



Good as gold: Will Regis' executive refresh boost company performance?

Company/ASX Code	Regis Resources/RRL
AGM date	Tuesday 26 November 2019
Time and location	11.00 am Perth Convention and Exhibition Centre
Registry	Computershare
Webcast	No
Poll or show of hands	Poll on all items
Monitor	Bob Kelliher assisted by Derek Miller
Pre AGM Meeting?	Yes, with Chair James Mactier and Company Secretary Jon Latto

Item 1	Consideration of accounts and reports
ASA Vote	No vote required

Summary of ASA Position

Financial performance

Another record production of 363,418 ounces (361,373 2018 financial year (FY18), although NPAT was down to \$163.1 million from \$174.2m in FY18. The sector leading dividend of 16 cents per share (cps) was maintained at the same level as last year, although Earnings Per Share reduced to 32.2 cps, from 34.6 cps, and earnings before interest tax, depreciation and amortisation reduced to \$306m from \$312m, last year.

Reduced profitability results were achieved with higher costs offsetting sustained high gold prices: Duketon All In Sustaining Cost increased to \$1,020/ounce, from \$932/ounce. There have also been some increased pre-development costs of the McPhillamys gold projects in NSW and a large increase in impairments, \$3.93m in written-off exploration costs in a number of tenements of satellite deposits and in regional WA, and \$2.79m impairments of exploration and evaluation costs at Garden Well tenements up to 30 June 2017. This is an indication of new management taking a different view early in their term.

Summary

(As at FYE)	2019	2018	2017	2016	2015
NPAT (\$m)	163.1	174.2	138	112	87
Share price (\$)	5.28	5.12	3.78	3.42	1.08
Dividend (cents)	16	16	15	13	6
TSR (%)	6.25	39.7	13.5	72.4	-44.4
EPS (cents)	32.2	34.6	27.61	22.4	17.4
CEO total remuneration, statutory (\$m)	1.08*	1.9	1.88	1.12	0.61

*The CEO tenure is from 15 October 2018, and this salary includes a \$240,000 sign on bonus

This year, the CEO's actual remuneration was more than **12 times** the Full-time Adult Australian Average Weekly Earnings based on ABS data from May 2019.

Governance

There were major changes to management during the year and since; long term CEO and Chair Mark Clark stepped down at the AGM last November, when the current Chair, James Mactier was appointed Chair, and Jim Beyer was appointed as CEO. Director Mark Okeby resigned in February 2019 and was replaced by Steve Scudamore, Director and COO Paul Thomas resigned after year end and Ross Kestel will resign at the coming AGM. The 6-member board at 30 June 2019 will reduce to 4 after the 2019 AGM. With Fiona Morgan the sole female Director, and with the reduced board numbers, the proportion of female board members will increase to 25%. In ASA's view, this refresh presents the opportunity to diversify the board following the example of companies such as BHP and Fortescue Metals.

Jon Latto replaced the long-term Company Secretary Kim Massey on 24 June 2019.

Item 2, Resolution 1	Adoption of Remuneration Report
ASA Vote	Against

Summary of ASA Position

CEO remuneration framework	Max. Opportunity \$m	% of Total
Fixed Remuneration	0.556	40%
STI - Cash	0.195	14%
STI - Equity	0.195	14%
LTI	0.446	32%
Total	1.39	100%

While overall levels of remuneration and the multiples of fixed remuneration are reasonable (CEO short-term incentive (STI) maximum 70% of fixed, and long-term incentive (LTI) maximum 80% of fixed), there are numerous deficiencies that make the remuneration report unacceptable: The STI Targets are not defined; earnings before interest and tax (EBIT) to budget, Safety and Environmental targets, McPhillamys and Garden Well underground development targets, and individual KPI's. Production to Guidance, as issued to the ASX, is the only STI target that is available to shareholders. STI is now paid 50% in cash and 50% in Performance Rights, which is an improvement on last year, when it was all in cash.

LTI has a relative total shareholder return (rTSR) peer group that include a tiddler like Perseus Mining, with a year high share price of 90 cents, and a market cap about 43% of the Regis market cap. Six of the 12 peers pay no dividends, compared to the Regis sector leading dividend payments. The awards for rTSR start at 33% for a 50th percentile result, so being beaten by half your peers produces 33% of the award.

The rTSR awards rise to 100% at the 90th percentile, implying that Regis would never be at the top of the peer group. Regis continues to pay awards for Reserve Growth, starting at 33% for a reduction of 20% in Reserves, rising to 66% for maintaining Reserves i.e. no growth, and 100% for a 20% growth in Reserves. Regis has consistently replaced Reserves as detailed in the graph on page 9 of the printed Annual Report (showing Reserves from 2015 to 2019), due to a significant exploration and development budget to produce increased reserves, and their recent acquisition of reserves, such as McPhillamys in 2018. If reserves are not increased, existing reserves will be mined out until mine closure.

Reserve growth, including replaced production, in the three years to 2019, is around 85%. LTI Performance Rights vest after a three-year performance period, in contrast with a four-year period as per ASA guidelines.

Item 3, Resolution 2	Re-election of Director – Steve Scudamore
ASA Vote	For

Summary of ASA Position

Steve Scudamore was appointed to the Board on 13 May 2019, and so is up for election at this, his first, AGM. He is a qualified Chartered Accountant, with 28 years as a partner with KPMG, until retirement in 2012. He specialised in energy and natural resources in senior positions in UK and PNG as well as Australia, including Chair of Partners in WA.

Steve Scudamore has a Master of Arts (History and Economics) from Oxford University, is a fellow of the Institutes of Chartered Accountants Australia, England and Wales, a fellow of the Institute of Company Directors and a Senior Fellow of the Financial Institute of Australia.

Mr Scudamore held no shares at 30 June 2019 but has acquired 7,589 shares since then. He will still need to acquire further shares over the next three years to be compliant with ASA policy.

Item 4, Resolution 3	Re-election of Director – Fiona Morgan
ASA Vote	For

Summary of ASA Position

Fiona Morgan was appointed to the Board on 18 November 2016 and has served as a member of the Audit and Risk Management. She retires by rotation of the one third of the Board and remains the only female director on the Board.

Ms Morgan is a Chartered Professional Engineer with over 25 years' experience in gold, nickel, coal and iron ore projects. She is the Managing Director and CEO of Mintrex Pty Ltd, a long-standing consulting engineering company with experience in operations and project management, maintenance, research and design of both underground and surface mining infrastructure.

Ms Morgan hold 510,780 shares as at 30 June 2019, so has a sufficient holding according to ASA policy.

Item 5, Resolution 4	Approval of the Regis Resources Executive Incentive Plan
ASA Vote	Against

Summary of ASA Position

This resolution is to approve the Regis employee incentive plan so that shares issued under the plan will not be included in the 15% limit of the number of shares, imposed by Listing Rule 7.1 that can be issued without further shareholder approval for the next three years. While it is good governance to obtain shareholder approval for share issues, the elements of the plan, listed under Resolution 1 lead to the against vote.

Eligible participants can include Key Management Personnel, or others declared by the Board, as well as the CEO. Performance Rights are the form of incentive used. Disposal restrictions such as Holding Locks are included in the Plan and Claw Back rights are included in the Plan.

Item 6, Resolution 5	Approval of grant of long term incentive performance rights to Jim Meyer
ASA Vote	Against

Summary of ASA Position

This resolution is for the granting of 129,433 LTI Performance Rights to new CEO Jim Meyer. This number is correctly calculated based on 80% of his fixed annual remuneration divided by the market price of Regis shares at the due date.

See comment regarding the vesting conditions included under remuneration report resolution.

Item 7, Resolution 6	Approval of grant of short term incentive performance rights to Jim Meyer
ASA Vote	Against

Summary of ASA Position

This resolution is for the granting of 30,890 STI Performance Rights to new CEO Jim Meyer for half of his STI. (The other half of the STI is in cash). This number appears to be correctly calculated based on 70% of his fixed annual salary divided by the market price of Regis shares at the due date.

See comment regarding the vesting conditions included under remuneration report resolution.

Item 8, Resolution 7	Approval to increase non-executive directors' fees
ASA Vote	For

Summary of ASA Position

This proposal is to increase the total fee pool for non-executive directors from \$700,000 to \$950,000. In the financial year to 30 June 2019, the total fees paid to non-executive directors, as shown in the Annual Report, was \$705,936, thereby breaching the current fee pool limit. That amount included \$156,664 for additional services delivered by Mr Okeby relating to the McPhillamys project – which we can debate whether should be included or not in director fees.

The proposed fee pool is not excessive. The fee pool remains in bottom quartile for companies with market capitalisation \$2 to \$5 bn according to Godfrey Remuneration Group 2019 All Industries KMP Remuneration Guide – and is also less than median for companies with \$1 to 2bn market cap) and leaves the company with headroom, now that the Chair is also non-executive, and there may be additional directors and increased fees in the coming years.

The individuals or their associates involved in the preparation of this voting intention have no shareholding in this company.

ASA Disclaimer

This document has been prepared by the Australian Shareholders Association Limited ABN 40 000 625 669 ("ASA"). It is not a disclosure document, it does not constitute investment or legal advice and it does not take into account any person's particular investment objectives. The statements and information contained in this document are not intended to represent recommendations of a particular course of action to any particular person. Readers should obtain their own independent investment and legal advice in relation to the matters contemplated by this document. To the fullest extent permitted by law, neither ASA nor any of its officers, directors, employees, contractors, agents or related bodies corporate:

- *makes any representations, warranties or guarantees (express or implied) as to the accuracy, reliability, completeness or fitness for purpose of any statements or information contained in this document; or*
- *shall have any liability (whether in contract, by reason of negligence or negligent misstatement or otherwise) for any statements or information contained in, or omissions from this document; nor for any person's acts or omissions undertaken or made in reliance of any such statements, information or omissions.*

This document may contain forward looking statements. Such statements are predictions only and are subject to uncertainties. Given these uncertainties, readers are cautioned not to place reliance on any such statements. Any such statements speak only to the date of issue of this document and ASA disclaims any obligation to disseminate any updates or revisions to any such statements to reflect changed expectations or circumstances.