2,646 | | | 19,299 | | 22,194 |
| **Transactions with owners in their capacity as owner, and other transfers** | | | | | | | | | | |
| Share based payments expense | | | 3,060 | | | | | | | 3,060 |
| Deferred tax asset on performance rights | | | 89 | | | | | | | 89 |
| **Total equity at 30 June 2017** | 459,184 | (16,221) | 27,677 | 420 | (6,650) | - | - | (5,066) | - | 459,344 |

The accompanying notes form part of these financial statements.

| | Notes | Consolidated Entity 2017 $'000 | Consolidated Entity 2016 $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers | | 226,844 | 198,117 |
| Payments to suppliers and employees | | (157,743) | (154,482) |
| Interest received | | 1,702 | 778 |
| Royalties paid | | (9,818) | (12,938) |
| Other receipts | | 593 | 396 |
| Interest paid | | (14) | (4,289) |
| Realisation on settlement of derivatives | | 496 | 728 |
| Income tax refund/(payment) | | 4,130 | (12,747) |
| **Net cash inflow from operating activities** | 20(a) | **66,190** | **15,563** |
| **Cash flows from investing activities** | | | |
| Payments for property, plant and equipment | | (6,280) | (8,603) |
| Proceeds from insurance refund of property, plant & equipment | | - | 1,584 |
| Proceeds from sale of investments | | 32,583 | - |
| Mine development expenditure | | (15,703) | (27,615) |
| Exploration & evaluation expenditure | | (11,983) | (13,592) |
| Purchase of Cosmos Nickel Complex | | - | (24,158) |
| Net cash outflow from investing activities | | (1,383) | (72,384) |
| **Cash flows from financing activities** | | | |
| Repayment of borrowings | | - | (125,000) |
| Proceeds from issues of shares | | - | 75,000 |
| Share issue transaction costs | | - | (1,973) |
| Finance lease payments | | (219) | (262) |
| Borrowing costs | | - | (1,256) |
| Dividends paid to company's shareholders | | - | (9,337) |
| **Net cash outflow from financing activities** | | **(219)** | **(62,828)** |
| Net increase/(decrease) in cash and cash equivalents held | | 64,588 | (119,649) |
| Cash and cash equivalents as at the beginning of the financial year | | 75,706 | 195,355 |
| **Cash and cash equivalents at end of financial year** | 20(b) | **140,294** | **75,706** |

The accompanying notes form part of these financial statements.

# NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements and notes represent those of Western Areas Ltd and Controlled Entities (the "consolidated group" or "group").

The separate financial statements of the parent entity, Western Areas Ltd, have not been presented within this financial report as permitted by amendments made to Corporation Act 2001 effective as at 28 June 2010.

The group is a for profit entity for financial reporting purposes under Australian Accounting Standards.

The Financial Report was approved by the Board of Directors on 22 August 2017.

## BASIS OF PREPARATION

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless stated otherwise.

Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

## ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

### a) Principles of Consolidation

The Group financial statements consolidate those of the Western Areas Limited ('company' or 'parent') and all of its subsidiaries as of 30 June 2017. The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 30 June.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

## b) Investments in Associates and Joint Arrangements

Associates are those entities over which the Group is able to exert significant influence but which are not subsidiaries.

A joint venture is an arrangement that the Group controls jointly with one or more other investors, and over which the Group has rights to a share of the arrangement's net assets rather than direct rights to underlying assets and obligations for underlying liabilities. A joint arrangement in which the Group has direct rights to underlying assets and obligations for underlying liabilities is classified as a joint operation.

Investments in associates and joint ventures are accounted for using the equity method. Interests in joint operations are accounted for by recognising the Group's assets (including its share of any assets held jointly), its liabilities (including its share of any liabilities incurred jointly), its revenue from the sale of its share of the output arising from the joint operation, its share of the revenue from the sale of the output by the joint operation and its expenses (including its share of any expenses incurred jointly).

Any goodwill or fair value adjustment attributable to the Group's share in the associate or joint venture is not recognised separately and is included in the amount recognised as investment.

The carrying amount of the investment in associates and joint ventures is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate and joint venture, adjusted where necessary to ensure consistency with the accounting policies of the Group.

Unrealised gains and losses on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

## c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors.

## d) Foreign Currency Transactions and Balances

The financial statements are presented in Australian dollars, which is Western Areas Limited's functional and presentation currency.

### Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

### Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency equity reserve.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

## e) Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

# NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

## ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS (cont'd)

### e) Revenue recognition (cont'd)

#### Sale of Goods

Revenue from the sale of nickel is recognised when the risks and rewards of the products pass to the buyer, currently being the point at which the product is delivered on site to the buyer or passes the ships' rail or as otherwise agreed between Western Areas and the buyer. Revenue is recognised at estimated sales value. The estimated sales value is determined by reference to the estimated metal content, metal recovery, payability, the metal price and exchange rate. An adjustment is made to reflect the final sales value when the actual metal content and metal recovery has been determined. The final metal content and metal recovery is generally known between 30 and 90 days after delivery to the customer.

#### Interest

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

All revenue is stated net of the amount of goods and services tax ('GST').

#### Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

### f) Finance Costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

### g) Inventories

Inventories are measured at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories on hand by the method most appropriate to each class of inventory with the majority being valued on an average cost basis. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

The cost of mining stocks includes direct materials, direct labour, transportation costs and variable and fixed overhead costs relating to mining activities.

The cost of consumables and spare parts includes cost of materials and transportation costs.

### h) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

#### Property

Land and buildings are carried at cost, less accumulated depreciation for buildings.

#### Plant and Equipment

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1(p) for details of impairment).

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the consolidated group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

### Depreciation

The depreciable amount of all property, plant and equipment is depreciated on a straight-line basis over their useful lives or the estimated life of mine, whichever is shorter. Land is not depreciated. The depreciation rates used for each major type of depreciable assets are:

| Class of Fixed Asset | Depreciation Rate |
|---|---|
| Property | 2% - 20% |
| Plant and equipment | 2% - 33% or units of production over life of mine |
| Motor vehicles | 20% |
| Furniture and fittings | 6% - 27% |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit or loss in the period in which they arise.

## i) Exploration and Evaluation Expenditure

Exploration and evaluation expenditures incurred are capitalised in respect of each identifiable area of interest. These costs are only capitalised for areas of interest where rights of tenure are current, to the extent that they are expected to be recovered through the successful development of the area of interest or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves and active and significant operation in relation to the area of interest are continuing.

Accumulated costs in relation to an abandoned area are written off in full against profit or loss in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are transferred to mine properties and are amortised at the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. In accordance with AASB 6, where circumstances suggest that the carrying amount of an asset exceed its recoverable amount, an impairment loss will be recognised.

## j) Mine Properties

Development expenditure incurred by or on behalf of the consolidated entity is accumulated separately for each area of interest in which economically recoverable resources have been identified. Such expenditure comprises costs directly attributable to the construction of a mine, the related infrastructure and expenditure transferred from the capitalised exploration and evaluation expenditure phase.

# NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

## ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS (cont'd)

### j) Mine Properties (cont'd)

Amortisation is charged using the units-of-production method, with separate calculations being made for each area of interest. The units-of-production basis results in an amortisation charge proportional to the depletion of proved and probable reserves.

Mine properties are tested for impairment in accordance with the policy in Note 1(p).

Costs of site restoration are provided for over the life of the facility from when exploration commences and are included in the costs from that stage. Site restoration costs include obligations relating to dismantling and removing mining plant, reclamation, waste dump rehabilitation and other costs associated with restoration and rehabilitation of the site. Such costs have been determined using estimates for current costs and current legal requirements and technology.

Any changes in the estimates for the costs are accounted for on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly, the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

### k) Income Tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entity's which intend to settle simultaneously.

Western Areas Limited (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

## l) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

## m) Employee Benefits

### Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

### Other long-term employee benefits obligations

The liabilities for long service leave and annual leave that are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised as non-current liabilities and are therefore measured at the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of government bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least 12 months after the reporting period, regardless of when the actual settlement is expected to occur.

### Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

### Share-based payments

The consolidated entity has provided benefits to its Key Management Personnel in the form of share-based payments, whereby services were rendered partly or wholly in exchange for shares or rights over shares. The Remuneration Committee approved the grant of performance rights as incentives to attract Executives and to maintain their long term commitment to the Company. These benefits are awarded at the discretion of the Board, or following approval by shareholders (equity-settled transactions).

The costs of these equity-settled transactions are measured by reference to the fair value of the equity instruments at the date on which they are granted. The fair value of performance rights granted is determined using the Black Scholes Option Pricing Model ('BSM') that includes a Monte Carlo Simulation Model to value the Rights, further details of which are disclosed in Note 30.

# NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

## ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS (cont'd)

### m) Employee Benefits (cont'd)

#### Share-based payments (cont'd)

The costs of these equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the equity instrument (vesting date).

At each subsequent reporting date until vesting, the cumulative charge to the income statement is the product of (i) the fair value at grant date of the award; (ii) the current best estimate of the number of equity instruments that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met and (iii) the expired portion of the vesting period. The charge to the income statement for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding credit to equity.

Until an equity instrument has vested, any amounts recorded will be adjusted if more or fewer equity instruments vest than were originally anticipated to do so. Any equity instrument subject to a market condition is considered to vest irrespective of whether or not that market condition is fulfilled, provided that all other conditions are satisfied.

If the terms of an equity-settled award are modified, as a minimum, an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share based payment arrangement, or is otherwise beneficial to the recipient of the award, as measured at the date of modification.

If an equity-settled transaction is cancelled (other than a grant cancelled by forfeiture when the vesting conditions are not satisfied), it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new equity instrument is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new equity instrument are treated as if they were a modification of the original award, as described in the preceding paragraph.

### n) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the consolidated entity will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

## o) Financial Instruments

### Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to the income statement immediately.

### Classification and Subsequent Measurement

Financial instruments are subsequently measured at either of fair value or amortised cost using the effective interest rate method. **Fair value** represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

**Amortised cost** is calculated as:

a) the amount at which the financial asset or financial liability is measured at initial recognition;

b) less principal repayments;

c) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the **effective interest method;** and

d) less any reduction for impairment.

The **effective interest method** is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

### Financial assets at fair value through profit and loss

As from 1 July 2013 the group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value and;
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. The group is required to reclassify all affected debt investments when and only when its business model for managing those assets changes.

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

A gain or loss on a debt investment that is subsequently measured at fair value and is not part of a hedging relationship is recognised in profit or loss and presented net in the income statement within other income or other expenses in the period in which it arises. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the financial asset is derecognised or impaired and through the amortisation process using the effective interest rate method.

The group subsequently measures all equity investments at fair value. Where the group's management has made an irrevocable election to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Dividends from such investments continue to be recognised in profit or loss as other revenue when the group's right to receive payments is established and as long as they represent a return on investment. This treatment has been selected as the equity investments in Kidman Resources Ltd and Mustang Minerals Inc, are deemed to be strategic equity investments.

# NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

## ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS (cont'd)

## o) Financial Instruments (cont'd)

### Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

### De-recognition

Financial assets are de-recognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are de-recognised where the related obligations are discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

### Derivative financial instruments

Derivative financial instruments are used by the consolidated entity to hedge exposures to commodity prices and foreign currency exchange rates.

The Group documents at the inception of a transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

Derivatives are initially recognised at fair value on the date the contract is entered into and are subsequently remeasured to their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Hedging derivatives are either Fair Value Hedges or Cash Flow Hedges.

*Fair Value Hedges*

Changes in the fair value of derivatives classified as fair value hedges are recognised in the Income Statement, together with any changes in the fair value of the hedge asset or liability that are attributable to the hedged risk.

*Cash Flow Hedge*

Cash flow hedges are used to cover the consolidated entity's exposure to variability in cash flows that is attributable to particular risk associated with a recognised asset or liability or a firm commitment which could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, whilst the ineffective portion is recognised in profit or loss. Amounts taken to equity are transferred out of equity and included in the measurement of the hedged transaction when the forecast transaction occurs.

Cash flow hedges are tested for effectiveness on a regular basis both retrospectively and prospectively to ensure that each hedge is highly effective and continues to be designated as a cash flow hedge. If the forecast transaction is no longer expected to occur, amounts recognised in equity are transferred to profit or loss.

If the hedging instrument is sold, terminated, expires, exercised without replacement or rollover, or if the hedge becomes ineffective and is no longer a designated hedge, amounts previously recognised in equity remain in equity until the forecast transaction occurs.

*All Other Derivatives*

Changes in the fair value of derivatives that do not qualify for hedge accounting are recognised in the Income Statement.

## p) Impairment of Assets

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

### Reversal of impairment losses

An impairment loss recognised in prior periods for an asset/CGU is reversed if there has been a change in the estimates used to determine the asset's/CGU's recoverable amount since the last impairment loss was recognised. When an impairment loss subsequently reverses, the carrying amount of the asset/CGU is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset/CGU in prior years.

## q) Rounding Amounts

The parent entity has applied the relief available to it under the ASIC Class Order 98/100 and accordingly, amounts in the financial report have been rounded to the nearest $1,000.

## r) Cash and Cash Equivalents

Cash and cash equivalents comprise cash-on-hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts.

## s) Provisions

Provisions are recognised where the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow is able to be reliably measured.

## t) Intangibles

Expenditure during the research phase of a project is recognised as an expense when incurred. Patents and trademarks are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.

Patents and trademarks have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project.

## u) Critical Accounting Estimates and Balances

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results.

# NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

## ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS (cont'd)

## u) Critical Accounting Estimates and Balances (cont'd)

The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

### Share-based payment transactions

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

### Provision for impairment of inventories

The provision for impairment of inventories assessment requires a degree of estimation and judgement. Costs incurred in or benefits of the productive process are accumulated as stockpiles, nickel and other metals in process, ore on run of mine ore pads and product inventory. Net realisable value tests are performed at least annually and represent the estimated future sales price of the product based on prevailing metal prices, less estimated costs to complete production and bring the product to sale.

Stockpiles are measured by estimating the number of tonnes added and removed from the stockpile, the number contained metal tonnes based on assay data, and the estimated recovery percentage based on the expected processing method.

Although the quantity of recoverable metal is reconciled by comparing the grades of the ore to the quantities of metals actually recovered (metallurgical balancing), the nature of the process inherently limits the ability to precisely monitor recoverability levels. As a result, the metallurgical balancing process is constantly monitored and the engineering estimates are refined based on actual results over time.

### Fair value measurement hierarchy

The consolidated entity is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

### Estimation of useful lives of assets

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

### Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The consolidated entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

It is reasonably possible that the underlying metal price assumption may change which may then impact the estimated life of mine determinant and may then require a material adjustment to the carrying value of mining plant and equipment, mining infrastructure and mining development assets. Furthermore, the expected future cash flows used to determine the value-in-use of these assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including reserves and production estimates, together with economic factors such as metal spot prices, discount rates, estimates of costs to produce reserves and future capital expenditure. At 30 June 2017, there was $0.4M impairment charge made to Exploration, Evaluation and Development.

### Income tax

The consolidated entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain.

### Provision for restoration and rehabilitation

Provision is made for the costs of Restoration and rehabilitation when the related environmental disturbance takes place as outlined in Note 16. The provision recognised represents management's best estimate of the costs that will be incurred, but significant judgement is required as many of these costs will not crystallise until the end of the life of the mine. Estimates are reviewed annually and are based on current regulatory requirements and the estimated useful life of the mine.

Engineering and feasibility studies are undertaken periodically; however significant changes in the estimates of contamination, restoration standards and techniques will result in changes to provisions from period to period.

### Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

### Employee benefits provision

As discussed in Note (l), the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

## v) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

If the entity reacquires its own equity instruments, for example as the result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the profit and loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

# NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

## ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS (cont'd)

### w) Comparative figures

Where necessary, comparative figures have been restated to conform with changes in presentation for the current year.

### x) Trade and other payables

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

### y) Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

The amount of the impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

### z) Earnings per share

#### Basic earnings per share

Basic earnings per share are calculated by dividing:

- The profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares
- By the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year (Note 19).

#### Diluted earnings per share

Diluted earnings per share adjust the figures used in the determination of basic earnings per share to take into account:

- The after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- The weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

### aa) New Accounting Standards and Interpretations not yet mandatory or early adopted

#### AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition.

The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied.

Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied.

Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The Group has yet to commence an assessment of the impact of AASB 15. Management intend to commence the development of an implementation plan prior to 30 June 2018.

It is expected that the plan is likely to involve the establishment of an implementation team whose responsibility will be to firstly gain a clear understanding of the requirements of the new Standards, and thereafter assess the potential impact on the Group (in the form of accounting and disclosure, taxation, systems and processes and internal controls) of these new Standards. This assessment will then establish the areas that require change for the purposes of full implementation. As part of finalising the plan, Management will determine the appropriate adoption date and transition method, as well as ensuring appropriate communication with relevant stakeholders.

## AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). The Group has yet to commence an assessment of the impact of AASB 16. Management intend to commence the development of an implementation plan prior to 30 June 2019. It is expected that the plan is likely to involve the establishment of an implementation team whose responsibility will be to firstly gain a clear understanding of the requirements of the new Standards, and thereafter assess the potential impact on the Group (in the form of accounting and disclosure, taxation, systems and processes and internal controls) of these new Standards. This assessment will then establish the areas that require change for the purposes of full implementation. As part of finalising the plan, Management will determine the appropriate adoption date and transition method, as well as ensuring appropriate communication with relevant stakeholders.

## NOTE 2: OTHER INCOME

| | Note | Consolidated Entity 2017 $'000 | Consolidated Entity 2016 $'000 |
|---|---|---|---|
| Interest income | | 1,872 | 780 |
| Other income | | 829 | 702 |
| Insurance proceeds | | - | 1,188 |
| Profit on sale of Bluejay Plc shares | 8 | 12,417 | - |
| Profit on discontinuance of equity accounting | 8 | 13,178 | - |
| Profit on sale of tenements to Kidman Resources Ltd | 10 | 7,468 | - |
| Partial Exemption Certificate credits | | 1,785 | - |
| **Total other income** | | **37,549** | **2,670** |

## NOTE 3: DIVIDENDS

| | Consolidated Entity 2017 $'000 | Consolidated Entity 2016 $'000 |
|---|---|---|
| **Dividends proposed** | | |
| A fully franked final dividend of 2 cents per share is proposed for the year ended 30 June 2017 (2016: Nil) | 5,446 | - |
| **Dividends paid** | **5,446** | **-** |
| No final dividend was paid for the year ended 30 June 2016 (2015: 4 cents) | - | 9,337 |
| No interim dividend for 2017 (2016: Nil) | - | - |
| | **-** | **9,337** |

## NOTE 4: PROFIT BEFORE INCOME TAX

| | Consolidated Entity 2017 $'000 | Consolidated Entity 2016 $'000 |
|---|---|---|
| Profit before income tax includes the following specific expenses: | | |
| - Depreciation of property, plant and equipment | 17,711 | 16,474 |
| - Depreciation of disposed property, plant and equipment | - | 515 |
| - Amortisation of mine development asset | 48,006 | 43,682 |
| - Rental expenditure relating to operating leases | 1,186 | 1,345 |
| - Employee benefits expense | | |
| Defined contribution superannuation expense | 2,107 | 2,221 |
| - Finance costs: | | |
| Interest expense – borrowings | - | 267 |
| Provisions: unwinding of discount | 1,227 | 767 |
| Interest expense – finance leases | 14 | 21 |
| Borrowing costs amortised | 613 | 1,491 |
| **Total borrowing costs** | **1,854** | **2,546** |

## NOTE 5: TRADE AND OTHER RECEIVABLES

| | Consolidated Entity | |
|---|---|---|
| | 2017 $'000 | 2016 $'000 |
| Trade debtors | 8,851 | 21,300 |
| Other receivables | 2,088 | 718 |
| Income tax prepaid | - | 3,448 |
| GST refund due | 1,050 | 551 |
| Prepayments | 7,193 | 3,258 |
| | **19,182** | **29,275** |

There are no balances within trade and other receivables that contain amounts that are past due. It is expected the balances will be received when due.

## NOTE 6: INVENTORIES

| | Consolidated Entity | |
|---|---|---|
| | 2017 $'000 | 2016 $'000 |
| Ore stockpiles | 16,177 | 9,911 |
| Nickel concentrate stockpiles | 1,281 | 958 |
| Consumables and spare parts | 3,822 | 3,892 |
| | **21,280** | **14,761** |

## NOTE 7: INCOME TAX

| | Consolidated Entity | |
|---|---|---|
| | 2017 $'000 | 2016 $'000 |
| The components of the tax expense comprise: | | |
| - Current tax | - | - |
| - Deferred tax | (211) | (8,022) |
| - R&D Tax offset | (510) | (1,656) |
| - Adjustment of current tax for prior periods | (946) | 1,154 |
| - Income tax benefit on share based payments | (282) | (238) |
| **Income tax (benefit)** | **(1,949)** | **(8,762)** |

The prima facie tax on the profit from ordinary activities before income tax at the statutory income tax rate compared to the income tax expense at the groups' effective income tax rate is reconciled as follows:

| | Consolidated Entity | |
|---|---|---|
| | 2017 $'000 | 2016 $'000 |
| Prima facie tax on profit/(loss) before income tax at 30% (2016: 30%) | 5,205 | (11,564) |
| *Adjusted for the tax effect of:* | | |
| - Exploration write-off | 14 | 686 |
| - Share based payment expense | 918 | 752 |
| - Sale of foreign investment | (7,679) | - |
| - Foreign branch losses (Bluejay Mining Plc) | 208 | 2,313 |
| - Share issue costs deductible | - | (242) |
| - Other temporary differences | (333) | (469) |
| - Income tax benefit on share based payments | (282) | (238) |
| **Tax (Benefit)/Expense** | **(1,949)** | **(8,762)** |

## NOTE 8: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

| | Consolidated Entity | |
|---|---|---|
| | 2017 $'000 | 2016 $'000 |
| Opening Balance | 7,164 | 7,304 |
| Equity accounted share of loss of associate | (694) | (140) |
| Reduction in equity accounted value due to: | (1,707) | - |
| a) Part disposal of interest during December 2016 resulting in dilution of interest to 22.39% (i) | | |
| b) Discontinuance of equity accounting in March 2017 on dilution of interest from 22.39% to 18.8% (ii) | (4,763) | - |
| **Closing Balance** | **-** | **7,164** |

Interests in associates are accounted for using the equity method of accounting. Information relating to associates that are material to the consolidated entity is set out below:

| Name | Country of Incorporation | Percentage of equity held | |
|---|---|---|---|
| | | 2017 | 2016 |
| Bluejay Plc | United Kingdom | - | 37% |

i) During December 2016, the Company disposed of 45,000,000 FinnAust Mining Plc ('FinnAust') shares for $5.3 million, diluting the Company's interest in FinnAust to 22.39%, realising a profit of $3.6 million.

ii) On 11 March 2017, FinnAust issued 108,071,388 new ordinary shares as consideration to the owners of Bluejay Mining Limited ('Bluejay'), to exercise the company's option to acquire the remaining 82,560 Bluejay shares increasing the FinnAust ownership in Bluejay to 100%. Following the issue of shares the Company's interest in FinnAust was diluted from 22.39% to 18.8%. As a result, in terms of AASB 128, Western Areas was deemed to have lost its significant influence in the entity and consequently, has discontinued equity accounting FinnAust on 13 March 2017. At this time, the investment was recognised as a financial instrument and revalued to fair value, resulting in a profit of $13.2 million being recognised in the Income Statement.

iii) Subsequently, FinnAust had the Company's name changed to Bluejay Mining Plc.

iv) On 9 June 2017, the Company sold its remaining 18.8% holding in Bluejay for $28.0 million before costs, realising a profit of $8.8 million net of costs.

## SUMMARISED FINANCIAL INFORMATION

Summarised financial information of the subsidiary with non-controlling interests that are material to the consolidated entity is set out below:

| | FinnAust Mining Plc | |
|---|---|---|
| | 2017 $'000 | 2016 $'000 |
| **Summarised Statement of Financial Position** | | |
| Current Assets | - | 1,083 |
| Non-Current Assets | - | 22,709 |
| **Total Assets** | **-** | **23,792** |
| Current Liabilities | - | 708 |
| Non-Current Liabilities | - | 673 |
| **Total Liabilities** | **-** | **1,381** |
| **Net Assets** | **-** | **22,411** |
| **Summarised statement of profit or loss and other comprehensive income for the period 1 July 2016 to 13 March 2017** | | |
| Revenue | - | - |
| Expenses | (2,670) | (380) |
| **Loss before income tax** | **(2,670)** | **(380)** |
| Income tax | - | - |
| **Loss after income tax** | **(2,670)** | **(380)** |
| Other comprehensive expenses | - | - |
| **Total comprehensive loss** | **(2,670)** | **(380)** |
| **Share of loss of associate (until cessation of equity accounting)** | **(694)** | **(140)** |

# NOTE 9: PROPERTY, PLANT AND EQUIPMENT

| | Consolidated Entity | |
|---|---|---|
| | 2017 $'000 | 2016 $'000 |
| Property – at cost | 48,049 | 47,177 |
| Accumulated depreciation | (28,638) | (24,042) |
| | 19,411 | 23,135 |
| Plant & equipment – at cost | 153,816 | 150,806 |
| Accumulated depreciation | (91,052) | (78,123) |
| | 62,764 | 72,683 |
| Plant & equipment under lease | 1,942 | 1,594 |
| Accumulated depreciation | (1,233) | (1,047) |
| | 709 | 547 |
| Total property, plant & equipment – at cost | 203,807 | 199,577 |
| Accumulated Depreciation | (120,923) | (103,212) |
| **Total** | **82,884** | **96,365** |

## ASSETS PLEDGED AS SECURITY

The property, plant and equipment are assets over which a mortgage has been granted as security over project loans. The terms of the mortgage preclude the assets from being sold or being used as security for further mortgages without the permission of the existing mortgagor. Assets under lease are pledged as security for the associated lease liabilities (Note 15(b)).

## NOTE 9: PROPERTY, PLANT AND EQUIPMENT (cont'd)

### MOVEMENT IN CARRYING AMOUNTS

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current year:

| | Consolidated Entity | |
|---|---|---|
| | 2017 $'000 | 2016 $'000 |
| **Property** | | |
| Written down value at the beginning of the year | 23,135 | 24,734 |
| - Additions | 872 | 3,805 |
| - Disposals | - | (892) |
| - Depreciation on disposals | - | 497 |
| - Depreciation expense | (4,596) | (5,009) |
| Written down value at the end of the year | **19,411** | **23,135** |
| **Plant & Equipment** | | |
| Written down value at the beginning of the year | 72,683 | 74,666 |
| - Additions | 3,010 | 9,850 |
| - Deconsolidated assets | - | (44) |
| - Depreciation expense on deconsolidated assets | - | 18 |
| - Depreciation expense | (12,929) | (11,807) |
| Written down value at the end of the year | **62,764** | **72,683** |
| **Plant & Equipment under Lease** | | |
| Written down value at the beginning of the year | 547 | 581 |
| - Additions | 348 | 139 |
| - Depreciation expense | (186) | (173) |
| Written down value at the end of the year | **709** | **547** |

## NOTE 10: FINANCIAL ASSETS

| | Consolidated Entity | |
|---|---|---|
| | 2017 $'000 | 2016 $'000 |
| Opening Balance | 1,281 | 954 |
| - Disposal of investment in associate | (280) | |
| - Fair value of consideration received for Tenement sale | 5,222 | - |
| - Proceeds on farm in joint venture at initial fair value | 2,527 | - |
| - Changes in fair value through other comprehensive income | 2,646 | 327 |
| | **11,396** | **1,281** |

### TENEMENT SALE

In February 2017, Western Areas sold two northern Forrestania tenements to Kidman Resources Ltd ('Kidman'). The Company received shares in Kidman as consideration for entering into the sale of tenements. The shares were recognised in accordance with the requirements of AASB 9 and AASB 13 at the transaction date fair value which was $5.2 million. A corresponding accounting profit of $5.0 million was also recognised in the Consolidated Income Statement.

As part of the consideration for the tenement sale to Kidman, the Company will receive a payment of $15 for each tonne of contained Lithium classified as a JORC Ore Reserve for each Lithium Ore Reserve disclosed by Kidman Resources relevant to the sold tenements. The Company will also receive 1.5% gross revenue royalty over any Lithium production from the tenements sold.

The Company cannot reliably measure the fair value of these two components of the consideration provided by Kidman, as no JORC compliant reserve exists and production has yet to commence from the tenements sold. Accordingly, the fair value of these two components of the consideration has been determined to be nil.

### JOINT VENTURE FARM IN

In March 2017, the Company entered into a farm in joint venture agreement with Kidman covering the Lithium rights over the Company's northern Forrestania tenements. As consideration, the Company received shares in Kidman Resources for entering into the Joint Venture agreement. The shares were recognised in accordance with the requirements of AASB 9 and AASB 13 at the transaction date fair value which was $2.5 million. A corresponding accounting profit was also recognised of $2.5 million in the Consolidated Income Statement.

In accordance with the terms of AASB 9, the Company made an irrevocable election to recognise movements in the fair value the Kidman shares at each reporting period through Other Comprehensive Income. As at 30 June 2017, the investment in Kidman was fair valued at $10.63 million.

## NOTE 11: EXPLORATION & EVALUATION EXPENDITURE

| | Consolidated Entity | |
|---|---|---|
| | 2017 $'000 | 2016 $'000 |
| Exploration & Evaluation Expenditure consists of: | | |
| - At cost | 60,052 | 53,255 |
| - Cosmos Nickel Complex | 27,105 | 27,105 |
| **Total Exploration and Evaluation Expenditure** | **87,157** | **80,360** |

### MOVEMENT IN CARRYING AMOUNT

Movement in the carrying amounts for exploration and evaluation expenditure between the beginning and the end of the current period:

| | Consolidated Entity | |
|---|---|---|
| | 2017 $'000 | 2016 $'000 |
| Written down value at the beginning of the year | 80,360 | 60,979 |
| - Expenditure incurred during the year | 7,126 | 12,912 |
| - Cosmos exploration assets valuation | - | 27,105 |
| - Deconsolidated exploration assets | - | (11,454) |
| - Tenements sold at written down value (Refer to Note 10) | (281) | - |
| - Impairment on deconsolidated exploration assets | - | (6,963) |
| - Write-off | (48) | (2,219) |
| **Written down value at the end of the year** | **87,157** | **80,360** |

### CARRY FORWARD EXPLORATION & EVALUATION EXPENDITURE

The recovery of the costs of exploration and evaluation expenditure carried forward is dependent upon the discovery of commercially viable mineral and other natural resource deposits and their subsequent development and exploitation or alternatively their sale.

## NOTE 12: MINE PROPERTIES

| | Consolidated Entity | |
|---|---|---|
| | 2017 $'000 | 2016 $'000 |
| Capitalised development expenditure consists of: | | |
| - Mine development | 154,872 | 146,203 |
| - Acquisition of mining assets | 59,796 | 59,796 |
| - Exploration expenditure transfer | 76,000 | 76,000 |
| - Deferred mining expenditure | 349,781 | 338,210 |
| - Capitalised restoration costs | 11,645 | 11,645 |
| - Capitalised interest | 11,175 | 11,175 |
| - Accumulated amortisation | (507,456) | (459,450) |
| **Total Mine Development** | **155,813** | **183,579** |

### MOVEMENT IN CARRYING AMOUNT

Movement in the carrying amounts for mine development expenditure between the beginning and the end of the current period:

| | Consolidated Entity | |
|---|---|---|
| | 2017 $'000 | 2016 $'000 |
| **Development Expenditure** | | |
| Written down value at the beginning of the year | 183,579 | 200,453 |
| - Additions | 20,240 | 27,772 |
| - Evaluation and Feasibility write-off for the year | - | (964) |
| - Amortisation charge for the year | (48,006) | (43,682) |
| Written down value at the end of the year | 155,813 | 183,579 |

## NOTE 13: DEFERRED TAX LIABILITIES

| | Consolidated Entity | |
|---|---|---|
| | 2017 $'000 | 2016 $'000 |
| **The balance comprises temporary differences attributable to:** | | |
| **a) Liabilities** | | |
| - Exploration & evaluation expenditure | (17,707) | (50,782) |
| - Property, plant and equipment | - | (1,938) |
| - Mine development | (9,997) | - |
| - Other | (274) | (286) |
| | (27,978) | (53,006) |
| **b) Assets** | | |
| - Provisions | 5,838 | 5,583 |
| - Property, plant and equipment | 5,002 | - |
| - Mine development | - | 27,673 |
| - Tax losses | 9,752 | 11,378 |
| - Employee share trust | 192 | 965 |
| - Other | 1,292 | 1,294 |
| | 22,076 | 46,893 |
| **Net deferred tax liabilities** | **(5,902)** | **(6,113)** |

| | Consolidated Entity | |
|---|---|---|
| | 2017 $'000 | 2016 $'000 |
| **c) Reconciliation** | | |
| i) Gross movement | | |
| *The overall movement in the deferred tax account is as follows:* | | |
| Opening balance | (6,113) | (14,135) |
| Debit to income statement | 211 | 8,022 |
| Closing balance | (5,902) | (6,113) |
| ii) Deferred tax liability | | |
| *The movement in the deferred tax liabilities for each temporary difference during the year is as follows:* | | |
| Exploration & development expenditure: | | |
| Opening balance | (50,782) | (46,858) |
| Credit/(debit) to income statement | 33,075 | (3,924) |
| Closing balance | (17,707) | (50,782) |
| Mine development: | | |
| Opening balance | 27,673 | 29,742 |
| Debit to income statement | (37,670) | (2,069) |
| Closing balance | (9,997) | 27,673 |
| Other: | | |
| Opening balance | (286) | (40) |
| Credit/(debit) to income statement | 12 | (246) |
| Closing balance | (274) | (286) |
| iii) Deferred tax assets | | |
| *The movement in the deferred tax assets for each temporary difference during the year is as follows:* | | |
| Provisions: | | |
| Opening balance | 5,583 | 4,532 |
| Credit to income statement | 255 | 1,051 |
| Closing balance | 5,838 | 5,583 |
| Property, plant and equipment: | | |
| Opening balance | (1,938) | (3,106) |
| Credit to income statement | 6,940 | 1,168 |
| Closing balance | 5,002 | (1,938) |
| Tax losses: | | |
| Opening balance | 11,378 | - |
| (Debit)/credit to income statement | (1,626) | 11,378 |
| Closing balance | 9,752 | 11,378 |
| Employee share trust: | | |
| Opening balance | 965 | 1,222 |
| Debit to income statement | (773) | (257) |
| Closing balance | 192 | 965 |
| Other: | | |
| Opening balance | 1,294 | 111 |
| (Debit)/credit to income statement | (2) | 1,183 |
| Closing balance | 1,292 | 1,294 |

## NOTE 14: TRADE & OTHER PAYABLES

| | Consolidated Entity | |
|---|---|---|
| | 2017 $'000 | 2016 $'000 |
| Trade payables | 8,255 | 8,555 |
| Accrued expenses | 18,090 | 14,168 |
| | **26,345** | **22,723** |

## NOTE 15: BORROWINGS

| | Consolidated Entity | |
|---|---|---|
| | 2017 $'000 | 2016 $'000 |
| **Current** | | |
| Lease liabilities | 170 | 196 |
| | 170 | 196 |
| **Non-Current** | | |
| Lease liabilities | 304 | 123 |
| | 304 | 123 |

### a) CORPORATE LOAN FACILITY

The Corporate Loan facility can be made available for broad company purposes as agreed between the Australia and New Zealand Banking Group Ltd ('ANZ') and Western Areas Ltd. The facility was original scheduled to expire in March 2017, however, at the request of the Company, the maturity date was extended to September 2017, with a zero available limit, to allow the security position and performance bonds facility to remain in place while the Company assesses the optimum facility requirements going forward.

The carrying value of assets secured under the corporate loan facility is as follows:

| | | Consolidated Entity | |
|---|---|---|---|
| | Note | 2017 $'000 | 2016 $'000 |
| Mine properties | 12 | 155,813 | 183,579 |
| Property, plant & equipment | 9 | 82,175 | 95,818 |
| | | **237,988** | **279,397** |

### b) LEASE LIABILITIES

The lease liabilities are secured over the assets under the lease. The finance leases have an average term of three years and an average implicit discount rate of 4.88%. Refer to Note 9 for the carrying value of the assets under lease.

## NOTE 16: PROVISIONS

| | Consolidated Entity | |
|---|---|---|
| | 2017 $'000 | 2016 $'000 |
| **Current** | | |
| Employee entitlements | 3,323 | 2,690 |
| **Non-Current** | | |
| **Rehabilitation and restoration cost** | | |
| Opening balance | 22,649 | 13,523 |
| Additional provision raised | - | 959 |
| Cosmos rehabilitation provision | - | 7,400 |
| Unwinding of discount | 1,227 | 767 |
| Rehabilitation expenditure incurred during the period | (959) | - |
| Closing balance | 22,917 | 22,649 |
| **Employee entitlements** | 627 | 673 |
| | **23,544** | **23,322** |

a) Employee entitlements relate to the balance of annual leave and long service leave accrued by the consolidated entity's employees. Recognition and measurement criteria have been disclosed in Note 1.

b) Rehabilitation and restoration costs relate to an estimate of restoration costs that will result from the development of the Forrestania Nickel Project and Cosmos Nickel Project. Based on the current known mine life, restoration activities are not expected to commence within the next nine years, following full exhaustion of mine life rehabilitation activities will be undertaken.

## NOTE 17: DERIVATIVE FINANCIAL INSTRUMENTS

| | Consolidated Entity | |
|---|---|---|
| | 2017 $'000 | 2016 $'000 |
| Current Assets | | |
| Foreign exchange options | 420 | 171 |
| Total | 420 | 171 |

Collar options are used to hedge cash flow risk associated with future transactions. Gains and losses arising from changes in the fair value of derivatives are initially recognised directly in the statement of comprehensive income. At the date of settlement, amounts included in the hedge reserve are transferred from equity and included in the income statement.

# NOTE 18: ISSUED CAPITAL

| | Consolidated Entity 2017 $'000 | Consolidated Entity 2016 $'000 |
|---|---|---|
| 272,276,625 fully paid ordinary shares (2016: 270,924,958) | 442,963 | 442,963 |

## MOVEMENTS IN ISSUED CAPITAL

| | Number of Shares | $'000 |
|---|---|---|
| **2017** | | |
| Balance at beginning of the financial year | 270,924,958 | 442,963 |
| - Performance rights vested issued as shares | 1,307,740 | - |
| - Tax exempt share plan shares | 43,927 | - |
| **Balance at end of the financial year** | **272,276,625** | **442,963** |
| **2016** | | |
| Balance at beginning of the financial year | 233,149,778 | 369,936 |
| - Issued via share placement | 30,000,000 | 60,000 |
| - Issued via share purchase plan | 7,500,053 | 15,000 |
| - Share issue expense | - | (1,973) |
| - Performance rights vested issued as shares | 275,127 | - |
| **Balance at end of the financial year** | **270,924,958** | **442,963** |

## CAPITAL MANAGEMENT

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor, and market confidence and to sustain future development of the business. There were no changes to the consolidated entity's approach to capital management during the year. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

The Board effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

## PERFORMANCE RIGHTS

Information relating to performance rights issued, exercised, lapsed during the year and the performance rights outstanding at the end of the year are detailed in Note 30 Share Based Payments.

## TERMS AND CONDITIONS OF ORDINARY SHARES

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid upon shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

## TAX EXEMPT SHARE PLAN

During February 2017, the Company issued $1,000 worth of shares to eligible employees under the newly introduced Western Areas Ltd Tax Exempt Share Plan, eligible employees were those that satisfied the minimum service condition and were not included in the existing performance rights plan.

# NOTE 19: EARNINGS PER SHARE

| | Consolidated Entity | |
|---|---|---|
| | 2017 $'000 | 2016 $'000 |
| Earnings/(Loss) used to calculate basic/diluted earnings per share | 19,299 | (29,783) |
| | 2017 Number | 2016 Number |
| Weighted average number of ordinary shares outstanding during the year used in calculating earnings per share | 272,081,823 | 241,940,446 |
| Weighted average number of ordinary shares outstanding during the year used in calculating dilutive earnings per share | 275,329,044 | 245,133,933 |

# NOTE 20: CASH FLOW INFORMATION

## a) RECONCILIATION OF THE NET PROFIT AFTER TAX TO NET CASH PROVIDED BY OPERATING ACTIVITIES

| | Consolidated Entity | |
|---|---|---|
| | 2017 $'000 | 2016 $'000 |
| (Loss)/profit after income tax | 19,299 | (29,783) |
| Depreciation expense | 17,711 | 16,989 |
| Amortisation expense | 48,619 | 45,173 |
| Profit on insured assets written off | - | (1,188) |
| Impairment/write-off expenses | 48 | 14,783 |
| Profit on deconsolidation | - | 875 |
| Profit on discontinue of equity accounting and sale of Bluejay shares | (25,595) | - |
| Profit on sale of tenements | (7,468) | - |
| Other | (1,125) | (458) |
| Share based payment expense | 3,060 | 2,507 |
| Rehabilitation provision interest unwound | 1,227 | 767 |
| Rehabilitation expense | (959) | - |
| Provision for employee entitlements | 586 | 906 |
| Derecognising foreign currency translation reserve | - | (1,191) |
| Change in Assets and Liabilities | | |
| Decrease/(increase) in trade and other payables | 2,262 | (2,049) |
| Decrease/(increase) in inventories | (6,520) | 4,076 |
| Decrease/(increase) in trade and other receivables | 17,164 | (10,335) |
| Decrease in interest payable | (170) | (4,000) |
| (Decrease)/increase in tax liabilities | (1,949) | (21,509) |
| Net cash provided by operating activities | 66,190 | 15,563 |

## b) RECONCILIATION OF CASH AND CASH EQUIVALENTS

| | Consolidated Entity | |
|---|---|---|
| | 2017 $'000 | 2016 $'000 |
| Cash and cash equivalents comprises: | | |
| Cash on hand and at bank | 140,294 | 75,706 |

# NOTE 20: CASH FLOW INFORMATION (cont'd)

## c) FINANCING FACILITIES AVAILABLE

As at the reporting date the Consolidated Entity had the following financing facilities in place:

| | Total Facility $'000 | Utilised at Balance Date $'000 | Available Facilities (*) $'000 |
|---|---|---|---|
| Banking Facilities: | | | |
| ANZ Banking Group | | | |
| - Cash advance facility* | - | - | - |
| Performance Guarantees: | | | |
| ANZ Banking Group | | | |
| - Security bond facility | 1,000 | 442 | 558 |
| | **1,000** | **442** | **558** |

* The Corporate Loan facility can be made available for broad company purposes as agreed between the Australia and New Zealand Banking Group Ltd (ANZ) and Western Areas Ltd. The facility was original scheduled to expired in March 2017, however, at the request of the Company, the maturity date was extended to September 2017, with a zero available limit, to allow the security position and performance bonds facility to remain in place while the Company assesses the optimum facility requirements going forward.

## d) NON-CASH FINANCING ACTIVITIES

During the year, the consolidated entity acquired plant & equipment by means of a finance lease to the value of $348k (2016: $139k).

# NOTE 21: COMMITMENTS

The Directors are not aware of any commitments as at the date of these financial statements other than those listed below.

## a) OPERATING LEASE COMMITMENTS

| | Consolidated Entity | |
|---|---|---|
| | 2017 $'000 | 2016 $'000 |
| Non-cancellable operating leases contracted for but not capitalised in the accounts: | | |
| - No later than 1 year | 680 | 685 |
| - Later than 1 year and not later than 5 years | 2,081 | 2,602 |
| Lease expenditure contracted for at year end | 2,761 | 3,287 |

The operating leases are for miscellaneous office equipment and office premises in West Perth. The West Perth office lease expires August 2021.

## b) FINANCE LEASE COMMITMENTS

| | Consolidated Entity | |
|---|---|---|
| | 2017 $'000 | 2016 $'000 |
| - No later than 1 year | 170 | 196 |
| - Later than 1 year and not later than 5 years | 304 | 123 |
| Total Minimum Lease Payments | 474 | 319 |
| - Future finance charges | 35 | 13 |
| Total Lease Liability | 509 | 332 |
| - Current | 197 | 205 |
| - Non-current | 312 | 127 |
| | 509 | 332 |

The finance lease commitments relate primarily to motor vehicles, but also include some office equipment. Motor vehicles are finance leased under three-year contracts at normal commercial rates, balloon payments are generally required at the expiry of the finance lease, at which point the Company takes ownership of the vehicle.

## c) CAPITAL EXPENDITURE COMMITMENTS

| | Consolidated Entity | |
|---|---|---|
| | 2017 $'000 | 2016 $'000 |
| - No later than 1 year | 11,963 | - |
| - Later than 1 year and not later than 5 years | - | 15,706 |
| Total minimum commitments | 11,963 | 15,706 |

On 21 July 2015, the Company announced the commencement of the mill enhancement project with GR Engineering. A total of $6.5m has been spent on long lead items during the previous financial year. The project was resumed in April 2017, with $5.5m of contracted payments occurring during this financial year. The project is scheduled for completion during the March quarter 2018.

## d) EXPLORATION EXPENDITURE COMMITMENTS

| | Consolidated Entity | |
|---|---|---|
| | 2017 $'000 | 2016 $'000 |
| - No later than 1 year | 5,143 | 6,255 |
| - Later than 1 year and not later than 5 years | 20,572 | 25,020 |
| Total Minimum Payments | 25,715 | 31,275 |

Under the terms and conditions of the Company's title to its various tenements, it has an obligation to meet tenement rents and minimum levels of exploration expenditure as gazetted by the Department of Mines and Petroleum.

# NOTE 22: AUDITOR REMUNERATION

| | Consolidated Entity | |
|---|---|---|
| | 2017 $'000 | 2016 $'000 |
| During the year the following fees were paid or payable for services provided by the auditor of the Company: | | |
| - Audit and review of financial statements | 94 | 105 |
| - Audit of Jobs and Competitiveness Program Assistance Application | 5 | 5 |
| | 99 | 110 |

## NOTE 23: MATERIAL CONTRACTS

The Company has two main customers. A summary of the key terms of the offtake agreements entered into with these customers are detailed below. Credit risk associated with these customers is detailed in Note 28.

The Company continued delivery into the two existing offtake sales agreements with Jinchuan Group and BHP Nickel West, which were due to expire on 31 December 2016. During the year, these contracts were extended by one month to 31 January 2017 to facilitate the offtake tender process being undertaken.

In November 2016, the Company entered into the following Offtake Contracts:

- A new three-year Offtake Contract with BHP Nickel West (BHPNW) effective 1 February 2017 to deliver up 10,000 tonnes of nickel contained in concentrate per annum with a 30,000-tonne aggregate limit.
- A new three-year Offtake Contract with Tsingshan Group (Tsingshan), through its associated entity Golden Harbour Pte Ltd, effective 1 February 2017 to deliver up 10,000 tonnes of nickel contained in concentrate per annum.

## NOTE 24: CONTINGENT LIABILITIES

The Directors are not aware of any contingent liabilities as at the date of these financial statements.

## NOTE 25: SUBSEQUENT EVENTS

On 22 August 2017, the Board of Directors declared a fully franked dividend of 2 cents per share to the holders of fully paid ordinary shares.

Other than the matter detailed above, there have been no subsequent events after 30 June 2017 which had a material effect on the financial statements for the year ended 30 June 2017.

## NOTE 26: STATEMENT OF OPERATIONS BY SEGMENTS

### IDENTIFICATION OF REPORTABLE SEGMENT

The group identifies its operating segments based on the internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

### BASIS OF ACCOUNTING FOR PURPOSES OF REPORTING BY OPERATING SEGMENTS

#### Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors as the chief decision maker is in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

# NOTE 27: KEY MANAGEMENT PERSONNEL

## KEY MANAGEMENT PERSONNEL

Key management personnel of the Consolidated Entity (as defined by AASB 124: Related Party transactions) include the following:

| | |
|---|---|
| I Macliver | Chairman (Non-Executive) |
| R Yeates | Director (Non-Executive) |
| C Readhead | Director (Non-Executive) |
| T Netscher | Director (Non-Executive) |
| N Streltsova | Director (Non-Executive) (Appointed 1 January 2017) |
| D Lougher | Managing Director |
| D Southam | Executive Director |
| J Belladonna | Chief Financial Officer/Company Secretary |
| W Jones | General Manager Operations |

Refer to the remuneration report contained in the Directors' Report for details of the remuneration paid or payable to each member of the group's key management personnel for the year ended 30 June 2017.

The total of remuneration paid to key management personnel of the Consolidated Entity during the year is detailed below:

| | Consolidated Entity | |
|---|---|---|
| | 2017 $'000 | 2016 $'000 |
| Short term employee benefits | 3,576 | 3,631 |
| Share based payments | 1,914 | 1,658 |
| Post-employment benefits | 222 | 241 |
| | 5,712 | 5,530 |

# NOTE 28: FINANCIAL RISK MANAGEMENT

## FINANCIAL RISK MANAGEMENT POLICIES

The Treasury Committee consisting of senior management and non-executive board members meets on a regular basis to analyse and discuss amongst other issues, monitoring and managing financial risk exposures of the consolidated entity. The Treasury Committee monitors the consolidated entity financial risk management policies and exposures and approves financial transactions within the scope of its authority. It also reviews the effectiveness of internal controls relating to commodity price risk, counter party credit risk, currency risk, financing risk and interest rate risk.

The Treasury Committee's overall risk management strategy seeks to assist the consolidated entity in meeting its financial targets, while minimising potential adverse effects on financial performance. Its functions include the review of the use of hedging derivative instruments, credit risk policies and future cash flow requirements.

## SPECIFIC FINANCIAL RISK EXPOSURES AND MANAGEMENT

The main risks the Group is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk, foreign currency risk and commodity and equity price risk.

### a) Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults.

# NOTE 28: FINANCIAL RISK MANAGEMENT (cont'd)

## SPECIFIC FINANCIAL RISK EXPOSURES AND MANAGEMENT (cont'd)

### a) Credit Risk (cont'd)

The carrying amount of financial assets exposed to credit risk is detailed below:

| | Consolidated Entity | |
|---|---|---|
| | 2017 $'000 | 2016 $'000 |
| Cash and cash equivalents | 140,294 | 75,706 |
| Trade and other receivables | 19,182 | 29,275 |
| Financial assets at fair value through other comprehensive income | 11,396 | 1,281 |
| Derivative financial instruments | 420 | 171 |

#### Cash and cash equivalents and derivative financial instruments

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings.

#### Trade and other receivables

The consolidated entity does not have significant credit risk exposure to trade receivables as the consolidated entity's customers are considered to be of high credit quality. There were no balances within trade and other receivables that are past due. It is expected these balances will be received when due. Export sales are conducted under an irrevocable letter of credit prior to product being loaded at the port of Esperance.

#### Financial assets at fair value through other comprehensive income

Credit risk on financial assets at fair value through other comprehensive income is minimised by undertaking transactions with recognised counterparties on recognised exchanges.

### b) Liquidity Risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages this risk through the following mechanisms which include:

- preparing forward looking cash flow analysis in relation to its operational, investing and financing activities
- using derivatives that are only traded in highly liquid markets
- monitoring undrawn credit facilities, to the extent that they exist
- obtaining funding from a variety of sources
- maintaining a reputable credit profile
- managing credit risk related to financial assets
- investing surplus cash only with major financial institutions
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets

The tables below reflect an undiscounted contractual maturity analysis for financial assets and liabilities. Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward.

## Financial liability and financial asset maturity analysis

The Consolidated Entity's contractual maturity analysis of financial assets and financial liabilities is shown below:

| | 1 year or less $'000 | Over 1 to 5 years $'000 | More than 5 years $'000 | Total contractual cash flows $'000 |
|---|---|---|---|---|
| **2017 Consolidated Entity** | | | | |
| **Financial Assets – Non-Derivative** | | | | |
| Cash and Cash Equivalents | 140,294 | - | - | **140,294** |
| Trade and Other Receivables | 19,182 | - | - | **19,182** |
| Financial assets at fair value through other comprehensive income | - | - | 11,396 | **11,396** |
| **Financial Assets – Derivative** | | | | |
| Derivative Collar Options (net settled) | 420 | - | - | **420** |
| | 159,896 | - | 11,396 | **171,292** |
| **Financial Liabilities – Non-Derivative** | | | | |
| Trade and Other Payables | 26,345 | - | - | **26,345** |
| Lease Liabilities | 170 | 304 | - | **474** |
| | 26,515 | 304 | - | **26,819** |
| Net Financial Assets/(Liabilities) | 133,381 | (304) | 11,396 | 144,473 |
| **2016 Consolidated Entity** | | | | |
| **Financial Assets – Non-Derivative** | | | | |
| Cash and Cash Equivalents | 75,706 | - | - | **75,706** |
| Trade and Other Receivables | 29,275 | - | - | **29,275** |
| Financial assets at fair value through other comprehensive income | - | - | 1,281 | **1,281** |
| **Financial Assets – Derivative** | | | | |
| Derivative Collar Options (net settled) | 171 | - | - | **171** |
| | 105,152 | - | 1,281 | **106,433** |
| **Financial Liabilities – Non-Derivative** | | | | |
| Trade and Other Payables | 22,723 | - | - | **22,723** |
| Lease Liabilities | 196 | 123 | - | **319** |
| | 22,919 | 123 | - | **23,042** |
| Net Financial Assets/(Liabilities) | 82,233 | (123) | 1,281 | 83,391 |

## c) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, price risk and currency risk.

### i) Interest Rate Risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at reporting date whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. Interest rate risk is managed using a mix of fixed and floating rate debt.

# NOTE 28: FINANCIAL RISK MANAGEMENT (cont'd)

## SPECIFIC FINANCIAL RISK EXPOSURES AND MANAGEMENT (cont'd)

### c) Market Risk (cont'd)

#### i) Interest Rate Risk (cont'd)

At the reporting date, the interest rate risk profile of the consolidated entity's interest bearing financial instruments was as follows:

| | Floating interest rate $'000 | Fixed interest maturing in: 1 year or less $'000 | Over 1 to 5 years $'000 | More than 5 years $'000 | Non-interest bearing $'000 | Total $'000 | Weighted average interest rate |
|---|---|---|---|---|---|---|---|
| **2017 Consolidated Entity** | | | | | | | |
| **Financial Assets** | | | | | | | |
| Cash and Cash Equivalents | 140,294 | - | - | - | - | **140,294** | 2.48% |
| Trade and Other Receivables | - | - | - | - | 19,182 | **19,182** | |
| Financial assets at fair value through other comprehensive income | - | - | - | - | 11,396 | **11,396** | |
| | 140,294 | - | - | - | 30,578 | 170,872 | |
| **Financial Liabilities** | | | | | | | |
| Trade and Other Payables | | | | | 26,345 | **26,345** | |
| Lease liability | - | 170 | 304 | - | - | **474** | 4.88% |
| | - | 170 | 304 | - | 26,345 | 26,819 | |
| Net Financial Assets/ (Liabilities) | 140,294 | (170) | (304) | - | 4,233 | 144,053 | |
| **2016 Consolidated Entity** | | | | | | | |
| **Financial Assets** | | | | | | | |
| Cash and Cash Equivalents | 75,706 | - | - | - | - | **75,706** | 2.9% |
| Trade and Other Receivables | - | - | - | - | 29,275 | **29,275** | |
| Financial assets at fair value through other comprehensive income | - | - | - | - | 1,281 | **1,281** | |
| | 75,706 | - | - | - | 30,556 | 106,262 | |
| **Financial Liabilities** | | | | | | | |
| Trade and Other Payables | - | - | - | - | (22,723) | **106,262** | |
| Lease liability | - | (196) | (123) | - | - | **(319)** | 5.1% |
| | - | (196) | (123) | - | (22,723) | (23,042) | |
| Net Financial Assets/ (Liabilities) | 75,706 | (196) | (123) | - | 7,833 | 83,220 | |

Interest rate sensitivities have not been included in the financial report as the changes in profit before tax due to changes in interest rate is not material to the results of the Consolidated Entity.

#### ii) Price Risk

*a) Equity Price Risk*

The consolidated entity is exposed to equity securities price risk. This arises from investments held by the Group and classified on the statement of financial position as financial assets at fair value through other comprehensive income.

A majority of the consolidated entity's equity investments are publicly traded and are quoted either on the ASX or the TSX.

The table below summarises the impact of increases/decreases of these two indexes on the Consolidated Entity's comprehensive income. The analysis is based on the assumption that the equity indexes had increased by 10%/decreased by 10% (2016 – increased by 10%/decreased by 10%) and foreign exchange rate increased by 5%/decrease by 5% (2016 increased by 5%/decrease by 5%) with all other variables held constant and all the Consolidated Entity's equity instruments moved according to the historical correlation with the index. The percentages are the sensitivity rates used when reporting equity price risk internally to key management personnel and represents management's assessment of the possible change in equity prices.

| | Consolidated Entity | |
|---|---|---|
| | **30 June 2017 $'000** | **30 June 2016 $'000** |
| Financial assets at fair value through other comprehensive income Index | | |
| ASX | 532 | 25 |
| TSX | 121 | 127 |

Comprehensive income would increase/decrease as a result of gains/losses on equity securities classified as financial assets at fair value through other comprehensive income. A decrease in the share price and exchange rate would result in a further decrease in fair value compared to cost.

## *b) Commodity Price Risk*

The Consolidated Entity is exposed to commodity price risk. Commodity price risk arises from the sale of nickel. The entity manages its commodity price risk exposure arising from future commodity sales through sensitivity analysis, cash flow management and forecasting and where appropriate utilise derivative financial instruments to reduce price risk.

The following table details the Consolidated Entity's sensitivity to a US$500/tonne increase and decrease in the nickel price. US$500 is the sensitivity rate used when reporting commodity price risk internally to key management personnel and represents management's assessment of the possible change in commodity price. The table below assumes all other variables remaining constant.

### *Sensitivity analysis*

| | Profit $'000 | Equity $'000 |
|---|---|---|
| **Year Ended 30 June 2017** | | |
| +- $500/tonne nickel | +/-120 | +/-120 |
| **Year Ended 30 June 2016** | | |
| +- $500/tonne nickel | +/-996 | +/-996 |

### *Nickel Collar Options*

The consolidated entity enters into financial transactions in the normal course of business and in line with Board guidelines for the purpose of hedging and managing its expected exposure to nickel prices. The hedges are treated as cash flow hedges in accordance with AASB 9 "Financial Instruments: Recognition and Measurement".

There were no nickel collar options and swaps open at 30 June 2017.

# NOTE 28: FINANCIAL RISK MANAGEMENT (cont'd)

## SPECIFIC FINANCIAL RISK EXPOSURES AND MANAGEMENT (cont'd)

### c) Market Risk (cont'd)

#### iii) Currency Risk

Currency risk arises when future commercial transactions and recognised financial assets and liabilities are denominated in a currency that is not the entity's functional currency. The Consolidated Entity manages its foreign currency risk exposure through sensitivity analysis, cash flow management, forecasting and where appropriate, utilises derivative financial instruments. The carrying amount of the Consolidated Entity's foreign currency denominated monetary assets and monetary liabilities at the reporting date is as follows:

| | 30 June 2017 | | 30 June 2016 | |
|---|---|---|---|---|
| | Financial liabilities | Financial assets | Financial liabilities | Financial assets |
| US$ '000 | - | 15,494 | - | 6,960 |

The following table details the consolidated entity's sensitivity to a 5% increase and decrease in the Australian Dollar against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 5% change in foreign currency rates.

*Sensitivity analysis*

| | Profit $'000 | Equity $'000 |
|---|---|---|
| **Year Ended 30 June 2017** | | |
| +5% in $A/$US | 1,061 | 1,061 |
| -5% in $A/$US | (960) | (960) |
| **Year Ended 30 June 2016** | | |
| +5% in $A/$US | 1,082 | 1,082 |
| -5% in $A/$US | (979) | (979) |

*Foreign exchange collar options*

The consolidated entity had open foreign exchange collar options at 30 June 2017 relating to highly probable forecast transactions and recognised financial assets and financial liabilities. These contracts commit the Group to buy and sell specified amounts of foreign currencies in the future at specified exchange rates. The hedges are treated as cash flow hedges in accordance with AASB 9 "Financial Instruments: Recognition and Measurement".

The following table summarises the notional amounts of the consolidated entity's commitments in relation to foreign exchange collar options. The notional amounts do not represent amounts exchanged by the transaction counter parties and are therefore not a measure of the exposure of the consolidated entity through the use of these contracts.

| | Notional Amounts | | Exchange Rate | |
|---|---|---|---|---|
| **Consolidated Group** | **2017 $000** | **2016 $000** | **2017 $** | **2016 $** |
| **Buy AUD/Sell USD** | | | Put – Call | Put – Call |
| Settlement: | | | | |
| Less than 6 months | 15,000 | 15,000 | 0.725 – 0.755 | 0.70 – 0.75 |
| 6 months to 1 year | - | - | - | - |

## d) Net fair values

The fair values of financial assets and financial liabilities are presented in the following table and can be compared to their carrying values as presented in the balance sheet. Fair values are those amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fair values derived may be based on information that is estimated or subject to judgment, where changes in assumptions may have a material impact on the amounts estimated. Areas of judgment and the assumptions have been detailed below. Where possible, valuation information used to calculate fair value is extracted from the market, with more reliable information available from markets that are actively traded. In this regard, fair values for listed securities are obtained from quoted closing market bid prices. Where securities are unlisted and no market quotes are available, fair value is obtained using discounted cash flow analysis and other valuation techniques commonly used by market participants.

Differences between fair values and carrying values of financial instruments with fixed interest rates are due to the change in discount rates being applied by the market since their initial recognition by the Group. Most of these instruments which are carried at amortised cost are to be held until maturity and therefore the net fair value figures calculated bear little relevance to the Group.

| | | 2017 | | 2016 | |
|---|---|---|---|---|---|
| | Note | Carrying Amount $'000 | Net Fair Value $'000 | Carrying Amount $'000 | Net Fair Value $'000 |
| **Financial Assets** | | | | | |
| Cash and cash equivalents | i | 140,294 | 140,294 | 75,706 | 75,706 |
| Financial assets at fair value through other comprehensive income | ii | 11,396 | 11,396 | 1,281 | 1,281 |
| Derivative financial assets | iii | 420 | 420 | 171 | 171 |
| Loans and receivables | | 19,182 | 19,182 | 29,275 | 29,275 |
| | | 171,292 | 171,292 | 106,433 | 106,433 |
| **Financial Liabilities** | | | | | |
| Trade and other payables | i | 26,345 | 26,345 | 22,723 | 22,723 |
| Other liabilities | i | 474 | 474 | 319 | 319 |
| | | 26,819 | 26,819 | 23,042 | 23,042 |

The fair values disclosed in the above table have been determined based on the following methodologies:

i) Cash and cash equivalents, trade and other receivables and trade and other liabilities are short-term instruments in nature whose carrying value is equivalent to fair value. Trade and other payables exclude amounts provided for annual leave, which is not considered a financial instrument.

ii) Quoted closing bid prices at reporting date.

iii) Fair valuation calculations are performed by an independent financial risk management consulting firm, the calculations include valuation techniques incorporating observable market data relevant to the hedged position.

### Financial Instruments Measured at Fair Value

The financial instruments recognised at fair value in the statement of financial position have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the measurements. The fair value hierarchy consists of the following levels:

- quoted prices in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

# NOTE 28: FINANCIAL RISK MANAGEMENT (cont'd)

## SPECIFIC FINANCIAL RISK EXPOSURES AND MANAGEMENT (cont'd)

### d) Net fair values (cont'd)

#### Financial Instruments Measured at Fair Value (cont'd)

| | Level 1 $000 | Level 2 $000 | Level 3 $000 | Total $000 |
|---|---|---|---|---|
| **2017** | | | | |
| Financial assets: | | | | |
| Financial assets at fair value through other comprehensive income | 11,396 | - | - | - |
| Derivative financial instruments | - | 420 | - | - |
| | 11,396 | 420 | - | - |
| **2016** | | | | |
| Financial assets: | | | | |
| Financial assets at fair value through other comprehensive income | 1,281 | - | - | 1,281 |
| Derivative financial instruments | | 171 | | 171 |
| | 1,281 | 171 | - | 1,452 |

# NOTE 29: RELATED PARTY TRANSACTIONS

There were no other related party transactions during the financial year other than those included in the key management compensation as disclosed in the Remuneration Report contained in the Directors' Report.

# NOTE 30: SHARE BASED PAYMENTS

## a) EXPENSES ARISING FROM SHARE BASED TRANSACTIONS

| | Consolidated Entity | |
|---|---|---|
| | **2017 $'000** | **2016 $'000** |
| Equity settled share options and performance rights granted during: | | |
| Year ended 30 June 2017 | 1,248 | - |
| Year ended 30 June 2016 | 974 | 655 |
| Year ended 30 June 2015 | 838 | 898 |
| Year ended 30 June 2014 | - | 954 |
| **Total expense recognised as employee costs** | **3,060** | **2,507** |

## b) PERFORMANCE RIGHTS

Under the Performance Rights plan, executives and senior management are granted a right to be issued a share in the future subject to the performance based vesting conditions being met. The Company's share price performance is measured via a relative total shareholder return ('TSR'). The Company's TSR is measured against a customised peer group of companies.

For grants made under the LTI plan during FY15, vesting will occur subject to the meeting of a three-year service condition to 30 June 2017 and the performance condition tested against the relative TSR measure for the period 1 July 2014 to 30 June 2017.

For grants made under the LTI plan during FY16, vesting will occur subject to the meeting of a three-year service condition to 30 June 2018 and the performance condition tested against the relative TSR measure for the period 1 July 2015 to 30 June 2018.

For grants made under the LTI plan during FY17, vesting will occur subject to the meeting of a three-year service condition to 30 June 2019 and the performance condition tested against the relative TSR measure for the period 1 July 2016 to 30 June 2019.

The following table sets out the vesting outcome based on the Company's relative TSR performance:

| Relative TSR performance | Performance Vesting Outcomes |
|---|---|
| Less than 50th percentile | 0% vesting |
| At the 50th percentile | 50% vesting |
| Between 50th and 75th percentile | Pro-rata/progressive vesting from 50% - 100% |
| At or above 75th percentile | 100% vesting |

No Performance Rights will vest unless the percentile ranking of the Company's TSR for the relevant performance year, as compared to the TSRs for the peer group companies, is at or above the 50th percentile.

The valuation inputs used in determining the fair value of performance rights issued during the year is detailed below:

| | 2017 | 2016 |
|---|---|---|
| Underlying share price | $2.98 | $2.45 |
| Exercise price of rights | Nil | Nil |
| Risk free rate | 1.85% | 2.1% |
| Volatility factor | 48.4% | 45% |
| Dividend yield | 1.65% | 1.5% |
| Effective life | 3.0 years | 3.0 years |
| Entitled number of employees | 19 | 20 |

## Performance Rights held by Key Management Personnel at 30 June 2017

| | Balance at 1 July 2016 | Granted as Remuneration | Exercise of Performance Rights | Lapsed/ Cancelled/ Other | Balance at 30 June 2017 | Performance Rights Vested |
|---|---|---|---|---|---|---|
| D Lougher | 970,640 | 375,540 | (456,435) | (9,315) | 880,430 | - |
| D Southam | 546,093 | 211,280 | (256,797) | (5,241) | 495,335 | - |
| J Belladonna | 355,779 | 142,360 | (161,096) | (3,288) | 333,755 | - |
| W Jones | 269,481 | 102,370 | (129,212) | (2,637) | 240,002 | - |
| TOTAL | 2,141,993 | 831,550 | (1,003,540) | (20,481) | 1,949,522 | - |

## Performance Rights held by Key Management Personnel at 30 June 2016

| | Balance at 1 July 2015 | Granted as Remuneration | Exercise of Performance Rights | Expired/ Lapsed/ Cancelled | Balance at 30 June 2016 | Performance Rights Vested |
|---|---|---|---|---|---|---|
| D Lougher | 965,690 | 299,750 | (294,800) | - | 970,640 | - |
| D Southam | 448,990 | 168,640 | (165,900) | 94,363 | 546,093 | - |
| J Belladonna | 346,223 | 113,630 | (104,074) | - | 355,779 | - |
| W Jones | 271,247 | 81,710 | (83,476) | - | 269,481 | - |
| TOTAL | 2,032,150 | 663,730 | (648,250) | 94,363 | 2,141,993 | - |

## c) OPTION PLANS

There were no options outstanding as at 30 June 2017.

# NOTE 31: RESERVES

## i) SHARE BASED PAYMENT RESERVE

The share based payment reserve records the items recognised as expenses on valuation of employee share options and performance rights.

## ii) HEDGE RESERVE

The hedge reserve records revaluations of items designated as hedges.

## iii) INVESTMENT REVALUATION RESERVE

The investment revaluation reserve records revaluations of financial assets at fair value through other comprehensive income.

# NOTE 32: INTERESTS IN SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following wholly-owned subsidiaries in accordance with the accounting policy described in Note 1:

| Name | Country of Incorporation | Percentage of equity held | |
|---|---|---|---|
| | | 2017 | 2016 |
| Western Platinum NL | Australia | 100% | 100% |
| Australian Nickel Investments Pty Ltd | Australia | 100% | 100% |
| Bioheap Ltd | Australia | 100% | 100% |
| Western Areas Nickel Pty Ltd | Australia | 100% | 100% |
| Western Areas Employee Share Trust | Australia | 100% | 100% |

All the entities above are members of the tax consolidated group of which Western Areas Ltd is the head entity. Western Areas Ltd is the parent entity and is incorporated and domiciled in Australia.

# NOTE 33: PARENT INFORMATION

The following information has been extracted from the books of the parent and has been prepared in accordance with the accounting standards.

## STATEMENT OF FINANCIAL POSITION

| | Parent Entity | |
|---|---|---|
| | 2017 $'000 | 2016 $'000 |
| **Assets** | | |
| Current Assets | 178,618 | 118,016 |
| Non-Current Assets | 354,334 | 405,697 |
| **Total Assets** | 532,952 | 523,713 |
| **Liabilities** | | |
| Current Liabilities | 28,415 | 25,726 |
| Non-Current Liabilities | 21,305 | 42,973 |
| **Total Liabilities** | 49,720 | 68,699 |
| **Net Assets** | 483,232 | 455,014 |
| **Equity** | | |
| Issued capital | 442,963 | 442,963 |
| Reserves | 21,445 | 15,403 |
| Retained Earnings | 18,824 | (3,352) |
| **Total Equity** | 483,232 | 455,014 |
| **Statement of Comprehensive (Loss)/Income** | | |
| (Loss)/profit for the year | 23,009 | (31,097) |
| Total comprehensive (loss)/income for the year | 25,904 | (30,376) |

## GUARANTEES

Western Areas Ltd has not entered into any guarantees, in the current or previous financial year, in relation to the debts of its subsidiaries.

## CONTINGENT LIABILITIES

The Directors are not aware of any contingent liabilities as at the date of these financial statements.

## CONTRACTUAL COMMITMENTS

Refer to Note 21, all commitments were entered into by Western Areas Ltd.

# NOTE 34: ADDITIONAL COMPANY INFORMATION

Western Areas Ltd is a Public Company, incorporated and domiciled in Australia.

Registered office and Principal place of business:

Level 2
2 Kings Park Road
West Perth WA 6005

Tel: +61 8 9334 7777
Fax: +61 8 9486 7866

Web: www.westernareas.com.au
Email: info@westernareas.com.au

1) In the opinion of the Directors of Western Areas Ltd:

   a) the Consolidated Entity's financial statements and notes set out on pages 53 to 97 are in accordance with the Corporations Act 2001, including:

      i) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2017 and of its performance, for the financial year ended on that date; and

      ii) complying with Australian Accounting Standards and the Corporations Regulations 2001;

   b) the financial report also complies with International Financial Reporting Standards as set out in Note 1;

   c) the remuneration disclosures that are contained in the remuneration report in the Directors' report comply with Australian Accounting Standard AASB 124 Related Party Disclosures, the Corporations Act 2001 and the Corporations Regulations 2001;

   d) there are reasonable grounds to believe that the Consolidated Entity will be able to pay its debts as and when they become due and payable.

2. the Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer, Managing Director, Executive Director and Chief Financial Officer for the financial year ended 30 June 2017.

Signed in accordance with a resolution of the Board of Directors.

DR Lougher.

**D Lougher**
**Managing Director**

Dated – 22 August 2017

Crowe Horwath™

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WESTERN AREAS LTD**

**Report on the audit of the financial report**

***Opinion***

We have audited the financial report of Western Areas Ltd (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated income statement, consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the Director's Declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*; including:

(a) giving a true and fair value of the Group's financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

***Basis for Opinion***

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of this report. We are independent of the Group in accordance with the independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia; and we have fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

***Key Audit Matters***

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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| Key audit matter and why | How our audit addressed the matter |
|---|---|
| **Amortisation of mine properties (mines in production)** | |
| Amortisation of mine properties is material to our audit and represents an area of significant estimate and judgement within the financial statements. As outlined in Note 4, the Group recorded amortisation of $ 48.01m for the year ended 30 June 2017.<br><br>As outlined in Notes 1(h) and 1(j), the Group applies the units of production amortisation policy, which involves judgement in determining the appropriate ore reserve estimation attributable to each mine and the resultant cost allocation to each. | Our procedures included, but were not limited to:<br>▪ ensuring the Group's amortisation accounting policy is in accordance with Australian Accounting Standards and is consistently applied;<br>▪ recalculation of the amortisation rate and checking the amortisation rate inputs by:<br>– agreeing reserve estimations to published reserve statements; and<br>– agreeing production volumes to the Group's Quarterly Activity Reports.<br>▪ assessing the competency and objectivity of the experts used by management in compiling the ore reserve estimations. |
| **Impairment of mine properties (mines in production) and property, plant & equipment** | |
| As outlined in Notes 12 and 9, the carrying value as at 30 June 2017 of the Group's Mine Properties is $155.81m and Property, Plant & Equipment is $82.89m, respectively. These represent significant balances recorded in the Group's consolidated statement of financial position.<br><br>The determination of the existence or otherwise of impairment indicators in relation to mine properties and property, plant & equipment balances requires significant judgement and whether the recoverable amount of these assets is required to be determined, as a result. | Our procedures included:<br>▪ evaluating management's documented assessment of the existence or otherwise of impairment indicators from both internal sources and external sources of information;<br>▪ in relation to management's documented assessment, corroborating representations made by management with information and research from external sources, as well as information obtained by us during the course of our audit. Our procedures, which included comparisons with historical, economic and industry data, were undertaken in relation to:<br>– production volumes;<br>– nickel commodity price;<br>– USD:AUD exchange rates; and<br>– LME stockpiles.<br>We also considered the appropriateness of the information communicated in the disclosures included in Notes 1(h, j, p and u), 9 and 12. |

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<table>
<tr><th>Key audit matter and why</th><th>How our audit addressed the matter</th></tr>
<tr><td colspan="2">Loss of significant influence</td></tr>
<tr><td>During the year ended 30 June 2017 and as outlined in Note 8, the Group progressively reduced its interest in BlueJay Mining Plc, from 37% (at 1 July 2016) to 22.4% (at 31 December 2016) to 18.8% (at 31 March 2017) to a retained interest of nil at 30 June 2017. This resulted in the recognition of $25.6m in Other Income, as outlined in Note 2. This amount is material to our audit and had a significant effect on the financial report as it involved the loss of significant influence (and the corresponding cessation of equity accounting under AASB 128) and the re-measurement of a retained interest under AASB 9. The subsequent disposal of the remaining interest by 30 June 2017 resulted in the Group reporting a before tax profit, whereas, but for the disposal, a before tax loss position would have occurred.</td><td>Our procedures included:<br>▪ Evaluating the application and appropriateness of the accounting policy and accounting treatment adopted by management, to ensure consistency with the requirements of Australian Accounting Standard; and<br>▪ Verifying the accuracy of the calculations undertaken by management to ensure that:<br>– the change in accounting basis, as a result of a loss of significant influence, was correctly recognised as a disposal and subsequent re-acquisition at fair value (of the retained interest);<br>– the fair value of the retained interest (subsequent to initial recognition and prior to its complete disposal) was accounted for in accordance with AASB 9; and<br>– the subsequent gain on disposal of the remaining interest in BlueJay Mining Plc, had been correctly recognised in the consolidated income statement in accordance with Australian Accounting Standards.</td></tr>
<tr><td colspan="2">Transaction with Kidman Resources Limited</td></tr>
<tr><td>During the year, the Group executed two agreements with Kidman Resources Limited (Kidman). The first, a disposal of two lithium exploration licenses and the second, a joint venture earn-in agreement over the Group's northern Forrestania tenements.<br>We focused on this area due to the inherent judgement involved in determining the fair value of the consideration transferred by Kidman in respect of the:<br>▪ Kidman shares issued to the Group;<br>▪ 1.5% gross revenue royalty to be paid to the Group from future lithium production; and<br>▪ Payment to the Group of A$15/contained tonne of $Li_2O$ classified as a JORC Ore Reserve.</td><td>Our procedures included, but were not limited to:<br>▪ Gaining an understanding of the terms of the binding agreement between the Group and Kidman;<br>▪ With the assistance of our technical accounting specialists, evaluating the application of Australian Accounting Standards to determine the fair value of the consideration (including the deferred consideration components) transferred by Kidman to the Group, with particular reference to the measurement, recognition and disclosure requirements of AASB 9 and AASB 13; and<br>▪ Checking the mathematical accuracy of the profit on sale of the Group's lithium exploration licenses to Kidman.</td></tr>
</table>

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| Key audit matter and why | How our audit addressed the matter |
|---|---|
| | We also considered the appropriateness of the information communicated in the disclosures in Notes 2 and 10. |
| **Provision for rehabilitation** | |
| At 30 June 2017, the carrying value of the Group's provision for rehabilitation was $22.9m, comprising $15.5m in relation to its Forrestania operations and $7.4m in relation to the Cosmos Nickel Complex. The rehabilitation provision for Forrestania was last independently assessed in September 2016. The Cosmos Nickel Complex rehabilitation provision was independently assessed at the time of initial acquisition, which was during November 2015.<br><br>The accounting policy adopted by the Group in relation to its provision for rehabilitation is disclosed in Notes 1(j, s and u) and further disclosures are in Note 16.<br><br>We focused on this area due to the significant degree of management estimation required of future costs. | Our procedures included:<br><br>*Forrestania*<br>▪ obtaining the closure cost estimate report prepared by management's expert in September 2016;<br>▪ challenging the reasonableness of major assumptions and conclusions reached by management's expert, by reference to information obtained by us during the course of our audit procedures, as well as publicly available information;<br>▪ Checking the mathematical accuracy of the Forrestania provision for rehabilitation calculations at year end; and<br>▪ Assessing the competency and objectivity of management's expert.<br><br>*Cosmos Nickel Complex*<br>▪ Revisiting the key assumptions and conclusions reached by management's expert in relation to the calculation of the provision for rehabilitation, determined at the time of the initial acquisition;<br>▪ By reference to information obtained internally from management, external to the Group and based on our understanding of the nature of the Group's operations in relation to the Cosmos Nickel Complex since its acquisition, assessed the reasonableness of management's conclusions regarding the extent of the provision for rehabilitation at year end; and<br>▪ Checking the mathematical accuracy of the Cosmos Nickel Complex provision for rehabilitation calculations at year end. |

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***Other Information***

The directors are responsible for the other information. The other information comprises the directors' report and securities information included in the annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based upon the work we have performed, we conclude that there is material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

***Directors' Responsibilities***

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Directors either intend to liquidate the Group or cease operations, or have no realistic alternative but to do so.

***Auditor's Responsibility for the Audit of the Financial Report***

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events and conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Group financial report. We are responsible for the direction, supervision and performance of the Group audit and remain solely responsible for the audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We are also required to provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may be reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on the Remuneration Report**

***Opinion on the Remuneration Report***

We have audited the Remuneration Report included in pages 11 to 21 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Western Areas Ltd for the year ended 30 June 2017 complies with section 300A of the *Corporations Act 2001*.

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***Responsibilities***

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Crowe Horwath Perth

**CROWE HORWATH PERTH**

**CYRUS PATELL**
Partner

Signed at Perth, 22 August 2017

| Name | Lease | Status | WSA Interest | Applicant/Holder |
|---|---|---|---|---|
| Forrestania | E74/0470 | Granted | 100% | Western Areas Ltd |
| | E77/1734 | Granted | 100% | Western Areas Ltd |
| | E77/1865 | Granted | 100% | Western Areas Ltd |
| | E77/2099 | Granted | 100% Ni Rights | Western Areas Ltd |
| | E77/2127 | Pending | 100% | Western Areas Ltd |
| | E77/2228 | Pending | 100% | Western Areas Ltd |
| | E77/2235 | Pending | 100% | Western Areas Ltd |
| | E77/2236 | Pending | 100% | Western Areas Ltd |
| | E77/2261 | Pending | 100% | Western Areas Ltd |
| | E77/2440 | Pending | 100% | Western Areas Ltd |
| | G70/0226 | Granted | 100% | Western Areas Ltd |
| | G70/0231 | Granted | 100% | Western Areas Ltd |
| | L70/0111 | Granted | 100% | Western Areas Ltd |
| | L74/0011 | Granted | 100% | Western Areas Ltd |
| | L74/0012 | Granted | 100% | Western Areas Ltd |
| | L74/0025 | Granted | 100% | Western Areas Ltd |
| | L74/0044 | Granted | 100% | Western Areas Ltd |
| | L77/0104 | Granted | 100% | Western Areas Ltd |
| | L77/0141 | Granted | 100% | Western Areas Ltd |
| | L77/0182 | Granted | 100% | Western Areas Ltd |
| | L77/0197 | Granted | 100% | Western Areas Ltd |
| | L77/0203 | Granted | 100% | Western Areas Ltd |
| | L77/0204 | Granted | 100% | Western Areas Ltd |
| | M74/0057 | Granted | 100% | Western Areas Ltd |
| | M74/0058 | Granted | 100% | Western Areas Ltd |
| | M74/0064 | Granted | 100% | Western Areas Ltd |
| | M74/0065 | Granted | 100% | Western Areas Ltd |
| | M74/0081 | Granted | 100% | Western Areas Ltd |
| | M74/0090 | Granted | 100% | Western Areas Ltd |
| | M74/0091 | Granted | 100% | Western Areas Ltd |
| | M74/0092 | Granted | 100% | Western Areas Ltd |
| | M77/0098 | Granted | 100% | Western Areas Ltd |
| | M77/0215 | Granted | 100% | Western Areas Ltd |
| | M77/0216 | Granted | 100% | Western Areas Ltd |
| | M77/0219 | Granted | 100% | Western Areas Ltd |
| | M77/0284 | Granted | 100% | Western Areas Ltd |
| | M77/0285 | Granted | 100% | Western Areas Ltd |
| | M77/0286 | Granted | 100% | Western Areas Ltd |
| | M77/0329 | Granted | 100% | Western Areas Ltd |
| | M77/0335 | Granted | 100% | Western Areas Ltd |
| | M77/0336 | Granted | 100% | Western Areas Ltd |
| | M77/0389 | Granted | 100% | Western Areas Ltd |
| | M77/0399 | Granted | 100% | Western Areas Ltd |
| | M77/0458 | Granted | 100% | Western Areas Ltd |
| | M77/0542 | Granted | 100% | Western Areas Ltd |
| | M77/0543 | Granted | 100% | Western Areas Ltd |
| | M77/0545 | Granted | 100% | Western Areas Ltd |
| | M77/0550 | Granted | 100% | Western Areas Ltd |
| | M77/0568 | Granted | 100% | Western Areas Ltd |
| | M77/0574 | Granted | 100% | Western Areas Ltd |
| | M77/0582 | Granted | 100% | Western Areas Ltd |
| | M77/0583 | Granted | 100% | Western Areas Ltd |
| | M77/0584 | Granted | 100% | Western Areas Ltd |
| | M77/0585 | Granted | 100% | Western Areas Ltd |
| | M77/0586 | Granted | 100% | Western Areas Ltd |
| | M77/0587 | Granted | 100% | Western Areas Ltd |
| | M77/0588 | Granted | 100% | Western Areas Ltd |
| | M77/0589 | Granted | 100% | Western Areas Ltd |
| | M77/0911 | Granted | 100% | Western Areas Ltd |
| | M77/0912 | Granted | 100% | Western Areas Ltd |
| | P77/4278 | Granted | 100% | Western Areas Ltd |
| | P77/4279 | Granted | 100% | Western Areas Ltd |

| Name | Lease | Status | WSA Interest | Applicant/Holder |
|---|---|---|---|---|
| | P77/4473 | Pending | 100% | Western Areas Ltd |
| | P77/4474 | Pending | 100% | Western Areas Ltd |
| | P77/4475 | Pending | 100% | Western Areas Ltd |
| | P77/4476 | Pending | 100% | Western Areas Ltd |
| | P77/4477 | Pending | 100% | Western Areas Ltd |
| | P77/4478 | Pending | 100% | Western Areas Ltd |
| | P77/4479 | Pending | 100% | Western Areas Ltd |
| | E77/1399 | Granted | 100% | Western Areas Nickel Pty Ltd |
| | E77/1400 | Granted | 100% Ni Rights | Western Areas Nickel Pty Ltd |
| | E77/1416 | Granted | 100% | Western Areas Nickel Pty Ltd |
| | E77/1436 | Granted | 100% | Western Areas Nickel Pty Ltd |
| | E77/1581 | Granted | 100% | Western Areas Nickel Pty Ltd |
| | M77/0099 | Granted | 100% | Western Areas Nickel Pty Ltd |
| | M77/0324 | Granted | 100% | Western Areas Nickel Pty Ltd |
| | M77/0467 | Granted | 100% | Western Areas Nickel Pty Ltd |
| | M77/0468 | Granted | 100% | Western Areas Nickel Pty Ltd |
| | M77/0544 | Granted | 100% | Western Areas Nickel Pty Ltd |
| | P77/4067 | Granted | 100% | Western Areas Nickel Pty Ltd |
| | E74/0603 | Pending | 70% | Western Areas Ltd |
| Mt Gibb JV | E29/0638 | Granted | 25% | Blue Thunder Resources Pty Ltd (75%), Western Areas (25%) |
| Mt Alexander BHPB JV | M36/0127 | Granted | 100% | Australian Nickel Investments Pty Ltd |
| Cosmos | M36/0180 | Granted | 100% | Australian Nickel Investments Pty Ltd |
| | M36/0302 | Granted | 100% | Australian Nickel Investments Pty Ltd |
| | M36/0303 | Granted | 80.6% | Australian Nickel Investments Pty Ltd (80.6%) and Alkane Resources Ltd (19.4%) |
| | M36/0305 | Granted | 100% | Australian Nickel Investments Pty Ltd |
| | M36/0329 | Granted | 80.6% | Australian Nickel Investments Pty Ltd (80.6%) and Alkane Resources Ltd (19.4%) |
| | M36/0330 | Granted | 80.6% | Australian Nickel Investments Pty Ltd (80.6%) and Alkane Resources Ltd (19.4%) |
| | M36/0332 | Granted | 100% | Australian Nickel Investments Pty Ltd |
| | M36/0349 | Granted | 100% | Australian Nickel Investments Pty Ltd |
| | M36/0371 | Granted | 100% | Australian Nickel Investments Pty Ltd |
| | M36/0377 | Granted | 100% | Australian Nickel Investments Pty Ltd |
| | M36/0467 | Granted | 100% | Australian Nickel Investments Pty Ltd |
| | M36/0632 | Granted | 100% | Australian Nickel Investments Pty Ltd |
| | M36/0633 | Granted | 100% | Australian Nickel Investments Pty Ltd |
| | M36/0659 | Granted | 100% | Australian Nickel Investments Pty Ltd |
| | L36/0042 | Granted | 200% | Australian Nickel Investments Pty Ltd |
| | L36/0067 | Granted | 100% | BHP Billiton |
| | L36/0068 | Granted | 100% | BHP Billiton |
| | L36/0069 | Granted | 100% | BHP Billiton |
| | L36/0070 | Granted | 100% | BHP Billiton |
| | L36/0071 | Granted | 100% | BHP Billiton |
| | L36/0072 | Granted | 100% | BHP Billiton |
| | L36/0073 | Granted | 100% | BHP Billiton |
| | L36/0074 | Granted | 100% | BHP Billiton |
| | L36/0075 | Granted | 100% | BHP Billiton |
| | L36/0076 | Granted | 100% | BHP Billiton |
| | L36/0077 | Granted | 100% | BHP Billiton |
| | L36/0078 | Granted | 100% | BHP Billiton |
| | L36/0079 | Granted | 100% | BHP Billiton |
| | L36/0080 | Granted | 100% | BHP Billiton |
| | L36/0081 | Granted | 100% | BHP Billiton |
| | L36/0094 | Granted | 100% | BHP Billiton |
| | L36/0095 | Granted | 100% | BHP Billiton |
| | L36/0118 | Granted | 100% | Australian Nickel Investments Pty Ltd |
| | L36/0119 | Granted | 100% | Australian Nickel Investments Pty Ltd |
| | L36/0145 | Granted | 100% | Australian Nickel Investments Pty Ltd |
| | L36/0148 | Granted | 100% | Australian Nickel Investments Pty Ltd |
| | L36/0159 | Granted | 100% | Australian Nickel Investments Pty Ltd |
| | L36/0171 | Granted | 100% | Australian Nickel Investments Pty Ltd |
| | L36/0172 | Granted | 100% | Australian Nickel Investments Pty Ltd |

| Name | Lease | Status | WSA Interest | Applicant/Holder |
|---|---|---|---|---|
| | L36/0189 | Granted | 100% | Australian Nickel Investments Pty Ltd |
| | L36/0194 | Granted | 100% | Australian Nickel Investments Pty Ltd |
| | L36/0199 | Granted | 100% | Australian Nickel Investments Pty Ltd |
| | G77/0125 | Pending | 25% | Cliffs Asia Pacific Iron Ore Pty Ltd (75%), Western Areas Limited (25%) |
| Koolyanobbing | E69/3160 | Pending | 100% | Western Areas Ltd |
| Musgraves | EL 5077 | Granted | 100% | Western Areas Ltd |
| Western Gawler (SA) | EL 5199 | Granted | 100% | Western Areas Ltd |
| | EL 5200 | Granted | 100% | Western Areas Ltd |
| | EL 5688 | Granted | 100% | Western Areas Ltd |
| | EL 5880 | Granted | Earning In | Strandline Resources Limited |
| | EL 5939 | Granted | 100% | Western Areas Ltd |
| | E77/1164 | Granted | 70% Ni rights | Black Oak Minerals Limited |
| Southern Cross Goldfields JV | E77/1322 | Granted | 70% Ni rights | Black Oak Minerals Limited |
| | E77/1376 | Granted | 70% Ni rights | Polaris Metals Pty Ltd |
| | E77/1474 | Granted | 70% Ni rights | Black Oak Minerals Limited |
| | E77/1477 | Granted | 70% Ni rights | Black Oak Minerals Limited |
| | E77/1508 | Pending | 70% Ni rights | Julian Unkovich |
| | E77/1721 | Pending | 70% Ni rights | Polaris Metals Pty Ltd |
| | E77/1741 | Granted | 70% Ni rights | Black Oak Minerals Limited |
| | E77/1773 | Granted | 70% Ni rights | MH Gold Pty Ltd |
| | E77/1775 | Granted | 70% Ni rights | MH Gold Pty Ltd |
| | E77/1791 | Pending | 70% Ni rights | Black Oak Minerals Limited |
| | E77/1965 | Granted | 70% Ni rights | Black Oak Minerals Limited |
| | E77/1997 | Granted | 70% Ni rights | Black Oak Minerals Limited |
| | E77/2025 | Granted | 70% Ni rights | Black Oak Minerals Limited |
| | E77/2032 | Granted | 70% Ni rights | Polaris Metals Pty Ltd |
| | E77/2052 | Granted | 70% Ni rights | Polaris Metals Pty Ltd |
| | E77/2067 | Granted | 70% Ni rights | Black Oak Minerals Limited |
| | E77/2077 | Granted | 70% Ni rights | Polaris Metals Pty Ltd |
| | E77/2091 | Granted | 70% Ni rights | Black Oak Minerals Limited |
| | E77/2105 | Pending | 70% Ni rights | Jayvee Resources Pty Ltd |
| | E77/2109 | Granted | 70% Ni rights | Black Oak Minerals Limited |
| | E77/2110 | Granted | 70% Ni rights | Black Oak Minerals Limited |
| | E77/2124 | Granted | 70% Ni rights | Black Oak Minerals Limited |
| | E77/2141 | Granted | 70% Ni rights | Black Oak Minerals Limited |
| | E77/2146 | Granted | 70% Ni rights | Black Oak Minerals Limited |
| | E77/2150 | Granted | 70% Ni rights | Black Oak Minerals Limited |
| | E77/2165 | Granted | 70% Ni rights | Black Oak Minerals Limited |
| | E77/2171 | Granted | 70% Ni rights | Black Oak Minerals Limited |
| | E77/2172 | Granted | 70% Ni rights | Black Oak Minerals Limited |
| | E77/2186 | Granted | 70% Ni rights | Black Oak Minerals Limited |
| | E77/2202 | Granted | 70% Ni rights | Black Oak Minerals Limited |
| | E77/2225 | Granted | 70% Ni rights | Polaris Metals Pty Ltd |
| | E77/2226 | Granted | 70% Ni rights | Polaris Metals Pty Ltd |
| | E77/2242 | Granted | 70% Ni rights | Black Oak Minerals Limited |
| | E77/2247 | Granted | 70% Ni rights | Black Oak Minerals Limited |
| | E77/2248 | Granted | 70% Ni rights | Black Oak Minerals Limited |
| | E77/2256 | Granted | 70% Ni rights | Black Oak Minerals Limited |
| | E77/2260 | Granted | 70% Ni rights | Black Oak Minerals Limited |
| | E77/2269 | Granted | 70% Ni rights | Black Oak Minerals Limited |
| | E77/2272 | Granted | 70% Ni rights | Black Oak Minerals Limited |
| | E77/2273 | Granted | 70% Ni rights | Black Oak Minerals Limited |
| | E77/2274 | Granted | 70% Ni rights | Black Oak Minerals Limited |
| | E77/2275 | Granted | 70% Ni rights | Black Oak Minerals Limited |
| | E77/2276 | Granted | 70% Ni rights | Black Oak Minerals Limited |
| | E77/2288 | Granted | 70% Ni rights | Black Oak Minerals Limited |
| | G77/0035 | Granted | 70% Ni rights | Black Oak Minerals Limited |
| | L77/0221 | Granted | 70% Ni rights | Black Oak Minerals Limited |
| | L77/0223 | Granted | 70% Ni rights | Black Oak Minerals Limited |
| | L77/0224 | Granted | 70% Ni rights | Black Oak Minerals Limited |
| | L77/0225 | Granted | 70% Ni rights | Black Oak Minerals Limited |

| Name | Lease | Status | WSA Interest | Applicant/Holder |
|---|---|---|---|---|
| | L77/0226 | Granted | 70% Ni rights | Highscore 50%, Richard Read 50% |
| | M77/0166 | Granted | 70% Ni rights | Black Oak Minerals Limited |
| | M77/0394 | Granted | 70% Ni rights | Black Oak Minerals Limited |
| | M77/0576 | Granted | 70% Ni rights | Black Oak Minerals Limited |
| | M77/0581 | Granted | 70% Ni rights | Highscore 50%, Richard Read 50% |
| | M77/0646 | Granted | 70% Ni rights | Black Oak Minerals Limited |
| | M77/0824 | Granted | 70% Ni rights | Black Oak Minerals Limited |
| | M77/0931 | Granted | 70% Ni rights | Black Oak Minerals Limited |
| | M77/0962 | Granted | 70% Ni rights | Black Oak Minerals Limited |
| | M77/1025 | Granted | 70% Ni rights | Black Oak Minerals Limited |
| | M77/1044 | Granted | 70% Ni rights | Black Oak Minerals Limited |
| | M77/1246 | Granted | 70% Ni rights | Highscore 50%, Richard Read 50% |
| | M77/1250 | Granted | 70% Ni rights | Highscore 50%, Richard Read 50% |
| | M77/1253 | Granted | 70% Ni rights | Polaris Metals Pty Ltd |
| | M77/1256 | Granted | 70% Ni rights | Black Oak Minerals Limited |
| | M77/1264 | Pending | 70% Ni rights | Black Oak Minerals Limited |
| | M77/1285 | Pending | 70% Ni rights | Black Oak Minerals Limited |
| | P77/3461 | Granted | 70% Ni rights | Black Oak Minerals Limited |
| | P77/3462 | Granted | 70% Ni rights | Black Oak Minerals Limited |
| | P77/3645 | Granted | 70% Ni rights | Black Oak Minerals Limited |
| | P77/3801 | Granted | 70% Ni rights | Black Oak Minerals Limited |
| | P77/3898 | Granted | 70% Ni rights | Black Oak Minerals Limited |
| | P77/3903 | Granted | 70% Ni rights | Black Oak Minerals Limited |
| | P77/4032 | Granted | 70% Ni rights | Highscore 50%, Richard Read 50% |
| | P77/4101 | Granted | 70% Ni rights | Black Oak Minerals Limited |
| | P77/4170 | Granted | 70% Ni rights | Black Oak Minerals Limited |
| | P77/4171 | Granted | 70% Ni rights | Black Oak Minerals Limited |
| | P77/4179 | Granted | 70% Ni rights | Black Oak Minerals Limited |
| | P77/4180 | Granted | 70% Ni rights | Black Oak Minerals Limited |
| | P77/4181 | Granted | 70% Ni rights | Black Oak Minerals Limited |
| | P77/4185 | Granted | 70% Ni rights | Black Oak Minerals Limited |
| | P77/4194 | Granted | 70% Ni rights | Black Oak Minerals Limited |
| | P77/4204 | Granted | 70% Ni rights | Black Oak Minerals Limited |
| | P77/4226 | Granted | 70% Ni rights | Black Oak Minerals Limited |
| | P77/4227 | Granted | 70% Ni rights | Black Oak Minerals Limited |
| | P77/4228 | Granted | 70% Ni rights | Black Oak Minerals Limited |
| | P77/4229 | Granted | 70% Ni rights | Black Oak Minerals Limited |
| | P77/4230 | Granted | 70% Ni rights | Black Oak Minerals Limited |
| | P77/4238 | Granted | 70% Ni rights | Black Oak Minerals Limited |
| | P77/4239 | Granted | 70% Ni rights | Black Oak Minerals Limited |
| | P77/4240 | Granted | 70% Ni rights | Black Oak Minerals Limited |

# SHAREHOLDER INFORMATION

(AS AT 31 AUGUST 2017)

## Distribution of Shareholdings

| i Distribution schedule of holdings | Ordinary shares* |
|---|---|
| 1 - 1,000 | 1,909 |
| 1,001 - 5,000 | 2,164 |
| 5,001 - 10,000 | 912 |
| 10,001 - 100,000 | 1,082 |
| 100,001 Over | 110 |
| Total number of holders | 6177 |
| ii. Number of holders of less than a marketable parcel | 500 |
| iii. Number of overseas holders | 187 |
| iv. Percentage held by 20 largest holders | 66.62% |

*All ordinary shares carry one vote per share without restriction

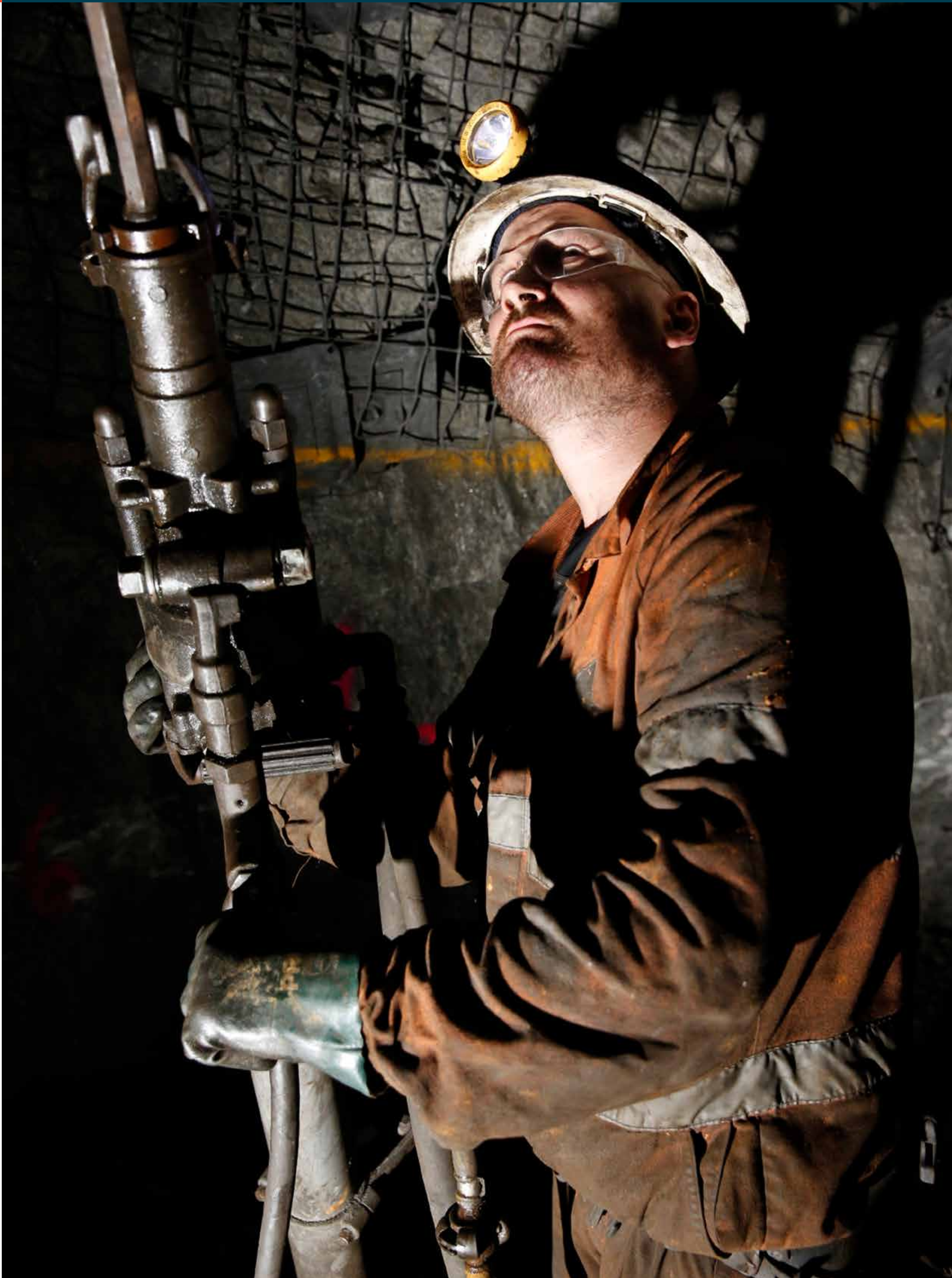
## Largest Security Holders

Names of the 20 largest holders of Ordinary Shares are listed below:

| Name | No. of shares | % |
|---|---|---|
| Paradice Investment Mgt | 19,349,716 | 7.09 |
| Wellington Mgt Company | 16,041,832 | 5.88 |
| Tribeca Investment Partners | 14,214,567 | 5.21 |
| JCP Investment Partners | 11,421,274 | 4.19 |
| Schroder Investment Partners | 11,168,371 | 4.09 |
| Dimensional Fund Advisors | 10,524,789 | 3.86 |
| Ausbil Investment Mgt | 10,249,191 | 3.76 |
| Platinum Asset Mgt | 9,342,917 | 3.43 |
| Colonial First State – Global Resources | 9,138,214 | 3.35 |
| AustralianSuper | 8,820,143 | 3.23 |
| Mr & Mrs Allan R Greenwell | 8,785,448 | 3.22 |
| Highclere International Investors | 8,397,684 | 3.08 |
| NovaPort Capital | 8,076,301 | 2.96 |
| Yarra Capital Mgt | 7,409,342 | 2.72 |
| Ellerston Capital | 6,008,923 | 2.20 |
| Avoca Investment Mgt | 5,414,211 | 1.98 |
| Westoz Funds Mgt | 5,050,000 | 1.85 |
| Colonial First State – Growth Australian Equities | 4,272,248 | 1.57 |
| Helaba Invest | 4,264,700 | 1.56 |
| Vanguard Investments Australia | 3,790,581 | 1.39 |
| **Total** | **181,740,452** | **66.62** |

## Substantial Shareholders

| Name | No. of shares | % |
|---|---|---|
| Paradice Investment Mgt | 19,349,716 | 7.09 |
| Commonwealth Bank of Australia | 17,968,226 | 6.59 |
| Wellington Mgt Company | 17,146,800 | 6.29 |
| Tribeca Investment Partners | 14,214,567 | 5.21 |
| JCP Investment Partners | 11,421,274 | 4.19 |
| **Total** | **80,100,583** | **29.37** |



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