Australian Shareholders' Association Limited
ABN 40 000 625 669
Suite 11, Level 22
227 Elizabeth Street, Sydney NSW 2000
PO Box A398, Sydney South NSW 1235
t (02) 9252 4244 | f (02) 9071 9877
e share@asa.asn.au

Unplanned underground mining challenges at Forrestania in 1H FY21. Reset in 2H with much improved output. Odysseus mine Nickel concentrate production planned for late CY22

Company/ASX Code	Western Areas Limited / WSA
AGM date	Thursday 18 November 2021
Time and location	3pm Frasers Function Room 2, Fraser Ave, Kings Park, Perth and on-line
Registry	Computershare
Webcast	Online participation: https://web.lumiagm.com/318004417
Poll or show of hands	Poll on all items
Monitor	Geoff Corrick assisted by Lynda Newland
Pre AGM Meeting?	Yes with Chair Ian Macliver, Company Secretary/CFO Joe Belladonna and ESG Manager Kate Hiatt.

One of the individuals involved in the preparation of this voting intention has a shareholding in this company.

Summary of issues for meeting

Governance, Diversity and Culture
In general we have very few matters to raise on the ASA focus issues. The board has good gender diversity with two female members since last AGM amongst the five non-executive directors. WSA are having trouble competing for female talent. BHP, for instance, has a 40% target for female staff which is likely to drain the pool of available candidates, making it very difficult for smaller companies.

The safety of female workers in mining camps is a concerning and topical issue in Western Australia and WSA have an independent whistleblower service to receive reports and complaints, which can be made anonomously. The company continues to have an excellent safety outcome. The lost time injury frequency rate has improved from 1.5 to 0.6.

Remuneration
Jobkeeper payments have been a FY21 focus item for ASA and it was pleasing to note Jobkeeper payments were not required by WSA.

Once again we oppose the grant of performance rights (Resolution 4).

Capital raising
A capital raising including a placement to institutions and a share purchase plan (SPP) for retail shareholders was undertaken in March/April to raise $100m. We asked whether a pro-rata issue was considered, with the response that an SPP is less costly. With about 15% of the capital held by retail shareholders the SPP was planned to raise $15m of the new capital. There was some scale back of applications in proportion to existing holdings to match the raising target. There was a major increase in applications from holders of one or just a few shares, in comparison to the company's last raising some years ago. These in particular were scaled back. The SPP was

extended for an extra two weeks with slow take-up as the market price dipped below the offer price. The extension gave time for a very positive preliminary production report to be announced to the market and the SPP target amount was achieved. Overall we consider this a reasonable outcome for retail shareholders. Although not equitable among all holders, at least the 15% raised in the SPP maintained the retail shareholder proportion of the issued capital

Change of Control Proposal
Since the end of the financial year the company has received a 'change of control proposal' from IGO Limited (ASX listed - IGO). We asked if there was a timeline for resolution of this, but understandably no information was provided beyond telling us that independent advisors have been appointed.

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

Summary of ASA Position
Production in the first half of the period was affected by siesmicity. Not natural earthquakes but movement in the ground due to drill and blast, and general production activity. Sensors monitor ground movement constantly and underground workers are evacuated immediately when significant activity is detected. Mining was curtailed while remedial measures were taken. The second half production outcomes improved considerably.

In addition, with mining of lower grade ore, the amount of contained Nickel mined fell by about 30% and the cash costs before smelting and refining increased by about 30%. These factors were only partially offset by a 10% increase in the average A$ Nickel price received. As a result a loss of $7.7m was reported. The FY20 final dividend of 1 cent per share was paid during the year. No dividends from FY21 earnings have been paid or declared. The TSR was -8%.

Capital expenditure on refurbishing the Odysseus mine is proceeding as planned. The share placement and SPP were completed during the year to raise $100m for some of the funds required. Other funds will come from cash - $151m at year end - and a revolving credit facility of $75m which has been arranged recently.

Summary

(As at FYE)	**2021**	**2020**	**2019**	**2018**	**2017**
NPAT ($m)	-7.7	31.9	14.2	11.8	19.3
UPAT ($m)	-7.7	31.9	14.2	11.8	19.3
Share price ($)	2.43	2.63	1.96	3.56	2.11
Dividend (cents)	0	2	2	2	2
Simple TSR (%)	-8	35	-44	70	-1
EPS (cents)	-2.7	11.7	5.2	4.3	7.1
CEO total remuneration, actual ($m)	1.72	1.22	1.69	1.67	1.95

For 2021, the CEO's total actual remuneration was 18 times the Australian Full time Adult Average Weekly Total Earnings of $93 444(based on May 2021 data from the Australian Bureau of Statistics).

Item 2	**Resolution 1: Re-election of Independent Non-Executive Director - Mr Richard Yeates**
ASA Vote	**For**

Summary of ASA Position

Mr Yeates was appointed as an independent non-executive director in March 2010. He is Chair of the Nomination Committee and a member of the Remuneration Committee. He has no other directorships. He has had a career in mineral exploration, project development and project management in many different minerals in many countries.

His shareholding of 10,000 shares is well below the ASA guidelines for minimum shareholding. However we agree with the board recommendation that his skills and experience align with relevant aspects of the skills matrix for the board and with the company's current strategic direction, particularly the restarting of the Odysseus mine. We support the re-election of Mr Yeates. It is noted that if re-elected his term will take him past 12 years of service by which time the ASA considers a director to be non-independent.

Item 3	Resolution 2: Adoption of Remuneration Report
ASA Vote	For

Summary of ASA Position

The remuneration report shows a reasonable distribution of income between fixed, short-term and long term remuneration. There is a long list of performance indicators from which relevant items are selected according to job responsibilities. Rewards were adjusted down for the profit and cashflow reductions in the first half. We continue to raise our dislike of the term and measures used for vesting of share-based long-term incentives (LTIs) and express this in opposing grants to the managing director each year (Resolution 4). There were no salary increases for non-executive directors and the managing director for 2021.

The salary components for key management personnel and the proportions of the total are:

- fixed (cash) 42% - 55%,
- STI (cash bonus assessed on performance against a number of KPIs selected for the relevance to the particular employees responsibilities) 20% - 23%,
- LTI (performance rights, with higher level employees having a higher proportion to emphasise the importance of creating long-term value for shareholders) 25% - 37%.

STI awards this year were adjusted down for the earnings and cashflow KPIs which were not achieved.

Share market value at the end of the financial year has been used for a couple of years now to calculate the number of performance rights granted, but accounting standards still require fair value for reporting their value in remuneration report tables. The rights are tested for possible vesting after three years. 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 at the halfway point (50th percentile) in the relative TSR measure for the rights tested at the end of FY20, so only 50% of the rights vested - which is reported in FY21. No performance rights will vest because of testing at the end of FY21.

CEO rem. framework for FY21	Target* $	% of Total	Max. Opportunity $m	% of Total
Fixed Remuneration	779 125	42%	779 125	42%
STI - Cash	389 563	21%	428 500	23%
STI - Equity	0	0%	0	0%
LTI	645 047	37%	645 047	35%
Total	1813 735	100.0%	1852 672	100%

Whilst the remuneration arrangements are generally well structured, we note three significant variances to ASA guidelines.

Firstly ASA nominates a minimum of 50% of any STI award be in equity with 12 months deferral and the remainder in cash. WSA continues to pay any and all STI award in cash.

Secondly, ASA nominates two financial hurdles apply for LTI award eligibility such as TSR and EPS. WSA continues to have the singular relative TSR hurdle.

Thirdly, the LTI performance period is three years compared to ASA guidelines nominating a more realistic four year performance period.

We express our dislike of the LTI matters by voting against performance right grants (Resolution 4).

Item 4	**Resolution 3: Increase in non-executive director fee pool**
ASA Vote	**For**

Summary of ASA Position

From information available to the ASA we are able to compare directors' fees to a survey of 39 resources companies with market capitalisation in the range $750m to $1.5b. WSA at a share price of $3.34 has a capitalisation of $1.047b. The survey results are reported in percentile bands, so, for example, at the the 50% percentile half the sample have fees below that amount. Results for the chair and other NEDs are reported separately. We find that WSA is paying above the 75% percentile for NED fees, and below the 25% percentile for the chair, although the latter is from a smaller sample.

In FY21 WSA directors' fees totalled $875,238 out of a pool of $1m. We acknowledge WSA requires more leeway and support the $250,000 increase to establish a new NED fee cap of $1,250,000.

Item 5	**Resolution 4: 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.

1. number of performance rights proposed: 376 660
2. size of grant: $890 774. This is 100% of the total fixed remuneration for the year.
3. valued at: market price of $2.3649 (the volume weighted average price over the 10 days up to 1 July 2021).
4. 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 50% to 100%.
5. 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 supports performance rights as a way of providing a long term performance incentive. There was overwhelming support from other shareholders for the performance rights plan at the 2019 AGM, and continued shareholder support in previous years for grants. However ASA guidelines recommend a performance period of at least four years, and a second measure in addition to relative TSR for the performance hurdles such as EPS. For these reasons we continue to oppose this resolution. We have no criticism of Mr Lougher's performance. FY21 remuneration includes a vesting of 50% of grants measured at the end of FY20 when the company was measured at the 50% percentile in the relative TSR of the peer group. In another two of the last five years none of the grants have vested, largely due to fluctuations in the Nickel price affecting profits and hence the share price.

Item 6	**Resolution 5: Adoption of proportional takeover provisions**
ASA Vote	**For**

Summary of ASA Position

Proportional takeover provisions allow shareholders to decide if a proportional takeover bid is acceptable in principle and may assist in ensuring an appropriate price. By requiring a vote at least 14 days before closure of the bid, shareholders can combine to veto a bid that would lock them in to a minority position at a possibly unsatisfactory price. Alternatively, if the bid is approved, and they want to avoid a minority position, shareholders have time to sell their entire holding on market before the bid closes.

The provisions are in clause 7 of the company constitution, which also require a vote to renew them every three years. Because it affects the constitution this is a special resolution requiring a 75% majority. The ASA prefers full takeovers and supports this resolution to give some protection to retail shareholders.

Item 7	**Resolution 6: Approval of prior issue of placement shares**
ASA Vote	**For**

Summary of ASA Position

The listing rules allow a company to make a placement of shares amounting to no more than 15% of the current number without shareholder approval. The company cannot make another such issue within 12 months unless this resolution is approved. While it is unlikely a company would want to make another issue so soon, it has become customary to put a resolution of this nature. Shareholders are actually approving the capacity to issue another 15% within a year, but shareholders could oppose the resolution as a way of disapproving of the first issue. The ASA agrees with the necessity for a capital raising in this case and supports this resolution.

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.

CEO rem. framework for FY21	Target* $	% of Total	Max. Opportunity $m	% of Total
Fixed Remuneration	779 125	42%	779 125	42%
STI - Cash	389 563	21%	428 500	23%
STI - Equity	0	0%	0	0%
LTI	645 047	37%	645 047	35%
Total	1813 735	100.0%	1852 672	100%

The amounts in the table above are the amounts that are envisaged in the design of the remuneration plan. *Target remuneration is sometimes called budgeted remuneration and is what the company expects to award the CEO in an ordinary year, with deferred amounts subject to hurdles in subsequent years before vesting.