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

The Rise of Odysseus

Company/ASX Code	Western Areas Ltd/WSA
AGM date	Thursday 21 November 2019
Time and location	3.00pm Fraser's Function Room Kings Park Western Australia
Registry	Computershare
Webcast	No
Poll or show of hands	Poll on all items
Monitor	Tony McAuliffe with Geoff Corrick
Pre AGM Meeting?	Yes with Chair Ian Macliver and Company Secretary Joe Belladonna

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

Summary of ASA Position

Western Areas had a relatively safe and strong year demonstrated by achieving all production and cost guidance provided to the market. The Definitive Feasibility Study (DFS) for the Odysseus mine, located in Western Australia, has confirmed a robust and long-life mining operation and a decision to mine has been made. The Mill Recovery Enhancement Project is now in production at Forrestania's Cosmic Boy Concentrator (CBC, a nickel concentrator) achieving a 45 to 50% Nickel sulphide concentrate, albeit at a slightly lower rate than anticipated. The product has been sold to the spot market over the period. This has resulted in a 12-month offtake agreement with Sumitomo Metals and Mining Limited who are associated with the Electric Vehicle battery supply chain.

The Odysseus mine rehabilitation is well underway with the shaft headgear and winder expected on site in the 3rd quarter of Financial Year 2020 (FY20). First production of concentrate is expected by FY23. Ore reserve grade predictions are for 2% nickel. The company advise that the ore body should be cheaper to mine than the Forrestania operations and will have a mine life exceeding 10 years. Current ore production rates at Forrestania were down slightly on the previous FY but recovery increased slightly which more than compensated. Nickel concentrate sales increased on the previous FY by around 5%. Cash costs pre-smelting /refining increased 35 cents/tonne which was in line with the FY19 guidance. The ore reserves at Forrestania have decreased by approximately 10% over the FY but inclusion of the Cosmos tenements (Odysseus) increases ore reserves by another 8m tonnes. An exploration budget of $13m illustrates the confidence this company has in the future of nickel sulphide.

Summary

(As at FYE)	**2019**	**2018**	**2017**	**2016**	**2015**
NPAT ($m)	14.2m	11.8m	19.3m	-29.8	35.8
UPAT ($m)	14.2m	11.8	-13.8	-25.5	34.3
Share price ($)	1.96	3.56	2.11	2.15	3.23
Dividend (cents)	2	2	2	0	7
TSR (%)	-0.44	69.7	-0.9	-30.8	-27
EPS (cents)	5.19	4.34	7.09	(12.3)	15.1
CEO total remuneration, actual ($m)	1.69	1.67	1.95	1.78	1.53

For FY19, the CEO's total actual remuneration was **19 times** the Australian Full time Adult Average Weekly Total Earnings (based on May 2019 data from the Australian Bureau of Statistics).

Item 2 Resolution 1	**Re-election of Independent Non-Executive Director - Mr Ian Macliver**
ASA Vote	**For**

Summary of ASA Position

Mr Macliver was appointed as an independent non-executive director in October 2011. He is a member of the Audit & Risk, Remuneration and Nomination Committees. He is also a non-executive director of Sheffield Resources Ltd and Otto Energy Ltd. He is also the Chair of the Audit & Risk Committee and a member of the Remuneration and Nomination Committee of Otto Energy.

He is a Fellow of Chartered Accountants Australia and New Zealand, a Fellow of The Australian Institute of Company Directors and a Senior Fellow of The Financial Services Institute of Australasia.

He has a significant shareholding in WSA although less than the ASA required 1 year's fees equivalent after 3 years of service. Mr. Macliver agrees that Board members should have at least a meaningful holding in the companies whose Boards they serve on. He considers that volatile share prices can make the acquisition of shares a difficult task and can quote a number of instances where the acquisition is very difficult. He brings a wealth of financial/corporate experience to the WSA Board and has guided the company from the days of Executive Chair to the present day Board of 5 independent non-executive directors with a breadth of sound appropriate experience.

We support this resolution.

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

CEO rem. framework	Target* $m	% of Total	Max. Opportunity $m	% of Total
Fixed Remuneration	0.7	39%	0.7	39%
STI - Cash	0.4	22%	0.4	22%
STI - Equity	N/A	N/A	N/A	N/A
LTI	0.7	39%	0.7	39%
Total	1.8	100%	1.8	100%

Summary

The remuneration report is relatively clear but does not disclose “actual remuneration”. STI payments are in cash only and are measured against a list of Key Performance Indicators (KPI) that encompass operational /financial/corporate and exploration criteria. KMP achieved between 79% and 88% of the target STI opportunity. No member of KMP achieved 100% of their KPI target demonstrating the challenging KPIs set to trigger an STI payment. In the case of Long-term incentives (LTI), fair value has been used to calculate the number of performance rights. However, fair value will be discarded and replaced by market value commencing in FY20. The performance rights are measured over a 3-year period and retesting is not permitted. The rights vest according to a relative total shareholder return measure against a peer group of 24 companies.

Due to the relative total shareholder return hurdle not being met, no performance rights vested in the FY19 year. Obviously relative total shareholder return (TSR) is a somewhat elastic measure due to the volatility of commodity prices within the peer group of companies. A comparison between gold and nickel prices over the FY19 period will demonstrate this very clearly. We have recommended over a number of years to listed companies, that they consider the addition of another metric to facilitate the measurement process.

Also, of concern is the vesting schedule used to estimate the number of performance rights providing the percentile of performance rights that are eligible for vesting. The Schedule is over-generous as it allows 50% vesting at the 50th percentile, rather than the ASA preferred 30% vesting at the 51st percentile. We are encouraged by the non-vesting of the FY19 rights as evidence of alignment with shareholder interests and by the introduction of market value to be used in the FY20 to assess the number of rights to be allocated to eligible executives. Base salaries for Non-Executive Directors were maintained at a 5% discounted rate for the entirety of FY19. We support this resolution.

Item 4 Resolution 3	Approval of Performance Rights Plan
ASA Vote	**For**

Summary of ASA Position

As stated in the Explanatory Memorandum, this resolution must be approved by shareholders every 3 years and so it must be considered by shareholders and re-approved at this year's Annual General Meeting. It seems quite clear that approval of the Plan will enable WSA to issue new shares due to the vesting of performance rights and these new shares will be excluded from the 15% limit on new share issues. We support this resolution.

Item 5 Resolution 4	Grant of Performance Rights to Mr Daniel Lougher
ASA Vote	**Against**

Summary of ASA Position

This Resolution seeks approval for the issue of 428,130 Performance rights to Mr Lougher (or his nominee) and the acquisition of shares by them upon the vesting and exercise of such Performance Rights in accordance with the Performance Rights Plan. Although we have supported the Remuneration Report resolution there are still aspects of LTI remuneration that are at odds with ASA guidelines. We acknowledge the phasing in of market value for the calculation of performance rights awards but are still uncomfortable with the current Vesting Schedule and lack of an additional metric to Relative Total Shareholder Return. We are unable to support this resolution.

The individuals involved in the preparation of this voting intention have a shareholding in this company.