



Strong performance against challenges

Company/ASX Code	Western Areas Limited / WSA
AGM date	19 November 2020
Time and location	3pm Fraser's Function Room 1, Kings Park, Perth, WA
Registry	Computershare
Webcast	Yes - participants will be able to ask questions (register at https://attendee.gotowebinar.com/register/6756786335318551821)
Poll or show of hands	Poll on all items
Monitor	Geoff Corrick with support from Dr Lynda Newland
Pre AGM Meeting?	Yes, with Chair Ian Macliver, and CFO/CoSec Joe Belladonna

The individual involved in the preparation of this voting intention has a shareholding in this company.

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

Summary of ASA Position

WSA production was fairly typical of recent years, with production and sales of about 21 000t of nickel in concentrate from operations at Forrestania. Financial results were much better due to the higher average nickel price for the year. Although there was continued volatility in the price the average for 2020 financial year (FY20) was A\$9.42/lb, compared to FY19 at A\$7.48, up 20%. NPAT at \$31.9m was the highest reported in seven years.

The company was fortunate to be minimally disrupted by the COVID-19 pandemic, although extra efforts were made to manage the health and safety of all workers. The separately published environmental, social & governance Report (ESG) 2020 (see announcement 20 October 2020) lists some of the measures taken including engaging an external Infectious Disease Manager, closing the on-site gyms and wet messes, building more walking trails (lit at night) and advising on individual exercise programs.

The bacterial leaching process made a small contribution of about 2 - 3% of nickel production during the year. The company is continuing to perform test work on some of the tailings and scats. The process looks particularly promising for separating the nickel where there is arsenic impurity.



Governance and culture

Most of the ASA governance measures have been met. We continue to urge greater shareholdings among the directors. The chair Ian MacIver speaks highly of the input received on risk management from all of the directors. The individual skills are set out in each director's details in the annual report. The skills matrix showing the numbers of directors having skills under each of eight criteria is published in the separate corporate governance statement. The ESG report comprehensively covers risk matters and many other matters such as relations with traditional owners and local communities.

Financial performance

There was a steady quarterly increase in the cash cost of producing nickel in concentrate, amounting to 5% for the year. The Flying Fox mine is coming to the end of its life over the next four years, and the ore grade is declining. Refurbishment of the Odysseus mine continues with significant capital expenditure. The mine dewatering has been completed, new declines and haulways are being established and preparations for the new hoisting shaft are continuing.

An annual dividend has been declared for FY20 at 2c/s, the same as the previous three years.

Key events

A greater effect on company production than COVID-19 was bush fires. Two fires started by lightning burned close to the Forrestania operations and briefly shut down surface operations. However, there were other incidents further afield during the year which affected the power to the site from the South West Interconnected Grid which affected mill throughput.

A strategic 19.9% investment in Panoramic Resources was completed during the year. Panoramic owns the high quality, long life Savannah underground nickel sulphide mine and processing plant located in the East Kimberley.

As I write this report the company has made a significant announcement on guidance for FY21. The Flying Fox mine has some technical issues which mean lower grade ore than previously planned will be mined in the near term raising the costs/lb by about 7% and reducing the expected production of nickel in concentrate for the year from a range of 19 000 - 21 000 tonnes down 10% to 17 000 - 19 000 tonnes. This has not been received well by the market.

Climate change

For the first time this year the annual report specifically mentions climate change as a material business risk, perhaps emphasised by the two bushfires mentioned above. The drying climate also risks groundwater supplies of potable water at the mine sites. The company has voluntarily disclosed its climate change performance to the Climate Disclosure Project since 2014. Using a hoisting shaft at Cosmos will make a major reduction in diesel usage and therefore in the heat load underground. The company is investigating a renewable power supply for the long life Cosmos operations.

Conversely WSA sees opportunity in a worldwide change to electric vehicles which should see increased demand for batteries with nickel as a significant constituent.



Key Board or senior management changes

None during FY20, but the retirement of Mr Craig Readhead from the board at the conclusion of the AGM, and the appointment of Ms Yasmin Broughton, have since been announced in mid-October. Mr Readhead is finishing his role with Western Areas as part of his personal retirement planning. The selection of Ms Broughton brings female representation on the board up to the ASA recommended proportion of 30%.

Summary

(As at FYE)	2020	2019	2018	2017	2016
NPAT (\$m)	31.9	14.2	11.8	19.3	-29.8
UPAT (\$m)	31.9	14.2	11.8	-13.9	-25.5
Share price (\$)	2.63	1.96	3.56	2.11	2.15
Dividend (cents)	2	2	2	2	-
TSR (%)	35	-44	70	0.9	-31
EPS (cents)	11.66	5.19	4.34	7.09	-12.3
CEO total remuneration, actual (\$m)	1.22	1.69	1.67	1.95	1.78

For 2020, the CEO's total actual remuneration was 13 times the Australian Full time Adult Average Weekly Total Earnings of \$91,983 (based on May 2020 data from the Australian Bureau of Statistics).

Item 2	Resolution 1 – Election of Independent Non-Executive Director – Ms Yasmin Broughton
ASA Vote	For

Summary of ASA Position

Ms Broughton was appointed to the board a few weeks ago and a resolution of shareholders is required to confirm her continuation in the role. She has excellent qualifications and experience and will replace the skill being lost with the retirement of Mr Readhead. The ASA is pleased that our requirement to have at least 30% female representation on the board has been achieved.



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Item 3	Resolution 2 – Re-election of Independent Non-Executive Director – Dr Natalia Streltsova
ASA Vote	For

Dr Streltsova most relevant skill is in the technical side of the biological leaching process. We support her re-election to provide continuing guidance in the development of this process. She was first appointed to the board in 2017.



Item 4	Resolution 3 – Re-election of Independent Non-Executive Director – Mr Timothy Netscher
ASA Vote	For

Mr Netscher has excellent experience for the role. He was first appointed to the position in 2014. We support his re-election.

Item 5	Resolution 4 - Adoption of Remuneration Report
ASA Vote	For

Summary of ASA Position

CEO rem. Framework for FY20	Target \$m	% of Total	Actual \$m	% of Total
Fixed Remuneration	0.94	43.0	0.94	47.0
STI - Cash	0.43	20.0	0.28	14.0
STI - Equity	n/a			
LTI	0.79	37.0	0.79	39.0
Total	2.16	100.0	2.01	100

There were no cuts to remuneration as a result of COVID-19.

The STI reward is cash only and the key performance indicators used to assess performance are set out in the annual report. Executives can earn between 40% and 55% of their base salary in STIs.

The LTI scheme can give between 50% and 100% of base salary in performance rights which vest at three years. Face (or market value) is used to calculate the number of performance rights issued, but accounting standards still use fair value for reporting their value in remuneration tables. At vesting time the company's TSR is tested relative to the TSR of a peer group of 24 companies, and the employee must still be employed. The company finished below the halfway point (50th percentile) in the relative TSR measure for the rights tested during FY20, as such, none vested (rights ended their testing period at the end of FY19). The ASA would prefer a performance period of four or five years, and that more than one measure was used for the performance hurdle.

The proportion of salary components amongst key management personnel varies from 31%-53% fixed, 21% - 24% STI and 26%-39% LTI.

Except for the performance hurdle and period of LTIs the ASA does not have any major issues with the remuneration report. We express our dislike of the LTI arrangements by voting against performance right grants (next Item).



Item 6	Resolution 5 - Grant of Performance Rights to Mr Daniel Lougher
ASA Vote	Against

Summary of ASA Position

This is the LTI portion of remuneration for FY21 for the Managing Director/CEO.

- number of performance rights proposed: 343,920
- size of grant: \$864,829. This is 100% of the total fixed remuneration for the year.
- valued at: market price of \$2.5146 (the volume weighted average price over the 10 days up to 1 July 2020).
- performance hurdle: the company's relative TSR against a peer group of 24 companies. If the company's position is in the percentiles from 50% to 75% rights will vest proportionately from 0% to 100%.
- performance period: 3 years. Under the terms of the performance rights plan the rights may vest earlier if Mr Lougher leaves in circumstances which define him as a 'good leaver'.

The ASA was pleased to see a change to market value for determining the number of rights last year, but the performance hurdle and period do not meet our guidelines. Increased transparency in the explanatory notes paragraph *g) Performance Rights rationale and value* is welcomed. The chair argues that the scheme 'is fit for purpose' and appropriate for WSA circumstances. In spite of overwhelming support from other shareholders for the performance rights plan at the 2019 AGM we continue to oppose grants under the plan.

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